



**PERFORMANCE AUDIT REPORT
ON
EFFECTIVENESS OF WATER SUPPLY
SCHEMES OF LGE&RDD/TMA_s/PHE/
WATER AND SANITATION
SERVICES COMPANIES IN
DISTRICT PESHAWAR**

AUDIT YEAR 2019-20

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 schemes of LGE&RDD/TMAs/PHEs/Water & Sanitation Services Companies in Khyber Pakhtunkhwa" was carried out accordingly.

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa conducted performance audit of Effectiveness of water supply schemes of LGE&RDD/TMAs/PHEs/Water & Sanitation Services Company in Peshawar during March 2020 for the period 2018-19 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 effective water supply facilities. The Audit report indicates specific actions that, if taken, will help the management to realize the objectives accordingly.

Most of the observations included in this report have been finalized in the light of written responses and discussions with the management. DAC meeting could not be arranged despite repeated reminder.

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

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

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ABBREVIATIONS AND ACRONYMS

AD	Assistant Director
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
DAC	Departmental Accounts Committee
DG	Director General
GM	General Manager
HR	Human Resource
INTOSAI	International Organization of Supreme Audit Institutions
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
NC	Neighborhood Council
PC-I	Planning Commission Proforma-I
PDA	Peshawar Development Authority
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
WSSP	Water and Sanitation Services Peshawar
XEN	Executive Engineer

EXECUTIVE SUMMARY

The Director General Audit, District Governments, Khyber Pakhtunkhwa conducted Performance Audit titled “Effectiveness of Water Supply Schemes of LGE & RDD/TMAs/PHEs/Water and Sanitation Services Companies in Khyber Pakhtunkhwa selected districts at regional HQ base” during February, 2020. The main objectives of audit were to evaluate the status of water supply schemes being functional and dysfunctional, reasons for dys-functionality, assets management while converting the working water supply schemes from WAPDA to solarization, effectiveness of water supply schemes after solarization, steps taken in this regard by the department, steps taken to for repair and maintenance of rusted and porous pipes of water supply schemes, performance 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, Peshawar has been established as a corporate sector company owned by the Khyber Pakhtunkhwa Government. WSSP 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 43 urban union councils. Public Health Engineering Department came into being to provide clean drinking water, hygiene facilities and a healthy environment to the public. It was originally established as a secondary branch in 1974 which was merged with Communication and Works Department in 2001. However, after the realization of its enormous role in the public sphere it was given the status of an independent department in 2009. Presently, PHED divided the province into northern and southern units for administrative purposes. The assigned teams work under two chief engineers who

work under the supervision of Administrative Secretary and Chief Engineers Public Health Engineering Department Government of Khyber Pakhtunkhwa. PHED Peshawar is currently serving the population water supply through 351 water supply schemes. Assistant Director, LGE&RDD is working under the Administrative control of Secretary, LGE &RDD. According to rule 3(2) defined in second schedule at S.No 13(vii) of the Khyber Pakhtunkhwa District Government Rules of Business 2015 operational components and business of AD LGE&RDD includes rural development works including water supply, rural access roads, embankment and drainage works. According to rule 29(e) of Local Government Act 2013 that functions of village council and Neighborhood council under administrative control of LGE&RDD improve water supply sources, maintain water supply distribution system and take measures to prevent contamination of water.

Expenditure of the Public Health Engineering Department Peshawar and WSSP responsible for the water supply in district Peshawar is as under:

(Rupees in million)

Department	Salary	Non Salary	Development
PHE	177.412	147.273	1198.856
WSSP	1624.339	1062.575	149.243

Source: Financial Statements for the financial year 2018-19

Key Audit Findings

Key Audit Findings are as follows:

- i. No efforts were made for training need assessments for capacity building of the staff.
- ii. Un-necessary creation of posts of tube wells operators
- iii. Wasteful expenditure on salaries of tube well operators handed over to WSSP by PHE
- iv. Many of water supply schemes were not shifted to solar system from WAPDA.
- v. Lack of water filtration plants and chlorination machines

- vi. Despite heavy investments on installation of tube wells, they remain dysfunctional.
- vii. No campaign was launched in community for careful usage of water and better hygiene practices.
- viii. Failure to recover water charges from end-users.
- ix. Loss due to estimated billing on burnt/defective electricity meters.
- x. Wasteful expenditure on pay and allowances of Valve men.
- xi. Non-procurement of service enhancement equipment.
- xii. Ignoring e-bidding system during tendering of water supply schemes.
- xiii. Excessive consumption of water due to fixed water charges and non-installation of water meters.

