



**AUDIT REPORT
ON
THE ACCOUNTS OF
DISTRICT GOVERNMENT
KOHISTAN**

AUDIT YEAR 2013-14

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

| | |
|---|------|
| ABBREVIATIONS AND ACRONYMS | i |
| Preface | ii |
| EXECUTIVE SUMMARY | iii |
| SUMMARY TABLES & CHARTS | vii |
| Table 1: Audit Work Statistics | vii |
| Table 2: Audit observations Classified by Categories..... | vii |
| Table 3: Outcome Statistics | viii |
| Table 4: Table of Irregularities pointed out..... | ix |
| CHAPTER – 1..... | 1 |
| 1.1 District Government Kohistan..... | 1 |
| 1.1.1 Introduction | 1 |
| 1.1.2. Brief comments on Budget and Expenditure (Variance Analysis) | 1 |
| 1.1.3 Comments on the status of compliance with ZAC / PAC Directives | 2 |
| 1.2 AUDIT PARAS..... | 3 |
| 1.2.1 Misappropriation / Fraud..... | 3 |
| 1.2.2 Internal Control weaknesses | 10 |
| ANNEXURE..... | 13 |

ABBREVIATIONS AND ACRONYMS

| | |
|-----------|--|
| AP | Advance Para |
| BHUs | Basic Health Units |
| BOQ | Bill of Quantity |
| C & W | Communication & Works |
| CPWA Code | Central Public Works Account Code |
| CPWD Code | Central Public Works Department Code |
| CSR | Composite Schedule of Rate |
| CTR | Central Treasury Rules |
| DAC | Departmental Accounts Committee |
| DCO | District Coordination Officer |
| DDC | District Development Committee |
| DG | Director General |
| DHQ | District Headquarter |
| DPO | District Planning Officer |
| EDO | Executive District Officer |
| F&P | Finance and Planning |
| GFR | General Financial Rules |
| Km | Kilometer |
| PHE | Public Health Engineering |
| TS | Technical Sanction |
| XEN | Executive Engineer |
| PDMA | Provincial Disaster Management Authority |
| RDA | Regional Directorate of Audit |
| KDF | Kohistan Development Fund |

Preface

Articles 169 &170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, Section-115 of the Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended) and Section 168 of Local Government Act 2012 require the Auditor General of Pakistan to conduct audit of the receipts and expenditure of District Fund and Public Account of District Government.

The report is based on audit of the accounts of various offices of District Government, Kohistan for the financial years 2011-12 and 2012-13. The Director General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit during 2013-14 on test check basis with a view to reporting significant findings to the relevant stakeholders.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this report have been finalized in the light of written responses of the Departments and discussions in the DAC meetings.

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 115 of Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended), for causing to be laid before the Provincial Assembly of Khyber Pakhtunkhwa.

Islamabad
Dated:

(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Director General District Governments Audit, Khyber Pakhtunkhwa carries out the audit of 25 District Governments. Regional Directorate of Audit RDA Abbottabad, on behalf of the DG District Government Audit, Khyber Pakhtunkhwa carries out the audit of six District Governments namely Abbottabad, Mansehra, Haripur, Battagram, Torgar and Kohistan. This Regional Directorate has a human resource of 13 officers and staff, a total of 3900 mandays. The annual budget amounting to Rs12.015 million was allocated to this office. The office is mandated to conduct regularity financial attest audit & compliance with authority Audit and performance audit of programs/ projects.

District Government, Kohistan conducts its operations under Khyber Pakhtunkhwa Local Government Ordinance, 2001 as amended and Local Government Act 2012. It comprises one Principal Accounting Officer PAO covering seven groups of offices i.e. Finance & Planning, Revenue, Works & Services, Education, Health, Community Development and Agriculture. Financial provisions of the Ordinance describe the Government as District Local Fund and Public Account for which Annual Budget Statement is authorized by District Administrator in the form of budgetary grants as per Government of Khyber Pakhtunkhwa, Local Government and Rural Development Department notification No. SOE-IE&AD/9-49/2010 dated 20th February 2010.

