



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
DISTRICT GOVERNMENT  
KARAK  
AUDIT YEAR 2012-13**

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**AUDITOR GENERAL OF PAKISTAN**

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## **ABBREVIATIONS AND ACRONYMS**

ADP	Annual Development Programme
AP	Advance Para
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule of Rate
CRC	Classroom Consumable
C&W	Communication and Works
DAC	Departmental Accounts Committee
DAO	District Accounts Officer
DCO	District Coordination Officer
DGHS	Director General Health Services
DO	District Officer
DDO	Deputy District officer
EDO	Executive District Officer
E&SE	Elementary and Secondary Education
GFR	General Financial Rules
GST	General Sales Tax
MCC	Medicine Coordination Cell
MFDAC	Memorandum for Departmental Accounts Committee
MS DHQ	Medical Superintendent District Headquarters
NBP	National Bank of Pakistan
NIT	Notice Inviting Tender
OPD	Out Patient Department
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PESCO	Peshawar Electricity Supply Corporation
PHE	Public Health Engineering
PPHI	People Primary Health Initiative
PWP	People Works Programme
RDA	Regional Directorate Audit
R&E	Revenue & Estate
TMA	Tehsil Municipal Administration
XEN	Executive Engineer

## **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 and Section-115 of the Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended) 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, Karak for the financial year 2010-11 and 2011-12. The Director General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit during 2012-13 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 discussion 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 transmission to the appropriate legislative forum.

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) Kohat, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of three District Governments namely Hangu, Kohat and Karak. This Regional Directorate has a human resource of 7 officers and staff, a total of 1,953 man days. The annual budget amounted to Rs7.279 million. The office is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programmes/ projects.

District Government, Karak conducts its operations under Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended). 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 the District Nazim/Administrator in the form of budgetary grants.

Administratively, District Karak is subdivided into three tehsils namely, Karak, Takhte Nasrati and Banda Duad Shah. District Administration comprises of Zilla Nazim/District Administrator and District Coordination Officer.

### **a. Audit Objectives**

Audit was conducted to ensure that:

1. Moneys shown as expenditure in the accounts were 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 the 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 allocation 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 20% to 30%.

**c. Expenditure audited**

Total expenditure of the District Government Karak for the financial year 2011-12, was Rs2,533.256 million covering one PAO and 108 formations. Out of this, Regional Directorate Audit (RDA) Kohat audited expenditure of Rs721.657 million which, in terms of percentage, is 28.5 % of total expenditure. Six (06) formations were planned and 100 % achievement against the planned activities was made.

**d. Receipts audited**

The receipts of District Karak for the financial year 2011-12, were Rs4.331 million. Out of this, RDA Kohat audited receipts of Rs0.959 million which, in terms of percentage, is 22.14 % of auditable receipts.

**e. Recoveries at the instance of audit**

Recovery of Rs68.196 million was pointed out during the audit. However recovery of Rs1.095 million was affected till finalization of this report. Out of the total recoveries, Rs36.23 million was not in the notice of the executive before audit.

**f. Desk Audit**

The audit year 2012-13 witnessed intensive application of desk audit techniques in RDA. This was facilitated through internet and 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 the identification of high risk areas for substantive testing in the field.

**g. Changes in Rules, Practices and Systems**

On pointation of audit, Management of the District Government agreed to conduct physical verification of the government assets. 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.

**h. Key audit findings of the report;**

- i. Miss appropriation of record was noted in one case amounting to Rs1.4 million.<sup>1</sup>
- ii. Non-production of record was noted in three cases amounting to Rs120.352 million.<sup>2</sup>
- iii. Irregularities/ non compliance were noted in four cases amounting to Rs45.291 million.<sup>3</sup>
- iv. Internal control weaknesses were noted in four cases amounting to Rs37.978 million.<sup>1</sup>

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<sup>1</sup>Para 1.2.1.1

<sup>2</sup> Para 1.2.2.1, 1.2.2.2, 1.2.2.3

<sup>3</sup> Para 1.2.3.1, 1.2.3.2, 1.2.3.3, 1.2.3.4



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

**i. Recommendations**

- i. Audit needs to be facilitated through production of all auditable record.
- ii. Disciplinary actions need to be taken to stop the practice of violation of the rules and regulations in spending the public money.
- iii. Strenuous efforts need to be made by the departments to recover long outstanding dues on account of water user charges.
- iv. All sectors of District Government need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.
- v. Deduction of taxes on supplies and contracts needs to be ensured.
- 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.

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<sup>1</sup> Para 1.2.4.1, 1.2.4.2, 1.2.4.3, 1.2.4.4

## SUMMARY TABLES & CHARTS

**Table 1: Audit Work Statistics** **(Rs in million)**

Sr. No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	01	2,537.587
2	Total formations in audit jurisdiction	108	2,537.587
3	Total Entities (PAO) Audited	01	721.657
4	Total formations Audited	06	721.657
5	Audit & Inspection Reports	06	721.657
6	Special Audit Reports	--	--
7	Performance Audit Reports	--	--
8	Other Reports	--	--

**Table 2: Audit observation Classified by Categories** **(Rs in million)**

S. No	Description	Amount Placed under Audit Observation
1	Unsound asset management	19.157
2	Weak financial management	1.4
3	Weak Internal controls relating to financial management	64.112
4	Others	120.352
<b>Total</b>		<b>205.021</b>

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

#	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total Current year	Total last year
1	Outlays Audited	20.005	100.393	0.959	600.30	721.657	506.141
2	Amount Placed under Audit Observation /Irregularities of Audit	19.157	32.364	--	153.50	205.021*	105.23
3	Recoveries Pointed Out at the instance of Audit	--	25.01	--	43.186	68.196	62.152
4	Recoveries Accepted /Established at the instance of Audit	--	1.284	--	34.943	36.227	19.949
5	Recoveries Realized at the instance of Audit	--	--	--	1.095	1.095	3.583

\*The amount placed under audit observation pertains to 2010-11 and 2011-12.

