



**AUDIT REPORT
ON
THE ACCOUNTS OF
LOCAL GOVERNMENTS
DISTRICT ORAKZAI**

AUDIT YEAR 2021-22

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	i
Preface.....	iii
EXECUTIVE SUMMARY	iv
CHAPTER-1	1
Public Financial Management	1
1.1 Sectoral Analysis.....	1
1.2 AUDIT PARAS	6
CHAPTER-2	8
District GovernmentsOrakzai	8
2.1 Introduction.....	8
2.2 Comments on Budget and Accounts (Variance Analysis)	9
2.3 Classified Summary of Audit observations.....	9
2.4 Comments on the status of compliance withZAC Directives	10
2.5 AUDIT PARAS	11
2.5.1 Non production of record.....	11
2.5.2 Irregularities	13
HR/Employees related irregularities.....	13
Procurement related irregularities	16
Management of Accounts with Commercial Banks	20
2.5.3Value for Money and service delivery issues.....	25
CHAPTER-3	26
Tehsil Municipal Administration	26
3.1Introduction	26
3.2 Comments on Budget and Accounts (Variance Analysis)	27
3.3Classified Summary of Audit Observations.....	28
3.4 Comments on the status of compliance with TAC Directives.....	28
3.5 AUDIT PARAS	29
HR/Employees related irregularities.	29
Procurement related irregularities	31
CHAPTER-4	33
AD Local Government Election&Rural Development	33
4.1 Introduction	33
4.2 Comments on Budget and Accounts (Variance Analysis).....	35
4.3 Classified Summary of Audit Observations	36
4.4 Comments on the status of compliance with Village/Neighborhood Accounts Committee Directives	36
4.5 AUDIT PARAS	37
4.5.1 Irregularity	37
Procurement related irregularities	37

Management of Accounts with Commercial Banks	38
4.5.2Others, including cases of accidents, negligence etc.....	40
ANNEXURES.....	41

ABBREVIATIONS AND ACRONYMS

AC	Assistant Commissioner
AD	Assistant Director
ADP	Annual Development Plan
AG	Accountant General
AIP	Annual Integrated Program
AIR	Audit and Inspection Report
APPM	Accounting Policy and Procedure Manual
BHUs	Basic Health Units
CD	Civil Dispensary
CLCP	Citizen Losses Compensation Program
CNIC	Computerized National Identity Card Committee
CPWD	Central Public Works Department
CT	Certified Teacher
CTR	Central Treasury Rules
DAC	Departmental Accounts Committee
DAO	District Accounts Office
DC	Deputy Commissioner
DDEO	Deputy District Education Officer
DDO	Drawing and Disbursing Officer
DEO	District Education Officer
DG	Director General
DHO	District Health Officer
DMO	District Monitoring Officer
DO	District Officer
DPR	Disable Persons Rehabilitation
E&D	Efficiency and Disciplinary
E&SE	Elementary & Secondary Education
EPI	Expend Polio Immunization
FR	Frontier Region
FY	Financial Year
GER	General Education Ratio
HPA	Health Professional Allowance
HRA	House Rent Allowance
IMU	Independent Monitoring Unit
INTOSAI	International Organization of Supreme Audit Institutions
KP	Khyber Pakhtunkhwa

KPPRA	Khyber Pakhtunkhwa Public Procurement Regularity Authority
LGA	Local Government Act
LGE &RDD	Local Government Elections & Rural Development Department
LPR	Leave Preparatory to Retirement
MCH	Mother Child Health
MERF	Medical Emergency Resilience Foundation
MFDAC	Memorandum for Departmental Accounts
MRS	Market Rate System
MS	Medical Superintendent
NER	Net Enrollment Rate
OPD	Out Door Patient
PAO	Principal Accounting Officer
PC-I	Planning Commission Proforma-I
PDMA	Provincial Disaster Management Authority
PESCO	Peshawar Electricity Supply Company
PLS	Profit and Loss Saving
PST	Primary School Teacher
PTC	Parent Teacher Council
RDA	Regional Directorate of Audit
RHC	Rural Health Centre
SDEO	Sub Divisional Educational Officer
SST	Senior Science Teacher
TAC	Tehsil Accounts Committee
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TS	Technical Sanction
UC	Union Council
VCs/NCs	Village Councils and Neighborhood Councils
ZAC	Zilla Accounts Committee

Preface

Articles 169 and 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 37 of Khyber Pakhtunkhwa Local Government Act, 2013 require the Auditor General of Pakistan to conduct audit of the accounts of receipts and expenditure of Local Governments of each District of the Khyber Pakhtunkhwa.

The report is based on audit of the accounts of offices of the District Government, Tehsil Municipal Administration, Assistant Director Local Government Election and Rural Development Department, in District Orakzai for the financial year 2020-21. The Director General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit during 2021-22 on test check basis with a view to report significant findings to the relevant stakeholders. The main body of the audit report includes systemic issues and significant audit findings. Relatively less significant issues are listed in Annex-1 of the Audit Report. The audit observations listed in Annex-1 shall be pursued with the Principal Accounting Officers at the DAC level. In all cases where Principal Accounting Officers do not initiate appropriate action, the audit observations will be brought to the notice of appropriate legislative forum through the next year's Audit Report.

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.

Some the observations included in this report were finalized in the light of written replies of the departments whereas in most of the cases departments did not submit written replies till finalization of this report. DAC meeting were also not convened despite reminders.

The Audit Report is submitted to the Governor, Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 37 of Khyber Pakhtunkhwa Local Government Act, 2013 for causing it to be laid before the appropriate legislative forum.

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit District Governments, Khyber Pakhtunkhwa carries out the audit of Local Governments in 35 districts of Khyber Pakhtunkhwa. Regional Directorate of Audit (RDA) Kohat on behalf of the DG Audit District Government, Khyber Pakhtunkhwa carried out the audit of Local Government of five Districts namely; Kohat, Karak, Hangu, Orakzai and Kurram.

This Directorate General has a human resource of 61 officers and staff with a total of 15,250 man-days. The annual budget amounting to Rs 172.467 million was allocated to the office during FY 2021-22. The office is mandated to conduct regularity audit, financial attest audit, performance audit and special studies etc.

Local Governments of District Orakzai consist of three tiers which perform their operations under Khyber Pakhtunkhwa Local Government Act, 2013. Financial provisions of the Act describe the Local Consolidated Fund and Public Account for which annual Budget Statement is approved by the respective councils in the form of budgetary grants. Top Tier- the District Government comprises one Principal Accounting Officer (PAO) i.e. Deputy Commissioner for the District Government, who is officer in charge of 08 devolved departments including AD Local Government Election & Rural Development Department. The second Tier- Tehsil Municipal Administrations have one PAO i.e. Tehsil Municipal Officer for each administration. There are two Tehsil Municipal Administrations in District Orakzai. The third Tier-village and neighborhood Councils have AD LGE & RDD as their Principal Accounting Officer.

a. Scope of audit

This office is mandated to conduct audit of 54 formations working under 04 PAOs. Total expenditure and receipts¹ of these formations was Rs. 2,341.42 million and Rs.6.497 million respectively for the financial year 2020-21.

Audit coverage relating to expenditure for the current audit year comprises 07 formations of 04 PAOs having a total expenditure of Rs. 1,060.36

¹ District Government has no receipts.

million for the financial year 2020-21. In terms of percentage, the audit coverage for expenditure is 45.28 % of auditable expenditure.

Audit coverage relating to receipt for the current audit year comprises 02 formations i.e. two TMAs in District Orakzai of 02 PAOs having a total receipt of Rs. 6.497 million for the financial year 2020-21. In terms of percentage, the audit coverage for receipt is 100% of auditable receipt.

In addition to this compliance audit report, Directorate of District Audit conducted Financial Attest audits, Performance Audits and Special Studies for which reports are being published separately.

b. Recoveries at the instance of audit

As a result of audit, a recovery of Rs.13.045 million was pointed out in this report. No recovery was affected till finalization of this report.

c. Audit Methodology

Audit was conducted according to INTOSAI guidelines for compliance audit and Financial Audit Manual of AGP.

Audit procedure employed to obtain evidence were inspections, analytical procedures, observations and computations.

d. Audit Impact

Recovery of Rs13.045 million was pointed out by audit, however positive audit impact depends on management willingness to implement internal control framework and recommendations of the audit.

e. Comments on Internal Control and Internal Audit department

Internal control is designed to address risks and to provide reasonable assurance that, pursuit of entity's mission; its objectives are being achieved.

Comments on five components of internal control are given below:

The organizational structure followed in the local Government Offices was according to the LGA, 2013.

No activity i.e. risks identification, risk evaluation and appropriate responses were carried out in the local government.

Accounts were not submitted by TMAs concerned to the DAO. No review was carried out of the performances.

TMAs did not follow the accounting procedure given in the APPM.

No system of monitoring was found to track the progress of District Government towards its objectives. No internal Auditor was appointed. Annual Review of internal control was also not carried out.

f. Key Audit Findings of the Report

- i. Non-Compilation/Consolidation of Accounts of Local Governments- Rs.12.702 million².
- ii. Unauthorized payments to DDOs instead of crossed cheques to vendors – Rs. 117.575 million³.
- iii. Unverified payments on account of arrears of pay and allowances- Rs78.025 million⁴.
- iv. Non-production of auditable record Rs 324.096 million was notice in one case⁵.
- v. Irregularity & Non-compliance were noticed in 18 cases amounting to Rs.934.6978 million⁶.
- vi. Value for money & service delivery issue was noted in 01 cases amounting to Rs.28.92 million⁷.
- vii. Other including cases of negligence was noticed in 01 cases amounting to Rs. 9.806 million⁸.

