AUDIT REPORT

ON

THE ACCOUNTS OF

GOVERNMENT OF

KHYBER PAKHTUNKHWA

AUDIT YEAR 2020-21

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

ADP	Annual Development Program
AG	Accountant General
AGP	Auditor General of Pakistan
AOM&R	Annual Operational Maintenance and Repair
APPM	Accounting Policies and Procedures Manual
AWKUM	Abdul Wali Khan University Mardan
BHU	Basic Health Unit
BKMC	Bacha Khan Medical Complex
BOD	Board of Directors
BOQ	Bill of Quantities
C&W	Communication and Works
CGA	Controller General of Accounts
CMA	Controller Military Accounts
CPO	Central Police Office
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
CSR	Composite Schedule of Rates
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
DFC	District Food Controller
DDA	District Director Agriculture
DDO	Drawing & Disbursing Officer
DFO	Divisional Forest Officer
DG	Director General
DHO	District Health Officer
DIK	Dera Ismail Khan
DP	Draft Para
DPO	District Police Officer
EMU	Energy Monitoring Unit
EZDMC	Economic Zones Development and Management Company
FAP	Foreign Aided Project
FD	Finance Department
FDA	FATA Development Authority
FDC	Forest Development Corporation
FTR	Federal Treasury Rules

FATA	Federally Administered Tribal Area
FY	Financial Year
GAIT	Glucosamine Arthritic Intervention Trial
GFR	General Financial Rules
GST	General Sales Tax
HEC	Higher Education Commission
HMC	Hayatabad Medical Complex
HR	Human Resource
ICRC	International Committee of the Red Cross
IFSP	Insaf Food Security Program
IPC	Interim Payment Certificate
JVs	Journal Vouchers
KP	Khyber Pakhtunkhwa
Kg	Kilogram
Km	Kilometer
LGE &RD	Local Government & Rural Development Department
MB	Measurement Book
MCC	Medicines Coordination Cell
MEQs	Medical Equipments
MRS	Market Rates System
MS	Medical Superintendent
MTC	Motor Transport Clerk
MTI	Medical Teaching Institutions
MOU	Memorandum of Understanding
NIT	Notice Inviting Tender
NMDs	Newly Merged Districts
OPD	Out Patient Department
PAC	Public Accounts Committee
PAF	Pakistan Air Force
PAO	Principle Accounting Officer
PATA	Provincially Administered Tribal Areas
PD	Project Director
PESCO	Peshawar Electric Supply Company
PIU	Project Implementation Unit
PIPOS	Pakistan Institute of Prosthetic & Orthotics Sciences
PCRDP	Provincial Council for Rehabilitation of Disabled Person
PC-I	Planning Commission Proforma 1

PCC	Plain Cement Concrete
PMS	Provincial Management Services
POL	Petroleum, Oil & Lubricants
PPO	Provincial Police Officer
PR	Provincial Reserves
PRSP	PIPOS Rehabilitation Service Program
RCC	Reinforced Cement Concrete
RPO	Regional Police Officer
RRM	Random Rubble Masonry
SAE	Senior Account Executives
SAP	System Application Product
SBC	Sub Base Course
SBDs	Standard Bidding Documents
SDO	Sub Divisional Officer
Sft	Square Feet
THQ	Tehsil Headquarter Hospital
TORs	Term of References
TS	Technical Sanction
TST	Triple Surface Treatment
UTM	Universal Testing Machine
VC	Vice Chancellor
VOC	Volatile Organic Compund
Vol	Volume
WAPDA	Water and Power Development Authority
WBM	Water Bound Macadam

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of the accounts of Province and the accounts of any authority or body established by the Province.

The report is based on audit of the accounts of various departments and organizations of the Government of Khyber Pakhtunkhwa for the financial year 2019-20 and the accounts of some formations for previous financial years. The Directorate General Audit Khyber Pakhtunkhwa conducted the audit during 2020-21 on a test check basis, with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying a value of Rs.1 million or more. Relatively, less significant issues are listed in the Annexure-A of the Audit Report. The audit observations listed in Annexure-A shall be pursued with the Principal Accounting Officers at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

Most of the observations included in this report have been finalized in the light of written responses and discussions in the DAC meetings.

The Report is submitted to the Governor of 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 Provincial Assembly of Khyber Pakhtunkhwa.

