



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
DISTRICT GOVERNMENT  
LAKKI MARWAT  
AUDIT YEAR 2013-14**

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**AUDITOR GENERAL OF PAKISTAN**

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## **ABBREVIATIONS AND ACRONYMS**

AA	Administrative Approval
AP	Advance Para
ADP	Annual Development Plan
AOM&R	Annual Ordinary Maintenance and Repair
BOQ	Bill of Quantity
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule of Rate
CTR	Central Treasury Rules
C&W	Communication and Works
DAC	Departmental Accounts Committee
DCO	District Coordination Officer
DG	Director General
EDO	Executive District Officer
F&P	Finance and Planning
GFR	General Financial Rules
IPSAS	International Public Sector Accounting Standards
LGO	Local Government Ordinance
MFDAC	Memorandum for Departmental Accounts Committee
PAO	Principal Accounting Officer
PAC	Public Accounts Committee
PC-I	Planning Commission One
PCC	Plain Cement Concrete
PHE	Public Health Engineering
RCC	Reinforced Concrete Cement
RDA	Regional Directorate of Audit
RHC	Rural Health Center
R&E	Revenue and Estate
TS	Technical Sanction
WSS	Water Supply Scheme
XEN	Executive Engineer
ZAC	Zilla Accounts Committee

## **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) and 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, Lakki Marwat for the financial year 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) Bannu, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of two District Governments namely Bannu and Lakki Marwat. This Regional Directorate has a human resource of 6 officers and staff, a total of 1818 mandays. The annual budget amounting to Rs 4.439 million was allocated to this office during financial year 2012-13. The office is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programmes/ projects.

District Government, Lakki Marwat 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 the District Administrator in the form of budgetary grants.

Administratively, District Lakki Marwat is subdivided into two tehsils namely Lakki Marwat and Serai Nourang. District Administration comprises District Administrator and District Coordination Officer.

### **a. Audit Objectives**

Audit was conducted with the objectives 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 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 Audit formation ranged from 15% to 30%.

**c. Expenditure audited**

Total expenditure of the District Government Lakki Marwat for the financial year 2012-13, was Rs 2,967.150 million covering one PAO and 92 formations. Out of this, Regional Directorate Audit (RDA) Bannu audited expenditure of Rs 432.897 million which, in terms of percentage, was 14.59% of total expenditure. Six (06) formations were planned and 100% achievement against the planned activities was made.

**d. Receipts audited**

The receipts of District Lakki Marwat for the financial year 2012-13 were Rs 64.523 million. Out of this, RDA Bannu audited receipts of Rs 1.083 million, which in terms of percentage was 1.68% of auditable receipts.

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

Recovery of Rs76.819 million was pointed out during the audit. No recovery was affected till the finalization of this report. Out of the total

recoveries pointed out, Rs34.054 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 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, 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.

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

- i. Misappropriation of Rs 3.723 million were noted in two cases.<sup>1</sup>
- ii. Irregularities / non compliance of rules amounting to Rs 164.738 million were noted in Seventeen cases.<sup>2</sup>

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

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<sup>1</sup> 1.2.1.1 to 1.2.1.2

<sup>2</sup> 1.2.2.1 to 1.2.2.16

**i. Recommendations**

- i. Disciplinary actions 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. Departments need to strengthen internal controls mechanisms to ensure that lapses of the kind reported in this audit report are preempted and fair value for money is obtained from public spending.
- iv. Deduction of taxes on supplies and contracts need to be ensured.
- v. Lapsed deposits need to be timely credited into treasury.
- vi. 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	3,031.673
2	Total formations in audit jurisdiction	92	3,031.673
3	Total Entities (PAO) Audited	06	433.980
4	Total formations Audited	06	433.980
5	Audit & Inspection Reports	06	433.980
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

**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	0
3	Weak Internal controls relating to financial management	0
4	Others	168.461
<b>Total</b>		<b>168.461</b>

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

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total Current year	Total last year
1	Outlays Audited	10.345	91.321	1.083	331.231	433.980	584.116
2	Amount Placed under Audit Observations /Irregularities of Audit	-	71.681	-	96.78	168.461	254.215
3	Recoveries Pointed Out at the instance of Audit	-	62.830	-	13.989	76.819	120.522
4	Recoveries Accepted /Established at the instance of Audit	-	62.830	-	13.989	76.819	73.031
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	4.862

**Table 4: Table of Irregularities pointed out**

<b>(Rs in million)</b>		
<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	96.673
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	3.723
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.	0
4	Quantification of weaknesses of internal control systems.	0
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	57.906
6	Non-production of record	0
7	Others, including cases of accidents, negligence etc.	10.159
<b>Total</b>		<b>168.461</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 Lakki Marwat

### 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 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 he is responsible to the District Accounts Committee of the Zilla Council. All departments performed functions / activities under provisions of LGO, 2001 and Khyber Pakhtunkhwa District Government Rules of Business, 2001.