**Table 4: Table of Irregularities pointed out (Rs in million)**

<b>S.No.</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Violation of Rules and regulations, principle of propriety and probity in public operation	34.574
2	Report cases of fraud, embezzlement, thefts and misuse of public resources.	1.4
3	Accounting Errors (accounting policy departure from NAM <sup>1</sup> , 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.	10.717
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	37.978
6	Non-production of record	120.352
7	Others, including cases of accidents, negligence etc.	--
<b>Total</b>		<b>205.021</b>

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<sup>1</sup> The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS(Cash).

## **CHAPTER 1**

### **1.1 District Government Karak**

#### **1.1.1 Introduction**

Activities of District Governments are managed through offices of District Coordination Officer and Executive District Officers under Khyber Pakhtunkhwa Local Government Ordinance 2001 (LGO 2001). District Offices are headed by Executive District Officers (EDOs). 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 offices which manage 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 be responsible to the District Accounts Committee of the Zilla Council. All departments formed functions / activities under provisions of LGO, 2001 and Khyber Pakhtunkhwa District Government Rules of Business, 2001.

#### **1.1.2 Brief comments on Budget and Expenditure (Variance Analysis)**

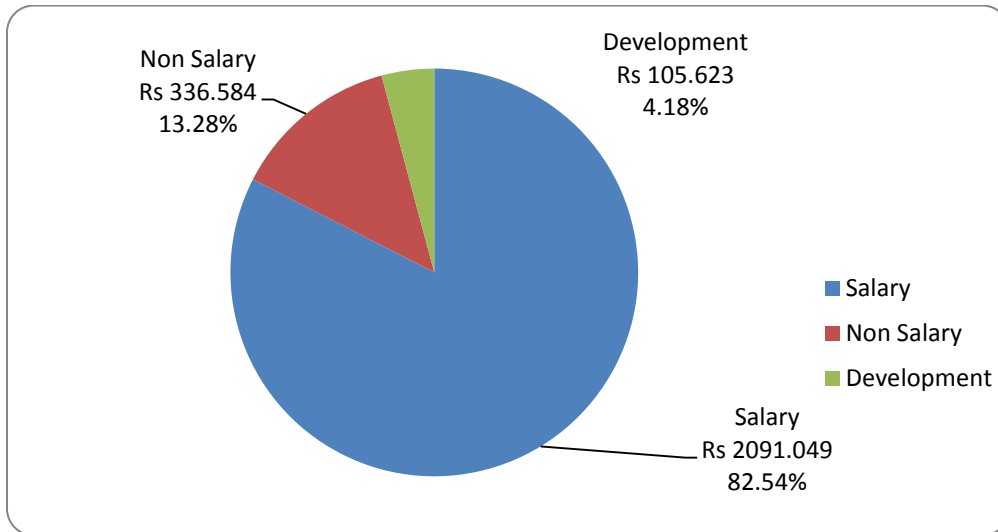
**(Rs in million)**

<b>2011-12</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Saving/Excess</b>
Salary	2,091.080	2,091.049	(0.031)
Non-salary	340.073	336.584	(3.489)
Developmental	187.226	105.623	(81.603)
<b>Total</b>	<b>2,618.379</b>	<b>2,533.256</b>	<b>(85.123)</b>

A budget of Rs2,618.379 million was allocated, against which an expenditure of Rs2,533.256million was incurred by the District Government, Karak with a saving of Rs85.123 million during 2011-12.

### EXPENDITURE 2010-11

(Rs in million)



Detail is given at Annex-B

### 1.1.3 Brief 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. Details of PAC/ZAC meetings are given below:

S #	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/ Fraud**

#### **1.2.1.1 Misappropriation due to substandard work-Rs1.4 million**

According to Para 220 &221 of CPWD Code the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

As per clause 2 of the contract agreement penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

DCO, Karak paid Rs3,000,000 against the estimated cost for Rs4,000,000 on account of execution of the scheme “Street pavement, sanitation drain, repair of BTR/culverts in Teri” through TMA Banda Daud Shah under Gas Royalty during 2011-12. The following irregularities were noticed:

- i. Fake entries were recorded in MB No. 2GR Page No. 23 for payment of Rs3,000,000 to contractor as the Tehsil Officer Infrastructure of the local office issued notice to the contractor vide No. 42/TMA/BDS dated 21.2.2012 regarding completion of the substandard work within seven days. TMO of the local office issued another notice to the contractor vide No. 172/TMA/BDS dated 28.5.2012 in which it was admitted that the total work done upto date was measured for Rs1,600,000 instead of Rs3,000,000 as a result Rs1,400,000 was overpaid to the contractor. Neither the matter was brought into notice of the payment authority that was DCO nor any further action was taken by the local office.
- ii. Work order was issued on 29.08.2011 vide No. 553/TMA/BDS wherein 8 months time for completion of the scheme was given. Neither the work was completed till date of audit in September, 2012 nor the penalty of Rs400,000 @ 10% recovered from the contractor as extension was neither requested by the contractor nor was granted by the local office.