Recommendations:

Audit recommends:

- i. After due training need assessments, proper capacity building sessions may be arranged for the staff to ensure appropriate services to the community.
- ii. Assessment of workforce required to operate the tube wells and other allied facilities to control creation of unnecessary posts and wasteful expenditure.
- iii. Enquiry may be conducted regarding double payment of salary and recovery.
- iv. 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.
- v. Clean drinking water may be provided through installation of filtration plants at feasible points.
- vi. 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.
- vii. Take steps to initiate public awareness in community about safe hygiene practices and careful usage of clean drinking water.

- viii. Carrying out survey to assess correct revenue receipts from water supply scheme and establishing effective recovery mechanism.
- ix. Replacement of burnt/defective electricity meters and reconciliation of payments with PESCO to control losses.
- x. Expedited efforts for establishment of water supply schemes at villages levels
- xi. Timely procurement of equipment be taken and responsibility be fixed for non-procuring in time.
- xii. Adopting the policies and instructions of the government for e-bidding system in procurement
- xiii. Immediate installation of water meters to all water users in general and Car Wash Stations and Wedding Halls.

1. INTRODUCTION

1.1 Background

Access to drinking water is a basic human right 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 following departments are responsible for provision of such basic rights to the public of District Peshawar.

Water and Sanitation Services Peshawar: WSSP established as a corporate sector company by Government of Khyber Pakhtunkhwa, has made Services and Asset Management Agreement (SAMA) with TMAs which shifted function of water supply from TMAs to WSSP. WSSP 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. WSSP is providing services to pollution of 2.00 million (projected) approx. in 43 Union Councils. WSSP physically took over the water and sanitation sectors from TMAs in Peshawar on September 2014. WSSP has total of 526 tube wells which it uses to provide 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. Water is supplied in 3 shifts of 3-4 hours intervals per day in the operational areas for 71,706 domestic registered consumers. Water tariff is Rs.330 per month for domestic consumers.

Public Health Engineering Department: PHED came into being to provide clean drinking water, hygiene facilities and a healthy environment to the public. It was originally established as a secondary branch in 1974 which was merged with Communication and Works Department in 2001. However, after the realization of its enormous role in the public sphere it was given the status of an independent department in 2009. Public Health Engineering Department (PHED) Peshawar presently managing water supply through 351 tube wells out of which 28 schemes are solarized, serving the population for drinking purpose in rural areas but due to lack of distribution network certain area are left un-served. Water is supplied in 3 shifts for 3-4 hours intervals per day in the operational areas for 104,657 registered domestic consumers with tariff of Rs.120 per month.

According to section 22 of Local Government Act, 2013 main functions and powers of TMAs are to monitor and supervise the performance of functionaries of Government offices located in the Tehsil and hold them accountable by making inquiries and reports to the district government or, as the case may be, Government for consideration and action, prepare spatial plans for the Tehsil including plans for land use and zoning and disseminate these plans for public enquiry, execute and manage development plans for improvement of municipal services and infrastructure.

The provincial government has established water quality monitoring laboratories in District Peshawar, Abbottabad, Kohat and D.I Khan. The awareness project has helped to educate people and government offices on the harms of unhygienic water and methods necessary to ensure access to clean drinking water.

1.2 Organizational Structure

WSSP is managed by the Chief Executive Officer. He is assisted by General Managers HR and Operations, 04 Zonal Managers, Chief Financial Officer, Chief Internal Audit. All managerial staff is assisted by Assistant Managers.

