



**PERFORMANCE AUDIT REPORT
ON
EFFECTIVENESS OF WATER SUPPLY
AND SANITATION PROGRAM (WSSP)
IN PROVISION OF MUNICIPAL
SERVICES IN
DISTRICT ABBOTTABAD**

AUDIT YEAR 2020-21

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General of Pakistan conducts audit in accordance with 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 the Khyber Pakhtunkhwa Local Government Act, 2013. The Performance Audit of “Effectiveness of Water Supply and Sanitation Program (WSSP) in Provision of Municipal Services at district level” was carried out accordingly.

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa conducted Performance Audit of “Effectiveness of Water Supply and Sanitation Program (WSSP) in Provision of Municipal Services at district level” in District Abbottabad during March 2021 for the FY 2019-20 with a view to report significant findings to stakeholders. Audit examined the economy, efficiency and effectiveness aspects of the services for provision of water supply facilities. Audit also assessed on test check basis, whether the management complied with the applicable laws, rules and regulations in providing and managing the services for provision of water supply facilities efficiently and effectively. The Audit report indicates specific actionable measures if taken, will help the management to realize the objectives accordingly.

Most of the observations included in this report were finalized in the light of written replies of the department. However, DAC meeting was not convened despite repeated requests.

The performance audit report is submitted to the Governor Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973, for causing it to be laid before the appropriate Legislative/Executive forum.

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Programme
AGP	Auditor General of Pakistan
AOM&R	Annual Ordinary Maintenance and Repair
BOD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
CSI	Chief Sanitary Inspector
DAC	Departmental Accounts Committee
DG	Director General
GM	General Manager
HR	Human Resource
INTOSAI	International Organization of Supreme Audit Institutions
JICA	Japan International Corporation Agency
KPI	Key Performance indicators
KPPRA	Khyber Pakhtunkhwa Public Procurement Regulatory Authority
LGA	Local Government Act
LG&RDD	Local Government and Rural Development Department
MOU	Memorandum of Understanding
PC-I	Planning Commission Proforma-I
PESCO	Peshawar Electric Supply Company
PHE	Public Health Engineering
SAMA	Services and Asset Management Agreement
TMA	Town Municipal Administration
WAPDA	Water and Power Development Authority
WSSC	Water Supply and Sanitation Company
WSSP	Water Supply and Sanitation Program

EXECUTIVE SUMMARY

The Director General Audit, District Governments, Khyber Pakhtunkhwa conducted Performance Audit titled “Effectiveness of Water Supply and Sanitation Program (WSSP) in Provision of Municipal Services” at District Level in Khyber Pakhtunkhwa selected districts at regional HQ base during March, 2021. The main objectives of audit were to evaluate planning, designing, construction, operation and maintenance of water supply, sewerage, drainage, solid waste system and allied facilities, examining HR policies especially in context of new hiring and managing, controlling and supervising persons whose services were placed at the disposal of WSSC and performance of the department against intended objectives and overall provision of services with respect to economy, efficiency & effectiveness. The audit was conducted in accordance with INTOSAI Auditing Standards as adopted by the Department of the Auditor General of Pakistan.

Water and Sanitation Services Company, Abbottabad has been established on 4th April, 2017 as a corporate sector company owned by the Khyber Pakhtunkhwa Government. WSSC is governed by Board of Directors (BOD). They formulate the policies for adoption by the company. The company was created as separate entity out of the respective Town Municipal Administrations to deliver integrated water supply, sanitation and solid waste management services through the signing of services and asset management agreements (SAMA) with the respective TMAs in 4 union councils.

Expenditure of the WSSC incurred on water supply in district Abbottabad is as under:

Financial Years	Budget	Amount Rs.	Expenditure	Amount Rs.
2019-20	Own Sources receipt	40,929,021	Salary	136,442,069
	Grant from TMA	269,407,050	Non-Salary	92,684,400
	Government Grants	135,433,000	Developmental	26,264,138
	Developmental Grants	8,750,000	Non-current Assets	7,613,100
	Grant from UNICEF	2,912,315		0
	Total:	457,431,386		263,003,707

As far as analytical review is concerned, all the relevant analytical procedures were performed on the financial and non-financial data of audited entity to analyze the affectivity, sustainability and profitability of functional and proposed water supply schemes under WSSC.

Key Audit Findings and Recommendations

Key Audit Findings are as follows:

- i. Non-extension of municipal services.
- ii. Non-existence of Human Resource (HR) Department.
- iii. Un-necessary creation of 148 Posts.
- iv. Non-shifting of water supply schemes from WAPDA to solar system.
- v. Lack of water filtration plants and chlorination machines.
- vi. Failure to functionalize the Tube Wells.
- vii. Non-execution of Solid Waste management.
- viii. Inefficiency to recover outstanding water charges from end-users –Rs 18.774 million
- ix. Unjustified payment of Deputation Allowance –Rs.8.083 million
- x. Wasteful expenditure on hiring of vehicle -Rs.1.243 million.
- xi. Procurement of Vehicles –Rs 18.914 million and Non deduction of stamp duty –Rs. 189,138
- xii. Ignoring e-bidding system during tendering of water supply schemes – Rs.26.264 million
- xiii. Excessive consumption of water due to fixed water charges and non-installation of water meters
- xiv. Non-maintenance of performance reports 2019 and 2020.

Audit recommends that:

- i. Extensions of municipal services in other UCs of Abbottabad.
- ii. Inquiry should be initiated for non-establishment of proper HR department.
- iii. Regularization of posts from the competent forum.