Audit observed that misappropriation of public money occurred due to non compliance of government rules, which resulted in loss to Government.

When reported in July 2012, Management stated that three months extension was given to the contractor for completion of work for which payment has already been made. Reply was not tenable as neither documentary proof was produced nor the work was completed.

DAC in its meeting held on 22.11.2012, directed that the inquiry committee be constituted under DCO to probe into the matter. No progress was intimated till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and inquiry under intimation to Audit.

AP 58 (2011-12)



## 1.2.2 Non-production of record

### 1.2.2.1 Non production of developmental fund record- Rs79.999 million

According to Section 14(1-b) & (3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 the Auditor General has the authority to require any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to transactions to which his duties in respect of audit extend hence any person or authority hindering the auditorial functions of the Auditor General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

DCO, Karak paid Rs79,999,990 to contractors on account of execution of the following schemes through TMA Takhte Nasrati under PWP-II during 2011-12. Relevant record was not produced to audit despite repeated requests.

S No	Name of Scheme	Name of Contractor	Amount (Rs)
1	Installation of 116 Pressure Pumps	Nadir Khan	30,000,000
2	Supply and fixing of PVC Pipeline	Sajid Maroof	10,000,000
3	Installation of 11 Tubewells	KK constructions	39,999,990
<b>Total</b>			<b>79,999,990</b>

Audit observed that non production of record occurred due to non compliance of government rules, which resulted into non verification of record.

When reported in July 2012, Management stated that the record of development schemes would be provided to audit.

DAC in its meeting held on 22.11.2012, directed that the relevant record be produced and the reason for non provision of record also be shown to audit. No progress was intimated till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and inquiry under intimation to Audit.

AP 57 (2011-12)

### **1.2.2.2 Non production of record-Rs39.153 million**

According to Section 14(1-b) & (3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 the Auditor General has the authority to require any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to transactions to which his duties in respect of audit extend hence any person or authority hindering the auditorial functions of the Auditor General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

EDO Health, Karak released funds amounting to Rs39,153,172 to PPHI for Basic Health Units during 2011-12. Relevant record was not produced to audit despite repeated requests.

Audit observed that non production of record occurred due to non compliance of government rules, which resulted into non verification of record.

When reported in July 2012, Management stated that the case was referred to District Support Manager, PPHI Karak for production of record. No record was produced till finalization of this Report.

DAC in its meeting held on 21<sup>th</sup> November 2012, directed that the matter be taken with Director General Health Services and Project Director PPHI regarding production of record. No progress was intimated till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and inquiry under intimation to Audit.

AP 05 (2011-12)

### **1.2.2.3 Non production of record-Rs1.200 million**

According to Section 14(1-b) & (3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 the Auditor General has the authority to require any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to transactions to which his duties in respect of audit extend hence any person or authority hindering the auditorial functions of the Auditor General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

XEN, PHE Karak paid Rs585,340 and Rs614,660 for works "Feasibility Study Implementation Sanitation Scheme Bogara" and "Feasibility Study Implementation Sanitation Scheme Tapi Algada" respectively under provincial ADP during 2010-11. NIT, comparative statements, Administrative Approval, Agreement, survey reports etc were not produced for audit scrutiny.

Audit observed that non production of record occurred due to weak internal control, which resulted into non verification of record.

When reported in June 2011, Management stated that the relevant record in support of work done lying in the office of the Chief Engineer, PHE Department Peshawar, which would be provided as and when received. Reply was not tenable as record was not produced to Audit for verification.

DAC in its meeting held on 29.11.2011, directed that record be produced for audit within 15 days. No progress was intimated till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and inquiry under intimation to Audit.

AP 44 (2010-11) A/C-I

### **1.2.3 Irregularity/ Non compliance**

#### **1.2.3.1 Award of work to project leaders without adopting open tender system-Rs26.134 million**

Para 144 of GFR Vol.-I open tender system should be adopted in order to obtain economical and lowest rates.

XEN, PHE, Karak executed 58 and 10 development schemes valuing Rs16,180,153 and Rs9,954,477 out of District ADP and AOM&R respectively through project leaders without adopting open tender system during 2011-12.

Audit observed that irregularity occurred due to non compliance of government rules, which resulted in violation of Government Rules.

When reported in September 2012, Management stated that works were executed through project leaders duly approved by the DCO and technically sanctioned. Reply was not tenable as open tender system was not adopted to achieve economical rates.

DAC in its meeting held on 21.11.2012, directed that Finance Department be approached to clarify the execution of work through project leaders. No progress was intimated till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and inquiry under intimation to Audit.

AP 48, 52 (2011-12)

#### **1.2.3.2 Irregular withdrawal of money in advance and non supply of machinery and equipments -Rs10.717 million**

According to para 96 of GFR Vol-I money should not be spent hastily or in ill-considered manner just because it is available or that the lapse of a grant could be avoided. As per sanction accorded by DGHS Khyber Pakhtunkhwa vide No 508-11/Procurement dated 07-6-2012 and 512-15/Procurement dated 07-06-2012 payment will be made after receipt of all the items purchased and taken on stock register dully inspected by the inspection committee.