Administratively, District Kohistan is subdivided into three tehsils namely, Dasso, Pattan and Palas. District Administration comprises Zilla Nazim/District Administrator and District Coordination Officer.

a. Audit Objectives

Audit was conducted with the objectives to ensure that:

1. Money shown as expenditure in the accounts was authorized for the purpose for which they were spent.
2. Expenditure incurred was in conformity with the law, rules and regulations framed to regulate the procedure for expending public money.
3. Every item of expenditure was incurred with the approval of the competent authority in the Government for expending the public money.

4. Public money was not wasted.
5. The assessment, collection and accountal of revenue were done in accordance with the law and there was no leakage of revenue which legally should come to Government.

b. Audit Methodology

Audit was carried out against the standards of financial governance provided under various provisions of the Khyber Pakhtunkhwa LGO, 2001 as amended, GFR Vol-I, II, Delegation of Financial Powers and other relevant overriding laws, which govern the propriety of utilization of the financial resources of the District Government in accordance with the regularity framework provided by the relevant laws.

The selection of the audit formations i.e. DDOs was made keeping in view the significance and risk assessment, samples were selected after prioritizing risk areas by determining significance and risk associated with identified key controls. Sample size selected in the audited formations ranged between 15% to 55%.

c. Expenditure audited

Out of total expenditure of the District Government, Kohistan for the financial year 2011-12 and 2012-13, auditable expenditure under the jurisdiction of RDA, Abbottabad was Rs1,555 million covering 01 PAO and 151 formations. Out of this RDA, Abbottabad audited an expenditure of Rs 541.345 million which, in terms of percentage, was 34% of auditable expenditure. 09 formations were planned in Audit Plan and 100% achievement against the planned activities was made.

d. Receipts audited

The receipts of District Kohistan for the financial year 2012-13 were Rs2.938 million. Out of this, RDA Abbottabad audited receipts of Rs1.512 million which, in terms of percentage, was 51% of auditable receipts.

e. Recoveries at the instance of audit

Recovery of Rs. 69.0259 million was pointed out during the audit. However recovery of Rs.1.018 million was affected till the finalization of this report. Out of the total recoveries pointed out, Rs11.406 million was not in the notice of the executive before audit.

f. Desk Audit

The audit year 2013-14 witnessed intensive application of desk audit techniques in RDA. This was facilitated through SAP connectivity, review of permanent files which helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. Desk Audit greatly facilitated in the identification of high risk areas for substantive testing in the field.

g. Changes in Rules, Practices and Systems

On pointation of audit, the management of the District Government agreed to conduct physical verification of the government assets. The management also agreed to deposit various government dues into government treasury. Audit stressed upon reconciliation of receipts and expenditure with the respective accounts office to which they agreed to.

h. Key audit findings of the report;

- i. Eight cases of non compliance of rules and irregularities Rs59.414 million were noted.¹
- ii. Observations due to lack of internal control system were noted in four cases amounting to Rs.255.593 million.²

Minor irregularities/weaknesses pointed during the audit are being pursued separately with the authorities concerned, as detailed at Annex-A.

¹ Para 1.2.1.1, 1.2.1.2.1.2.1.3, 1.2.1.4, 1.2.1.5, 1.2.1.6, 1.2.1.7, 1.2.1.8

² Para 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4

i. Recommendations

- i. Disciplinary action need to be taken to stop the practice of violation of the rules and regulations in spending the public money.
- ii. Strenuous efforts need to be made by the departments to recover long outstanding dues on account of water charges.
- iii. All sectors of District Government need to strengthen internal controls to ensure that reported lapses are preempted and fair value for money is obtained from public spending.
- iv. Deduction of taxes on supplies and contracts needs to be ensured.
- v. Unspent balances/lapsed deposits need to be deposited into treasury.
- vi. Inquiries need to be held to fix responsibility for losses, irregular payments and wasteful expenditure.
- vii. Decisions taken in DAC meetings need to be implemented.

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

| (Rs in million) | | | |
|-----------------|--|-----|------------|
| S. No | Description | No. | Budget |
| 1 | Total Entities PAO in Audit Jurisdiction | 01 | *1,555.058 |
| 2 | Total formations in audit jurisdiction | 151 | 1,555.058 |
| 3 | Total Entities PAO Audited | 01 | #541.345 |
| 4 | Total formations Audited | 09 | 541.345 |
| 5 | Audit & Inspection Reports | 09 | 541.345 |
| 6 | Special Audit Reports | - | - |
| 7 | Performance Audit Reports | - | - |
| 8 | Other Reports | - | - |

*Included receipt of Rs2.938 million.