Minor irregularities/ internal control weaknesses pointed out during the audit are being pursued separately with the authorities concerned, as detailed in Annex-1.

²Para 1.2.1

³Para 1.2.2

⁴Para 1.2.3

⁵ Para 2.5.1.1

⁶ Para 2.5.2.1 to 2.5.2.12 & 3.5.1.1 to 3.5.1.3 & 4.5.1.1 to 4.5.1.3

⁷ Para 2.5.3.1

⁸ Para 4.5.2.1

g. Recommendations

- i. TMA accounts needs to be consolidated at DAO level.
- ii. Record may be produced to audit for scrutiny besides taking action against the persons at fault.
- iii. Disciplinary actions need to be taken to stop the practice of violation of the rules and regulations in spending the public money.
- iv. Departments need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc. to ensure that lapses of the kind reported in this audit report are pre-empted and fair value for money is obtained from public spending.
- v. The DAC meetings should be held more frequently.

CHAPTER-1

Public Financial Management

1.1 Sectoral Analysis

In compliance to the Notification of Local Government, Election and Rural Development Department issued on 4th September, 2019, councils of all tiers were stood dissolved on the culmination of their respective tenures on 29th August, 2019. The same notification authorized Deputy Commissioners, Tehsil/Town Municipal Officers and Assistant Directors LG&RDD to perform functions of respective Nazameen as envisaged under Local Government Act 2013, till the instillation of newly elected local Governments. In the light of LGA 2013, District Orakzai is headed by Deputy Commissioner who is principal accounting officer of the budget grant allocated to 08 offices devolved at district level. Similarly, Tehsil Municipal Administration is headed by Tehsil Municipal Officer who is its principal accounting officer. Moreover, Assistant Director LGE&RDD is the principal accounting officer of the village/Neighborhood Councils.

In District Orakzai, funds amounting to Rs.2,367.13 million were allocated to 54 formations working under 04 PAOs. Out of which, expenditure of Rs. 2,341.42 million was made resulting into saving of Rs.25.71 million. Audit coverage relating to expenditure for the current audit year comprises 07 formations of 04 PAOs having a total expenditure of Rs.1,060.36 million for the financial year 2020-21. In terms of percentage, the audit coverage for expenditure is 45.28% of auditable expenditure. Similarly audit coverage for receipts is 100%.

(Rs in million)

District Orakzai					
2020-21	Budget	Expenditure/Receipts	Excess/(Saving)	Expdr. Audited	%age
Salary	1,880.81	1,866.15	-14.66	1,060.36	45.28
Non salary	336.325	335.184	-1.14		
Development	150	140.089	-9.91		
Total	2,367.13	2,341.42	-25.71	1,060.36	45.28
Receipts	12.848	6.497	-6.351	6.497	100

According to Section 36(3) of Local Government Act, 2013, the District Accounts Officer was required to consolidate accounts of Local Government on quarterly and annual basis. However, District Accounts Officer, Orakzai did not reflect Rs. 12.702 million into the consolidated financial statement of Local Government, Orakzai.

District Government, Orakzai was found lagging behind in many areas envisioned as integral component of the Local Government in the Khyber Pakhtunkhwa Local Government Act, 2013. The District Government could not establish & maintain Public Fund account as required under section 30 of LGA, 2013. Similarly, it also failed to prepare, present and approve the budget estimates of receipts from district council for District Government, Orakzai as required under section 18 of LGA, 2013. Most importantly, Finance Department, Khyber Pakhtunkhwa could not provide District Account Office, Orakzai with prescribed format and necessary trainings to compile the accounts of TMAs and Village/Neighborhood councils and then reflect the same in the consolidated financial statement of the district, which resulted in disclaimer of its accounts by the Auditor General of Pakistan. Moreover, Internal Audit function could not be established as provided in sub section 4 of section 37 of LGA, 2013, as internal auditors were not posted in the District and Tehsil Councils. In addition, Asset management by District Government was yet another area it could not address as required under section 38 of the LGA, 2013.

The Local government provided services in the following sectors.

Education

The education sector is one of the major sectors devolved at district level. Funds to the tune of Rs1,290.691 million were provided to elementary & secondary education headed by District Officer. Expenditure of Rs1,294.779 million was incurred, out of which expenditure of Rs388.433 million was audited, thus 30% of expenditure was audited.

Statistics show that there are 246 Primary, 32 middle, 30 high and 04 higher secondary schools which also includes 01 model school in District Orakzai. The estimated Teacher Student Ratio is 1:46 at primary, 1:39 at middle, 1:26 at secondary and 1:35 at the level of higher secondary schools. District Orakzai

literacy rate is 35% the Gross Enrollment Rate (GER) is 30%, and the Net Enrollment Rate (NER) is 30% at the primary level. On budgetary front, District Education office, Orakzai succeeded in spending 50.00% of District ADP and 100 % of non-salary budgets.

District Education Offices in Orakzai were given target of enrolment of 41829 children for current year against which 36516 kids were enrolled. Annual average of teacher's attendance rate and student attendance rate as per independent Monitoring Unit (IMU) data were approximately 91% & 79% respectively. Furthermore, 74% schools in district Orakzai were provided with all basic facilities like classrooms, water supply, group latrine, boundary walls and electrification. However, administrative visits of DEO, DDEO and SDEO were only 31.77% against the assigned targets.

Health

Health is another important sector of District Orakzai, devolved at district level. Funds to the tune of Rs644.162 million were provided to health department headed by District Officer Health. Expenditure of Rs666.435 million was incurred. Health department Orakza consist of 70 health facilities spread across the district, among which 08 are urban while the rest are rural based. Their further break-up is 26 BHUs, 35 CDs, 5 MCHs, 3 type Ds and 1 RHC with the total catchment area population of approximately 254,638 as per survey carried out by Health department in 2020.

The Department of Health has established an "Independent Monitoring Unit" for continuous monitoring of the performance of health facilities through its field based Data Collection Assistants and District Monitoring Officers. Department twice examines data collected through various sources to improve efficiency and effectiveness in the business processes of service delivery.

On mother and child health care front, 874 babies were born with 374 and 500 in primary and secondary health facilities respectively. Out of them, no infant maternal deaths were recorded. Lab investigations and diagnostic facilities were also fully utilized as 17768 lab tests, 3481 X-rays/ 1849 ultrasounds and 311 ECGs were done in primary and secondary health facilities in district Orakzai. Figures of immunization from EPI register were also both very

impressive as 3807 pregnant women received TT-2 vaccines, 2015 kids under 12 months received full immunization, 8665 children under 12 months received 1st measles vaccines and 11730 kids under 12 received 3rd pentavalent vaccine. 1162 families were provided family planning services as evident from Family Planning register. Human resource data from facility records revealed that these health facilities were amply provided with medical officers and paramedics as only very few positions were found vacant. As these facilities were frequently visited by patients so they also generated good revenue from OPD services, indoor patients' treatment and other lab investigations etc.

Social Welfare

Funds to the tune of Rs2.944 million were allocated to Social Welfare and Women Empowerment sector in district Orakzai, against which expenditure of Rs2.758 million was made. Budgetary allocations were focused on providing social cushion to the deprived and marginalized segments of society especially, women and children. In the proposed development plan, the department had continued to proceed with its ongoing projects which included schemes for the wellbeing and safeguarding of destitute women, orphans, beggars, drug addicts and special persons. However, keeping in view the spread of drug use and incidence of poverty the efforts made by Social Welfare office are not likely to bring about any visible improvement in the short or long run unless more resources are diverted to this sector. The District Officer Social Welfare Orakzai did not provide the following activities with respect to Women Crises Centre for safeguarding the destitute women, Dar-ul-Kafala for the beggars in the district, Drug Addict Centre for the rehabilitation of the drugs addicted peoples, Special Education Schools for Deaf & Dum children, Shelter home, Welfare Home and Daar-ul-Amaan.

Panagah(s) were established under Ehsaas Program of the Federal Government, in order to provide valued but temporary/overnight stay with two time meals to the needy individuals seeking bed and breakfast in pursuit of employment. Panagah(s) were established in major cities/Divisional Districts based on need assessment in 1st phase. However, panagah services were not existed in District Orakzai.

Municipal Services

Town Municipal Administrations upper and lower Orakzai was newly established with grant of 12.848 million in the year 2020-21. Town Municipal Administration did not fulfill some primary requirements envisioned as integral component of Local Government in the Khyber Pakhtunkhwa Local Government Act, 2013. The Local Government could not establish & maintain Tehsil Public Fund Account as required under the section 30 of LGA. Similarly, Town Account Officers were not appointed in TMAs. The accounts of receipt and expenditure were also not maintained in such form as prescribed by Auditor General of Pakistan and required under section 36 of LGA. Financial Statements, Finance Account and Appropriation Accounts of the TMAs were not prepared accordingly. Most importantly, Finance Department, Khyber Pakhtunkhwa could not provide District Account Office, Orakzai with prescribed format and necessary trainings to compile the accounts of TMAs and then reflect the same in the consolidated financial statement of the district, which resulted in disclaimer of its accounts by the Auditor General of Pakistan. Moreover, Internal Audit function could not be established as provided in sub section 4 of section 37 of LGA, 2013, as internal auditors were not posted in the TMAs to support the Council. In addition, Asset management by Tehsil councils was yet another area it could not address as required under section 38 of the LGA, 2013.