EDO Health, Karak purchased machinery and equipments amounting to Rs10,717,401 during 2011-12. Money was drawn in advance and retained in shape of bank drafts, as supply orders were issued in June 2012 but supply was not made till date of audit i.e July 2012. Further, 5% penalty amounting to Rs535,870 was also not imposed for delay in supply (detail at Annex-C).

Audit observed that irregularity occurred due to non compliance of government rules, which resulted in loss to government.

When reported in July 2012, Management stated that all the machinery and equipments were foreign made and its supply would take time. Suppliers were being directed to complete supply within stipulated time failing which 5% penalty would be imposed. Reply was not tenable as the time for supply of items had already been expired and no penalty was recovered from the suppliers.

DAC in its meeting held on 21<sup>th</sup> November 2012, directed that the Director General Health Services, Khyber Pakhtunkhwa be approached for early provision of the machinery and penalty be recovered from the suppliers. No progress was intimated till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault, supply of machinery and recovery of penalty under intimation to Audit.

AP 02 (2011-12)

### **1.2.3.3 Irregular purchase of machinery and equipments without obtaining economical rates -Rs6.295 millions**

According to Section 12(2) of the Public Procurement Rules 2004 all procurement opportunities over one million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The Advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

EDO Health, Karak purchased machinery and equipments from various suppliers valuing Rs3,661,970 for Civil Hospital Gurguri and Rural Health Center Shnawa Guddi Khel under ADP No. 190 and 192 respectively during 2011-12 (detail at Annex-D). It was observed that only one bidder offered their rates for various items, which were accepted by the Provincial Purchase Committee without any competition to obtain the most economical rates.

Moreover, EDO Health, Karak purchased two generators valuing Rs2,633,340 for Civil Hospital Gurguri and Rural Health Center Shnawa Guddi Khel under ADP 190 and 192 sanctioned by Director General Health Services Khyber Pakhtunkhwa, Peshawar during 2011-12 without adopting open tender system to obtain the most economical rates.

Audit observed that irregularity occurred due to non compliance of government rules, machinery and equipments were purchased hastily without observing economical measures.

When reported in July 2012, Management stated that detail reply would be furnished later on as the case had been referred to Director General Health Services Khyber Pakhtunkhwa, Peshawar.

DAC in its meeting held on 21.11.2012, directed that the case be expedited. No progress was intimated till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and inquiry under intimation to Audit.

AP 10&13 (2011-12)

**1.2.3.4 Irregular purchase of pumping machinery-Rs2.145 million and non deduction of sales tax -Rs295,862**

According to Para 3-2 of Chief Engineer Works and Services Khyber Pakhtunkhwa Peshawar letter No-03/530615/ dated 15-08-05; the pumping machinery shall be procured through Press advertisement from the approved/Pre qualified firms.

DCO Karak, purchased submersible pumping machinery as non scheduled items amounting to Rs2,145,000 from ordinary contractors instead of pre-qualified firms during 2011-12. Further, sales tax amounting Rs295,862 was also not recovered (detail at Annex-E).

Audit observed that irregular purchase and non deduction of sales tax occurred due to lack of financial control, which resulted in loss to Government.

When reported in November 2012, Management stated that all schemes were executed through project leaders and all machinery had been purchased from local market as there was no registered firm in district Karak. The purchase price of the machinery includes sales tax which had already been paid by the retailers. Reply was not tenable as no documentary proof was provided.

DAC in its meeting held on 22.11.2012, directed that executing agencies shall provide the rate analysis. Sales tax return be provided or sales tax recovered from the suppliers concerned. No progress was intimated till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and recovery under intimation to Audit.

AP 59 (2011-12)

## **1.2.4 Internal Control Weaknesses**

### **1.2.4.1 Non-recovery of water user charges -Rs31.228 million**

According to para 8 and 26 of GFR Vol-I each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

XEN PHE, Karak did not recover long outstanding water users charges amounting to Rs31,228,508 from the users of water supply schemes upto 30<sup>th</sup> June, 2012.

Audit observed that water user charges were not recovered due to lack of financial control, which resulted in loss to Government.

When reported in September 2012, Management stated that serious efforts were being made for recovery. Reply was not tenable as the dues were outstanding since long.

DAC in its meeting held on 21<sup>th</sup> November 2012, directed that the outstanding amounts be recovered. No progress was intimated till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and recovery of water charges under intimation to Audit.

AP 51 (2011-12)

### **1.2.4.2 Non recovery of sales tax -Rs3.120 million**

According to Section 36 of Sales Tax Act, 1990, sales tax @ 16% may be recovered from the value of supply made to Government offices.