- iv. Since capital investments on the installation of tube wells are already made, proper budget and strategy may be devised to ensure their round the clock operations for provision of water supply to the community.
- v. Clean drinking water may be provided through installation new water filtration plants at feasible points.
- vi. Establishment of effective recovery system for early recovery of outstanding water charges.
- vii. Stamp duty should be recovered from the concerned contractors and Deposited into government treasury.
- viii. Adopting the policies and instructions of the government for adoption of e-bidding system in procurement.
- ix. Annual performance reports be prepared and their submission to the quarter concerned be ensured.
- x. Immediate installation of water meters to all water users in general and Car Wash Stations and Wedding Halls in particular.
- xi. Company should acquire the necessary resources for separation of recyclable items from waste.

1. INTRODUCTION

1.1 Background

Access to drinking water is a basic human need and it is the responsibility of the Government to ensure its provision to all citizens. Water is a finite and essential resource, the use of which needs to be regulated to avoid wastage and misuse. Water allocation for drinking and other domestic uses like cooking, hygiene, basic sanitation and other domestic uses shall have priority over other uses. Protection of the environment, safeguarding of health and livelihood through integrated management of water resources shall be ensured. The Water and Sanitation Services Company Abbottabad is responsible for provision of such basic rights to the public of District Abbottabad.

Water and Sanitation Services Company Abbottabad was established on 4th April, 2017 as a corporate sector company by Government of Khyber Pakhtunkhwa Government. WSSC has made Services and Asset Management Agreement (SAMA) with TMAs which shifted function of water supply from TMAs to WSSC. WSSC is governed by Board of Directors (BOD) which formulates policies for the company. Currently, majority of finances are provided by the government and company's own generated revenues only contributes to 18-20% of its budget. WSSC is providing services to population in 4 Urban Union Councils. WSSC physically took over the water and sanitation sectors from TMAs in Abbottabad on September, 2014. WSSC provides drinking water to areas falling under its jurisdiction but many of these areas are also left un-served due to lack of distribution networks. Though in many areas, people use personal open wells, shallow wells, domestic bore holes and hand pumps etc. to get water for their personal consumption.

2. AUDIT OBJECTIVES

Objective of this audit is to find the Effectiveness of WSSC in provision of municipal services in district Abbottabad. The following were main objectives of audit:

- i. Evaluate planning, designing, construction, operation and maintenance of water supply, sewerage, drainage and solid waste system and allied facilities.
- ii. Assess effectiveness of M&E framework to manage, control and monitor procedures, processes, facilities, operations, schemes, plans, programs and assets directly or indirectly related to the services.
- iii. Gauge efficiency in expansion, increase, enhancement and improvement in existing organizational capability, new schemes, operations, procedures, making and executing decisions to downsize or discontinue schemes, operations, procedures, processes for the services in line with the provision of the approved budget;
- iv. Examine managing, controlling, maintaining machinery, equipment, tools, plants, vehicles, lands, buildings, structures and other moveable and immovable assets owned managed or controlled previously.
- v. Examining HR policies especially in context of new hiring and managing, controlling and supervising persons whose services were placed at the disposal of WSSC.
- vi. Evaluating budget, its execution and reporting operating procedures and their compliance with the government rules and regulations.
- vii. Steps taken to safeguard public health through effective water supply services and reduction, collection, transportation, recycling and disposing of waste water and solid waste in environmentally sound manner.
- viii. Assessing impact of campaigns launched to promote public awareness on the importance of water conservation, waste reduction, resource recovery and comprehensive and efficient performance of the services.

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope

Audit focused on the “Effectiveness of Municipal Services of Water & Sanitation Services” in district Abbottabad. The factors of economy, efficiency, and effectiveness were focused while conducting the audit. Audit covers the period from for the financial year 2019-20.

3.2 Audit Methodology

Audit will cover the following areas:

- i. Conducting field surveys in order to assess the experience of District administration as well as local community in regard to this programme.
- ii. The audit will also compare to see the performance of respective WSSC and TMA in achieving similar objectives set forth by the district government.
- iii. The chief Executive Officer WSSC was visited by the audit team. The objectives of the inspection were to observe physically the functionalities of water supply schemes.
- iv. A number of officers of WSSC were contacted and interviewed with a view to obtain information as to know how they fulfilled their obligations. Chief Finance Officer, Manager Audit of WSSC were contacted in this regard.

3.3 Documents Review

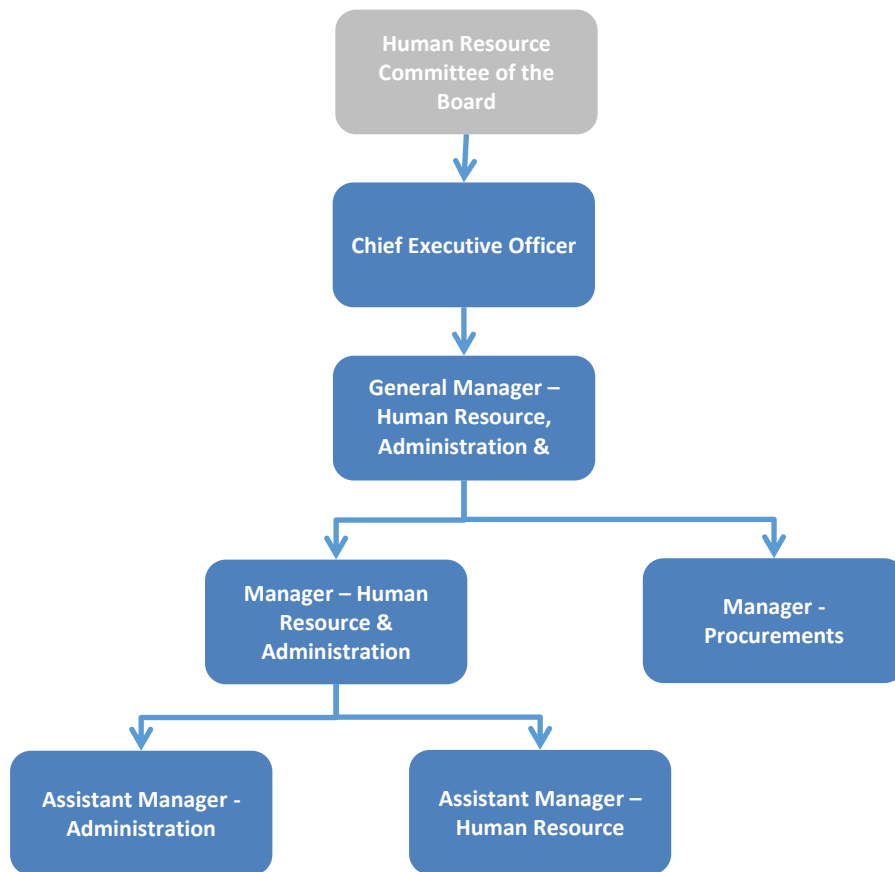
Documents reviewed to gain an understanding about effectiveness of Water Supply Schemes are as under:

- i. All relevant laws, rules and regulations on the subject.
- ii. The water supply policy of Khyber Pakhtunkhwa, 2015.
- iii. Services and Assets Management Agreement (SAMA).
- iv. Budget, releases and funds utilization.

- v. Record of solarization of water supply schemes.
- vi. Asset management during conversion of water supply schemes from WAPDA to solarization.
- vii. Progress reports/ Annual performance report.

3.4 Organizational Structure

Water and Sanitation Services Company, Abbottabad is an independent Public Sector Company headed by Chief Executive Officer. The WSSC Abbottabad performs its functions as per following organizational structure.



4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 Non-extension of municipal services.

According to S.No.2 of SAMA agreement executed between WSSC and TMA Abbottabad, WSSC Abbottabad was required to provide water and sanitation services in the territorial jurisdiction falling within the city of Abbottabad.

According to para1 (1.4) of Annual Performance Report for the year 2018-19 of WSSC Abbottabad, scope of WSSC was limited to 10 UCs of Abbottabad city.

According to SAMA agreement executed on 4th April, 2017 only four urban Union Councils were initially handed over to WSSC Abbottabad for provision of Water Supply and Sanitation services. Water and Sanitation Services Company, Abbottabad is providing its services in only four Union Councils i.e. Malikpura, Kehal, Abbottabad City and Nawanshehr of Abbottabad since its taking over the charge of municipal services in District Abbottabad. A huge amount of government grants along with the manpower is being transferred to the WSSC Abbottabad for its operation and provision of municipal services.

Audit is of the view that the company has yet not extended its operations and scope of work in the other 06 UCs of District Abbottabad despite passage of four years.

The lapse occurred due to weak internal management and resulted in non extension of municipal services.

When pointed out in April 2021, management stated that WSSC Abbottabad is providing services in Urban UCs of tehsil Abbottabad under Services and Asset Management Agreement (SAMA) with TMA, who were already providing water and sanitation services to those areas. Manpower and funds are transferred under SAMA for 04 UCs (11 neighborhood councils). As

and when the Local Government would declare further UCs as urban area and same time shall notify WSSC Abbottabad to extend its services then these areas shall be included in our jurisdiction. Reply was evasive as no extension in services was made despite passage of five years.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends extensions of municipal services in other urban UCs of the Abbottabad.

4.1.2 Non-existence of Human Resource (HR) department.

According to Para-C (1,2,3) of HRM Manual 2015, WSSC Abbottabad was required to establish HR Department within the organization.

Water and Sanitation Services Company (WSSC), Abbottabad did not establish Human Resource Department within the WSSC Abbottabad after taking over the business of the company. There are 345 employees including TMA and WSSC staff working in different departments/Sections under the supervision of CEO WSSC Abbottabad. However, no managerial level staff like HR Manager, Assistant Manager HR, and Assistant Manager MIS etc regarding HR administration was working.

Audit observed that the lapse occurred due to weak internal management and resulted in non-existence of HR department.

When pointed out in April 2021, management stated that as per Company HR manual and approval of the Board following positions were filled by WSSC Abbottabad:

- Manager HR, Admin & Procurement
- Asst: Manager HR, Admin & Procurement
- Payroll Officer
- Asst. Manager MIS(GIS)

However, with the passage of time these positions became vacant due to one or another reason. After departure of these employees due to non-existence of Board of Directors further hiring could not be done. Now Board of Director's has been nominated by Local Government as on 11th January, 2021 and same agenda has been put up in Board meetings to hire these vacant positions. Reply was not satisfactory as the functioning of WSSC without HR department is against the spirit of companies HRM Manual.

Audit recommends inquiry and appropriate action from the competent authority.

4.1.3 Un-necessary creation of 148 Posts.

According to Rule 74(2) (a) of the Khyber Pakhtunkhwa District or City District Governments Budget Rules 2016, each head of office is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

TMA Abbottabad transferred 109 employees of water supply and 139 employees for sanitation services to Chief Executive Officer WSSC Abbottabad for running the day to day operation of the company in 2017. The WSSC unnecessarily created 148 new vacancies in August 2017 under same designations and put the company into huge financial burden. Moreover, the posts were approved by the Board of Directors without acquiring concurrence from the Finance Department. As a result, duplication of payments for same service in TMAs / WSSC occurred. Detail of employees is given as under:

S. No	Designation	Year	No of employees
1.	Sweepers/SW	2017	128
2.	Helpers		8
3.	Sub Engineers		7
4.	Drivers		5
Total:			148

Un-necessary creation of posts occurred due to weak financial control, which resulted in loss to WSSC.