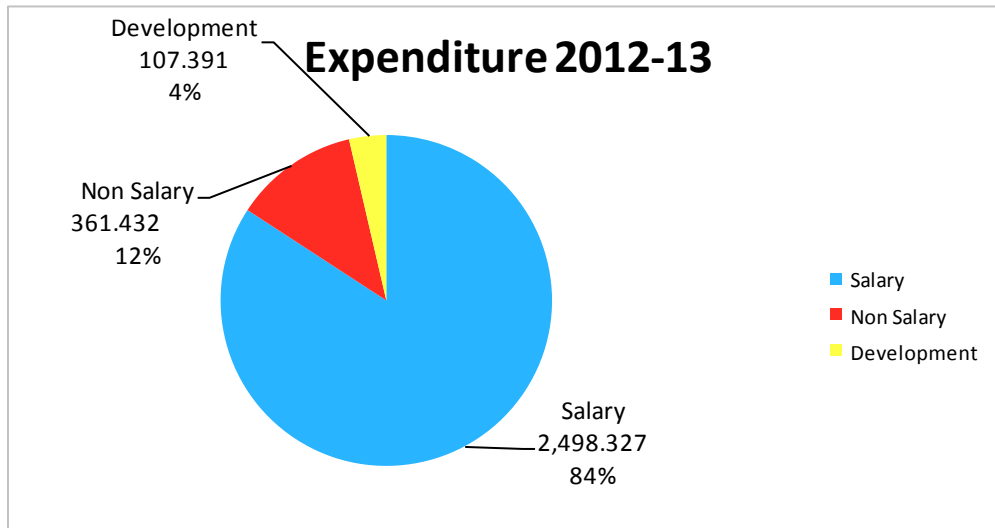
### 1.1.2 Brief comments on Budget and Expenditure (Variance Analysis)

(Rs in million)

2012-13	Budget	Expenditure	Saving/Excess	%age Excess/Saving
Salary	2,861.606	2,498.327	(363.279)	97.00%
Non-salary	361.432	361.432	(0)	0.00%
Developmental	118.182	107.391	(10.791)	3.00%
<b>Total</b>	<b>3,341.220</b>	<b>2,967.150</b>	<b>(374.070)</b>	<b>100.00%</b>

A budget of Rs 3,341.220 million was allocated, against which an expenditure of Rs 2,967.150 million was incurred by the District Government, Lakki Marwat with a saving of Rs 374.070 million during 2012-13.

(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. Details of PAC/ZAC meetings are given below:

Sr. 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
11	2012-13	Not convened

## **1.2 AUDIT PARAS**

### **1.2.1 Misappropriation / Fraud**

#### **1.2.1.1 Misappropriation due to non execution of work-Rs2.500 million**

According to Para 23 of GFR Vol-I, every government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinate staff.

Executive Engineer C&W Division Lakki Marwat paid Rs 2,499,998 for work “Rehabilitation of Road from Ghandi chowk to Amin Jabu Khel” during financial year 2011-12. On physical verification along with the sub engineer concerned, it was found that the work was not executed on site as no sign of repair / rehabilitation was found on ground.

Audit suspected that the funds had been misappropriated due to weak financial controls, which resulted in loss to Government.

When reported in October 2012, Management stated that the work was executed and available at site. Reply was not tenable as neither the work was executed nor any documentary evidence was produced.

In DAC meeting held on 10.12.2012, Department reiterated their previous reply. DAC did not agree with the plea of the department and directed to arrange joint physical verification of site within 15 days. No progress was intimated till the finalization of this Report.

Audit recommends recovery besides holding inquiry and action against the person(s) at fault.

AP 229 (2011-12)

**1.2.1.2 Loss to Government due to missing of replaced machinery - Rs1.223 million**

Para 23 of GFR Vol-I provides that every Department Officer is personally responsible for any loss sustained to the Government by his part or on the part of his subordinate staff.

Executive Engineer Public Health Engineering Division Lakki Marwat paid Rs 1.351 million for item of work “Pumping Machinery and Transformer” for the scheme “Rehabilitation of Tube Well at DHQ Complex” out of AOM&R fund during financial year 2011-12 despite the fact that the pumping machinery and transformer valuing Rs 1.223 million was already available at site. However during physical verification of site the replaced machinery was found missing.