XEN PHE, Karak did not recover sales tax amounting to Rs3,120,456 from contractors on Supply of PVC, GI and HDPE Pipes valuing Rs22,623,310 during 2011-12 as per detail below:



S.No	Name of work	Item	Vr. No & date	Value (Rs)	Sales Tax @ 16% (Rs)
1	Wss metha khel	PVC Pipe	1K 1.6.12	889,991	122,757
2	Wss Isak Chontra	-do-	3K 4.6.12	1,350,139	186,226
3	Wss Dhabb	-do-	25K 11.6.12	2,415,720	333,203
4	Wss Sabir Abad	-do-	6K 4.6.12	2,797,979	385,928
5	Wss Deli Mela	PVC, HDPE & GI Pipes	8K 4.6.12	3,024,254	417,138
6	Wss Makh Banda	PVC & GI Pipes	9K 4.6.12	1,691,608	233,325
7	Wss G M Khel	PVC Pipe	18K 5.6.12	3,283,291	452,868
8	Wss Changos Dam	-do-	35K 7.6.12	6,123,357	844,601
9	Wss Changos Dam	GI Pipe	-do-	1,046,971	144,410
<b>Total</b>				<b>22,623,310</b>	<b>3,120,456</b>

Audit observed that sales tax was not recovered due to weak internal control, which resulted in loss to Government.

When reported in September 2012, Management stated that PVC, G.I & HDPE pipes had been arranged by the contractors from the local market. The dealers of the local market purchased the same from main suppliers (Dealers) who had already paid the sales tax. The reply was not tenable as no evidence was provided.

Request for the convening of DAC meeting was made on 08.10.2012 and 01.11.2012. DAC meeting could not be convened till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and recovery under intimation to Audit.

AP 33 (2011-12) A/C-I

#### **1.2.4.3 Overpayment due to allowing higher rates -Rs2.538 million**

According to CSR 2009 the rate of the item 12-50 “MS flat ½” x 1/8” grill in windows of approved design including painting 3 coats, complete” is Rs140.31 per Sft.

XEN C&W, Karak executed an item of work “Grill in windows” as non scheduled item in various works despite the fact that the same item was available

in CSR 2009. As a result contractors were given undue benefit and overpaid Rs2,538,540 during 2011-12 (detail at Annex-F).

Audit observed that overpayment occurred due to lack of internal control, which resulted in loss to Government.

When reported in November 2012, Management stated that specification of window grills available in the CSR 2009 was inferior quality. The grill for window had been approved as non schedule items having rich specification of mild steel iron bar which is strong enough as compared to that given in schedule. Reply was not valid as high rate was allowed contrary to Government orders.

Request for the convening of DAC meeting was made on 19.11.2012. DAC meeting could not be convened till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and recovery of overpayment under intimation to Audit.

AP 87 (2011-12) A/C-I

#### **1.2.4.4 Overpayment due to allowing higher rates -Rs1.092 million**

According to CSR 2009 the rate of the item 12-23-b “providing and fixing wooden box type wardrobe 22” deep deodar wood boxing and deodar wood shelves etc” is Rs687.93 per Sft.

XEN C&W, Karak executed an item of work “P/F wooden box wardrobe” as non scheduled item despite the fact that the same item was available in CSR 2009. As a result contractors were given undue benefit and overpayment for Rs1,092,699 was made in the following works during 2011-12.

<b>S No</b>	<b>Name of work</b>	<b>Vr No &amp; date</b>	<b>Rate paid (Rs)/sft</b>	<b>Rate of CSR 2009 (Rs)/sft</b>	<b>Diff (Rs)</b>	<b>Qty</b>	<b>Overpayment (Rs)</b>
1	RHC Sabir Abad Type 3 Residence	9 KB 17.8.11	1,080	687.93	392.07	243	95,273
2	Establishment of GGDC Takhte	17 KB 25.5.12	1,080	687.93	392.07	495	194,075

	Nasrati SH: Main Building						
3	Establishment of GGDC Takhte Nasrati SH: Examination Hall	3 KB 3.5.12	1,080	687.93	392.07	372	145,850
4	GTVE Karak SH: Main Building	12 KR 21.3.12	1,080	687.93	392.07	1677	657,501
<b>Total</b>							<b>1,092,699</b>

Audit observed that overpayment occurred due to lack of internal control, which resulted in loss to Government.

When reported in November 2012, Management stated that specification of wooden box wardrobe in CSR-2009 was “P/F wooden box type wardrobe 22” deep deodar wood boxing and deodar shelves etc:” Specification of wooden box wardrobe approved as non-schedule item was “P/F 24” deep laminated lassani sheet wardrobe having deodar wood frame 2”x1/1/4” i/c hanger, rods, locks, handle etc completed in all respect”. The specification of wardrobe was changed from deodar wood to the imported lassani lamination sheets with the plea that the deodar wood available in the market was non seasoned and would be damaged by termites in few years as the work executed area was termite zone. Reply was not tenable as no documentary proof was provided.

Request for the convening of DAC meeting was made on 19.11.2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and recovery under intimation to Audit.