1.2 AUDIT PARAS

1.2.1 Non-Compilation/Consolidation of Accounts of Local Governments- Rs12.702 million

According to section 36(3) of Local Government Act, 2013 the District Accounts Officer shall, quarterly and annually consolidate the accounts of Local Governments in the district separately for receipts from the Government and local resources and send a copy to the Government, Accountant General and Nazim District Council.

District Accounts Office, Orakzai did not compile/consolidate the accounts of expenditure of Rs12.702 million out of Government and local resources of the Local Government i.e. TMAs for the financial year 2020-21 as required under section-36(3) of the Local Government Act, 2013.

Due to non-consolidation of accounts of TMAs, the financial statements of local government remained incomplete which led to disclaimer of audit opinion.

As per decision of DAC meeting held in September 2021, Para stands till correction of these omissions.

Audit recommends that necessary action needs to be taken for the consolidation of Local Government Accounts into District Accounts.

1.2.2 Unauthorized payments to DDOs instead of crossed cheques to vendors –Rs 117.575 million

According to Para 2.3.2.8 of APPM, the accounting system shall improve controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques (to employees/ vender concerned) instead of payment through DDOs.

Finance Department Letter No: BO (W&M) /6-5/2019-20 dated 19/02/2020, provides that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

District Accounts Officer Orakzai, paid Rs117, 575,102 to various DDOs instead of issuance crossed cheques to Vender/Payees Accounts.

The lapse occurred due to weak internal controls, which resulted in unauthorized payments to DDOs.

Audit recommends matter should be investigated and regularized by insuring payment to the supplier/vendor instead of DDO as per APPM.

1.2.3 Unverified payments on account of arrears of pay and allowances- Rs78.025 million

According to Para 296 of CTR read with Para 75(2) of KP City & District Govt. Budget Rules 2016, the controlling officer shall be responsible for seeing that the expenditure included in the bills, are of obvious necessity and are at fair and reasonable rates. Sanction and the requisite vouchers are all received and in order. The calculation is correct and the grants have not been exceeded over allotment.

During certification Audit of Orakzai for the year 2020-21 while analyzing HR data it was noticed that arrears of pay and allowances of Rs78,024,622 was paid; however, local office could not produce supporting documents for verification to audit.

The lapse occurred due to weak internal controls, which resulted in unverified payments.

As per decision of DAC meeting held in September 2021, Para stands for investigation of the matter and appropriate action.

Audit recommends inquiry into matter and action against the person(s) at fault.

CHAPTER-2

District Government Orakzai

2.1 Introduction

Under the Khyber Pakhtunkhwa Local Government Act, 2013 activities of District Government are managed through offices of Deputy Commissioner and District Officers. Each department of the Districts is headed by a District Officer (DO). According to the Rules of Business of District Government 2015, work of the district departments is distributed among the officers, branches, and/or sections in the district departments. Deputy Commissioner is the Principal Accounting Officer for all the devolved departments of the district which includes District Officers Agriculture, Education, Health, Population Welfare, LGE & RDD, Animal Husbandry and Social Welfare.

According to section 13 of the Khyber Pakhtunkhwa Local Government Act, 2013 the authority and responsibilities of the District Government have been given as under:

(1) The authority of district Government shall comprise the operation, management and control of offices of the departments which are devolved to it; provided that district Government shall exercise such authority in accordance with general policy of Government.

(2) Every order in district Government shall be expressed to be made in the name of the district Government and shall be executed by a duly authorized officer.

(3) The district Government shall be responsible to the people and the Government for improvement of governance and delivery of services within the ambit of authority devolved to it.

Audit Profile of the District Government Orakzai

(Rs in Millions)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2020-21	Revenue /Receipts audited FY 2020-21
1	Formations	07	4	896.414	Nil

2.2 Comments on Budget and Accounts (Variance Analysis)

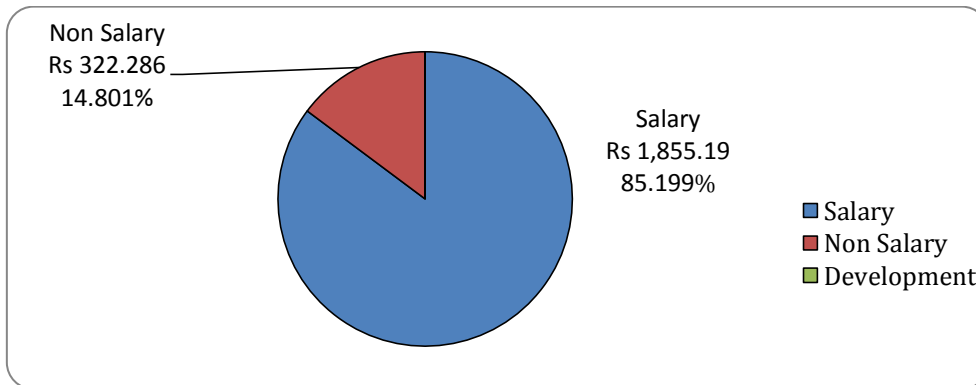
(Rs in Millions)

District Government Orakzai				
2020-21	Budget	Actual Expenditure	(Saving)/Excess	%age
Salary	1,863.534	1,855.192	-8.342	0.448
Non-Salary	323.551	322.286	-1.265	0.391
Developmental	0	0	0	0
Total	2,187.085	2,177.478	-9.607	
Receipts	0	0	0	0

The savings of Rs9.607 million indicates inefficiency in the capacity of Local Government Departments to utilize the amount allocated.

EXPENDITURE 2020-21

(Rs in million)



2.3 Classified Summary of Audit observations

Audit observations amounting to Rs1,133.831 million were raised as a result of this audit. This amount also included recoverable of Rs3.239 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr. No.	Classification	Amount
1	Non production of record	324.096
2	Irregularities	-
A	HR/Employees related irregularities	38.083
B	Procurement related irregularities	452.881
C	Management of Accounts with commercial bank	289.851
3	Value for money and service delivery issues	28.92
	Total	1,133.831

2.4 Comments on the status of compliance with Zilla Accounts Committee Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Status of ZAC meetings are given below:

Sr. No.	Audit Year	ZAC meeting
1.	2020-21	Not Convened

2.5 AUDIT PARAS

2.5.1 Non production of record

2.5.1.1 Non production of record -Rs 324.096 million

According to Section 14 (3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 the Auditor General of Pakistan shall have access to all the books and documents pertaining to the accounts and may also examine any public servant or premises of the Local Government concerned.

According to Government of Khyber Pakhtunkhwa, Finance Department letter No. PA/AFS(PFC)/1-1/FD/2017-18, dated 13.08.2018, "non-production of record to the Audit Team is violation of Article 169 & 170(2) of the constitution of Pakistan 1973, read with section 8,9 & 14 of the Auditor General of Pakistan (AGP) Ordinance 2001. All such organization where public money is involved are bound to carry out post audit by the Auditor General of Pakistan in light of the above statutory provision".

According to rule 4 (2) (q) of the District or City District Government (Budget) Rules 2016, "Deputy Commissioner being head of offices will ensure that no such information or any books or other documents to which the Auditor General of Pakistan has a statutory right of excess may be withheld".

DHO Orakzai paid a sum of Rs 199,381,000 in advance to the MS Civil Hospital Meshti Melaand an amount of Rs 124,715,000 to MS Type-D Hospital Ghiljo on account of cost of other stores, transportation charges, pay &allowances and miscellaneous expenditures during the FY 2020-21. Both the hospitals were administratively handed over to MERF and subject money was deposited in its designated account. Despite repeated requests the local office could not produce any record to the audit for verification.

Non production of records occurred due to weak administrative and internal control which resulted in unverified expenditure.

When pointed out in July, 2021 Management stated that both the MS of the concerned Hospital hadbeen directed vide letter No 3473-73 dated 23-07-

2021 to provide the said records to audit in due course of time. However, no records produced till finalization of this report.

DAC held on 22-10-2021 directed the department to produce complete records by MERF to audit.

Audit recommends production of record to audit for verification and action against the person (s) at fault

AIR Para- 05(2020-21)

2.5.2 Irregularities

A. HR/Employees related irregularities.

2.5.2.1 Irregular hiring of teachers from AIP funds - Rs 7.850 million

According to the directorate of elementary & secondary education of Khyber Pakhtunkhwa No.9674-9722 F.No/DD(P&D)/Hiring of teachers dated 25-03-2021, teachers will be hired through PTC on fixed stipend @Rs 20,000/month for primary level, Rs25,000/month at middle level and Rs30,000/month at high level under the project as stop gap arrangement as per following TOR's

1. The Head & PTC member of school will inform candidates through local advertisement.
2. The PTC committee under the supervision of SDEO & ASDEO for primary and ADEO at secondary level.
3. Selection will be made on merit based as per formula/criteria already used for selection through E&SE department at primary & secondary level.
4. Qualification will be same as required for PST/SST, CT& others.
5. The committee will scrutinize all the documents.
6. All documents will be verified from board and university.
7. No appointment letter will be issued.
8. Residency certificate/UC certificate and domicile may be provided.