(Javaid Jehangir)
Auditor-General of Pakistan

Islamabad
Dated:

EXECUTIVE SUMMARY

The Directorate General Audit Khyber Pakhtunkhwa carries out the audit of the Government of Khyber Pakhtunkhwa. The Government of Khyber Pakhtunkhwa conducts its operations under the Rules of Business 1985 that envisage the provincial government as comprising 32 Principal Accounting Officers for different departments, Attached Departments, Subordinate Offices and certain Autonomous Bodies. Financial provisions of the constitution prescribe the procedures relating to the Receipts and Disbursements to and from the Provincial Consolidated Fund and Public Account for which the Annual Budget Statement is authorized by the Assembly. The Directorate General Audit has human resources of 105 officers/other staff and 18177 man-days available for audit. The annual budget of this Directorate General was Rs.130.882 million. The office is mandated to conduct regularity audit (financial attest audit and compliance with authority audit) and performance audit of departments and projects run by those departments. This is a Regularity Audit Report on Expenditure and Non-Tax Receipts. The Revenue Receipts Audit Report has been published separately.

a. Scope of Audit

This office is mandated to conduct audit of 1507 formations working under 32 PAOs. Total expenditure and receipts of these formations were Rs 694.560 and 118.303 billion respectively, for the financial year 2019-20 and the Public Account expenditure of 683.611 billion.

Audit coverage relating to expenditure for the current audit year comprises 307 formations of 28 PAOs having a total expenditure of Rs.214.822 billion for the financial year 2019-20. In terms of percentage, the audit coverage for expenditure is 30.93 % of auditable expenditure.

This audit report also includes audit observations resulting from the audit of:

1. Expenditure of Rs 51.223 billion for the financial year 2018-19 pertains to 37 formations of 11 PAOs.
2. Expenditure of RS 17.459 billion pertaining to Financial Years 2017-18 and previous years.

In addition to this compliance audit report, DG Provincial Audit KP conducted 02 Certification Audits, 27 Financial Attest Audits of FAPs, 02 Performance Audits, and 02 Special Audits/Studies. The reports of these audits are being published separately.

b. Recoveries at the instance of audit:

As a result, recovery of Rs 12104.694 million was pointed out in this report. Recovery effected from January to December 2020 was Rs. 366.743 million that was verified by audit.

c. Audit Methodology:

The audit year 2019-20 witnessed the intensive application of desk audit techniques in the Director-General Audit, Khyber Pakhtunkhwa. This was facilitated by access to live SAP/R3 data, intranet, internet facility, and availability of permanent files. Detailed review helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. This greatly facilitated the identification of high-risk areas for substantive testing in the field.

d. Audit Impact

As a result of audit recommendations at PAC level, subcommittee along with Administrative secretaries has been notified to look into the affairs of Food Department.

Market Rate System was prepared by Finance Department in 2015, due to which certain ambiguities existed which rose to certain audit observations. Due to technical deficiencies in the MRS as reported by audit, the responsibility of MRS preparation has been given to C & W department.

There is a long standing issue of non adjustment of electricity dues between the PESCO and provincial government which was specially highlighted in the audit of FD and on the recommendation of DAC the FD has issued strict instructions to the Provincial Administrative Secretaries for immediate clearance of PESCO dues with intimation to audit.

Boards of Intermediate and Secondary Education in KP were refusing Constitutional Audit which was highlighted by audit in audit report followed by letters to PAC, Secretaries secondary education, secretary Finance and Chief Secretary. As a result Finance Department has directed all boards to conduct their audit through office of the DG Audit KP.

Most of the irregularities noticed in the previous year were repeated in the current year as well, because departments failed to convene DAC meetings on time. Due to non-conduct of DACs and non implementation of DAC

directives, the departments failed to implement a proper system of financial management and internal controls.

Previously, considerable amount of Abyana was either not or short realized for many years. On the repeated pointation of audit, the collection of Abyana has now been shifted from Irrigation Department to Revenue Department.

In the Revenue and Estate Department, there were irregularities in assessment, calculation of Capital Value Tax, Mutation Fee and Advance Tax. The irregularities were repeatedly pointed out by audit; the responsibility of tax deposit has been devolved to the sellers and purchasers. The property is now transferred on the production of paid challans.

An amount of Rs. 366.743 million was recovered on pointation of Audit.

e. Comments on Internal Control

Internal Control is a tool for management to improve performance, prevent losses, and control mismanagement of public money and safeguard government assets.