#Included receipt of Rs1.512 million.

Table 2: Audit observations Classified by Categories

| (Rs in million) | | |
|-----------------|---|---------------------------------------|
| S. No | Description | Amount Placed under Audit Observation |
| 1 | Unsound asset management | 0 |
| 2 | Weak financial management | 59.414 |
| 3 | Weak Internal controls relating to financial management | 255.593 |
| 4 | Others | 0 |
| | Total | 315.007 |

Table 3: Outcome Statistics**(Rs in million)**

| S.# | Description | Expenditure on Acquiring Physical Assets Procurement | Civil Works | Receipts | Others | Total Current year | Total last year |
|-----|---|--|-------------|----------|-----------|--------------------|-----------------|
| 1 | Outlays Audited | 1.298 | 43.317 | 2.938 | 1,510.443 | 1,555.058 | 274.103 |
| 2 | Amount Placed under Audit Observations /Irregularities of Audit | 0 | 251.863 | 30.909 | 32.235 | 315.007 | 39.426 |
| 3 | Recoveries Pointed Out at the instance of Audit | 0 | 5.909 | 30.909 | 32.20 | 69.0259 | 28.603 |
| 4 | Recoveries Accepted /Established at the instance of Audit | | 5.909 | 30.909 | 32.20 | 69.0259 | 19.227 |
| 5 | Recoveries Realized at the instance of Audit | | 0 | 0 | 1.018 | 1.018 | 11.406 |

Table 4: Table of Irregularities pointed out

| (Rs in million) | | |
|------------------------|--|--|
| S. No | Description | Amount Placed under Audit Observation |
| 1 | Violation of Rules and regulations, principle of propriety and probity in public operation | |
| 2 | Cases of fraud, embezzlement, thefts and misuse of public resources. | 7.7 |
| 3 | Accounting Errors accounting policy departure from NAM ¹ misclassification, over or understatement of account balances that are significant but are not material enough to result in the qualification of audit opinions on the financial statements. | - |
| 4 | Quantification of weaknesses of internal control systems. | 255.59 |
| 5 | Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies | 51.714 |
| 6 | Non production of record | - |
| 7 | Others, including cases of accidents, negligence etc. | |
| | Total | 315.007 |

¹ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are based on IPSASCash).

CHAPTER – 1

1.1 District Government Kohistan

1.1.1 Introduction

Activities of District Government are managed through offices of District Coordination Officer and Executive District Officers under Khyber Pakhtunkhwa Local Government Ordinance 2001 (LGO 2001) and Local Government Act 2012. Each group of District Offices consists of an Executive District Officer (EDO). The EDO by means of a standing order distributes the work among the officers, branches, and/or sections of each district office. Following is the list of departments which manages the activities of District Government.

1. District Coordination Officer DCO
2. Executive District Officer Agriculture
3. Executive District Officer Community Development
4. Executive District Officer Education
5. Executive District Officer Finance and Planning
6. Executive District Officer Health
7. Executive District Officer Revenue
8. Executive District Officer Works and Services

Under Section 29(k) of the Khyber Pakhtunkhwa LGO 2001, Executive District Officer (EDO) act as Departmental Accounting Officer for his respective group of offices and he is responsible to the District Accounts Committee of the Zilla Council. All departments perform functions / activities under provisions of LGO, 2001, Khyber Pakhtunkhwa District Government Rules of Business, 2001 and provisions of Local Government Act 2012.