Audit observed that misappropriation occurred due to weak internal controls, which resulted into loss to Government.

When reported in September 2012, Management stated that all the items were taken away by C&W Department and this office has installed new pumping machinery and a transformer, however no documentary proof was provided.

In DAC meeting held on 22.10.2012, Department reiterated his previous reply, DAC however, decided to take up the case with C&W Department for clarification.

In DAC meeting held on 10.12.2012, Management of C&W Division Lakki Marwat stated that neither the items were taken away by the C&W Department nor the PHE Division has any documentary proof. DAC therefore directed to conduct joint inquiry by C&W Department / PHE Department / EDO (F&P) department and audit within one month. No progress was intimated till the finalization of this Report.

Audit recommends recovery besides holding inquiry and action against the person(s) at fault.

AP 239 (2011-12)

## 1.2.2 Irregularity / Non compliance

### 1.2.2.1 Non-realization of water charges –Rs 42.765 million

According to Para 26 & 28 of GFR Vol-I controller officer is required to ensure that all sums due to government are regularly and promptly assessed regularized and duly credited in the government account and that no amount due to government should be left out standing without sufficient reasons.

Public Health Engineering Lakki Marwat did not realize water charges Rs 42,764,859 from 5,256 users during financial year 2012-13 as per detail given below:

Sr. No.	Period		Amount
	From	To	
1	01.07.2003	30.06.2012	41,096,588
2	01.07.2012	30.06.2013	1,668,271
<b>Total</b>			<b>42,764,859</b>

Audit observed that non recovery of water charges occurred due to weak internal controls, which resulted in loss to government.

When reported in September 2013, Management stated that strenuous efforts were being made to achieve the targets.

DAC in its meeting held on 25.09.2013, directed to recover the amount. No progress was intimated till finalization of this Report.

Audit recommends recovery and action against the person(s) at fault.

AP 44 (2012-13)



### 1.2.2.2 Award of work without tender-Rs 32.230 million

Tendering in the most open and public manner and to execute work under proper agreement is required under Para 144-145 GFR Vol.-I and para 89 CPWD Code and the Khyber Pakhtunkhwa Procurement of goods, Works & Services Rules 2003.

Executive Engineer Public Health Engineering Division Lakki Marwat awarded works valuing 32.230 million without tendering the works during financial year 2012-13 as per detail given below:

<b>Sr. No.</b>	<b>Source of Funding</b>	<b>Amount</b>
1	Chief Minister Directives PK-74	10,880,323
2	Chief Minister Directives PK-75	18,250,000
3	District ADP	3,100,000
<b>Total</b>		<b>32,230,323</b>

Audit observed that award of work without tender was due to weak internal controls, which resulted in loss to government.

When reported in September 2013, Management stated that the works were awarded to project leaders nominated by MPAs concerned according to instructions circulated by Finance Department.

DAC in its meeting held on 25.09.2013, directed to produce the clarification circulated by Finance Department regarding execution of work without tender within 15 days or the expenditure may be got regularized by competent authority. No progress was intimated till finalization of this Report.

Audit recommends regularization and action against the person(s) at fault.

AP 53 (2012-13)

### **1.2.2.3 Unauthorized release & expenditure -Rs 34.357 million**

According to Government of Khyber Pakhtunkhwa Finance Department letter No. BOI/2-7(2005-06)/FD dated: 23-06-2006 “All PC-I for M&R works for Rs. 0.500 million and above shall require the approval of DDC concerned.

Work relating to ordinary and special repairs to roads is to be approved by the Zilla Council as per Note–A below S. No.21.1 (d) of the Delegation of Powers under the Financial Rules and Powers of Re-Appropriation Rules-2001.

Executive District Officer (Finance & Planning) Lakki Marwat released funds to Executive Engineer (C&W) Department valuing Rs 6.00 million for (AOM & R Buildings), Rs 12.346 million for (AOM & R Roads) and to PHE Department valuing Rs 16.011 million for (AOM&R Water Supply Schemes) during financial year 2012-13 without:

- a) Preparing separate work plan showing detail estimates of the Roads and Buildings.
- b) Preparing PC-I of the scheme.
- c) Approval of District Development Committee.

Audit observed that unauthorized release was occurred due to weak financial control, which resulted into loss to Government.

When reported in August 2013, Management stated that responsibility for obtaining approval of DDC rest with the executing agency. Reply was not tenable as the funds were released without the approval of DDC.

In DAC meeting held on 30.09.2013, Department reiterated their previous reply. DAC did not agree with the plea of the department and directed to regularize the release from competent authority within 15 days. No progress was intimated till the finalization of this Report.