For effective management and achievement of the objectives, various types of internal controls should be in place. Accounting controls ensure completeness, accuracy, timelines, and reliability of accounts. Financial controls help in budgeting and accurate forecasting. Administrative controls help in preventing unauthorized payments, losses, and misappropriations, etc.

In most of the provincial government departments lack of internal control as evident from the following shortcomings in the Key audit findings.

f. Key audit findings of the report:

- Non production of record amounting to Rs.5,397.219 million was noticed in 6 cases[1].
- Embezzlement amounting to Rs.9.595 million was noticed in 3 cases[2].
- Misappropriation amounting to Rs. 255.784 million was noticed in 13 cases[3].
- Doubtful expenditure amounting to Rs. 103.186 was noticed in 8 cases[4].
- Non-recovery/deposit of government dues/revenues and other deductions amounting to Rs. 10,769.353 was noticed in 24 cases[5].

- Non-recovery from defaulter Scholars amounting to Rs. 1,531.027 was noticed in 1 cases[6].
- Non-deduction/deposit of taxes & DPR charges amounting to Rs. 657.752 was noticed in 10 cases[7].
- Loss to government amounting to Rs. 781.953 million was noticed in 33 cases[8].
- Wasteful expenditure amounting to Rs. 2,822.435 million was noticed in 9 cases[9].
- Overpayments to contractors amounting to Rs. 519.569 million was noticed in 18 cases[9].
- Unauthorized payment & retention in 2nd deposit amounting to Rs. 117.853 million was noticed in 1 cases[11].
- Non-transparent award of contract, non-forfeiture of security & non-imposition of penalty amounting to Rs. 385.297 million was noticed in 11 cases[12].
- Irregular/ unauthorized expenditure amounting to Rs. 2,623.401 million was noticed in 7 cases[13].
- Inadmissible Payments on account of pay & allowances amounting to Rs. 670.851 million was noticed in 8 cases[14].
- Irrational utilization of budget, retention of savings/funds and reconciliation issues amounting to Rs. 202,933.889 million was noticed in 4 cases[15].
- Non-updating of final grant in SAP system amounting to Rs. 1,019,259 million was noticed in 1 case[16].
- Non-utilization of DPR fund amounting to Rs. 451.999 million was noticed in 1 case[17].
- Un-authorized release of performance guarantee amounting to Rs. 3,489.152 million was noticed in 1 case[18].

Para	1	4.5.1	8.5.1	8.5.6	9.5.1	13.5.1	16.5.2										
Para	2	5.5.2	10.5.1	10.5.2													
Para	3	3.5.2	4.5.2	4.5.6	5.5.1	6.5.1	6.5.3	6.5.4	6.5.5	9.5.2	9.5.16	13.5.2	13.5.10	14.5.1			
Para	4	4.5.3	6.5.2	9.5.3	9.5.4	9.5.5	9.5.6	9.5.29	16.5.1								
Para	5	2.5.2	2.5.4	2.5.5	3.5.1	4.5.17	5.5.12	6.5.6	6.5.7	9.5.8	9.5.17	9.5.18	9.5.19	9.5.20	9.5.21	10.5.3	10.5.4
		11.5.2	13.5.3	14.5.2	14.5.3	14.5.4	14.5.5	15.5.1	15.5.4								
Para	6	5.5.9															
Para	7	4.5.22	6.5.8	8.5.3	8.5.4	9.5.36	11.5.1	12.5.1	13.5.8	15.5.3	17.5.1						
Para	8	2.5.1	4.5.7	4.5.9	4.5.10	4.5.11	4.5.12	4.5.13	4.5.14	4.5.23	4.5.25	4.5.26	5.5.5	5.5.6	5.5.13	6.5.8	7.5.1
		8.5.5	9.5.7	9.5.9	9.5.10	9.5.14	9.5.24	9.5.25	9.5.28	9.5.30	9.5.34	9.5.35	11.5.1	13.5.9	13.5.12	14.5.6	14.5.7
		15.5.2															
Para	9	3.5.3	5.5.14	7.5.2	9.5.22	9.5.23	9.5.26	13.5.11	15.5.5	17.5.3							
Para	10	4.5.5	4.5.8	4.5.15	4.5.16	4.5.18	4.5.19	4.5.20	4.5.21	4.5.27	5.5.3	5.5.4	5.5.7	5.5.8	8.5.2	9.5.13	13.5.4
		13.5.5.	13.5.6														
Para	11	4.5.4															
Para	12	4.5.24	5.5.11	9.5.11	9.5.12	9.5.31	10.5.6	10.5.7	13.5.7	13.5.9	13.5.13	13.5.14					
Para	13	9.5.27	9.5.31	9.5.32	9.5.33	13.5.7	14.5.8	17.5.2									
Para	14	2.5.3	5.5.10	5.5.15	9.5.15	10.5.5	11.5.3	11.5.4	11.5.5								
Para	15	1.2.2	1.2.3	1.2.4	2.5.6												
Para	16	1.2.1															
Para	17	16.5.3															
Para	18	17.5.4															