AP 89 (2011-12) A/C-I

**ANNEXURE**

**Annex - A**

**Detail of MFDAC Paras**

**(Amount in Rs)**

<b>S. No</b>	<b>AP No</b>	<b>Department</b>	<b>Gist of Para</b>	<b>Nature of Audit Observation</b>	<b>Amount</b>
1	1	EDO Health Karak	Non supply of medicines and irregular retention and non imposition of penalty	Violation of rules	954,000
2	3	-do-	Doubtful expenditure due to non production of complete record	Violation of rules	8,359,000
3	4	-do-	Loss to government due to non supply of medicine	Overpayment	477,000
4	6	-do-	Non-crediting of sale tax amounting to into government treasury	Violation of rules	2,034,000
5	7	-do-	Irregular utilization of medicines	Violation of rules	4,270,000
6	8	-do-	Loss to government due to less collection of OPD and Ambulance charges	Violation of rules	48,000
7	9	-do-	Loss due to deterioration of costly machinery and equipments	Violation of rules	53,733,000
8	11	-do-	Non recovery of income tax on supply of medicine and equipments	Overpayment	309,000
9	12	-do-	Loss to government due to deterioration of costly machinery and equipments	Overpayment	12,520,000
10	14	-do-	Unauthorized payment on account of sales tax to suppliers	Violation of rules	311,000
11	15	MS DHQ Hospital Karak	Non supply of medicines and irregular retention of and non imposition of penalty	Violation of rules	268,000
12	16	-do-	Loss to government due to non supply of medicine	Overpayment	59,000
13	17	-do-	Irregular utilization of medicines	Violation of rules	11,213,000
14	18	-do-	Overpayment on account off Non-practicing allowance (NPA)	Overpayment	444,000
15	19	-do-	Loss to Govt due to purchase of medical gas at high price	Overpayment	180,000

16	20	-do-	Loss to government due to non recovery of electricity charges	Overpayment	368,000
17	21	-do-	Non deduction of room rent charges	Overpayment	627,000
18	22	-do-	Loss to govt. due to non collection of health receipts	Overpayment	85,000
19	23	-do-	Loss to government due to deterioration of costly machinery	Overpayment	1,425,000
20	24	-do-	Non utilization of fund on account of purchase of drugs and medicines	Violation of rules	297,000
21	25	-do-	Irregular utilization of fund on account of purchase of medicines	Violation of rules	10,000,000
22	26	SMO, THQ Hospital Banda Daud Shah	Irregular utilization of medicines	Violation of rules	999,000
23	27	-do-	Non deduction of HRA	Overpayment	103,000
24	28	-do-	Irregular expenditure without sanction	Violation of rules	1,286,000
25	29	-do-	Unauthorized payment on account of sales tax to suppliers	Violation of rules	36,000
26	30	-do-	Wasteful expenditure on account of pay and allowances without providing basic health facility	Violation of rules	381,000
27	31	-do-	Unauthorized expenditure without budget	Violation of rules	1,572,000
28	32	XEN PHE, Karak	Irregular expenditure without technical sanction	Violation of rules	45,877,000
29	34	-do-	Undue benefit to contractors	Violation of rules	22,623,000
30	35	-do-	Un-authorized issue of PW Cheques by Non-Gazetted staff	Violation of rules	160,241,000
31	36	-do-	Non-deposit of income tax into government treasury	Violation of rules	646,000
32	37	-do-	Non-Credit of lapse deposits to Govt.	Violation of rules	2,023,000
33	38	-do-	Non-recovery of professional tax from contractors	Overpayment	280,000
34	39	-do-	Overpayment on account of execution of unauthorized items	Overpayment	201,000
35	40	-do-	Non recovery of old material cost	Overpayment	497,000
36	41	-do-	Overpayment on account of double payment and extra boring	Overpayment	807,000
37	42	-do-	Overpayment due to execution	Overpayment	710,000

			of items of work over and above the quantities technically sanctioned		
38	43	-do-	Non-recovery of stamp duty	Overpayment	84,000
39	44	-do-	Irregular Expenditure without tender	Violation of rules	380,000
40	45	-do-	Irregular Expenditure on account of AOM&R of tube wells	Violation of rules	73,148,000
41	46	-do-	Irregular expenditure on account of pumping machinery and voltage regulator	Violation of rules	16,358,000
42	47	-do-	Irregular expenditure without PC-1 & technical sanction	Violation of rules	16,180,000
43	49	-do-	Unauthorized and irregular advance payment to project leaders	Violation of rules	4,045,000
44	50	-do-	Overpayment due to non-recovering of 10% contractor profit from project leaders	Overpayment	1,618,000
45	53	-do-	Irregular Expenditure due to split up of work and overpayment	Violation of rules	1,750,000
46	55	-do-	Irregular and unauthorized expenditure	Violation of rules	70,675,000
47	56	-do-	Non utilization of developmental funds	Violation of rules	68,089,000
48	60	-do-	Overpayment due to allowing higher rates	Overpayment	522,000
49	61	-do-	Non reflection of in cash book		2,538,000
50	62	-do-	Overpayment of Rs. 49,201 due to allowing higher rates	Overpayment	49,000
51	63	-do-	Overpayment due to allowing higher rates	Overpayment	449,000
52	64	-do-	Award of work to project leaders without open tenders		146,471,000
53	65	-do-	Overpayment due to non-recovering of 10% contractor profit from project leaders	Overpayment	14,647,000
54	66	-do-	Unauthorized and irregular advance payment to project leaders	Violation of rules	36,617,000
55	67	-do-	Non maintenance of cash book for the payment	Violation of rules	756,062,000
56	68	-do-	Non recovery of rental charges	Overpayment	770,000
57	69	-do-	Irregular expenditure on repair of vehicle	Violation of rules	64,000