Audit recommends regularization and action against the person(s) at fault.

AP 23 & 24 & 27 (2012-13)

#### **1.2.2.4 Unauthorized expenditure -Rs 17.779 million**

According to Government of Khyber Pakhtunkhwa Finance Department letter No. BOI/2-7(2005-06)/FD dated: 23-06-2006 “All PC-I for M&R works for Rs 0.500 million and above shall require the approval of DDC concerned.

Executive Engineer Public Health Engineering Division Lakki Marwat spent Rs 17.779 million on AOM&R of water supply schemes without the approval of District Development Committee and without obtaining Technical Sanction of each scheme during financial year 2012-13.

Audit observed that unauthorized expenditure occurred due to weak internal controls, which resulted in loss to Government.

When reported in September 2013, Management stated that all the schemes have been technically sanctioned by the competent authority. Reply was not to the point as the approval of DDC was not obtained. Moreover no technical sanction was produced.

DAC in its meeting held on 25.09.2013, directed to produce the DDC approval and Technical Sanction within 15 days. No progress was intimated till finalization of this Report.

Audit recommends regularization and action against the person(s) at fault.

AP 45 (2012-13)

**1.2.2.5 Un-authorized Payment due to non-conducting of laboratory test-Rs 7.035 million**

According to condition No 9 of the Chief Engineer (Center) of Government of Khyber Pakhtunkhwa Communication & Works Department letter No. CEC/GST/7-4/4142 dated: 12-11-2012, each payment will be supported by Material Test Results.”

Executive Engineer C & W department Lakki Marwat paid Rs 7,035,462 to M/S Mian Ghazi in work “Establishment of Public Library” without conducting the Material Test during financial year 2012-13.

Audit observed that unauthorized payment occurred due to weak internal controls, which resulted in loss to Government.

When reported in August 2013, Management stated that material test would be produced to audit. However nothing was produced in this context.

Request for the convening of DAC meeting was made on 02.09.2013. DAC meeting was not convened till finalization of this Report.

Audit recommends regularization and action against the person(s) at fault.

AP 09 A/C-I (2012-13)

**1.2.2.6 Non-transparent award of work–Rs 4.653 million resulting overpayment–Rs1.264 million**

Para 144 of GFR Vol-I and Para 89 of CPWD Code read with Rule 7 of Delegation of Powers Rules-2001 requires the tendering in the most open and public manner and to execute work under proper agreement. Detail transparent procedure of NIT, Tendering opening process and conclusion of contracts are given in the Khyber Pakhtunkhwa Procurement of Goods Works and Services Rules, 2003.

Executive Engineer Public Health Engineering Division Lakki Marwat accepted rate of 20% below (15% below+5% below) instead of lowest rate of 29.31% below (14.31% below+15% below) on CSR-2012, due to which Government sustained a loss of Rs 1.264 million as per detail given below.

1.	Amount of contract/Scheme	=	Rs 4.653 million
2.	Amount on a/c of 29.31% below	=	Rs 3.389 million
3.	Overpayment = (Rs 4.653 – Rs 3.389)	=	Rs 1.264 million

Audit observed that non-transparent award occurred due to non compliance of rules, which resulted in loss to Government.

When reported in September 2013, Management stated that deduction of old material was not considered at the time of awarding tender. Reply was not tenable as Government sustained the loss.

In DAC meeting held on 25.09.2013, Department reiterated his previous reply. DAC did not agree with the plea of the department and directed to recover the amount within 30 days. No progress was intimated till the finalization of this Report.

Audit recommends recovery and action against the person(s) at fault.

AP 46 (2012-13)

**1.2.2.7 Non-transparent award of work –Rs 3.735 million resulting overpayment–Rs1.167 million**

Para 144 of GFR Vol-I and Para 89 of CPWD Code read with Rule 7 of Delegation of Powers Rules-2001 requires the tendering in the most open and public manner and to execute work under proper agreement. Detail transparent procedure of NIT, Tendering opening process and conclusion of contracts are given in the Khyber Pakhtunkhwa Procurement of Goods Works and Services Rules, 2003.

Executive Engineer Public Health Engineering Division Lakki Marwat accepted rate of 20% below (15% below+5% below) instead of lowest rate of 34.11 % below (19.11% below+15% below) on CSR-2012, due to which government sustained a loss of Rs 1.167 million as per detail given below.

1.	Amount of contract/Scheme	=	Rs 3.735 million
2.	Amount on a/c of 34.11% below	=	Rs 2.568 million
3.	Overpayment = (Rs 3.735 – Rs 2.568)=		Rs 1.167 million

Audit observed that non-transparent award occurred due to non compliance of rules, which resulted in loss to Government.