1.1.2. Brief comments on Budget and Expenditure (Variance Analysis)

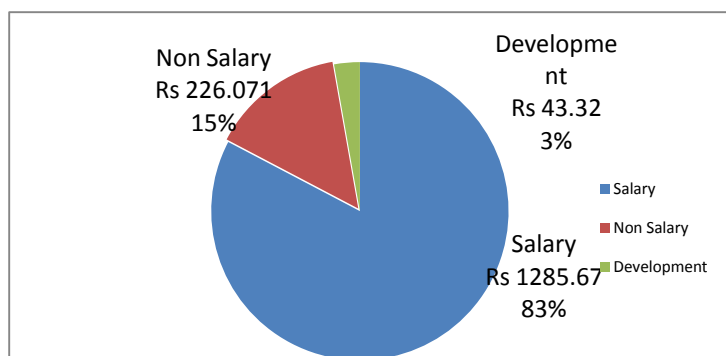
(Rs in million)

| 2010-11 | Budget | Expenditure | Saving/Excess | %age Savings/Excess |
|---------------|------------------|-----------------|----------------|---------------------|
| Salary | 1,425.75 | 1285.670 | 140.08 | 9.83% |
| Non-salary | 295.646 | 226.071 | 69.575 | 23.53% |
| Developmental | 46.90 | 43.317 | 3.583 | 7.64% |
| Total | 1,768.296 | 1555.058 | 213.238 | 12.06% |

A budget of Rs 1768.296 million was allocated, against which an expenditure of Rs1555.058 million was incurred by the District Government, Kohistan with a saving of Rs213.238 million during 2012-13.

Expenditure 2011-12

(Rs in million)



Detail is given at Annex - B

1.1.3 Comments on the status of compliance with ZAC / PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of PAC/ZAC meetings is given below:

| S.No | Audit Year | PAC/ZAC meeting convened / not convened |
|------|------------|---|
| 1 | 2002-03 | Not convened |
| 2 | 2003-04 | Not convened |
| 3 | 2004-05 | Not convened |
| 4 | 2005-06 | Not convened |
| 5 | 2006-07 | Not convened |
| 6 | 2007-08 | Not convened |
| 7 | 2008-09 | Not convened |
| 8 | 2009-10 | Not convened |
| 9 | 2010-11 | Not convened |
| 10 | 2011-12 | Not convened |

1.2 AUDIT PARAS

1.2.1 Misappropriation/Frauds

1.2.1.1 Unauthorized retention of KDF Cess fund- Rs.26.988 million

As per Government of Khyber Pakhtunkhwa Local Government and rural development department Local council board letter No.AO-II/LCB/10-1/2011 dated 07.12.2011 , 70% of the district share shall become the part of District budget to be spent through TMAs on municipal services while 30% shall be transfer to Provincial Account

EDO F&P Kohistan during the year 2011-12 retained Rs26.988 million in account IV on account of KDF, but did not transfer 30% to provincial government and 70% to TMAs for municipal services.

Audit observed that non transferring of KDF Cess fund was occurred due to weak financial management.

When reported in April 2012, Management replied that an amount of Rs 26.988 million is only the 70% share of district while 30% share was deposited to the provincial account, while this office has received no advice from the provincial government to 70% district share.

DAC in its meeting held on 04.12.2013 directed to transfer the amount under observation to the quarter concerned. No progress was intimated till finalization of this report.

Audit suggests to transfer the amount to TMAs and Provincial account as per above under intimation to audit.

AP 46 AC-IV (2011-12)

1.2.1.2 Non deposit of auction money Rs 3.550 million in government treasury

Under Article 284 of the Constitution all moneys received by or deposited with any officer employed in connection with the affairs of the Union in his capacity as such, other than Revenues or public moneys raised or received by Government shall be paid into the Public Account.

EDO (S&L) Kohistan auctioned various schools and realized Rs 3,550,000 during the year 2012-13. The amount so realized was required to be deposited in to Government treasury. However, the amount was kept in designated account of EDO Education, against the above mentioned criteria which needs justification.

Non deposit of auction money was occurred due to weak financial management and loss to government.

When reported in August 2013, Management stated that actual amount of auction Rs 3419000, still lying in the designated account for the want of necessary permission of high up.

The reply was not cogent as the amount under observation needs to be deposited into government treasury.

DAC in its meeting held on 04.12.2013 directed to deposit the amount under observation into government treasury. No progress was intimated till finalization of this report.

Audit suggests depositing the amount into government treasury and action against the person(s) at fault under intimation to audit.

AP 03 AC-IV (2012-13)

1.2.1.3 Overpayment on account of conveyance allowance – Rs.12.833 million

According to Accountant General Khyber Pakhtunkhwa Peshawar letter No. Computer/HR-LAB/CIC/203 dated 04-08-2011, conveyance allowance is not admissible to teachers during Summer/ Winter vacations.