PHE Department is managed by the Secretary PHE at Provincial level. He is assisted by Chief Engineer (South) and Chief Engineer (North). XEN PHE is responsible for managing departmental activities at district level. XEN PHE is assisted by Sub divisional officers, Divisional Accounts Officer and Sub Engineers.

City District Peshawar has four Towns i.e. Town-I, II, III & IV. Each town office is managed by a Town Municipal Officer assisted by a Town Officer (Finance), Town Officer (Infrastructure), Town Officer (Planning) and Town Officer (Regulation).

2. AUDIT OBJECTIVES

Objective of this audit is to find the Effectiveness of Water Supply Schemes of LGE& RDD/ TMAs/WSSP/PHE. The main objectives of audit were to evaluate;

- i. The status of water supply schemes being functional and dysfunctional.
- ii. reasons for dis-functionality
- iii. Assets management while converting the working water supply schemes from WAPDA to solarization
- iv. Effectiveness of water supply schemes after solarization and steps taken in this regard by the department
- v. steps taken for repair and maintenance of rusted and porous pipes of water supply schemes.
- vi. Performance against intended objectives and overall provision of services with respect to economy, efficiency & effectiveness during planning, execution and reporting phases.

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope

Audit focused on the “Effectiveness of water supply schemes of LGE&RDD/TMAs/PHE/Water & Sanitation Services Peshawar in district Peshawar. The factors of economy, efficiency, and effectiveness were focused while conducting the audit. Expenditure incurred by WSSP responsible for 526 water supply schemes in Urban areas and PHE for 351 water supply schemes in rural areas is as under:

(Rupees in million)

Department	Salary	Non Salary	Development
PHE	177.412	147.273	1198.856
WSSP	1624.339	1062.575	149.243

Source: Financial Statements for the financial year 2018-19

3.2 Audit Methodology

The audit was conducted in accordance with International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards as adopted by the Department of the Auditor General of Pakistan. These standards require comprehensive planning to ensure that an audit of high quality is carried out in an economic, efficient and effective way within the planned time and cost. Data was collected as per methodology explained below:

3.3 Site Visits

The selected sub offices of the Executive Engineer PHE and Chief Executive Officer WSSP were visited by the audit team. The objectives of the inspection were to observe physically the functionalities of water supply schemes.

3.4 Interviews

A number of officers of PHE and WSSP were contacted and interviewed with a view to obtain information as to how they fulfilled their obligations.

The officers interviewed included:

- GM HR, Chief Finance Officer, Manager Operations of WSSP Peshawar
- Executive Engineer and SDOs of PHE Department Peshawar
- AD LGE& RDD and TMAs Peshawar

3.5 Documents Review

Documents reviewed to gain an understanding about Effectiveness of Water Supply Schemes are as under.

- a. All relevant laws, rules and regulations on the subject.
- b. The water supply policy of Khyber Pakhtunkhwa 2015.
- c. Services and Assets Management Agreement (SAMA).
- d. Budget, releases and funds utilization.
- e. Record of solarization of water supply schemes.
- f. Asset management during conversion of water supply schemes from WAPDA to solarization.
- g. Websites of WSSP and PHE departments.
- h. Progress reports/ Annual performance report.

3.6 Analytical Review

Analytical procedures were also performed on financial and non-financial data with a view of analyzing effectiveness of Water Supply Schemes in LGE & RDD/TMAs/PHE/WSSP.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 No training need assessments were made for the capacity building of staff

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

During the course of performance audit of Effectiveness of water supply schemes of LGE&RDD/TMA/PHE/WSSP, it was observed that local office did not made any effort to conduct training need assessment exercises to identify capacity related issues in the staff and arrange capacity building workshops in order to enhance their skills and capabilities.

Non-enhancement of capacity building occurred due to weak managerial and administrative controls, which resulted in poor service to the community at large.