When pointed out in April 2021, management stated that upon taking over the services from TMA Abbottabad under SAMA in April, 2017, we assessed the resources requirements as per international standards and compared with resources deputed by TMA Abbottabad. After this study, we came to the conclusion that resources were not sufficient to provide good quality services to the community. As per this working above mentioned positions were created but all these positions had not been filled so far. We are hiring resources as per our utmost need and trying to provide services in un-served areas of the community. Apart from the above, we have added 10 heavy machinery and equipment for collection, transportation and disposal of the solid waste management. Reply was not cogent as TMA Abbottabad was also working in the same areas with the available strength of employees.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends regularization from the competent forum.

4.1.4 Non-shifting of water supply schemes from WAPDA to solar system

According to clause 3(iii) of the SAMA the second party i.e. WSSC has entrusted the function and responsibility for expansion, increase, enhancement and improvement in existing organizational capability of water and sanitation, introduction of new schemes, plans, programs, operations, activities, actions, procedures, processes for water and sanitation.

According to clause 12.2 of the SAMA the second party i.e. WSSC shall ensure use of resources provided by the First Party, bring in efficiency in water supply, sanitation and waste collection, treatment and disposal and level of services delivery.

Chief Executive Officer WSSC Abbottabad took over 11 water supply schemes and constructed 30 water supply schemes on its own but did not take any step to shift these schemes from WAPDA to Solarization to minimize heavy

electricity bills. Audit was of the opinion that solarization of water supply schemes would not have ensured uninterrupted supply of power but also decreased electricity bills.

Non-solarization of water supply schemes occurred due to lack of interest of management which resulted in heavy expenditure on provision of power supply to tube wells through WAPDA.

When pointed out in April 2021, management stated that solar system was duly studied for implementation in Abbottabad area under the jurisdiction of WSSCA. It is pertinent to note that most of our machineries are above 40hp which extract water from around 400 feet depth. As a rule of thumb, a minimum 10 to 12 Marlas land will be required for installation of solar panels. In most of the cases land is not available in with the tube wells and even if available the cost of land is very high. Reply was not cogent as the acquisition of land does not matter in the best public interest and it is the responsibility of government to acquire the land for government projects.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends that since capital investments on the installation of tube wells are already made, proper budget and strategy may be devised to ensure their round the clock operations for provision of water supply to the community.

4.1.5 Lack of water filtration plants and chlorination machines.

According to 12.2 of the SAMA the second party i.e. WSSC shall ensure bring in efficiency in water supply, sanitation and waste collection, treatment and disposal and enhance the level of Services delivery.

Provision of clean and safe drinking water is the foremost activity and responsibility of WSSC Abbottabad. However, the management of WSSC Abbottabad did not install sufficient number of water filtration plants and

chlorination machines at feasible points to ensure timely provision of clean drinking water to the public. No additional water filtration plant yet added in the existence systems which were already handed over to WSSC Abbottabad by the district government.

Non-provision of sufficient water filtration plants and chlorination machines at feasible points occurred due to weak administrative control which resulted in increase of diseases like diarrhea, dysentery and hepatitis etc.

When pointed out in April 2021, management stated that that WSSC Abbottabad is regularly operating water quality testing Laboratory for ensuring quality of the water being supplied to the community. Around 100 water quality tests are being conducted from 60 fixed points from the distribution system in the city. So far we have conducted 4,000 water quality tests since inception of the Company. Apart from the water quality testing, each tank in the distribution system is periodically chlorinated and even the water from JICA gravity plant is included in the system after chlorination.

WSSC Abbottabad after SAMA agreement has taken over only four filtration plants and added 08 more with the help of CDWA (Clean drinking water for all). Please note that the quality parameters of the water are equivalent if not better than a filtration plant and in most of the cases the filtration plant is not needed due to good natural quality of our water. Reply was not cogent as the additional 08 filtration plants were installed by the local government and not by the WSSC.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends that clean drinking water may be provided through installation new water filtration plants at feasible points.

4.1.6 Failure to functionalize tube wells.

According to clause 12.2 of the SAMA the second party i.e.WSSC shall ensure use of resources provided by the First Party, bring in efficiency in water supply, sanitation and waste collection, treatment and disposal and level of services delivery.

Thirteen No of tube wells were found to be non-functional despite heavy expenditures on their installation. Local office shown inability to functionalize water supply schemes under its jurisdiction deprived public from its intended benefits. Detail of non-functional tube wells is given at annexure-1.

Failure to functionalize tube wells occurred due to weak managerial and administrative controls, which resulted in non- availability of safe drinking water to the community.

When pointed out in April 2021, management stated that at the time of Handing & Taking over, only 7 tube wells out of the 30 were functional. At present, a total of 15 tube wells have been operational which shows that 8 tube wells have been rehabilitated and operationalized.

It is pertinent to add that water supply system of WSSCA mainly depends upon Surface Water System. Due to this reason, WSSCA is going to extend surface water system through ADB and a new surface water system will be established along with the existing one.

Meanwhile, considering the requirements of the community, we rehabilitate the non-functional tube wells where necessary. Out of the remaining 15 non-functional tube wells, 4 are in progress, 4 are in consultation with PMA Officials, while the remaining 7 are completely abandoned due to various reasons (including drawdown of the water table, collapsing of the borehole leaving it irreparable).

The abandoned tube wells require complete over hauling due to which our main focus is to enhance the surface water system which is our main goal. As in future, we are planning to utilize the surface water completely instead of ground water system on order to save electricity as well as the ground water which is continuously decreasing in the recent years. Reply was not satisfactory as the government money remained blocked and as a result the community deprived of the basic facility of drinking water out of non-functional tube wells.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends that as capital investment on the installation of tube wells was already made, proper budget and strategy might be devised to ensure their round the clock operations for provision of water supply to the community.

4.2 Financial Management

4.2.1 Inefficiency to recover outstanding water charges – Rs 18.774 million

According to clause 3(ix) of the SAMA agreement executed between TMA and WSSC Abbottabad, the WSSC Abbottabad is required to collect fees, taxes and user charges in respect of the services, receiving and appropriating all receipts and recoveries thereof.