District Education Officer Orakzai hired 32 Nos of teachers from AIP fund who were paid Rs 7,875,000 through PTC of their respective schools during FY 2020-21. However, the local office hired these teachers without fulfilling the codal formalities prescribed for hiring of teachers through PTCs.

The lapse occurred due to weak internal control which resulted in irregular hiring of teachers.

When pointed out in August, 2021 the management replied that detailed reply shall be furnished after consulting record. However, no reply was produced to audit till finalization of this report

DAC held on 22-10-2021 directed the department to follow the instruction of the provincial government in letter and spirit.

Audit recommends that inquiry into the matter for fixing of responsibility on person(s) at fault.

AIR Para- 05(2020-21)

2.5.2.2 Double payment of Pay & allowance –Rs 5.183 million

According to Para 296 of CTR read with Para 75(2) of KP City & District Govt. Budget Rules 2016, the controlling officer shall be responsible for seeing that the expenditure included in the bills, are of obvious necessity and are at fair and reasonable rates.

Office of the District Health Officer, Orakzai overpaid Rs 5,183,724 to 03 Nos doctors under the head of pay and allowances who were already drawing salaries from type-D Hospital Meshti Mela under the administrative control of MERF during FY 2020-21. Details are provided below:

(Amount in Rs.)

S.No	Name of Officer	Monthly Pay from DHO	Monthly Pay from MERF	Period of dual drawl	Total Overpayment
1	Dr.ArifMehmood Khan	146,789	360,000	12 months	1,761,468
2	Dr Mohammad Kashif Kamran	142,594	360,000		1,711,128
3	Dr.M. Usman	142,594	360,000		1,711,128
Total overpaid on account of Pay & allowances					5,183,724

The overpayment was made due to weak internal control which resulted into loss to the public exchequer.

When pointed out in July, 2021, management stated that case would be taken with high ups for recovery of the overpaid salary, if recommended. No progress was intimated till finalization of this report.

DAC held on 22-10-2021 directed the department to recover the amount from the concerned. However, no progress was intimated till finalization of this report.

Audit recommends recovery and deposit of the overpaid amount in treasury besides action against the person(s) at fault.

AIR Para- 13(2020-21)

2.5.2.3 Unauthorized drawl of pay and allowances by ghost employees-Rs25.050million

According to Section 9 Procedure in case of willful absence of the Khyber Pakhtunkhwa Government Servants Efficiency and Discipline Rules 2011 in case of willful absence from duty by a government servant for seven or more days a notice shall be issued by the competent authority through registered acknowledgment on his home address. If no response is received from the absentee within stipulated time then a notice shall be published in at least two leading newspaper directing him to resume the duty within fifteen days failing which an ex-parte decision shall be taken against the absentee. On expiry of the stipulated period given in the notice, major penalty of removal from service may be imposed upon such government servant.

According to minutes of distract staring committee meeting in March 2021 and district monitoring officer vide letter No 73/DMO/Orakzai dated 23rd April 2021 the chair decided that DEO will call explanation from those teacher for whose absence from duty and deduction should also be made from their salaries.

Office of District Education Officer, Orakzaipaid Rs25,050,574to the ghost employees who were absent from duty from last many years as per details provided at annexure-2. The local office neither reported the willful absence of these employees to the higher ups for disciplinary action nor stopped their salaries during their period of absence. The IMU recent report triggered the stoppage of salary and recovery of already paid amount to these employees but local office again failed to take any action in this regard till the date of audit i.e. August 2021.

Unauthorized drawl of pay and allowances occurred due to weak internal control, which resulted in loss to Government.

When pointed out in August, 2021 Management stated that after consulting the record recovery will be made accordingly and will be shown to Audit.

DAC held on 22-10-2021 directed the department to take immediate action under E&D rules against the absent employees.

Audit recommends immediate action under E&D rules against the ghost employees besides inquiry for fixing responsibility on the person(s) at fault.

AIR Para-08&09(2020-21)

B. Procurement related irregularities

2.5.2.4 Irregular payment to beneficiaries as losses compensation Rs.236.00million

According to Revised Standard Operating Procedures for Citizen Losses compensation Program (CLCP) issued by Rehabilitation and Reconstruction Unit PRU (PDMA) letter No. MA/PDMA/PARRSA/RRU/CLCP/2019/1165-84 Dated 29.05.2019 Section 2 (2.1) Roles and Responsibilities of Key Stakeholders, the District Steering Committee is responsible for authorizing funds requests, conducting interviews, surveys, telephone calls to the beneficiaries on sample basis to verify that the cash disbursements have been received as requested.

Deputy Commissioner Office paid through CLCP an amount of Rs. 236,800,000 during the FY 2020-21 as damages compensation to 599 Nos of beneficiaries for full damages @ Rs 400,000 per person and Rs 16,000 to one person for partially damaged house. Audit observed the following:

1. The Acquaintance Rolls had no contact details of the beneficiaries, nor CNIC copies for confirmation nor duly signed and verified by DC or any other responsible officer.
2. The survey team failed to gather sufficient evidence to authenticate the actual beneficiaries.
3. No report of the District Steering Committee/DC/AC office was on record to authenticate that the cheques have been received by the actual beneficiaries.
4. No Bank Reconciliation was found on record to authenticate the payments made.

The lapse occurred due to weak internal control which resulted in irregular payment to beneficiaries as losses compensation.

When pointed out in July, 2021 Management stated that detailed reply will be given after consulting records. However, no progress was intimated till finalization of this report.

DAC held on 20.10.2021 and directed the department to initiate detailed inquiry into the matter.

Audit recommends detailed inquiry/forensic audit and action initiated accordingly against the person(s) who were at fault.

AIR Para- 20(2020-21)

2.5.2.5 Misclassification of additional grant to MS Type-D hospital Meshti Mela Orakzai Rs 199.00 million

According to Para 4.1.1.3 of APPM, the accounting treatment details the record which needs to be maintained for complete and accurate recording of expenditure and receipts.

According to Para 4.2.8.2 (authorization of payment) APPM, the authorization officer must not authorize a claim unless it has been duly certified and sufficient funds are available in the concerned budget head to make the payment.

Deputy Commissioner Orakzai released an amount of Rs 199,000,000 during FY 2020-21 for operationalization of Type-D hospital Meshti Mela Orakzai for onward release to MERF in lump sum without any authorization. Moreover, the agreement signed between the local office and MERF was also not available on record.

The laps occurred due to weak internal control which resulted in unclassified transfer of funds.

When pointed out in July, 2021 Management stated that detailed reply will be given after consulting record. However, no progress was intimated till finalization of this report.

DAC held on 20.10.2021 directed the department for special audit of the grant.

Audit Recommends special audit and action against the person(s) at fault.

AIR Para- 18(2020-21)

2.5.2.6 Irregular drawlon account of land Acquisition -Rs 13.946 million

According to Rule 74 (a) of the Khyber Pakhtunkhwa Budget rules 2016, every officer incurring or authorizing expenditure from district fund shall be guided by high standards of financial propriety. Among the principles on which generally greater emphasis is laid down that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

According to Para-157 of CTR Vol-I read with Finance Department and Accountant General Khyber Pakhtunkhwa letters dated 01-04-2019 & 25-03-2019, payment to Vender/ Supplier must be made through Crossed Cheques i.e “Payee Account Only”.

According to Rule 290 of Treasury Rules, “no money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

Office of the Deputy Commissioner,Orakzai paid Rs13,946,247 vide cheque No. 17622414 dated 12.01.2021 and cheque No.17622415 dated 30th March 2021 to AC LowerOrakzaifor acquisition of land during FY 2020-21. However, the amount was not paid to the rightful owner of the land even till the date of audit (July, 2021) and the amount was lying in the designated bank account of the AC concerned.

The lapse occurred due to weak internal control which resulted into irregular drawl on account of land Acquisition.

When pointed out in July, 2021, management stated that the amount in question has been sent to AC Lower for disbursement to land owner but the same is not yet disbursed due to site issues. Soon the land is cleared; the payment would be made to the land owner accordingly. However, no progress was intimated till finalization of this report.

DAC meeting held on 20.21.2021 directed the department for payment of the amount to Land owners or deposit the same into Govt: Treasury.

Audit recommends payment to owners or depositing the amount into Government treasury.

AIR Para- 23(2020-21)

2.5.2.7 Irregular procurement of miscellaneous items -Rs 3.935 million

According chapter III of the KPPRA, 2014 “the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 100,000/- rupees one hundred thousand” and “procurement from Rs. 50,000/- upto Rs. 100,000/- shall be procured by inviting three quotations”.

Office of the DO Social Welfare, Orakzai incurred expenditure of Rs 3,934,988 under AIP project “Gender Mainstreaming and Empowerment Program” under the head of A03970-Others during FY 2020-21. However, all the procurements were made through single source quotations and open competition was avoided to get economical rates.

Irregular procurements were made due weak internal control resulting into loss to the government.

When pointed out in November, 2021 management stated that detail reply will be furnished after consulting record. However, no progress was intimated to audit till finalization of this report.

Request for convening the DAC meeting was made during December 2021, however meeting of DAC could not be convened till finalization of this report.

Audit recommends detail enquiry into the matter and to fix responsibility on the person(s) at fault.