When pointed out in March 2020, Management replied that training sessions and workshops are conducted. However, proper schedule for the same would be prepared and provided to audit. Reply was not tenable as no progress was intimated till finalization of this report.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 2021, which could not be convened till finalization of this report.

Audit recommends that after due training need assessments, proper capacity building sessions may be arranged for the staff to ensure appropriate services to the community.

4.1.2 Un-necessary creation of 1036 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's and PDA transferred 3,353 Nos Sweeper, Katta Kolies and Driver to WSSP for running the day to day operation of the company in 2014. The WSSP unnecessarily created 338 vacancies in January 2015 and 408 vacancies in August 2015 under same designations and put the company into huge financial burden. Moreover, the posts were approved by the board without acquiring concurrence from the Finance Department. In addition, at present 721 employees were repatriated to PDA/TMA's and 519 staff were newly hired resulting in duplication of payments for same service in TMA's / PDA and WSSP. Details are as under:

S. No	Designation	Year	No of employees
1	Sweepers	2015	144
2	KattaKolies		194
3	Sweepers		173
4	KattaKolies		177
5	Drivers		58
Total			746

Source: HR data of WSSP

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

When pointed out in March 2020, Management replied that posts were created to enhance the performance and cater the growing needs of the population. Reply was not convincing as TMAs and PDA were also performing the same duties with lesser work force.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 2021, which could not be convened till finalization of this report.

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

4.1.3 Wasteful expenditure due to unnecessary appointment tube well operators-Rs. 64.138 million

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.

TMAs, PDA and PHED transferred 501 tube well operators along with tube wells to WSSP but local office authority again hired additional 290 tube well operators @ Rs. 18,486 per month against the existing 526 tube wells and paid Rs. 64,331,280 salary to them during FY 2018-19. Audit hold that if TMAs and PHED could operate existing tube wells with already employed tube well operators then what was the need of hiring such a huge number of additional tube well operators. Details of tube wells are as under.

S. No	Zones	No. of Tube Well
1	A	95
2	B	262
3	C	98

4	D	71
	Total	526

Source: List of Tube wells provided by WSSP

Wasteful expenditure was occurred due to weak financial control, which resulted in loss to WSSP.

When pointed out in March 2020, Management replied that hiring was made after due process and approval of competent authority. Reply was not convincing as these tube wells were operated by the handing over departments with the existing work force.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 2021, which could not be convened till finalization of this report.

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

4.1.4 Wasteful expenditure on salaries of staff of tube wells handed over to WSSP by PHE

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.

During performance audit on Effectiveness of water supply schemes in Peshawar for the year 2018-19 it was observed that 50 number of water supply schemes were handed over to WSSP by PHED Peshawar, while staff appointed on those schemes by PHE were not taken over by the WSSP and new appointments

were made against them instead of taking over the staff of PHE, which resulted in double drawl on account of salaries of staff since establishment of WSSP and loss to government exchequer.

Double drawl was occurred due to weak financial control, which resulted in loss to the Company.

When pointed out in March 2020, Management replied that staff was not taken over by the department and fresh appointments were made after due process. Reply was not convincing as appointments led to double expenditure and loss to government exchequer.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 2021, which could not be convened till finalization of this report.

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

4.1.5 Non shifting of water supply schemes from WAPDA to solar system

According to clause 3(iii) of the SAMA the second party i.e. WSSP 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. WSSP 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.

WSSP took over 501 water supply schemes and constructed 25 water supply schemes on its own but did not take any step to shift to solarization from WAPDA to minimize heavy bills of electricity. Similarly PHED Peshawar has 351 schemes but could solarize only 28 schemes. Audit was of opinion that solarization of water supply schemes would not have ensured uninterrupted supply of power but also decreased electricity bill which currently stands at Rs. 665.00 million for WSSP and Rs. 125.360 million by PHED.

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

When pointed out in March 2020, Management replied that efforts are being made to shift the tube wells to solar system but due to paucity of funds tube wells could not be shifted from WAPDA to solar system. Reply was not convincing as the recurring cost of electricity bills was a huge burden and also the users remained deprived of the water in various areas due to load shedding of electricity.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 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.