According to clause 3(viii) of the SAMA the second party i.e WSSC has entrusted the function for procuring cost recovery measures for the Services provided by or on behalf of the Second Party and suggesting actions regarding taxes, fees, user charges, surcharges, cesses, rents, rates in respect of the Services, receiving and appropriating all receipts recovered in respect thereof.

Chief Executive Officer WSSC Abbottabad failed to recover huge amount of Rs. 18.774 million being outstanding against end users on account of water charges in different areas during financial year 2019-20. Detail is given below:

S.No	Area	No of Customers	Outstanding water charges (Rs.)
1.	City	2830	2,673,750
2.	Malik Pura	3663	7,340,479
3.	Kehal	2503	1,796,182
4.	Nawanshehr	5652	6,963,828
Total			18,774,239

However, local offices could not recover these outstanding dues due to weak administrative controls which resulted in loss to the public exchequer.

Audit observed that government dues remained outstanding due to weak management control and non-recovery of government dues, which resulted in loss to public exchequer.

When pointed out in April 2021, management stated that this amount includes arrears received from TMA of amounting Rs.12.7 million and we had

added only Rs. 6 million in arrears. WSSC Abbottabad had totally billed Rs. 91.2 million and received Rs. 84.2 million Company's recovery ratio is 92% which is highest in all water utilities in Pakistan. Every cycle we are improving and in recent cycle we had recovered 118% of amount billed. These arrears are chronic one which needs time to collect.

WSSC Abbottabad is putting every effort to collect the arrears and following steps has been already taken:

- Issued legal notices to defaulters for payment of arrears.
- Improvement in customer database through marking of each household with customer ID number so that to ensure 100% customer identification and bills distribution. At the time of transferring data by TMA Abbottabad only name of consumers was available without proper addresses.
- Established recovery teams for defaulter customers who visit door to door for recovery from defaulters. Company has also created a web portal and dashboard for monitory recovery.
- Established separate disconnection team for disconnecting non-payers

Water rate collection of WSSC Abbottabad is best in all water utilities in Pakistan. In Pakistan Water Operators Network (PWON) meetings, recovery efforts of WSSC Abbottabad had been admired by all Utilities. Reply was not satisfactory as the outstanding balance needs to be recovered and minimized with the passage of time.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends establishment of effective recovery system for early recovery of outstanding water charges.

4.2.2 Unauthorized payment of Deputation Allowance –Rs.8.083 million

According to Rule 41 of LGA, 2013, every official or servant of a local Government, every member of a local council, and every person charged with administration and management of property of a local Government shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a local government.

Chief Executive Officer Water and Sanitation Services Company, Abbottabad allowed payment of Deputation Allowance to the employees transferred from TMA Abbottabad to WSSCA during the year 2019-20 as per detail given below:

S.No.	Particulars	Deputation Allowance during 2019-20
1.	Operational Employees	6,097,749
2.	Sanitation Workers	1,046,518
3.	Water Supply Section	939,284
	Total:	8,083,551

As per practice in vogue deputation allowance is paid by the hiring entity through its own resources and not by the budget of parent office. Scrutiny of the record reveals that deputation allowance was paid to the employees from the budget already transferred by TMA to WSSCA. No contribution of WSSC was found in payment of deputation allowance. Moreover, there were no instructions mentioned regarding payment of deputation allowance in the SAMA agreement which was mutually agreed and signed between the both parties.

The lapse occurred due to weak financial and management control which resulted in unauthorized payment of deputation allowance.

When pointed out in March 2021, management stated that the deputation allowance is actually incentive allowance to employee for working in new setup. This incentive is part of SAMA of other WSSCs but not included in our SAMA due to clerical mistake. We are following practice of other WSSCs as we alone were not able to stop this incentive. As per reconciliation of Local Government WSSC Abbottabad shall pay deputation/incentive allowance and shall add the

same in TMA budget. We are also in process to amend the SAMA agreement with TMA to include incentive allowance clause. Reply was not cogent as the legal position of deputation allowance was not justified.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends investigation and justification under intimation to audit.

4.2.3 Wastage of government money due to hiring of vehicle -Rs.1.243 million.

According to Rule 41 of LGA, 2013, every official or servant of a local Government, every member of a local council, and every person charged with administration and management of property of a local Government shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a local government.

Chief Executive Officer Water and Sanitation Services Company, Abbottabad allowed payment of Rs. 1,243,159 on account of hiring of vehicle Suzuki Bolan NT-531 upto the year 2021. Scrutiny of the record revealed that the company had also purchased two new Suzuki Bolans after taking over the charge of business from TMA Abbottabad in 2017. Moreover, the vehicle is also handed over to Chief Sanitary Inspector being working in S-1 who is not authorized as per 1.2 Allotment of vehicles to officers of HR Manual. There are three spare motor bikes which are lying in the stores being non-functional. These motor bikes could also be used for sanitation inspections more efficiently and being economically than the Suzuki Bolan.

Audit observed that payment of monthly rent on account of hiring of vehicle occurred due to weak internal/financial management.

When pointed out in April 2021, management stated that WSSCA bought two Suzuki Bolan for the water supply and SWM department. However, it was

decided that for project department new vehicle would not be purchased yet and decision will be made keeping in mind the load of projects. But once the PFC schemes were handed over to WSSCA by TMA (As per the instruction of Chief Minister of Khyber Pakhtunkhwa) it was decided to hire Suzuki Bolan as it was foreseen that the load will decrease after the completion of these schemes. Furthermore, it shall be noted that the payment made for the hiring of this vehicle is from the development charges for the execution of these schemes which is approximately 2.3 million.