AIR Para- 08(2020-21)

C. Management of Accounts with Commercial Banks

2.5.2.8 Non-conversion of current bank account into PLS mode - Rs183.788 million

Finance department letter No. 2/3(F/L) FD 20017-18/Vol. ix dated Peshawar the 10th February 2014 provides that Finance Department has from time to time allowed/sanctioned Bank accounts in commercial Bank for various Departments/ Autonomous Bodies/Corporations in KP for particular and specific purposes. Now it has been decided that such accounts may be converted to PLS mode and the profit so earned be deposited in Govt. Treasury under relevant head and not later than a week when declared by the concerned bank.

Deputy Commissioner Orakzaidid not convert the current 6 Nosbank accounts to PLS mode during the FY 2020-21 in violation of clear instruction of the government detail given below.

S.No	Account No. & Bank	Title of Account	Balance (Rs)
1	4321763695Aithemaad Hangu	DC Orakzai	9,627,803
2	4321763706Aithemaad Hangu	DC Orakzai	5,985,047
3	3100836685NBPHangu ranch	PA Orakzai	21,365,276
4	4015253135/NBPHangu ranch	PA Orakzai	92,062,858
5	4015280838/NBPHanguBranch	PA Orakzai	51,862,663
6	4015267666/NBP Baber Mela	PA Orakzai	2,884,592
Total			183,788,239

The non-conversion of bank accounts to PLS Accounts occurred due to non-observance of the government instructions resulting into loss to the public exchequer.

When pointed out in July, 2021 Management stated that bank accounts will be converted into PLS accounts as soon as possible. However, no progress was shown to audit till finalization of this report.

DAC held on 20.10.2021 and directed the department for compliance of the observation.

Audit recommends conversion of current bank accounts into PLS mode.

AIR Para- 14(2020-21)

**2.5.2.9 Irregular retention & Blockage of Government money
Rs31.112 million**

According to rule 290 of Treasury Rules, “No money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

Government of Khyber Pakhtunkhwa, Finance Department Notification No. 2/3(F/L)/FD/2106/Vol-X dated Peshawar the 14th July 2017 states that most of DDOs of departments/offices/bodies/organization in KP have kept substantial amount of Government money in various banks which is violation of Para 66,95 and 96 of GFR Volume-I.

The office of District Education, Orakzai kept an unspent balance of Rs31,112,279 in the designated banks accounts as on 30th June, 2021. Audit observed that presence of such a huge amount in the designated accounts is due to anticipation of demand in future or to prevent lapse of budget due to end of financial year. The officer concerned failed to explain the actual position of the amounts retained.

The lapse occurred due to weak internal controls which resulted in blockage of funds.

When pointed out in July, 2021 Management stated that detailed reply will be given after consulting record. However, no progress was shown to audit till finalization of this report.

Audit recommends that the figures may be reconciled with the bank and the unspent balance be surrendered to the Government.

AIR Para- 02(2020-21)

2.5.2.10

Unnecessary retention of Funds Rs 22.851 million

According to rule 290 of Treasury Rules, “No money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

Government of Khyber Pakhtunkhwa, Finance Department Notification No. 2/3(F/L)/FD/2106/Vol-X dated Peshawar the 14th July 2017 states that most of DDOs of departments/offices/bodies/organization in KP have kept substantial amount of Government money in various banks which is violation of Para 66,95 and 96 of GFR Volume-I.

The office of District Health Officer, Orakzai drew a sum of Rs22,851,213 from Government Treasury and was kept in the designated bank account during the FY 2020-21. Audit observed that presence of such a huge amount in the designated accounts is due to anticipation of demand in future or to prevent lapse of budget due to end of financial year.

When pointed out in July, 2021 management stated that the amount pertains to financial assistance and encashment of LPR of death cases which will be given through cross cheque to their legal heirs. However, no progress was shown to audit till finalization of this report.

DAC held on 20.10.2021 and directed the department for compliance of the observation verification of record of the payment made from bank account of outstanding amount.

Audit suggests that the figures may be reconciled with the bank and the unspent balance be surrendered to the Government.

AIR Para- 02(2020-21)

2.5.2.11 Irregular cash withdrawal from bank account-Rs 48.861 million

According to S.No 4.3.1.1 of the Accounting Policies and Procedures Manual, all expenditures will be made through cross cheque in the name of supplier/contractor.

Office of District Health Officer, Orakzai withdrew a sum of Rs 48,861,284 during the FY 2020-21 as cash withdrawals from bank account No. 4015252289 NBP Hangu instead of cross cheques /vender in contrary to the above-mentioned rules.

The Lapse occurred due to weak internal control which resulted into irregular cash withdrawal.

When pointed out in July, 2021 management stated that the amount pertains to financial assistance and encashment of LPR of death cases. However, no progress was shown to audit till finalization of this report.

DAC held on 20.10.2021 and directed the department for compliance of the observation.

Audit recommends inquiry for fixing responsibility, against the person(s) at fault.

AIR Para- 16(2020-21)

2.5.2.12 Non deposit of bank profit into government treasury-Rs 3.239 million

According to Finance Department Khyber Pakhtunkhwa Peshawar letter No. 2/3-(F/L) /FD/2007-08/Vol-IX dated 16.03.2018 read with even No dated 10.02.2014, the interest / profit amounts accrued/earned on the funds placed in Government Banks (PLS mode) may be deposited in Government Treasury under the following head of account:

C01	Total income from property and enterprise
C018	Total interest on loan – others

C01803 Interest realized on investment of cash balance
PR5562 RCO #

Office of the Deputy Commissioner, Orakza earned profit of Rs3,239,938 during the FY 2020-21 on the public funds placed in the respective designated PLS bank account No. 10173050 and account No 3100836685 NBP branch Hangu during Financial Year 2020-21. However, the same was retained in the bank till the date of audit (July, 2021) and not deposited into the Government treasury.

Non-depositing of profit into Government treasury occurred due to weak financial control and violation of rules which resulted in loss to the Government.

When pointed out in July, 2021 Management stated that the bank profit will be deposited into government treasury. However no progress has been shown to audit till finalization of this report.

DAC meeting held on 20.10.2021 and directed the department that profit be deposited into government treasury.

Audit recommends immediate depositing of the profit into Government treasury and action against the person(s) at fault.

AIR Para- 13(2020-21)

2.5.3 Value for money and service delivery issues

2.5.3.1 Irregular retention and non-utilization of fund-Rs 28.920 million

According to Finance Department release No.SO(Dev-I)FD/MAs/4-1/AIP-Release/2020-21/587, dated 23.10.2020, the funds pertain to ongoing AIP schemes and shall be utilized during the year 2020-21.

The office of the District Officer Social Welfare, Orakzai received an amount of Rs 28.920 million as quarterly tranches in 2nd quarter and 3rd quarter for the activities mentioned in table below during FY 2020-21. However, the local office could not utilize the funds in the stipulated period of time and the funds were lying in the designated bank account till the date of audit i.e. November 2021. Furthermore, no details of funds transferred during 1st and 4th quarters were available on record.

Release Quarter	Release date	Project	Amount (Rs in millions)
2 nd	23.10.2020	Drug Addict Detoxification & Rehabilitation Centers at District Orakzai	7.839
3 rd	22.12.2020	-do-	21.081
Total			28.92

Non utilization of fund occurred due to weak internal controls, which resulted in inefficiency and blockade of funds.

When pointed out in November, 2021 management stated that detail reply will be furnished after consulting record. However, no progress was intimated to audit till finalization of this report.

Request for convening the DAC meeting was made during December 2021, however meeting of DAC could not be convened till finalization of this report.

Audit suggests detail inquiry into the matter and action against the person(s) at fault.

AIR Para- 01(2020-21)

CHAPTER-3

Tehsil Municipal Administration

3.1 Introduction

District Orakzai has two Tehsils i.e. Upper Orakzai, and Lower Orakzai. The office of a Tehsil Municipal Administration is managed by the Tehsil Municipal Officer. He is assisted by a Tehsil Officer (Finance), a Tehsil Officer (Regulation) and a Tehsil Officer (Infrastructure).

According to section 22 of Local Government Act, 2013 the functions and powers of TMAs are briefly given as under:

- (a) Monitoring and supervising the performance of functionaries of Government offices located in the Tehsil,
- (b) Land management in the Tehsil, provision of municipal services, execution and management of development plans for improvement of municipal services and infrastructure.
- (c) Enforcing municipal laws, rules and bye-laws, Preventing and removing encroachments, regulate affixing of sign-boards and advertisements;
- (d) Financial management of the Tehsil such as, Preparation of budget and annual municipal development programme, collection of revenue such as taxes, penalties, fines etc. manage municipal properties, assets and funds, and liaise with the district government in all these matters.
- (e) Maintaining a comprehensive data base and information system on services in the Tehsil municipal record and archives and provide public access to it on nominal charges;
- (f) Organizing sports, cultural, recreational events, fairs, cattle fairs and cattle markets;
- (g) Co-ordinate and support municipal functions amongst village and neighborhood councils;
- (h) Regulate markets and services, issue licenses, permits, grant permissions and impose penalties for violation thereof;

Audit Profile of TMAs of the District Orakzai

(Rs in Millions)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2020-21	Revenue /Receipts audited FY 2020-21
1	Formations	02	02	18.292	Nil