4.1.6 Lack of water filtration plants and chlorination machines

According to SAMA now, therefore, in order to give effect to the policy of the Chief Executive of the Province regarding provision of the state of the art Water & Sanitation services in Peshawar, the Parties mutually agreed as follows: According

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

WSSP and PHED 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. WSSP installed 35 filtration plants with the help of Donors agencies while 491 water supply schemes were without water filtration plants.

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 March 2020, Management replied that efforts are being made to install filtration plants. Reply was not convincing as no progress was provided till finalization of this report.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 2021, which could not be convened till finalization of this report.

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

4.1.7 Failure to functionalize the dysfunctional tube wells

According to clause 12.2 of the SAMA the second party i.e. WSSP 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.

In PHED, 41 water supply schemes as per data provided in the questionnaire were found dysfunctional despite heavy expenditures on their installation. Local office inability to functionalize water supply schemes under its jurisdiction deprived public from its intended benefits.

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 March 2020, Management replied that budget is allocated to functionalize all the tube wells and provide water to all population. Reply was not satisfactory as no progress was intimated till finalization of this report.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 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.

4.1.8 No campaign in community for careful usage of water and better hygiene practices

According to clause 3(viii) of the SAMA the second party i.e. WSSP has entrusted the function 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.

WSSP and PHED did not initiate any public awareness campaign for careful usage of water and adopting better hygiene practices through walks, seminars and/or workshops. Such practices result in creating sense of ownership among the community members towards water supply schemes and paradigm shift in preservation approach and raising collective social responsibility to safeguard this perishable commodity.

The lapse occurred due to lack of proper vision and future strategy to preserve water resource through campaigns and training of the community for careful usage of water and adoption of hygiene practices.

When pointed out in March 2020, Management replied that public awareness campaigns are scheduled and community development officers are appointed for this purpose. Reply was not convincing as the water level was dropping day by day and the effects of awareness campaigns were not provided till finalization of this report.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 2021, which could not be convened till finalization of this report.

Audit recommends to take steps to initiate public awareness in community about safe hygiene practices and careful usage of clean drinking water.

4.2 Financial Management

4.2.1 Failure to recover water charges from end-users –Rs 1128.640 million

According to Para 8 and 26 of the General Financial Rules Volume I, each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

According to clause 3(viii) of the SAMA the second party i.e. WSSP 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.

It was noticed that WSSP and PHED has huge amount of Rs. 1128.64 million outstanding against end users during financial year 2018-19 as detailed below:

S.No	Department	Outstanding water charges (Rs.)
1	WSSP	724.648
2	PHE	403.992
		1128.640

Source: Receipt statements of PHED Peshawar and WSSP

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

When pointed out in March 2020, Management replied that the public is reluctant to deposit water users charges, however efforts are being made to recover the water charges. Reply was evasive as no proper mechanism was devised to recover the outstanding charges.

Request for convening of DAC meeting was made in April 2020, 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 Loss due to estimated billing on burnt/defective electricity meters – Rs.144.00 million

According to clause 3(ii) of the SAMA the second party i.e WSSP has entrusted the responsibility of managing, controlling and monitoring existing procedures, processes, actions, activities, facilities, operations, schemes, plans, programs and assets directly or indirectly related to the services. According to the brief prepared by WSSP for the Chief Minister there was a burden of 12.00 million per month on account of burnt electricity meters.

During the course of Audit for the financial year 2018-19, it was observed that WSSP has 175 burnt/defective electricity meters under its jurisdiction. These defective meters resulted in impact on service delivery and burden of additional electricity charges of Rs. 12.00 million per month on the public exchequer as per calculation by WSSP.

Loss occurred due to weak financial and administrative controls which affected the service delivery on one hand and loss to public exchequer on other hand.

When pointed out in March 2020, Management replied that the PESCO authorities were requested to replace the burnt meters. Reply was not convincing as progress was not intimated till finalization of this report.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 2021, which could not be convened till finalization of this report.