58	70	XEN, C&W Karak	Unauthorized expenditure on repair of buildings of non devolved departments	Violation of rules	525,000
59	71	-do-	Unauthorized expenditure on repair of SNGPL office	Violation of rules	160,000
60	72	-do-	Non crediting into government treasury	Violation of rules	440,000
61	73	-do-	Unauthorized expenditure on account of AOM&R	Violation of rules	18,002,000
62	74	-do-	Unauthorized expenditure on previous years liability of AOM&R	Violation of rules	832,000
63	75	-do-	Unauthorized expenditure on original work out of M & R building	Violation of rules	250,000
64	76	-do-	Irregular payment	Violation of rules	315,000
65	77	-do-	Overpayment due to allowing higher rates	Overpayment	18,000
66	78	-do-	Non-credit of government dues into government treasury	Violation of rules	140,000
67	79	-do-	Non-Credit of lapse deposits to Govt.	Violation of rules	18,558,000
68	80	-do-	Non-recovery of professional tax from contractors	Violation of rules	855,000
69	81	-do-	Irregular expenditure without technical sanction	Violation of rules	70,859,000
70	82	-do-	Unauthorized payment for item of wok not provided in TS	Violation of rules	487,000
71	83	-do-	Unauthorized payment for item of work not provided in TS	Violation of rules	1,830,000
72	84	-do-	Unauthorized payment for non scheduled item of work not provided in PC-1/BOQ/TS	Violation of rules	104,000
73	85	-do-	Non-recovery of stamp duty	Violation of rules	12,000
74	86	-do-	Unauthorized expenditure over work order/tender cost	Violation of rules	11,805,000
75	88	-do-	Overpayment due to allowing higher rates	Overpayment	369,000
76	90	-do-	Overpayment due to allowing higher rates	Overpayment	93,000
77	91	-do-	Undue benefit to contractors	Violation of rules	5,051,000
78	92	-do-	Irregular expenditure without any agreement	Violation of rules	150,763,000

**Annex-B****EDO wise Expenditure Summary  
District Karak 2011-12**

<b>Department</b>	<b>Salary (Rs)</b>	<b>Non salary (Rs)</b>	<b>Total Expenditure (Rs)</b>	<b>%age</b>
DCO	42,305,346	20,547,636	62,852,982	
EDO Agriculture	58,489,074	6,102,938	64,592,012	
EDO (Community Development)	4,073,805	505,987	4,579,792	
EDO (Education)	1,591,223,797	47,943,349	1,639,167,146	
EDO (Finance and Planning)	12,256,199	3,078,773	15,334,972	
EDO (Health)	202,292,703	51005383	253,298,086	
EDO (Revenue)	28,409,497	2176400	30,585,897	
EDO (Works and Services)	151,998,717	205223917	357,222,634	
<b>Total</b>	<b>2,091,049,138</b>	<b>336584383</b>	<b>2,427,633,521</b>	
	83	13		96
Developmental			105,623,000	4
<b>Grand Total</b>	<b>2,091,049,138</b>	<b>336,584,383</b>	<b>2,533,256,521</b>	<b>100</b>



**Annex-C****Detail of money drawn in advance**

<b>S.No.</b>	<b>Supplier Name</b>	<b>Amount (Rs)</b>	<b>Bank Draft No.</b>	<b>Dated</b>
1	M/S Western Sceintific Trader Peshawar	195,000	333282	28.6.12
2	M/S Sharazi Trading Company Peshawar	1,820,740	333273	28.6.12
3	M/S F.B Trader Peshawar	11,250	333285	28.6.12
4	M/S Noor Enterprises Peshawar	38,500	333286	28.6.12
5	M/S Sitara Engineering Peshawar	812,600	333289	28.6.12
6	M/S Sudais Associates Peshawar	60,100	333290	28.6.12
7	M/S E-Med Engineering Peshawar	396,500	333276	28.6.12
8	M/S Popular International Peshawar	99,700	333277	28.6.12
9	M/S Medco Medical Peshawar	754,500	333272	28.6.12
10	M/S Medco Medical Peshawar	2,996,500	333274	28.6.12
11	M/S Paradise Export Sialkot	1,082,536	333287	28.6.12
12	M/S Paradise Export Sialkot	1,277,105	333288	28.6.12
13	M/S Surgiquipes Health Care Peshawar	353,600	333271	28.6.12
14	M/S Surgiquipes Health Care Peshawar	12,750	333278	28.6.12
15	M/S Zafar Enterprises Peshawar	425,000	333281	28.6.12
16	M/S Zaman Medicina Mardan	219,020	333279	28.6.12
17	M/S Zaman Medicina Mardan	47,700	333283	28.6.12
18	M/S Take Care Peshawar	65,400	333284	28.6.12
19	M/S Take Care Peshawar	48,900	333280	28.6.12
<b>Total</b>		<b>10,717,401</b>		