Sub-Divisional Education Officer (Male and Female), Kohistan overpaid Rs 12.833 million on account of conveyance allowance to teachers posted in various boys and girls primary schools in the district during summer (July & August, 2012) and winter vacations (January 2013) for which they were not entitled,as detailed below:

| S. No | Name of Office | Amount (Rs) |
|--------------|-------------------------------|---------------|
| 1 | DDO Male Education Kohistan | 9.157 |
| 2 | DDO Female Education Kohistan | 3.676 |
| Total | | 12.833 |

Non deduction of conveyance Allowance has occurred due to weak management control.

When reported in October 2013, management stated that recovery would be made from monthly salary. The reply was not cogent as the management did not start recovery.

DAC in its meeting held on 04.12.2013 directed to recover the conveyance allowance from the teachers concerned. No progress was intimated till finalization of this report.

Audit suggests recovery and action against the person(s) at fault under intimation to audit.

AP 08,13 AC-IV (2012-13)

1.2.1.4 Over payment on account of upgradation of schools-Rs 1.152

Government of Khyber Pakhtunkhwa Finance Department Notification No.BO.I/FD/1-7/2010-11/CSR dated Peshawar.29.03.2011

XEN C&W Kohistan paid Rs. 16,694,164 for a work "Upgradation of 150 High Schools to Higher Secondary schools and Govt.High schools to Middle Schools to MS Hollywood Contractors vide Voucher No.14-PS dated 25.06.2013 with 26.90% premium instead of 20% on Composite Schedule of Rates. Allowing higher premium resulted overpayment of Rs1,151,897.

| Name of work | Expenditures (Rs) | Premium Allowed | Premium Paid | Difference | Overpayment (Rs) |
|---|-------------------|-----------------|--------------|------------|------------------|
| Upgradation of 150 HS to Higher Secondary SH:GHS Bada Kot | 16,694,164 | 20% | 26.90% | 6.90% | 1,151,897 |

Overpayment was made due to weak financial management which resulted in loss to government

When reported in August 2013, management stated that proper reply would be furnished after scrutiny of office record.

Request for convening of DAC meeting was made on 11.09.2013 .DAC meeting could not be held till finalization of this report.

Audit suggests recovery and action against the person(s) at fault under intimation to audit.

AP 13 AC-I (2012-13)

1.2.1.5 Loss of Rs.7.700 million due disputed schemes district secretariat dassu

Para 23 of GFR Vol-1 states that every Government Officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

Executive Engineer C&W Kohistan awarded a work “Construction of District Secretariat Kohistan” to Government contractor for Rs 7.710 million and was paid vide different vouchers the said work was stopped due to local dispute which resulted into loss to government of Rs7.710 million.

Loss occurred due to weak financial management which resulted in loss to government.

When reported in August 2013, management stated that proper reply would be furnished after scrutiny of office record.

Request for convening of DAC meeting was made on 11.09.2013. DAC meeting could not be held till finalization of this report.

Audit suggests recovery and action against the person(s) at fault under intimation to audit.

AP 17 AC-I (2012-13)

1.2.1.6 Un-Necessary retention of Government money-Rs.2.063 million in PW-II Deposits

Para 399 of CPWA Code requires that balances remained unclaimed for complete three year should be lapsed and credited to government treasury.

In office of the XEN PHE Kohistan, during scrutiny of register of PW Deposits –II it was observed that unclaimed balances of Rs 2,062,557 were lying since last three years, which according to rule should be credited to government account. Detailed is as follows.

| Item No. | Date | Name of Contractor | Amount (Rs) |
|-----------------|-------------|---------------------------|--------------------|
| 7/7 | 7/2005 | Gul Faraz | 590,075 |
| 16/18 | 08/2009 | Munawar Shah | 436,772 |
| 16/18 | 06/2009 | Munawar Shah | 1,035,710 |
| Total | | | 2,062,557 |

Irregular retention has occurred due to weak financial management.

When reported in August 2013, management stated that proper reply would be furnished after scrutiny of office record.

Request for convening of DAC meeting was made on 11.09.2013. DAC meeting could not be held till finalization of this report.