Audit recommends immediate replacement of burnt meters, installation of preventive tools/measures for keeping the meters safe from burning during abnormal fluctuation of electricity and fixing responsibility on the person(s) at fault.

4.2.3 Wasteful expenditure on account of salaries of valve men – Rs. 1.249 million

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.

WSSP spent Rs. 47.70 million on account of AOM&R of water supply schemes during financial year 2018-19. However, Audit holds that when payments made to contractor on annual basis for AOM&R of water supply schemes then expenditure of Rs. 1,249,636 incurred on the salaries of valve men was wasteful as contractor was solely responsible for the maintenance and repair of water supply scheme. Moreover, PHED could not provide record of AOM&R to the Audit for Audit scrutiny.

Wasteful expenditure incurred on account of salaries of valve man due to weak administrative control which resulted in loss to government exchequer.

When pointed out in March 2020, Management replied that valve men were appointed after due process and performing duties. Reply was evasive as AOM&R of

water supply schemes was sourced out to contractor thus there was no function of valve men.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 2021, which could not be convened till finalization of this report.

Audit recommends adopting austerity measures and economy in spending of public funds.

4.3 Procurement & Contract Management Issues

4.3.1 Failure to procure service enhancement equipment – Rs.2.800 million

According to clause 12.2 of the SAMA the second party i.e WSSP 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.

WSSP was allocated Rs. 2.8 million during financial year 2018-19 for procurement of service enhancement equipment as detailed below.

S.No.	Equipment	Cost (Rs. in million)
1	Leakage detector	1.00
2	Water testing kit	1.00
3	HDPE Pipe Butt fusion machine	0.800
Total		2.800

Source: Financial Statements of WSSP for the financial year 2018-19

Local office did not procure these items during the year which deprived general public and department from the benefits of service enhancement equipment.

Non procurement of service enhancement equipment occurred due to weak administrative and financial management which deprived the public from its timely benefit.

When pointed out in March 2020, Management replied that service enhancement equipment would be procurement in the next fiscal year and progress would be shared to audit. Reply was not convincing as the allocated budget was not utilized for the benefit of the public.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 2021, which could not be convened till finalization of this report.

Audit recommends timely procurement of equipment and fixing responsibility on the person(s) at fault.

4.3.2 Ignoring e-bidding system during tendering of water supply schemes – Rs. 116.60 million

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.

WSSP spent Rs. 116.60 million on procurement of water supply without adopting e-bidding system during 2018-19. 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 2020, Management replied that the matter would be taken up in the Board meeting and e-tendering would be adopted accordingly. Reply was not convincing as the progress was not intimated till finalization of this report and the government instructions were not complied with.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 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 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. WSSP 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.

WSSP/PHED did not install water meters to consumers which could have stopped unnecessary wastage of water and reduced the excessive consumption of water. This action would not only stop wastage of water resources but also enhance the revenue generation of the department. Furthermore, the car wash stations and wedding halls may be made bound to recycle the used water for reuse as directed by the Chief Justice of Honorable Supreme Court of Pakistan.

Non-installation of water meters occurred due to weak administrative control which resulted in excessive consumption of water.

When pointed out in March 2020, Management replied that the matter of installation of water meters would be taken up in the Board meeting and progress would be intimated to audit. Reply was evasive as no progress was intimated till finalization of this report.

Request for convening of DAC meeting was made in April 2020 with subsequent reminders in June 2020, November 2020 and January 2021, which could not be convened till finalization of this report.

Audit recommends immediate installation of water meters to all water users in general and Car Wash Stations and Wedding Halls in particular.