Audit Paras for the audit year 2019-20 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC is attached as Annexed-A.

Recommendations

- Instances of making payments by the departments or their autonomous bodies/authorities to employees in contravention of rules and disregard of the employees' entitlement need to be checked by effecting recoveries where due and taking disciplinary action against the officials involved in overpayments.
- PAOs should promptly investigate cases of embezzlements/frauds/losses.
- The departments should ensure adherence to the provisions of GFR, Procurement Rules, and other Government Instructions.
- Departments need to deposit the public money received by them in the Provincial Consolidated Fund and Public Account instead of depositing into unauthorized accounts in commercial banks.
- The PAOs should strengthen the internal control mechanism to prevent losses, misuse of delegated financial powers and government assets and recurrence of similar nature of irregularities.
- The PAOs should ensure the production of auditable records to audit in respect of cases relating to non-production of record pointed out by audit and take disciplinary action in terms of section 14 (3) of Auditor General's Ordinance, 2001.
- The departments' compliance towards PAC directives was poor. The PAOs should give full attention to the PAC directives and improve compliance by their respective departments.
- The PAOs should ensure holding of DAC meetings regularly.

Chapter -1

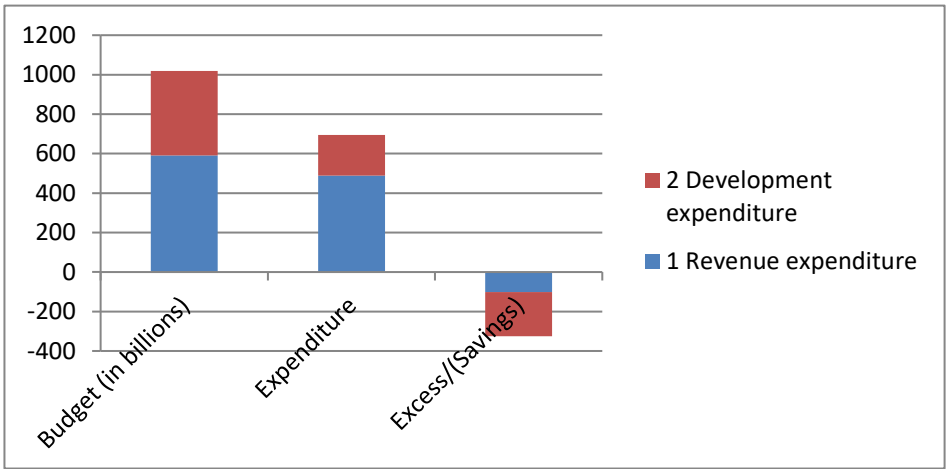
PUBLIC FINANCIAL MANAGEMENT ISSUES

1.1 Sectoral Analysis

While analyzing the financial data of the government of Khyber Pakhtunkhwa for the financial year 2019-20, it was noticed that the original budget for the financial year 2019-20 was Rs. 963.282 billion, which was further supplemented by a grant of Rs. 55.978 billion; hence, the total budget outlay for the financial year 2019-20 was Rs. 1019.260 billion. However, against the total budget, the provincial government departments incurred an expenditure of Rs. 694.560 billion resulting in under spending of Rs. 324.700 billion which in terms of percentage was 31.85% of annual budget, as tabulated below:

Amount in Billion

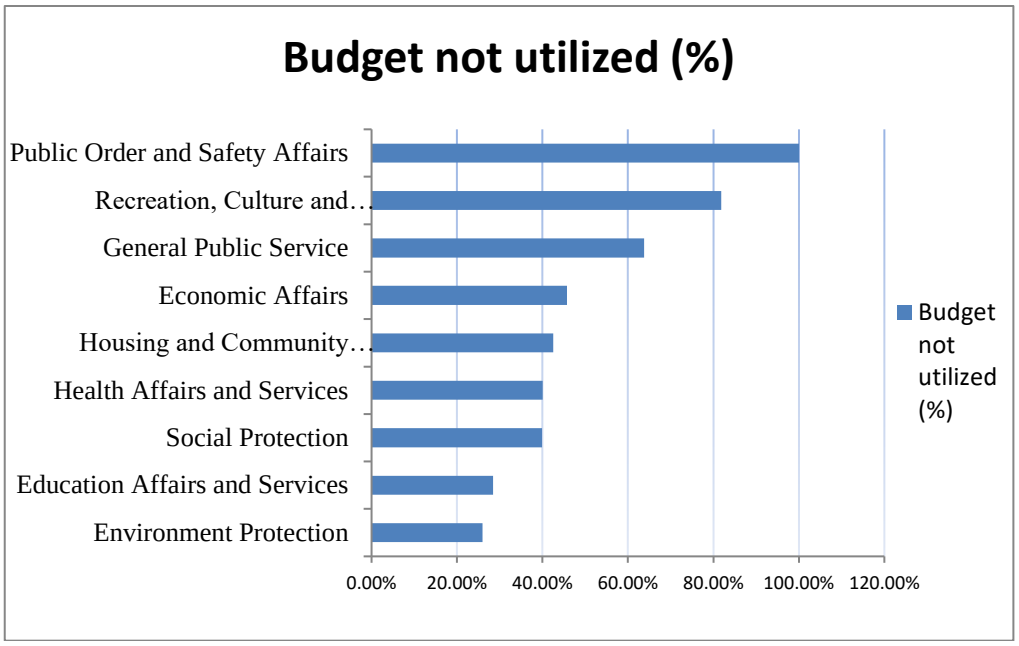
S.No.	Expenditure Head	Revised Budget	Expenditure	Excess/(Savings)
1	Revenue expenditure	591.309	489.043	-102.266
2	Development expenditure	427.951	205.517	-222.434
	Total	**1,019.26**	**694.56**	**-324.700**



The developmental budget for the financial year 2019-20 was enhanced by 46% as compared to the financial year 2018-19. However, of the total development budget of Rs. 427.951 billion, only Rs. 205.560 billion was spent in the financial year 2019-20, resulting in 52% under spending. It indicates the inefficiency of the provincial government departments to utilize the available resources efficiently. Sector wise analysis of the developmental budget is given below:

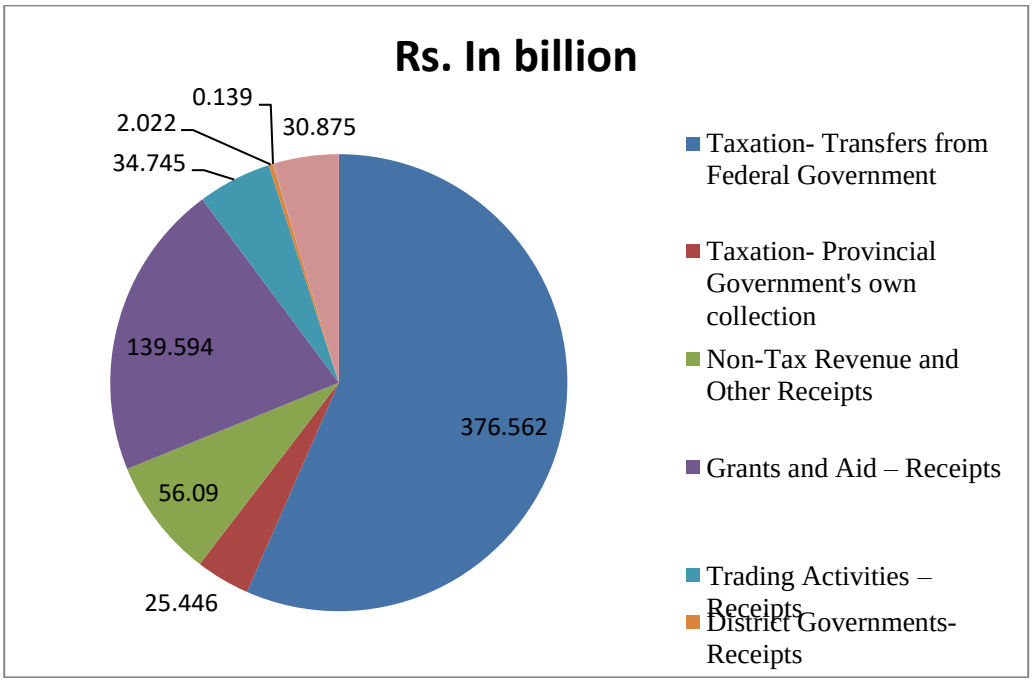
Amount In Rs (million)