**Annex-D**

**Detail of purchase of machinery and equipments through single bidder**

<b>S. No</b>	<b>Name of Supplier</b>	<b>Item purchased for</b>	<b>Item purchased</b>	<b>Value of supply</b>
1	MS Zaman medicine Co.	CH Gurguri	Foam mattress	188,160
		-do-	Bed sheet	16,820
		-do-	Pillow foam	14,040
		RHC SG Khel	Pillow foam	19,500
2	MS Take Care intl.	CH Gurguri	Refrigerator	48,900
3	MS Medco	RHC SG Khel	Manual film processor	68,000
		-do-	Lead gloves	65,000
		-do-	Wet film stand	28,500
		CH Gurguri	Developing tank	28,500
		-do-	Lead apron	38,000
		-do-	X-ray viewing box	160,000
		-do-	Chest stand	360,000
		-do-	Automatic viewing processor,	2,000,000
4	MS Paradise Export	RHC SG Khel	Lengeback retractor	700
		-do-	Face mask	11,600
		-do-	Instrument trolley	43,500
		-do-	Railings for bed	80,000
		-do-	Wheel chairs	89,000
		-do-	Revolving steel stool	22,000
		-do-	Light for post martam room	149,000
		-do-	Dissection box	36,000
		CH Gurguri	Stretcher with trolley	88,000
		-do-	X-ray viewer	2,500
		-do-	Examination probe	3,750
		-do-	Extraction forceps	3,450
		-do-	Periosteal elevator	2,250
		-do-	Pediatric circuit	76,000
		-do-	Stylet adult	3,600
		-do-	Stylet pediatric	3,600
-do-	Face mask	11,600		
<b>Total</b>				<b>3,661,970</b>

**Annex-E**

**Detail of pumping machinery purchased through project leaders**

<b>S.No</b>	<b>Name of work/installation of H/Pumping</b>	<b>Name of project leader</b>	<b>Pumping Machinery (Rs)</b>	<b>Sales Tax @ 16% (Rs)</b>
1	installation of P/Pumps at tehsil Takhti Nasrati	Nasir Mahmood	100,000	13,793
2	installation of P/Pump for Ghulam Khabib	Liaq Nawaz	100,000	13,793
3	installation of P/Pumps for Raza	Manzoor Ahmad	100,000	13,793
4	installation of P/Pump Awaz Gul	Arshad	100,000	13,793
5	installation of P/Pump Aslam	Lais Khan	100,000	13,793
6	installation of P/Pump Mohammad Ali	Abdul Basir	100,000	13,793
7	installation of P/Pump Tahir Din	Nasim Gul	100,000	13,793
8	installation of P/Pump Sharif Khan	Syed Iqbal	100,000	13,793
9	installation of P/Pump Aleem Zaman	Israr ul Haq	100,000	13,793
10	installation of P/Pump Afzal Koroona	Munawar Khan	50,000	6,897
11	installation of P/Pumps at Raza Koroona	Azam Khan	25,000	3,448
12	installation of P/Pump at Nawaz Koroona	Habib Ullah	25,000	3,448
13	installation of P/Pumps at Afsar Khan Koroona	Sher Ghazi Khan	25,000	3,448
14	installation of P/Pump at Shahid Ullah Koroona	Shahid ur Rehman	25,000	3,448
15	installation of P/Pump Afzal Koroona	Munawar Khan	50,000	6,897
16	installation of P/Pump at U/c Warana	Khalid Iqbal	100,000	13,793
17	installation of P/Pump at U/c Jehangiri	Behram Shehzada	75,000	10,345
18	installation of P/Pump at Tehsil Takhte Nasrati	Manzoor e Azam	120,000	16,552
19	installation of P/Pump at U/c Siraj Khel	Fakhre Azam	125,000	17,241
20	installation of P/Pump at U/c Takhte Nasrati	Syed Wali	75,000	10,345
21	installation of P/Pump at Shnawa Gudi Khel	Umer Khan	50,000	6,897
22	installation of P/Pump at U/c Latamber	M. Rauf	125,000	17,241
23	installation of P/Pump at Waran Ahmed Abad	M. Raheem	50,000	6,897
24	installation of P/Pump at PF 41	Rasool Shah	120,000	16,552
25	installation of P/Pump at U/c Mianki	Noor war Jan	105,000	14,483
26	installation of P/Pump at U/c Latamber	Nasir Jamil	100,000	13,793
<b>Total</b>			<b>2,145,000</b>	<b>295,862</b>

**Annex-F****Detail of overpayment due to allowing high rates**

<b>S No</b>	<b>Name of work</b>	<b>Vr No &amp; date</b>	<b>Rate paid (Rs) / sft</b>	<b>Rate of CSR 2009(Rs) / sft</b>	<b>Diff</b>	<b>Qty</b>	<b>Overpayment (Rs)</b>
1	Establishment of GGDC Sabir Abad SH: Student Hostel	25 KR 19.6.12	372	140.31	231.69	1192	276,174
2	Upgradation of RHC Sabir Abad SH: Main building	32 KR 19.6.12	350	140.31	209.69	720	150,977
3	Establishment of GGDC Sabir Abad SH: Main Building	36 KR 20.6.12	372	140.31	231.69	6032	1,397,554
4	Establishment of GGDC Takhte Nasrati SH: Examination Hall	3 KB 3.5.12	372	140.31	231.69	484	112,137
5	Establishment of GGDC Takhte Nasrati SH: Lecturer Hostel	3 KB 3.5.12	372	140.31	231.69	368	85,261
6	Establishment of GGDC Takhte Nasrati SH: Lecturer Hostel	3 KB 3.5.12	372	140.31	231.69	43	9,963
7	GTVE Karak SH: Main Building	12 KR 21.3.12	372	140.31	231.69	2186	506,474
<b>Total</b>							<b>2,538,540</b>