4.5 Overall Assessment

i. Relevance:

The offices of WSSP and PHE Peshawar were in line with government's sectoral policies.

ii. Efficacy:

The goals with reference to originally concerned objectives have been achieved to some extent.

iii. Efficiency:

- WSSP and PHE Peshawar did not make efforts for training need assessments for capacity building of the staff.
- 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.
- Failure to procure service enhancement equipment

iv. Economy:

- WSSP and PHE Peshawar failed to achieve annual targets due to which million of Rupees was outstanding against the water users
- WSSP incurred loss due to estimated billing on burnt/defective electricity meters.

v. Effectiveness:

WSSP and PHE Peshawar failed to recover water charges from end-users and other stakeholders. Moreover, despite heavy investments on installation of tube wells, they remain dysfunctional.

vi. Compliance with rules:

Effective provision of water supply was not achieved as the function of water supply was not assigned to a single department and there is no coordination among these departments.

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 tube wells operators
- Double drawl of salaries of tube well operators handed over to WSSP by PHE

5. CONCLUSION

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

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

5.2.1 Lessons identified:

- i. After due training need assessments, proper capacity building sessions may be arranged for the staff to ensure appropriate services to the community.
- ii. 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.
- iii. Clean drinking water may be provided through installation of filtration plants at feasible points.
- iv. Take steps to initiate public awareness in community about safe hygiene practices and careful usage of clean drinking water.
- v. Carrying out survey to assess correct revenue receipts from water supply scheme and establishing effective recovery mechanism.
- vi. Expedited efforts for establishment of water supply schemes at villages levels
- vii. Replacement of burnt/defective electricity meters and reconciliation of payments with PESCO to control losses.
- viii. Assessment of workforce required to operate the tube wells and other allied facilities to control creation of unnecessary posts and wasteful expenditure.

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RESPONSE AND IMPLEMENTATION OF RECOMMENDATIONS

Audit of Effectiveness of Water Supply Schemes of LGE & RDD/TMAs/PHEs/Water and Sanitation Services Companies				
Para No	Recommendations	Accepted Yes/No	Implementation date	Client Comments
4.1.1	After due training need assessments, proper capacity building sessions may be arranged for the staff to ensure appropriate services to the community.	Yes	Nil	Training sessions and workshops are conducted. However, proper schedule for the same would be prepared and provided to audit.
4.1.2	Assessment of workforce required to operate the tube wells and other allied facilities to control creation of unnecessary posts and wasteful expenditure.	Yes	Nil	Posts were created to enhance the performance and cater the growing needs of the population.
4.1.3	Enquiry may be conducted regarding double payment of salary and recovery.	Yes	Nil	Hiring was made after due process and approval of competent authority.
4.1.4	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.	Yes	Nil	Staff was not taken over by the department and fresh appointments were made after due process.
4.1.5	Clean drinking water may be provided through installation of filtration plants at feasible points.	Yes	Nil	Efforts are being made to shift the tube wells to solar system but due to paucity of funds tube wells could not be shifted from WAPDA to solar system.
4.1.6	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.	Yes	Nil	Efforts are being made to install filtration plants.

4.1.7	Take steps to initiate public awareness in community about safe hygiene practices and careful usage of clean drinking water.	Yes	Nil	Budget is allocated to functionalize all the tube wells and provide water to all population.
4.2.1	Carrying out survey to assess correct revenue receipts from water supply scheme and establishing effective recovery mechanism.	Yes	Nil	Public awareness campaigns are scheduled and community development officers are appointed for this purpose.
4.2.2	Immediate replacement of burnt meters, installation of preventive tools/measures for keeping the meters safe from burning during abnormal fluctuation of electricity and fixing responsibility on the person(s) at fault.	Yes		The public is reluctant to deposit water users charges, however efforts are being made to recover the water charges.
4.2.3	Establishment of effective recovery system for early recovery of outstanding water charges.	Yes	Nil	The PESCO authorities were requested to replace the burnt meters.
4.3.1	Timely procurement of equipment be taken and responsibility be fixed for non-procuring in time.	Yes	Nil	Valve men were appointed after due process and performing duties.
4.3.2	Immediate installation of water meters to all water users in general and Car Wash Stations and Wedding Halls in particular.	Yes	Nil	Service enhancement equipment would be procurement in the next fiscal year and progress would be shared to audit.
4.4.1	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 matter would be taken up in the Board meeting and e-tendering would be adopted accordingly.