Audit suggests crediting the unclaimed deposit into Government Treasury and action against the person(s) at fault under intimation to audit.

AP 08 AC-I (2012-13)

1.2.1.7 Overpayment of Rs4.757 million

According to serial No. 08-01-d-03 of CSR 2009, 50% reduced rate was required to paid for execution of R.R stone masonry laid dry and R.R stone masonry in CM (1:6).

Deputy Director W&S department Kohistan awarded the work “Strengthening of Road from KKH to Kandao (Shifted to Khan Khar) to Muslim Bagh Government Contractor. Scrutiny of voucher No. 19-P, dated 17.06.2013 revealed that payment was made @ Rs 3185 per cubic meter on account of execution of item RR stone masonry for a quantity of 1920 cubic meter instead of 50% reduced rate or labour rate due availability of stone from excavation in hard rock, hence resulting into overpayment of Rs 4,756,909 as detailed below.

| Item of work | Rate paid | Tare due | Excess | Quantity | Total |
|---------------------------|-----------|----------|---------|----------|------------------|
| RR stone laid in CM (1:6) | 3185 | 1373.92 | 1811.08 | 1920 CM | 3,477,273 |
| Add: 14% Location Factor | | | | | 486,818 |
| Add: 20% Premium | | | | | 792,818 |
| Total | | | | | 4,756,909 |

Overpayment was occurred due to weak management control.

When pointed out in August 2013, management stated that proper reply would be furnished after scrutiny of office record.

Request for convening DAC meeting was made on 11.09.2013. DAC meeting could not be held till finalization of this report.

Audit suggests recovery and action against the person(s) at fault under intimation to audit.

AP 20 AC-I (2012-13)

1.2.1.8 Loss to Government due to non deposit of Ambulance receipts Rs 0.371 million

Para 26 of GFR Vol-1 requires that it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

DHO Kohistan did not collect ambulance receipts amounting to Rs 371,312 for the year 2012-13 which resulted into loss to government.

Loss occurred due to weak financial management.

When reported in November 2013, management stated that Rs59,120 have been deposited vide challans. The reply was not cogent as the remaining amount also needs recovery.

DAC in its meeting held on 04.12.2013 directed to deposit the whole amount under audit observation. No progress was intimated till finalization of this report.

Audit suggests full recovery and action against the person(s) at fault under intimation to audit.

AP 25 AC-IV (2012-13)

1.2.2 Internal Control weaknesses

1.2.2.1 Irregular payments of Rs 236.191 million without Technical Sanction

Para 178 of GFR Vol-I & Para-56 of CPWA code provides that the work may not be started/executed without technical sanction.

XEN C&W Kohistan during the year 2012-13, incurred Rs.236.191 million on the following developmental schemes without technical sanction.

| S. No | Name of Schem | Estimated Cost(million) | Expenditure (million) |
|-------|---|-------------------------|-----------------------|
| 1 | Construction of Judicial lockup at Dassu | 3.912 | 2.00 |
| 2 | Construction of Judicial lockup at Dassu | 3.912 | 2.00 |
| 3 | Construction of BT 14KM road in Kohistan | 131.162 | 130.198 |
| 4 | Construction of District Secretariat Dassu | 33.050 | 7.710 |
| 5 | Establishment of Polytechnic Institute in Pattan Phase-I Civil Work | 103.393 | 94.283 |
| | Total | | 236.191 |

Irregular payment has occurred due to weak internal control which resulted in loss to government.

When reported in August 2013, management stated that proper reply would be furnished after scrutiny of office record.

Request for convening of DAC meeting was made on 11.09.2013. DAC meeting could not be held till finalization of this report.

Audit suggests that technical sanction should be obtained for all the schemes, and this practice of commencement of work without technical sanction must be discontinued in future.

AP 11 C-I (2012-13)

1.2.2.2 Non deduction of income Tax-Rs.17.489 million

Income Tax Ordinance, 2001, provides that Income Tax @ 6% be recovered from the suppliers.

Executive Engineer C&W Kohistan incurred Rs. **291.487** million on account of various developmental schemes during the year 2012-13. Local office was required to deduct Income tax from contractor bills @ 6% amounting to Rs 17.489 million but the same was not deducted as per Annex-C.