When reported in September 2013, Management stated that rate of more than 15% below was not considered at the time of awarding tender. Reply was not tenable as Government sustained a loss.

In DAC meeting held on 25.09.2013, Department reiterated his previous reply. DAC did not agree with the plea of the department and directed to recover the amount within 30 days. No progress was intimated till the finalization of this Report.

Audit recommends recovery and action against person(s) at fault.

AP 51 (2012-13)

**1.2.2.8 Non-transparent award of work –Rs 3.485 million resulting overpayment–Rs 0.830 million**

Para 144 of GFR Vol-I and Para 89 of CPWD Code read with Rule 7 of Delegation of Powers Rules-2001 requires the tendering in the most open and public manner and to execute work under proper agreement. Detail transparent procedure of NIT, Tendering opening process and conclusion of contracts are given in the Khyber Pakhtunkhwa Procurement of Goods Works and Services Rules, 2003.

Executive Engineer Public Health Engineering Division Lakki Marwat accepted rate of 20% below (15% below+5% below) instead of lowest rate of 24.8 % below (19.80% below+5% below) on CSR-2012, due to which government sustained a loss of Rs 0.830 million as per detail given below.

1. Amount of contract/Scheme = Rs 3.485 million
2. Amount on a/c of 24.80% below = Rs 2.655 million
3. Overpayment = (Rs 3.485 – Rs 2.655) = Rs 0.830 million

Audit observed that non-transparent award occurred due to non compliance of rules, which resulted in loss to Government.

When reported in September 2013, Management stated that deduction of old material was not considered at the time of awarding tender. Reply was not tenable as Government sustained a loss.

In DAC meeting held on 25.09.2013, Department reiterated his previous reply. DAC did not agree with the plea of the department and directed to recover the amount within 30 days. No progress was intimated till the finalization of this Report.

Audit recommends recovery and action against the person(s) at fault.

AP 52 (2012-13)

**1.2.2.09 Non-transparent award of work –Rs 3.452 million resulting overpayment–Rs 0.173 million**

Para 144 of GFR Vol-I and Para 89 of CPWD Code read with Rule 7 of Delegation of Powers Rules-2001 requires the tendering in the most open and public manner and to execute work under proper agreement. Detail transparent procedure of NIT, Tendering opening process and conclusion of contracts are given in the Khyber Pakhtunkhwa Procurement of Goods Works and Services Rules, 2003.

Executive Engineer Public Health Engineering Division Lakki Marwat accepted rate of AT Par on CSR-2012 instead of lowest offered rate of 5% below on CSR-2012, due to which government sustained a loss of Rs 172,600 million as per detail given below.

1.	Amount of contract/Scheme	=	Rs 3.452 million
2.	Amount on a/c of 5% below	=	Rs 3.279 million
3.	Overpayment = (Rs 3.452 – Rs 3.279)	=	Rs 0.173 million

Audit observed that non-transparent award occurred due to non compliance of rules, which resulted in loss to Government.

When reported in September 2013, Management stated that the rate was manipulated by some unknown person at later stage.

Request for convening of DAC meeting was made on 02.09.2013. DAC meeting was not convened till finalization of this Report.

Audit recommends recovery and action against the person(s) at fault.

AP 16 A/C-I (2012-13)



### 1.2.2.10 Unauthorized expenditure -Rs 3.353 million

Para 23 of GFR Vol-I provides that every Department Officer is personally responsible for any loss sustained to the Government by his part or on the part of his subordinate staff.

Executive Engineer C&W Department Lakki Marwat awarded contracts of AOM&R (Road & Building) to various contractors on CSR 2012 during financial year 2012-13. Payment for Rs 5.647 million was made leaving a balance of Rs 3.353 million (Rs 9.00 million- Rs 5.647 million), which was later on spent on the AOM&R of other schemes without the approval of competent authority instead of depositing in to Government treasury.

S. No	Name of Work	Name of Contractor	Estimated Cost (Rs)	Offered Rate	Balance Amount (Rs)
1	Internal Electrification	Farid Ullah	1,000,000	40% below	400,000
2	AOM&R Residential Building	Naimat Ullah	2,000,000	36.35% below	727,000
3	AOM&R Non Residential	BK Construction	2,000,000	37.30% below	746,000
4	AOM&R Roads PK-76	Seath Son &Co	2,000,000	32% below	640,000
5	AOM&R Roads PK-75	Abdul Khanan	2,000,000	42% below	840,000
<b>Total</b>			<b>9,000,000</b>		<b>3,353,000</b>

Audit observed that unauthorized payment occurred due to non compliance of rules, which resulted into loss to Government.