3.2 Comments on Budget and Accounts (Variance Analysis)

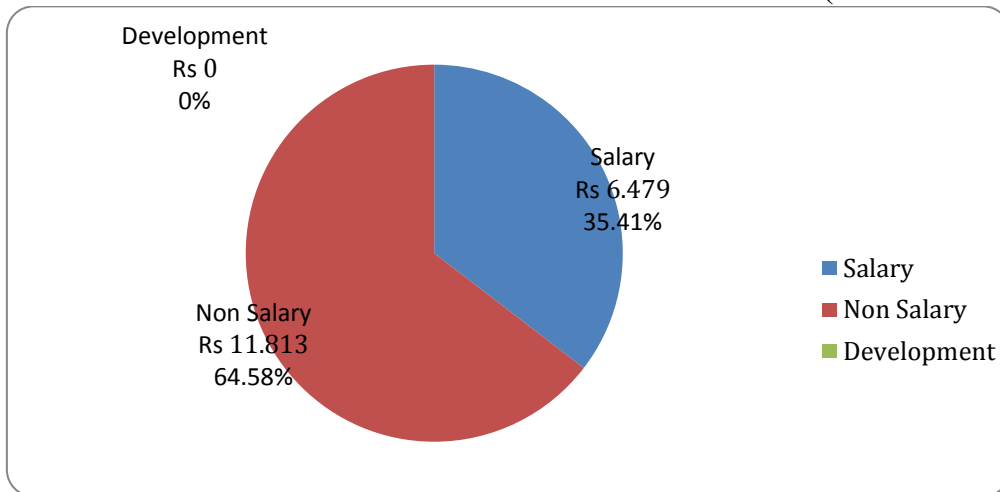
(Rs in Millions)

TMAs				
2020-21	Budget	Actual Expenditure/Receipts	Excess/(Saving)	%age
Salary	12.244	6.479	-5.765	47.08
Non salary	11.537	11.813	0.276	2.39
Development	0	0	0	0
Total	23.782	18.292	-5.49	23.08
Receipts	12.848	6.497	-6.351	49.43

The savings of Rs5.49 million indicates inefficiency in the capacity of the Tehsil Municipal Administrations to utilize the amount allocated.

EXPENDITURE 2020-21

(Rs in Millions)



3.3 Classified Summary of Audit Observations

Audit observations amounting to Rs4.383 million were raised in this audit report. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.)
1	Irregularities	-
A	HR/Employees related irregularities	3.126
B	Procurement related irregularities	1.257
Total		4.383

3.4 Comments on the status of compliance with Tehsil Accounts Committee Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC meetings are given below:

Sr. No.	Audit Year	TAC meeting
1.	2020-21	Not Convened

3.5 AUDIT PARAS

A. HR/Employees related irregularities.

3.5.1.1 Irregular hiring of daily wages employees-Rs 1.515

According to section 56(1) of the TMA Budget Rules standard of Financial Propriety “every office incurring or authorizing from the Tehsil Fund shall be guided by the high standard of financial propriety. Among the principle on which generally greater emphasis is laid are the following”;

- a) Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- b) Expenditure should not be prima facie more than the occasion demands.

Officer of the TMO Upper Orakzai incurred expenditure of Rs 1,515,000 on account of payment to daily wages employees appointed during the FY 2020-21 as per details given at annexure-03. The following irregularities were noticed:

- i. No selection criteria were followed for appointment of these staff.
- ii. Need of appointment of the above contingent staff was not ascertained.
- iii. Daily/monthly detail of work carried out by these employees was not available on record.
- iv. Office order regarding appointment was not available on record.
- v. CNIC/ domiciles/ father names/ Bio-data of recruited staff was not available.

The lapse occurred due to non-compliance of government instructions and weak internal control which resulted into Irregular payment on account of daily wages employees.

When pointed out in October, 2021 management stated that detail reply will be furnished after consulting record. However no progress was shown to audit till finalization of this report.

Request for convening the DAC meeting was made during November 2021, however meeting of DAC could not be convened till finalization of this report.

Audit recommends inquiry into the matter to fix responsibility besides recovery of the amount against the person(s) at fault.

AIR Para- 10(2020-21)

3.5.1.2 Irregular hiring of daily wages employees-Rs 1.6108 Million

According to section 56(1) of the TMA Budget Rules standard of Financial Propriety “every office incurring or authorizing from the Tehsil Fund shall be guided by the high standard of financial propriety. Among the principle on which generally greater emphasis is laid are the following”;

- a) Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- b) Expenditure should not be prima facie more than the occasion demands.

Office of the TMO Lower Orakzai incurred expenditure of Rs1,610,800 on account of payment to daily wages employees appointed during 2020-21 detail given at annexure-04. The approval of Finance Department was not obtained for appointment of daily wages employees. Further, no selection criteria was provided for appointment of these staff.

The lapse occurred due to non-compliance of government instructions and weak internal control which resulted into Irregular payment on account of daily wages employees

When pointed out in October, 2021 management stated that detail reply will be furnished after consulting record. However no progress was shown to audit till finalization of this report.

Request for convening the DAC meeting was made during November 2021, however meeting of DAC could not be convened till finalization of this report.

Audit recommends inquiry into the matter to fix responsibility besides recovery of the amount against the person(s) at fault.

AIR Para- 04 (2020-21)

B. Procurement related irregularities

3.5.1.3 Doubtful expenditure on account of removal of garbage- Rs1,257,250

According to Para 18.5 of the Planning and Development Guidelines (2015) for Devolved Tiers of Local Governments under LGA, 2013, “for projects in far flung/ inaccessible area pictorial data shall also be provided”.

Office of the TMO Lower Orakzai incurred expenditure of Rs 1,257,250 during the FY 2020-21 on account of excavator/tractor trolley charges in removal of garbage. Audit observed the following:

- i. Demand of local community for removal of garbage was not available on record.
- ii. Pictorial evidence of all sites to justify the expenditure was also not available on record.
- iii. Accumulation of such huge amount of garbage in a rural area like lower Orakzai was doubtful as the local community uses most of the garbage as a urea for their farm field.

The lapse occurred due to weak internal control and financial control which resulted into doubtful expenditure on removal of garbage.

When pointed out in October, 2021 management stated that detail reply will be furnished after consulting record. However no progress was shown to audit till finalization of this report.

Request for convening the DAC meeting was made during November 2021; however meeting of DAC could not be convened till finalization of this report.

Audit recommends detail inquiry to fix responsibility on person(s) at fault.

AIR Para- 08(2020-21)

CHAPTER-4

AD LGE &RDD

4.1 Introduction

Assistant Director Local Government Election & Rural Development Department is Drawing and Disbursing Officer (DDO) for his office. NCs/VCs are not yet functional in the merged districts including District Orakzai.

According to section 29 of the Khyber Pakhtunkhwa Local Government Act, 2013 the authority and responsibilities of the District Government have been provided; wherein, functions and powers of Assistant Director, LG&RDD include:

- i. Providing secretarial support to the Council, matters relating to Local Government Commission
- ii. Coordination and supervision of village and neighborhood councils
- iii. Matters related to local taxes, grants, budget of village and neighborhood councils
- iv. Coordination of activities relating to local council elections, population census and surveys in the district
- v. Rural Development Works including water supply, rural access roads, embankment and drainage works
- vi. Overseeing registration of births, deaths and marriages in village and neighborhood councils
- vii. Review, evaluation and assessment of local government system, processes and procedures in the district particularly at the village and neighborhood level
- viii. Collection, compilation and dissemination of primary data Training and research in the areas of local governance

Whereas, functions and powers of the Village Council or Neighborhood Council include:

- i. Monitoring and supervision of the performance of functionaries of all government offices located in the area of the respective village council or neighborhood council, including education, health, public health engineering, agriculture, livestock, police and revenue, and hold them accountable by making inquiries and reports to the Tehsil municipal

- administration, district government or, as the case may be, the Government for consideration and action;
- ii. Providing effective forum for out of court amicable settlement of disputes and, for this purpose, constitute panels of members as conciliators;
 - iii. Registration of births, deaths and marriages;
 - iv. Implementation and monitoring of village level development works;
 - v. Improving water supply sources, maintain water supply distribution system and take measures to prevent contamination of water;
 - vi. Maintenance of village level infrastructure, footpaths, tracks, streets, playgrounds, graveyards, funeral places, eid-gah, parks, public open spaces and community centres.
 - vii. Identifying development needs of the area for use by municipal administration and district government in prioritizing development plans;
 - viii. Making arrangements for sanitation, cleanliness, disposal of garbage and carcasses, drainage and sewerage system;
 - ix. Displaying land transactions in the area for public information;
 - x. Mobilizing community for maintaining public ways, public streets, culverts, bridges and public buildings, de-silting of canals and other development activities;
 - xi. Organizing cattle fairs and agriculture produce markets;
 - xii. Organizing sports teams, cultural and recreational activities;
 - xiii. Organizing watch and ward in the area;
 - xiv. Promoting plantation of trees, landscaping and beautification of public places;
 - xv. Regulating grazing areas, establish cattle ponds and provide protection against stray animals and animal trespass;
 - xvi. Considering and approving annual budget presented by the respective Nazim, village council or neighborhood council;
 - xvii. Facilitating formation of voluntary organizations for assistance in functions assigned to it;
 - xviii. Facilitating the formation of co-operatives for improving economic returns and reduction of poverty;
 - xix. Electing an Accounts Committee and review its recommendations on the annual statement of accounts and audit reports; and

- xx. Reporting cases of handicapped, destitute and of extreme poverty to district government.