Non deduction of income tax has occurred due weak internal control.

When reported in August 2013, management stated that proper reply would be furnished after scrutiny of office record.

Request for convening of DAC meeting was made on 11.09.2013 DAC meeting could not be held till finalization of this report.

Audit suggests recovering and depositing the income tax into government treasury.

AP 16 AC-I (2012-13)

1.2.2.3 Non deduction of sales tax- Rs 1.187 million

According to Sales Tax ordinance 2001 purchases shall be made from sales tax registered firm or sales tax @ 16 % shall be recovered on all taxable supplies.

During audit of PHE,DHO and EDO Education as per Annexure D made payment of Rs 7,378,536 for the purchase of different items for the year 2012-13. Sales tax @ 16% was required to be deducted from the supplier however the amount was neither deducted nor deposited in to Government Treasury. Due to non deduction of sales tax, government sustained loss amounting to Rs1,187,188.

Loss occurred due to weak internal control which resulted in loss to government.

When reported in October 2013, management stated that tax has been deducted by District Accounts office Kohistan. The reply was not cogent as no sales tax challans was provided to audit.

DAC in its meeting held on 04.12.2013 directed to deposit the whole amount under audit observation. No progress was intimated till finalization of this report.

Audit suggests to deposit the sales tax into government treasury under intimation to audit.

AP 27,10,5 AC-IV (2012-13)

1.2.2.4 Non supply of medicines amounting to Rs 0.726 million

According to Government Khyber Pakhtunkhwa MCC Peshawar letter No.4020-42 dated 27.12.2012 the selection committee of MCC can blacklist or forfeit call deposits of manufacturers/importers for non supply/short supply and substitute supply

DHO Kohistan paid Rs 726,000 for the purchase of medicines during 2012-13 However the medicines have not been supplied till the date of audit neither the firms were blacklisted nor call deposits were forfeited. Detail as under:

| S. No | Name of Firm | Amount |
|--------------|--------------------|----------------|
| 1 | MS Jawa Pharma | 461,000 |
| 2 | MS Barrett Hodgson | 265,000 |
| Total | | 726,000 |

Non supply of medicines occurred due weak internal control.

When reported in October 2013, management stated that amount of Rs.726,000 will be deposited into government treasury and challans will be provided to audit.

The reply was not cogent as no amount was deposited into government treasury.

DAC in its meeting held on 04.12.2013 directed to deposit the whole amount into government treasury, no deposit challans were provided till finalization of this report.

Audit suggests to deposit the amount into Government Treasury, immediately and challans be provided to Audit.

AP 30 AC-IV (2012-13)

ANNEXURE

Annex -A

Detail of MFDAC Paras

(Rs in million)

| S No | AP No | Department | Gist of para | Amount |
|--------------|-------|---------------|---|----------------|
| 1 | 01 | PHE | Overpayment | 0.913 |
| 2 | 02 | ---do--- | Un authorized execution of M&R works | 18.428 |
| 3 | 04 | EDO Education | Un authorized expenditures on account of TA/DA | 0.200 |
| 4 | 06 | ---do--- | Irregular expenditures on account of POL | 0.141 |
| 9 | 07 | ---do--- | Irregular expenditures on account of Purchase of Stationary | 0.097 |
| 10 | 09 | DDO Female | Unauthorized drawl on account of Absent periods | 1.018 |
| 12 | 14 | DDO Male | Doubtful drawl on account of Arrear | 0.128 |
| 13 | 18 | DCO | Mis appropriation on account of Repair of Vehicles | 0.710 |
| 14 | 20 | | Illegal retention of government money Doubtful payment on account of TA/DA | 1.617 |
| 17 | 21 | DOR | Irregular expenditure on account of acquisition of land | 262.148 |
| 18 | 22 | --- | Un authentic expenditures on account of TA DA | 0.763 |
| 20 | 23 | ---do--- | Overpayment on account of conveyance allowance | 0.035 |
| 22 | 24 | do | Blockage of Government money | 17.860 |
| 23 | 26 | DHO | Non deduction of stamp duty | 0.234 |
| 24 | 28 | ---do--- | Non deduction of income tax | 0.109 |
| 26 | 29 | ---do--- | Non production of record | 0 |
| Total | | | | 304.401 |