Keeping in view the up-coming KP-CIP projects and on-going projects which are required to be executed for water supply and SWM departments Project department has given purchase requisition to the CEO for buying our own Suzuki Bolan and the process of this is in Progress.

No vehicle is handed over to the CSI but under the direct control of fleet supervisor. As mentioned above this Suzuki Bolan was purchased for the operational works of SWM department. It is being used in the field for different type of daily tasks like site visits, transporting of manpower for any operational job etc. CSI is the field in-charge of SWM operations and has to visit and report on every activity. As per the company rules and regulation he can use the pool vehicle after approval from the concern authority but no vehicle is handed over to CSI. Reply was evasive as expenditure on hiring of vehicle for such a long period is not justified and putting financial burden on the company.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends inquiry and regularization from the competent authority.

4.3 Procurement & Contract Management Issues

4.3.1 Procurement of Vehicles –Rs 18.914 million and Non deduction of stamp duty –Rs.189,138

According to Government of KPK, Revenue & State Department (Stamps Wing) letter No. 3023/AS(S)3/240/C-III dated 02-07-2010, Stamp duty @ 1 % of the total cost of goods be deducted from the suppliers.

Chief Executive Officer Water & Sanitation Services Company Abbottabad incurred expenditure of Rs. 18,913,788 on purchase of various operational vehicles upto the year 2019-20. Detail given below:

S.No	Date	Voucher No.	Description of vehicles	Qty	Amount Rs.	Stamp Duty@1%
1.	30-03-2017	BPV-56	Suzuki Cultus VXR	01	1,129,000	11,290
2.			Suzuki Bolan VX	02	1,450,000	14,500
3.	29-09-2017	BPV-233	FAW Pick Up	02	1,498,000	14,980
4.	29-09-2017	BPV-232	Suzuki Cultus VXL	01	1,391,000	13,910
5.	12-12-2017	BPV-328	FAW Carrier Mini Dumper	01	3,077,000	30,770
6.	20-02-2019	BPV-1233	FAW Truck Tiger V-120HP	01	2,250,000	22,500
7.	25-03-2019	BPV-1322	Backhoe Fabrication	01	2,695,788	26,958
8.	17-07-2019	BPV-1533	Garbage Compactor 8M3	01	2,070,000	20,700
9.			Skip Loader Carrier	01	970,000	9,700
10.			Mini Tipper 2M3	01	470,000	4,700
11.			Mini Tipper 1M3	02	740,000	7,400
12.			Honda C D 70	18	1,173,000	11,730
Total:					18,913,788	189,138

However, Stamp Duty @ 1% amounting Rs.189,138 of the total supply was not deducted from the bills of the suppliers.

Non deposit of stamp duty occurred due to weak internal controls which resulted in loss to Government.

When pointed out in March 2021, management stated that WSSC will write letters to the vendors for payment of stamp duty and will duly deposit the same in government treasury.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends deposit of stamp duty into government treasury.

4.3.2 Ignoring e-bidding system during tendering of water supply schemes – Rs. 26.264 million

According to S.No.11 of Khyber Pakhtunkhwa Public Procurement Regulatory Authority Act, 2012 (Khyber Pakhtunkhwa Act No.XI of 2012), “The procurement entity shall engage in open competitive bidding if the cost of the object to be procured is more than the financial limit which is applicable under rule 10 purchases uptoRs. 2.5 million shall be posted on the procuring entity’s website or public procurement regulatory authority (PPRA’s) or both. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring entity.

Chief Executive Officer WSSC Abbottabad spent Rs.26.264 million on water supply schemes without adopting e-bidding system during 2019-20. Government has devised policy and issued instructions for adopting e-bidding system for procurement of water supply schemes but local office ignored this policy resulting in irregular procurement.

When pointed out in March 2021, management stated that the Government of Khyber Pakhtunkhwa in Local Government Elections and Rural Development Department issued a Notification No. PS/SLG&RDD/Misc/2014 dated 18-07-2014 for e-tendering system implementation by all Local Councils and Local Areas Development Authorities in the province of Khyber Pakhtunkhwa for transparent and fair competition. WSSCA is neither local council nor authority. It is pertinent to mention that our tendering is 100 percent transparent. Reply was evasive as the WSSC is also functioning under Government of Khyber Pakhtunkhwa Rules of Business, 2015.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends adopting the policies and instructions of the government for adopting the e-bidding system in procurement and fixing responsibility on the person(s) held responsible for the lapse.

4.4 Monitoring & Evaluation Issues

4.4.1 Non-maintenance of performance report 2019 and 2020.

According to clause 12.1 of SAMA agreement the WSSC was required to fix targets for improvement in services after six months of the agreement and also fix targets for the next year. The second party shall submit a report to the First Party and Parties of the Third Party containing details of Bench Marking of existing services.

Chief Executive Officer WSSC Abbottabad did not prepare performance report for the year 2019 and 2020. Performance report for the year 2018 was found maintained but report for the next two years i.e. 2019 and 2020 were not found maintained nor produce to audit.

The lapse occurred due to weak administrative control and resulted in non maintenance of performance reports.

When pointed out in March 2021, management stated that compliance to the recommendation of Audit will be submitted shortly. Reply was evasive as no report was available on record.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends immediate preparation of the concerned reports and action against the person(s) at fault.

4.4.2 Excessive consumption of water due to fixed water charges and non-installation of water meters

According to clause 3(vii and viii) of the SAMA the second party i.e. WSSC has entrusted the function to take all such steps as are deemed necessary and expedient by the Second Party for effective management of the Services in order to safeguard public health to ensure that water supply services is effectively managed. And to promote public awareness on the importance of water conservation, waste reduction, resource recovery and comprehensive and efficient performance of the services and fostering understanding of its importance for conservation, protection and proper use of environment and initiating, carrying

out or supporting, by financial means or otherwise, research which, in the opinion of the second Party is relevant to any of the functions envisaged to it.