Audit Profile of AD LGE&RDD of the District Orakzai

(Rs in Millions)

Sr No	Description	Total No	Audited	Expenditure audited FY 2020-21	Revenue /Receipts audited FY 2020-21
1	Formations	01	01	145.651	Nil

4.2 Comments on Budget and Accounts (Variance Analysis)

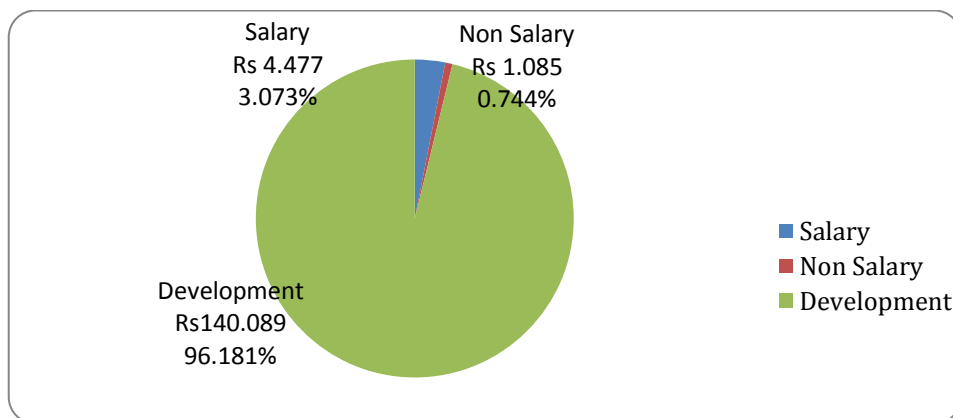
(Rs in Millions)

AD LGE&RDD				
2020-21	Budget	Actual Expenditure/Receipts	Excess/(Saving)	%age
Salary	5.029	4.477	0.552	-10.98%
Non salary	1.237	1.085	0.152	-12.29%
Development	150.00	140.089	9.911	-6.61%
Total	156.266	145.651	-10.311	-6.598%
Receipts	0	0	0	

The savings of Rs10.311 million indicates inefficiency in the capacity of the AD LGE&RDD to utilize the amount allocated.

EXPENDITURE 2020-21

(Rs in million)



4.3 Classified Summary of Audit Observations

Audit observations amounting to Rs159.306 million were raised in this audit report. This amount also includes recoverable of Rs9.806 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Procurement related irregularities	140.089
B	Management of Accounts with Commercial Banks	9.411
2	Others, including cases of accidents, negligence etc.	9.806
Total		159.306

4.4 Comments on the status of compliance with Village/Neighborhood Accounts Committee Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of Village/Neighborhood Accounts Committee meetings are given below:

Sr. No.	Audit Year	VACs/NACs meeting
1.	2020-21	Not Convened

4.5 AUDIT PARAS

4.5.1 Irregularity

A. Procurement related irregularities

4.5.1.1 Irregular developmental expenditure without T.S - Rs 140.089 million

According to Para 54 read with Para 56 of CPWD Code provides that no work shall be executed without Administrative Approval / Technical Sanction. As per notification of Secretary LG & RDD Department Govt of KPK dated has just declared just as DDO for development portfolio not the sanctioning authority.

Office of the Assistant Director LGE&RDD, Orakzai during the FY 2020-21 awarded the developmental schemes to various contractors worth Rs.140,089,000 without the approval of competent authority. Audit noticed the following irregularities.

1. The whole expenditure incurred without the sanction/approval of the competent authority.
2. T.S, PC-I and administrative approval of the schemes were not available on records.
3. The administrative approval of scheme "Execution of Rural Works Programme in FR Kohat" ADP No 989/170222 approved in PDWP 1-1-2018 with a total cost of Rs 65.8 million was valid up to 30th June 2020, however, the local office continued expenditure on said scheme afterwards.

The Lapse occurred due to weak administrative control, which resulted in to irregular expenditure.

When pointed out in September, 2021 management stated that detail reply will be furnished after consulting records. However no progress was shown to audit till finalization of this report.

Request for convening the DAC meeting was made during October 2021, however meeting of DAC could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility and action against the person (s) at fault.

AIR Para- 10(2020-21)

B. Management of Accounts with Commercial Banks

4.5.1.2 Unnecessary retention of Funds Rs 8.256 million

According to rule 290 of Treasury Rules, “No money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

Government of Khyber Pakhtunkhwa, Finance Department Notification No. 2/3(F/L)/FD/2106/Vol-X dated Peshawar the 14th July 2017 states that most of DDOs of departments/offices/bodies/organization in KP have kept substantial amount of Government money in various banks which is violation of Para 66,95 and 96 of GFR Volume-I.

Office of Assistant Director LGE&RDD, Orakzai drew a sum of Rs8,256,281 from Government Treasury and was kept in the designated bank account during the FY 2020-21. Audit observed that presence of such a huge amount in the designated accounts is due to anticipation of demand in future or to prevent lapse of budget due to end of financial year. Neither where about of the amount was known nor any entry was made in cash book.

The Lapse occurred due to weak internal control which resulted into Un-necessary retention of government money.

When pointed out in September, 2021 management stated that detail reply will be furnished after consulting record. However no progress was shown to audit till finalization of this report.

Request for convening the DAC meeting was made during October 2021, however meeting of DAC could not be convened till finalization of this report.

Audit recommends that the figures may be reconciled with the bank and the unspent balance be surrendered to the Government.

AIR Para- 03(2020-21)

4.5.1.3 Loss to Government Rs 1.155 million due to Non-conversion of current bank account into PLS Mode

Finance department letter No. 2/3(F/L) FD 20017-18/Vol. ix dated Peshawar the 10th February 2014 provides that Finance Department has from time to time allowed/sanctioned Bank accounts in commercial Bank for various Departments/ Autonomous Bodies/Corporations in KP for particular and specific purposes. Now it has been decided that such accounts may be converted to PLS mode and the profit so earned be deposited in Govt. Treasury under relevant head and not later than a week when declared by the concerned bank.

Office of the AD LGE&RDD, Orakzai retained Rs 8,256,281 in current account instead of PLS in designated bank account during the FY 2020-21 as evident from bank statements. Audit observed that government was put into loss of Rs 1,155,878 (Rs8,256,281 x 7%*2 years) as minimum rate of interest i.e. @7%, which could easily be earned if the current account is converted into PLS mode.

Non conversion of current account into PLS mode occurred due to weak internal control and Weak Financial Management which resulted into loss to the government.

When pointed out in September, 2021 management stated that detail reply will be furnished after consulting record. However no progress was shown to audit till finalization of this report.

Request for convening the DAC meeting was made during October 2021, however meeting of DAC could not be convened till finalization of this report.

Audit recommends inquiry for fixing responsibility, conversion of current bank account into PLS mode besides action against the person(s) at fault.

AIR Para- 14(2020-21)

4.5 Others, including cases of accidents, negligence etc.

**4.5.2.1 Loss to Government due to non-adjustment of 7% income tax-
Rs 9.806 million**

According to Finance Department Khyber Pakhtunkhwa Notification NO.SO (Dev-II) FD/12-6/14-5 dated 21.04.2015, all Provincial Works Departments, while preparing Cost Estimates of developmental projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System (MRS) but with 7% less cost to defray the amount added in the rate analysis of all works/construction/supply items to meet withholding tax.

Office of the Assistant Director LGE&RDD Orakzai incurred an expenditure of Rs 140,089,000 on account of execution of civil works during the FY 2020-21. The local office neither adjusted 7% of income tax against the contractor bills nor deducted any income tax amounting to Rs 14,685,860 from the contractor bills.

Non deduction of government taxes occurred due to weak administrative control, which resulted in loss to Government.

When pointed out in September, 2021 management stated that detail reply will be furnished after consulting record. However no progress was shown to audit till finalization of this report.

Request for convening the DAC meeting was made during October 2021, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para- 04(2020-21)

ANNEXURES

Annexure -1

(Detail of MFDAC Paras)

S#	AIR Para No	Department	Subject	Amount (Rs)
Deputy Commissioner				
1	1	DC	Irregular withdrawal of Moajib/Lungi Allowance	12.407
2	2	-do-	Irregular payment of liabilities of dietary charges	8.6
3	3	-do-	Unauthorized payment of electricity for rest houses and residential houses	2.108
4	4	-do-	Non-reconciled payment on account of electricity charges to PESCO	7.0
5	5	-do-	Non recovery of HRA and 5%	1.268
6	6	-do-	Doubtful expenditure on account of Entertainment charges	1.123
7	7	-do-	Loss to Government due to Non-auction of damaged vehicles	--
8	8	-do-	Non recovery of Conveyance Allowance	0.720
9	9	-do-	Irregular payment of Cash Award	0.300
10	10	-do-	Doubtful Payment in cash instead of Bank	0.536
11	11	-do-	Doubtful expenditure on account of TA/DA	0.636
12	12	-do-	Non maintenance of Assets Register/ Stock/ Dead stock Register	--
13	15	-do-	Unauthorized expenditure by ADC Finance without the sanction of Competent Authority	2.131
14	16	-do-	Unauthorized consumption of POL	0.241
15	17	-do-	Unauthorized expenditure TA/DA by ADC Finance without the sanction approval of competent authority	0.636
16	19	-do-	Improper maintenance of cash book and non-reconciled expenditure	455.00
17	21	-do-	Irregular payment to beneficiaries as losses compensation	180.0
18	22	-do-	Un-authentic /un-reconciled Receipts	0.840,
19	24	-do-	Less recovery due to non-imposition of minimum fine	1.399
Health				
20	1	DHO	Irregular drawl of Pay and Allowances	45.889
21	3	-do-	Non reconciliation of electricity bills payment with TESCO/PESCO	2.469
22	4	-do-	Un-authentic/non deposit Revenue Receipts	6.560
23	6	-do-	Noncredit of profit to government due to non-	1.699