**EDO wise Expenditure Summary
District Kohistan-2012-13**

| Department | Salary (Rs) | Non Salary (Rs) | Total Expenditure (Rs) | %age |
|--|---------------|-----------------|------------------------|------------|
| DCO | 39,745,114 | 6,090,041 | 45,835,155 | |
| Executive District Officer Finance & Planning | 23,446,168 | 2,985,480 | 26,431,648 | |
| Executive District Officer Revenue | 30,093,441 | 4,251,628 | 34,345,069 | |
| executive district officer Education | 905,259,178 | 163,974,991 | 1,069,234,169 | |
| Executive District Officer Health | 102,786,003 | 18,097,830 | 120,883,833 | |
| Executive District Officer Agriculture | 45,047,550 | 7,100,029 | 52,147,579 | |
| Executive District Officer Works | 100,447,094 | 17,652,324 | 118,099,418 | |
| Executive District Officer Community | 38,845,450 | 5,918,677 | 44,764,127 | |
| Sub Total | 1,285,669,998 | 226,071,000 | 1,511,740,998 | |
| | 81% | 16% | | 97% |
| Developmental | | | 43,317,000 | 3% |
| Grand Total | | | 1,555,058,098 | 100 |

Annex C

Non Deduction of Income Tax

(Rs in million)

| S. No | Name of Scheme | Expenditure | 6% Income Tax |
|--------------|--|--------------------|----------------------|
| 1 | Provision of Basis facilities in Schools | 6.953 | 0.41718 |
| 2 | Construction of 300 Additional Class rooms | 8.95 | 0.537 |
| 3 | Rehabilitation of 200 Primary Schools | 32 | 1.92 |
| 4 | Upgradation of 120 Primary to middle Level schools | 24.5 | 1.47 |
| 5 | Coverion of Mosque Schools | 4 | 0.24 |
| 6 | Upgradation of 150 Middle Schools | 29.80 | 1.788 |
| | Upgradation of 150 Primary schools to Middle Level | 34.957 | 2.09742 |
| 8 | Construction of 1000 Additional Class rooms | 33.688 | 2.02128 |
| 9 | Upgradation of 150 High Schools in Higher Seondry Level in KPK (3 in Kohistan) | 48.14 | 2.8884 |
| 10 | Upgradation of 100 Primary Schools to Middle Level in KPK | 21.21 | 1.2726 |
| 11 | Upgradation of 100 MiddleSchools to High Schools SH: GMS Sholgara shifted to Karobair Pattan | 12.7 | 0.762 |
| 12 | Construction of 300 Add:C.Rooms in Seondry Schools in KPK on need basis(7in Kohistan District) | 9.513 | 0.57078 |
| 13 | Construction of 10 Education offices | 7.804 | 0.46824 |
| 14 | Construction of 150MS to HS on need basis(2 in Kohistan Distt) | 17.272 | 1.03632 |
| | Total | 291.487 | 17.48922 |

Annex-D**(Amount in Rs)**

| Non deduction of Sales Tax | | | | | |
|-----------------------------------|--|--------------------------|----------------------------------|---------------|------------------|
| PHE Kohistan | | | | | |
| S. No | Name of Scheem | Contractor | Work | Amount | Sales tax |
| 1 | Package 8 District ADP | M.Hassan Khan | Supply of Generator 30KV | 800,000 | 128,000 |
| 2 | Installation of Water Filtration Plant at Sub jail Dassu | MS Gul Khan and Brothers | installation of filtration Plant | 2,345,000 | 375,200 |
| Total (A) | | | | | 503,200 |
| DHO Kohistan | | | | | |
| 1 | Guaze | | Office Pharma | 502,142 | 80,342 |
| 2 | do | | Rehman Rainbow | 289,410 | 46,305 |
| 3 | do | | Uniferoz | 27,500 | 4,400 |
| Total (B) | | | | | 137,678 |
| EDO Education | | | | | |
| 1 | Furniture | | SIDB | 3,414,484 | 546,717 |
| Total (C) | | | | | 546,717 |
| Grand Total (A+B+C) | | | | | 1,187,595 |