Chief Executive Officer WSSC Abbottabad failed to install water meters to consumers nor did he revise the flat water rates to control the excessive consumption of water.

The lapse occurred due to weak administrative control which resulted in excessive consumption of water.

When pointed out in March 2021, management stated that we have planned to install 35,000 water meters under the KP-CIP as this was a huge job therefore it is being done in KP-CIP. Reply was not satisfactory as no progress was shown despite passage of five years.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends immediate installation of water meters or enhancement of flat water rates besides adopting measure to recycle the used water for reuse as directed by the Chief Justice of Supreme Court of Pakistan.

4.5 Environment Issues

4.5.1 Non-execution of Solid Waste management.

According to Clause 3(vii) of SAMA agreement “taking all such steps as are deemed necessary and expedient by the second party (WSSC) for effective management of the Services in order to safeguard public health to ensure that water supply services is effectively managed, waste water and solid waste is reduced, collected, stored, transported, recycled, reused or disposed off, in environmentally sound manner and promoting safety standards in relation to such waste and issuing specific directions and entities to arrange services in the manner determined by the second party (WSSC).

Since the inception of WSSC Abbottabad no physical progress regarding Solid Waste management was made by the company. The collection and disposal of solid waste was being carried out on traditional pattern.

The company also failed to earn any revenue from the sale of waste being collected in shape of tin, bottles, plastic, card board etc.

Moreover, no strategy such as installation of an incineration plant was carried out for the disposal of waste

The WSSC Abbottabad also failed to carry out Environment Impact Assessment as envisaged in section 12 of the Pakistan Environmental Protection Act 1997.

The lapse occurred due to weak managerial control and resulted in non execution of solid waste management.

When pointed out in April 2021, management stated that the infrastructure and equipments required were zero when the company took over the operations in 2017. It shall be noted that solid waste management infrastructure cannot be executed say in a year. This involves many studies like the one mentioned in the observation of esteemed auditor. These processes take years to complete.

After handing over WSSCA was given a non-functional segregation plant. WSSCA invited experts and studied its re-operational cost as well. The

segregation plant could only be used for segregation and no further downstream solution was provided. However, with the vision of a proper solid waste management system which WSSCA had, we have been able to get a new project for Abbottabad under the KP-CIP (Khyber Pakhtunkhwa Cities Improvement Project). The preliminary studies under CDIA started in late 2017 and the project is expected to start in Quarter 2nd of 2022.

Request for convening of DAC meeting was made in April 2021, which could not be convened till finalization of this report.

Audit recommends that company should acquire the necessary resources for separation of recyclable items from waste.

4.6 Overall Assessment

i. **Relevance:**

The municipal service delivery is an essential programme and relevant to the priorities of the government. However, the lack of monitoring and supervision system has resulted inefficient use of resources.

ii. **Efficacy:**

With the help of sound monitoring system focused approach and efforts the program would be a tremendous success in achieving its objectives.

iii. **Efficiency:**

The goals of the programme could not be achieved due to poor planning, inefficient execution and monitoring and lack of coordination.

- Many of water supply schemes were not shifted to solar system from WAPDA.
- No campaign was launched in community for careful usage of water and better hygiene practices.
- WSSC Abbottabad could not make efforts for operation of solid waste management.

iv. **Economy:**

- WSSC Abbottabad failed to achieve annual targets due to which millions of Rupees was outstanding against the water users
- WSSC incurred loss due to fix billing on water charges due to non-installation of meters.

v. **Effectiveness:**

The objectives of the programme could not be achieved effectively. The programme would have been more effective, if the activities were planned in the professional way and executed accordingly. Moreover, despite heavy investments on installation of tube wells, they remain dysfunctional.

vi. Compliance with rules:

In major instances of non-compliance with applicable rules and regulations have been reported in the audit findings.

Main observations with regard to violation of Rules are given below:

- Ignoring e-bidding system during tendering of water supply schemes.
- Wasteful expenditure on pay and allowances of Valve men.
- Un necessary creation of posts of sanitary workers.

vii. Performance rating of the programme:

Moderately Satisfactory.

viii. Risk rating of the programme:

Medium.

5. CONCLUSION

5.1 Key issues for the Future: Issues that could limit WSSC, Abbottabad performance and achievement of objectives are as under:

- i. Non-recovery of water user charges
- ii. Non-achievement of targets
- iii. Non installation of water meters
- iv. Non-conversion of tube wells from electricity to solar system
- v. Failure to functionalize the tube-wells

5.2 Lessons identified:

- i. Since capital investments on the installation of tube wells are made, proper budget and strategy may be devised to ensure their round the clock operations for provision of water supply to the community.
- ii. Clean drinking water may be provided through installation of filtration plants at feasible points.
- iii. Take steps to initiate public awareness in community about safe hygiene practices and careful usage of clean drinking water.
- iv. Carrying out survey to assess correct revenue receipts from water supply scheme and establishing effective recovery mechanism.
- v. Expedited efforts for establishment of water supply schemes at villages levels
- vi. Replacement of burnt/defective electricity meters and reconciliation of payments with PESCO to control losses.
- vii. Assessment of workforce required to operate the tube wells and other allied facilities to control creation of unnecessary posts and wasteful expenditure.