When reported in August 2012, Management stated funds were utilized or repair work of emergent nature.

In DAC meeting held on 30.09.2012, department reiterated his previous reply. DAC did not agree with the plea of the department and directed to regularize the expenditure by competent authority within 30 days. No progress was intimated till the finalization of this Report.

Audit suggests regularization and action against the person(s) at fault.

AP 37 & 38 (2012-13)

**1.2.2.11 Non imposition of penalty due to non completion of work – Rs3.152 million**

According to clause 2 of the contract agreement, for delay in the completion of work within stipulated period of time, compensation @ 1 % per day subject to maximum of 10% of the estimated cost of the work was required to be recovered.

Executive Engineer C&W Division Lakki Marwat awarded work “Establishment of Public Library” valuing Rs 31.522 million on 12.11.2012 with a completion period upto 30.06.2013. Contractors neither completed the work within stipulated period nor applied for extension of time limit. The department did not impose penalty amounting to Rs 3.152 million.

Audit observed that non imposition of penalty was occurred due to weak financial controls, which resulted into loss to Government.

When reported in August 2013, Management stated that case would be referred to competent authority for time extension. No progress was intimated till finalization of this Report.

Request for the convening of DAC meeting was made on 02.08.2013. DAC meeting was not convened till finalization of this Report.

Audit recommends recovery and action against the person(s) at fault.

AP 10 A/C-I (2012-13)

### 1.2.2.12 Irregular diversion/re-appropriation -Rs 2.120 million

According to the Government of Khyber Pakhtunkhwa LGE&RD Department guidelines issued vide No. SO(B)LG/1-13/2/2006/DADP VOL-III dated 01-09-2008, schemes/projects once finalized and approved by the competent forum (DDC) may not be changed or dropped.

Further Para 12 of GFR Vol-I lays down that, “A Controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.”

District Government Lakki Marwat approved schemes valuing Rs 2.120 million during financial year 2012-13 as detailed below:

S. No	Name of Schemes approved by DDC	Scheme executed without approval of DDC	Amount (Rs in million)
1	50 KVA Transformer to Kuti Khel	DWSS Dara Tang	1.220
2	Construction of Water Tanks	Installation of pressure pumps	0.900
<b>Total</b>			<b>2.120</b>

Despite proper approval of the above schemes from competent forum and release of funds to the executing agency, the scheme could not be executed. Later on the schemes were dropped and new schemes were approved by DCO without obtaining approval of the DDC.

Audit observed that irregular diversion occurred due to non compliance of rules, which resulted into loss to Government.

When reported in August 2012, Management stated that the nomenclature of the schemes had been changed by the Deputy Commissioner.

In DAC meeting held on 30.09.2012, department reiterated his previous reply. DAC did not agree with the plea of the department and directed to regularize the expenditure from competent forum within 30 days. No progress was intimated till the finalization of this Report.

Audit suggests regularization and action against the person(s) at fault.

AP 30 & 31 (2012-13)

### **1.2.2.13 Overpayment on account of surcharge –Rs1.919 million**

Reconciliation of PESCO demands bills vide Government of Khyber Pakhtunkhwa, Finance Department letter No. BOC/WAPDA/FD/I-1/General dated: 19/11/2006 and EDO (F&P) Lakki letter No. 1329-31/EDO/F&P/LM, dated: 14/6/2006, was required to have been carried out with PESCO before making payment to ascertain the actual consumption of electricity.

Executive District Officer (Finance & Planning) Lakki Marwat paid Rs 21,108,261 to PESCO Authorities on account of electricity charges including 10% surcharge amounting to Rs1,918,933 during August 2012, without making reconciliation with PESCO authorities during financial year 2012-13.

Audit observed that overpayment was occurred due to weak internal control, which resulted into loss to Government.

When reported in August 2013, Management stated that Data Reconciliation Inspector had been directed to take up the case with PESCO for adjusting the overpaid amount. Unauthorized payment was admitted.

DAC in its meeting held on 30.09.2013, directed to recover the amount within 30 days. No progress was intimated till finalization of this Report.

Audit recommends recovery / adjustment of overpaid amount and action against the person (s) at fault.

AP 21 (2012-13)

**1.2.2.14 Overpayment due to execution of inadmissible quantities/items  
Rs 1.744 million**

Para 220 and 221 of CPWA 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.

Executive Engineer C&W Division Lakki Marwat paid Rs 1,873,219 for item of work “Water Bound Macadam Base Course” in work “Rehabilitation of Road from Ghandi Chowk to Amin Jabu Khel” during financial year 2012-13. Rs 908,796 were paid in excess of approved quantities (Detail at annex-C).