			conversion of current bank account into PLS	
24	7	-do-	Unauthorized payment on account of Non-Practicing Allowance	1.919
25	8	-do-	irregular payment on account budget head others	1.499
26	9	-do-	non surrender/blockage of Public Fund due on or before 15 th May2021	117.534
27	10	-do-	Where about of absent doctors	--
28	11	-do-	Overpayment of Conveyance allowance and HPA during leave / residing in designated accommodation	1.220
29	12	-do-	Non deduction of Pay & Allowances during absent period	1.111
30	14	-do-	Illegal with drawl of HPA to unauthorized employees	0.480
31	15	-do-	Illegal/ irregular payment of pay and allowances to an employee beyond the age of 60 years	--
Education				
32	1	DEO	Irregular Cash Payment as support fund	1.693
33	3	-do-	Irregular withdrawal of Parent Teacher Council fund-	205.600
34	4	-do-	Irregular Cash withdrawal/ Payment of DDO	1.650
35	6	-do-	Irregular payment of Pay & Allowances through DDO	3.258
36	7	-do-	Irregular expenditure on non-functional schools and payment of pay and allowance	--
37	10	-do-	Overpayment of Pay & Allowances EOL and Conveyance allowance during leave period	1.756
38	11	-do-	Doubtful purchase of furniture Science lab equipment's	503.45
39	12	-do-	Overpayment of Pay & Allowances to various staff	6.784
AD, LGE&RDD				
40	1	ADLGRDD	Doubtful award of tenders of developmental works-	140.089
41	02	-do-	Irregular expenditure due to improper maintenance of cash book-	140.00
42	05	-do-	Non deduction of DPR fund-	0.280
43	06	-do-	Non reconciliation of expenditure-	140.089
44	07	-do-	Unauthorized payment on account of Unattractive Area Allowance-	0.231
45	08	-do-	Unauthorized award of schemes by splitting the cost-	110.00
46	09	-do-	Irregular Cash withdrawal/ Payment of DDO	0.906
47	11	-do-	Loss to Government due to non-deduction Stamp Duty from contractor bills	1.399
48	12	-do-	Unauthorized irregular expenditure DADC budges and payment over and above the POL ceiling	1.842
49	13	-do-	non surrender/blockage of Public Fund due on or before 15th May2021	0.703

TMA Upper Orakzai				
50	1	TMA Upper Orakzai	Unauthorized cash withdrawals from designated bank account-	8.367
51	3	-do-	Irregular expenditure on account of purchase of Pena flex-	0.383
52	4	-do-	Irregular expenditure on account of daily wages employees for special campaign- Doubtful expenditure on account of anti-encroachment campaign-	0.176
53	6	-do-	Unauthorized expenditure on account of minister visit-	0.069
54	7	-do-	Doubtful expenditure on account of excavator charges-	0.330
55	8	-do-	Irregular expenditure on account of daily wages employees for special campaign-	0.320
56	9	-do-	Irregular expenditure on account of POL charges	0.477
57	11	-do-	Unauthorized payment without tender-	0.110
58	12	-do-	Irregular purchase of charcoal charges without stock entries-	0.199
59	13	-do-	Unauthorized expenditure on account of entertainment charges-	0.125
TMA Lower Orakzai				
60	1	TMA Upper Orakzai	Non deposit of bank profit-	0.175
61	2	-do-	Difference in opening and closing balances between bank, cash book and budget book-	0.936
62	3	-do-	Unauthorized cash withdrawals from designated bank account-	3.50
63	5	-do-	Unauthorized purchase of Tent for Sasta Bazaar-	0.090
64	6	-do-	Irregular expenditure on account of purchased of Pena flex-	0.143
65	7	-do-	Non-adjustment of advance payment-	0.693
66	9	-do-	Irregular expenditure on account of daily wages employees for special campaign-	0.424
67	10	-do-	Doubtful expenditure on account of advertisement charges-	0.042
68	11	-do-	Unauthorized payment of TA/DA-	0.210
69	12	-do-	Irregular expenditure on account of POL charges-	0.468
70	13	-do-	Improper maintenance of cash book	--

71	14	-do-	Irregular expenditure on account of daily wages employees-	0.210
72	15	-do-	Unauthorized expenditure on account of purchased of Pena flex	0.0925
DO Social Welfare				
73	02	DO Social Welfare	Unauthorized cash withdrawals from designated bank account	4.389
74	03	-do-	Irregular advance drawl without disbursement	0.400
75	04	-do-	Irregular and Unauthorized expenditure under head rent of office building-	0.126
76	05	-do-	Unauthorized purchase of Cloth-	0.126
77	06	-do-	Loss to Government due to non-deduction of Sales tax-	0.936
78	07	-do-	Unverified expenditure under AIP Project-	2.878
79	09	-do-	Irregular/ Unauthorized expenditure without open tender	0.680
80	10	-do-	Irregular expenditure under head repair of transport -	0.503
81	11	-do-	Irregular expenditure on account of POL charges	0.526

Annexure-02

PDP No.2.5.2.3

S#	Name	Personal No	Absent Period	Days/Months	Monthly Pay & Allowances	Total Pay & Allowances
1	Syed Kamal	00426982	3/2019 to 6/2021	27 months	33,576x27	906,552
2	Muntazir Ali	50211290	5/2017 to 6/2021	45 months	21,765x45	979,425
3	Hamid Raza	00440560	12/2019 to 6/2021	18 months	24,419x18	439,542
4	Abdurrauf	50215028	9/2018 to 6/2021	33 months	21,265x33	701,745
5	Saeedabibi	00433846	9/2018 to 6/2021	33 months	35,781x33	1,180,773
6	Qadarjana	00453875	7/2017 to 6/2021	44 months	25,195x44	1,108,580
7	She naka	00453166	7/2017 to 6/2021	44 months	24,245x44	1,066,780
8	Bibizahida	50159460	9/2017 to 6/2021	41 months	22,592x41	926,272
9	Noor wali khan	00452649	3/2020 to 6/2021	14 months	33,543x14	469,602
10	Ibrar khan	00452329	7/2017 to 6/2021	44 months	26,086x44	1,147,784
11	Fatmajan	00447557	7/2017 to 6/2021	--do--	31,509x44	1,386,396
12	Bus bibi	00456724	11/2016 to 6/2021	51 months	30,268x51	1,543,668
13	Saifurajan	00450676	7/2014 to 6/2021	72 months	33,284x72	2,393,856
14	Shaheenbibi	00452544	9/2018 to 6/2021	30 months	36,764.x30	1,102,920
15	Khialbashir	00450941	7/2017 to 6/2021	44 months	31,719x44	1,395,636
16	Lalkhamina	00450719	7/2017 to 6/2021	44 months	31,682x44	1,394,008
17	MснаheedaBIBI	00433568	/4/2021 to 6/2021	3 months	49,627x3	148,881
18	Syed Tilawathussain	00426571	/4/2021 to 6/2021	3 months	68,218x3	204,654
19	Ribat khan	-	15 th June 2017	4 years	40,000x48	1,920,000
20	Omeluqman	-	15 th June 2017	4 years	40,000x48	1,920,000
21	Maryaaslam	-	/4/2021 to 6/2021	3 months	46,000x3	138,000
22	Azeem khan	-	/4/2021 to 6/2021	3 months	46,000x3	138,000
23	Sajjadhaidar	00426934	10-2019 to 6/2021	20 months	60,075x20	1,201,500
24	Said hussain	00002038	10-2019 to 6/2021	20 months	48,000x20	960,000
25	Akmalhassan	440803	4/2021 to 6/2021	03 months	46,000x3	138,000
26	Adilrehman	50404715	4/2021 to 6/2021	03 months	46,000x3	138,000
Total overpayment of pay and allowances						25,050,574

Annexure-03

PDP No.3.5.1.1

**Statement showing unauthorized payment on account of daily wages employees by
TMA Upper Orakzaiduring the year 2020-21**

S.No	No. of employees	Month	Amount Paid (Rs)
1	7	July, 2020	105,000
2	7	August, 2020	105,000
3	7	September, 2020	105,000
4	8	October, 2020	120,000
5	9	November, 2020	135,000
6	9	December, 2020	135,000
7	9	January, 2021	135,000
8	9	February, 2021	135,000
9	9	March, 2021	135,000
10	9	April, 2021	135,000
11	9	May, 2021	135,000
12	9	June, 2021	135,000
Total			1,515,000

Annexure-04
PDP No.3.5.1.2

**Statement showing unauthorized payment on account of daily wages employees by
TMA Lower Orakzai during the year 2020-21**

S.No	No. of employees	Month	Amount Paid
1	7	July, 2020	111,600
2	8	August, 2020	124,800
3	9	September, 2020	131,800
4	10	October, 2020	86,400
5	10	November, 2020	150,000
6	10	December, 2020	156,000
7	10	January, 2021	154,200
8	9	February, 2021	129,600
9	9	March, 2021	135,000
10	9	April, 2021	135,000
11	9	May, 2021	140,400
12	10	June, 2021	156,000
Total			1,610,800