6. RECOMMENDATIONS

- i. Audit recommends extensions of municipal services in other urban UCs of the Abbottabad.
- ii. Audit recommends inquiry and appropriate action from the competent authority.
- iii. Audit recommends regularization from the competent forum.
- iv. Audit recommends that since capital investments on the installation of tube wells are already made, proper budget and strategy may be devised to ensure their round the clock operations for provision of water supply to the community.
- v. Audit recommends that clean drinking water may be provided through installation new water filtration plants at feasible points.
- vi. Audit recommends that as capital investment on the installation of tube wells was already made, proper budget and strategy might be devised to ensure their round the clock operations for provision of water supply to the community.
- vii. Audit recommends that company should acquire the necessary resources for separation of recyclable items from waste.
- viii. Audit recommends establishment of effective recovery system for early recovery of outstanding water charges.
- ix. Audit recommends investigation and justification under intimation to audit.
- x. Audit recommends inquiry and regularization from the competent authority.
- xi. Audit recommends deposit of stamp duty into government treasury.
- xii. Audit recommends adopting the policies and instructions of the government for adopting the e-bidding system in procurement and fixing responsibility on the person(s) held responsible for the lapse.
- xiii. Audit recommends immediate installation of water meters to all water users in general and Car Wash Stations and Wedding Halls in particular.

ACKNOWLEDGEMENT

We wish to express our appreciation to the management and staff of Water & Sanitation Services Company Abbottabad / TMAs and PHE for the assistance and cooperation with the auditors during this assignment.

RESPONSE AND IMPLEMENTATION OF RECOMMENDATIONS

Audit of Effectiveness of Water and Sanitation Services Company in District Abbottabad				
Para No	Recommendations	Accepted Yes/No	Implementation date	Client Comments
4.1.1	Audit recommends extensions of municipal services in other urban UCs of the Abbottabad. Audit recommends inquiry and appropriate action from the competent authority.	Yes	Nil	WSSC Abbottabad is providing services in Urban UCs of tehsil Abbottabad under Services and Asset Management Agreement (SAMA) with TMA
4.1.2	Audit recommends regularization from the competent forum.	yes	Nil	Now Board of Director's has been nominated by Local Government as on 11 th January, 2021 and same agenda has been put up in Board meetings
4.1.3	Audit recommends that since capital investments on the installation of tube wells are already made, proper budget and strategy may be devised to ensure their round the clock operations for provision of water supply to the community.	yes	Nil	We are hiring resources as per our utmost need and trying to provide services in un-served areas of the community
4.1.4	Audit recommends that clean drinking water may be provided through installation new water filtration plants at feasible points.	yes	Nil	As a rule of thumb, a minimum 10 to 12 Marlas land will be required for installation of solar panels.
4.1.5	Clean drinking water may be provided through installation of filtration plants at feasible points.	yes	Nil	Please note that the quality parameters of the water are equivalent if not better than a filtration plant and in most of the cases the filtration plant is not needed
4.1.6	Audit recommends that as capital investment on the installation of tube wells was already made,	yes	Nil	As in future, we are planning to utilize the surface water completely instead of ground water system on order to save

	proper budget and strategy might be devised to ensure their round the clock operations for provision of water supply to the community.			electricity
4.1.7	Audit recommends that company should acquire the necessary resources for separation of recyclable items from waste.	yes	Nil	It shall be noted that solid waste management infrastructure cannot be executed say in a year. This involves many studies like the one mentioned in the observation of esteemed auditor. These processes take years to complete.
4.2.1	Audit recommends establishment of effective recovery system for early recovery of outstanding water charges.	yes	Nil	Recovery will be affected
4.2.2	Audit recommends investigation and justification under intimation to audit.	yes	Nil	This deputation allowance is actually incentive allowance to employee for working in new setup.
4.3.1	Audit recommends deposit of stamp duty into government treasury.	yes	Nil	WSSC will write letters to the vendors for payment of stamp duty and will duly deposit the same in government treasury.
4.3.2	Audit recommends adopting the policies and instructions of the government for adopting the e-bidding system in procurement and fixing responsibility on the person(s) held responsible for the lapse.	yes	Nil	The Government of Khyber Pakhtunkhwa in Local Government Elections and Rural Development Department issued a Notification No. PS/SLG&RDD/Misc/2014 dated 18-07-2014 for e-tendering system implementation by all Local Councils and Local Areas Development Authorities in the province of Khyber Pakhtunkhwa for transparent and fair competition. WSSCA is neither local council nor authority.

4.4.1	Audit recommends immediate installation of water meters to all water users in general and Car Wash Stations and Wedding Halls in particular.	Yes	Nil	Matter is under consideration
4.4.2	Audit recommends immediate preparation of the concerned reports and action against the person(s) at fault.	Yes	Nil	Compliance to the Recommendation of Audit will be submitted shortly.

ANNEXURE

Annexure-1

Statement showing detail of Non-functional Tube Wells in WSSC Abbottabad

S No	Scheme	Location	Union Council	Status
01.	Tube well No 01	Narian	Kehal,Urben City & Malik pura	Non-functional
02.	Tube well No 02	Narian	Kehal,Urben City & Malik pura	Non-functional
03.	Tube well No 03	Narian	Kehal,Urben City & Malik pura	Non-functional
04.	Tube well No 04	Narian	Kehal,Urben City & Malik pura	Non-functional
05.	Tube well No 05	Narian	Kehal,Urben City & Malik pura	Non-functional
06.	Tube well No 06	Narian	Kehal,Urben City & Malik pura	Non-functional
07.	Tube well No 06	Nawanshehr	Nawanshehr	Non-functional
08.	Tube well UNDP 01	Nawanshehr	Nawanshehr	Non-functional
09.	Tube well UNDP 02	Nawanshehr	Nawanshehr	Non-functional
10.	Stoneyjheel tube well No 01	PMA Abbottabad	Kehal,Urben City & Malik pura	Non-functional
11.	Stoneyjheel tube well No 02	PMA Abbottabad	Kehal,Urben City & Malik pura	Non-functional
12.	Stoneyjheel tube well No 03	PMA Abbottabad	Kehal,Urben City & Malik pura	Non-functional
13.	Stoneyjheel tube well No 04	PMA Abbottabad	Kehal,Urben City & Malik pura	Non-functional