Similarly Executive Engineer C & W Division Lakki Marwat paid Rs 835,366 for item of work “Triple Surface Treatment” not included in PC-I/BOQ during financial year 2011-12.

Audit observed that overpayment occurred due to weak financial control, which resulted into loss to Government.

When reported in September 2012, Management stated that payment was made according to the site requirements and all the items will be covered in the technical sanction. Reply was not tenable as the items were not available in the Technical Sanction.

In DAC meeting held on 22.10.2012, Department reiterated his previous reply. DAC did not agree with the plea of the department and directed to produce the technical sanction within 07 days or otherwise recovery be effected. No progress was intimated till the finalization of this Report.

Audit recommends recovery and action against the person(s) at fault.

AP 227 & 228 (2011-12)

**1.2.2.15 Un-transparent award of work –Rs 1.609 million resulting overpayment–Rs 0.241 million**

Para 144 of GFR Vol-I and Para 89 of CPWD Code read with Rule 7 of Delegation of Powers Rules-2001 requires the tendering in the most open and public manner and to execute work under proper agreement. Detail transparent procedure of NIT, Tendering opening process and conclusion of contracts are given in the Khyber Pakhtunkhwa Procurement of Goods Works and Services Rules, 2003.

Executive Engineer Public Health Engineering Division Lakki Marwat accepted rate of AT PAR on CSR-2009 instead of lowest offered rate of 15% below on CSR-2009, due to which government sustained a loss of Rs 241,000 as per detail given below.

1.	Amount of contract/Scheme	=	Rs 1.609 million
2.	Amount on a/c of 15% below	=	Rs 1.368 million
3.	Overpayment = (Rs 1.609 – Rs 1.368)	=	Rs 0.241 million

Audit observed that un-transparent award occurred due to non compliance of rules, which resulted in loss to Government.

When reported in September 2013, Management stated that the tender was awarded to the lowest bidder. Reply was not tenable.

In DAC meeting held on 25.09.2013, Department reiterated his previous reply, DAC however did not agree with the plea of the department and directed to recover the amount within 30 days. No progress was intimated till finalization of this Report.

Audit recommends recovery and action against the person(s) at fault.

AP 47 (2012-13)

#### **1.2.2.16 Unauthorized expenditure -Rs 1.350 million**

Para 23 of GFR Vol-I provides that every Department Officer is personally responsible for any loss sustained to the Government by his part or on the part of his subordinate staff.

Executive Engineer Public Health Engineering Division Lakki Marwat awarded contracts of AOM&R (Water Supply Schemes) valuing Rs 9.00 million to various contractors on CSR 2012 during 2012-13. Payment for Rs 7.650 million (Rs 9.00 million – 15% of 9.00 million) was made leaving a balance of Rs 1.350 million, which was later on spent on the AOM&R of other schemes without the approval of competent authority instead of depositing in to Government treasury.

Audit observed that unauthorized payment occurred due to non compliance of rules, which resulted into loss to Government.

When reported in August 2012, Management stated that funds were utilized after getting approval from District Coordination Officer; however no documentary evidence was produced.

In DAC meeting held on 25.09.2012, department reiterated his previous reply. DAC did not agree with the plea of the department and directed to regularize the expenditure from competent forum within 15 days. No progress was intimated till the finalization of this Report.

Audit suggests regularization and action against the person(s) at fault.

AP 48 (2011-12)

## ANNEXURE

Annex - A

### Detail of MFDAC PARAS

(Rs in million)

S. No	AP No	Department	Caption	Amount
1.	1	DCO	Non Utilization of Developmental Funds	0.200
2.	2	DCO	Irregular expenditure	0.150
3.	3	DCO	Loss to Government	0.296
4.	4	DCO	Expenditure without tender	1.500
5.	5	DCO	Doubtful payment on account of MRC	0.294
6.	6	DCO	Doubtful payment on account of MRC	0.200
7.	7	DCO	Non Production of Record	0.743
8.	8	DOR	Doubtful payment on account of MRC	0.334
9.	9	DOR	Suspected misappropriation	0.045
10	10	DOR	Suspected misappropriation	2.220
11	11	DOR	Non recvoery of HRA	0.319
12	12	DOR	Unauthorized payment	0.214
13	13	DOR	Non recvoery of HRA	0.204
14	14	DOR	Irregular expenditure	6.200
15	15	DOR	Irregular payment	0.850
16	16	DOR	Overpayment	0.119
17	17	DOR	Suspected misappropriation	0.063
18	18	DOR	Unauthorized payment on account of Honoraria	0.134
19	19	DOR	Expenditure without tender	0.140
20	20	DOR	Unauthorized payment	2.682
21	22	EDO ( F & P)	Excess payment	8.950
22	25	EDO ( F & P)	Unauthorized payment	0.153
23	26	EDO ( F & P)	Non recvoery of rent and electrcity charges	0.384
24	28	EDO ( F & P)	Unauthorized Payment	3.140
25	29	EDO ( F & P)	Irregular diversion	1.600



26	32	C&W	Non deduction of security	0.718
27	33	C&W	Misappropriation	0.209
28	34	C&W	Loss to Government	0.140
29	35	C&W	Unauthorized expenditure	0.198
30	36	C&W	Loss to Government	0.254
31	39	C&W	Misappropriation	0.221
32	40	C&W	Misappropriation	0.273
33	41	C&W	Irregular enhancement	5.991
34	42	C&W	Unauthorized expenditure	12.346
35	43	PHE	Loss to Government	0.480
36	49	PHE	Loss to Government	0.172
37	50	PHE	Non deduction of sales tax	0.654
38	54	PHE	Non recovery of profit	3.223
39	55	PHE	Re-appropriation	5.000
40	56	PHE	Expenditure without sanction	1.939
41	57	City Hospital	Irregular drawl	3.003
42	58	City Hospital	Irregular payment	7.000
43	59	City Hospital	Irregular expenditure	3.371
44	60	City Hospital	Loss to Government on account of NPA	0.288
45	61	City Hospital	Misappropriation	0.680
46	62	City Hospital	Unauthorized expenditure	0.110
47	63	DPWO Lakki	Irregular drawl	0.751
48	64	DPWO Lakki	Doubtful expenditure	0.150
49	65	DPWO Lakki	Irregular expenditure	0.257
50	66	DPWO Lakki	Doubtful expenditure	0.298
51	67	DPWO Lakki	Irregular Payment	0.900
52	68	DPWO Lakki	Doubtfull expenditure	0.080
53	69	DPWO Lakki	Excess consumption	0.184
54	1- A/C- I	C&W Lakki	Non deduction of sales tax	0.085
55	2- A/C- I	C&W Lakki	Unauthorized retention	7.413

56	3- A/C- I	C&W Lakki	Non deductuion of sales tax	0.253
57	4- A/C- I	C&W Lakki	Non maintenance of stock register	0.000
58	5- A/C- I	C&W Lakki	Non forfeiture of earnest money	0.155
59	6- A/C- I	C&W Lakki	Irregular payment	55.136
60	7- A/C- I	C&W Lakki	Loss to Government	0.129
61	8- A/C- I	C&W Lakki	Overpayment	0.162
62	11- A/C- I	C&W Lakki	Irregular award	15.322
63	12- A/C- I	PHE	Non credit of Government dues	5.304
64	13- A/C- I	PHE	Non credit of Government dues	0.898
65	14- A/C- I	PHE	Non deduction of income tax	0.234
66	15- A/C- I	PHE	Non deduction of sales tax	0.753

**Annex – B**

**EDO wise Expenditure Summary  
District Lakki Marwat 2012-13**

Department	Salary (Rs)	Non Salary (Rs)	Total Expenditure (Rs)	Percentage
DCO	24,947,326	11,326,000	36,273,326	01
EDO (Agriculture)	59,211,073	8,772,341	67,983,414	02
EDO (Community Development)	29,564,901	84,400,972	113,965,873	04
EDO (Education)	1,799,888,213	45,376,247	1,845,264,460	62
EDO (Finance and Planning)	9,565,801	12,453,104	22,018,905	01
EDO (Health)	413,329,712	60,184,195	473,513,907	16
EDO (Revenue)	29,221,849	1,436,760	30,658,609	01
EDO (Works and Services)	132,598,125	137,482,381	270,080,506	09
<b>Total Current Expenditure</b>	<b>2,498,327,000</b>	<b>361,432,000</b>	<b>2,859,759,000</b>	<b>96</b>
Percentage	84%	12%	96%	96
<b>Developmental Expenditure</b>			107,391,000	4
<b>Grand Total</b>			<b>2,967,150,000</b>	<b>100</b>

## Detail of Excess Quantity

Name of Item	Quantity Approved	Quantity Paid	Difference	Rate	Total
Granular Sub Base	2,344.85 m3	1,207.24 m3	1,137.61 m3	634.02 / m3	721,267
			1.05% Cost Factor		36,063
			20% Above		151,466
			<b>Overpayment</b>		<b>908,796</b>