Description by function	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Excess/(Savings)**
General Public Service	159,542	171,492	62,065	(109,427)
Public Order and Safety Affairs	214	214	-	(214)
Economic Affairs	176,970	191,065	103,688	(87,377)
Environment Protection	5,805	5,805	4,296	(1,509)
Housing and Community Amenities	20,596	20,609	11,850	(8,759)
Health Affairs and Services	5,311	5,462	3,275	(2,187)
Recreation, Culture and Religion	5,796	5,796	1,053	(4,743)
Education Affairs and Services	24,034	24,034	17,201	(6,833)
Social Protection	3,474	3,474	2,089	(1,385)
Total capital payments	**401,742**	**427,951**	**205,517**	**(222,434)**



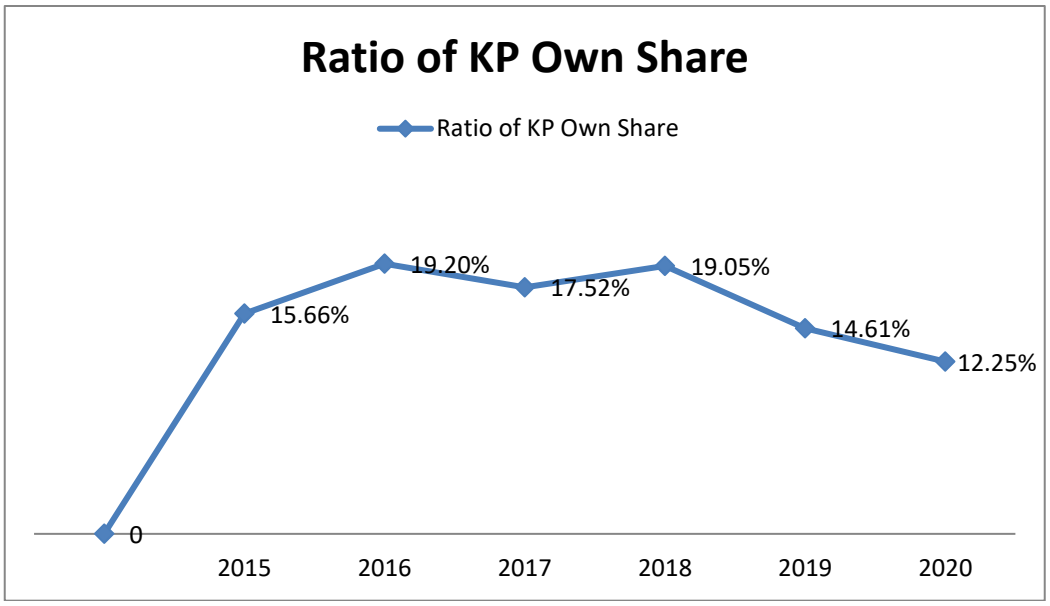
It is pertinent to mention here that the provincial government has generated a sum of Rs.118.303 billion through the collection of tax, non-tax receipts and trading activities (constituting 17.78% of the total budget), while Rs. 376.562 billion (constituting 56.59% of the budget) has been received from the Federal Government. The remaining Rs. 170.469 billion (25.62 % of the total budget) were realized from Grants (local and foreign), aids and foreign debts. It shows that the provincial government is financially dependent on the revenue transfers from the federal government. The table below gives the details of the revenue generated by the province:

Head of Receipt	**Rs. In billion**
Taxation- Transfers from Federal Government	376.562
Taxation- Provincial Government's own collection	25.446
Non-Tax Revenue and Other Receipts	56.090
Grants and Aid – Receipts	139.594
Trading Activities – Receipts	34.745
District Governments-Receipts	2.022
Recovery of Loans and Advances	.139
Debt Financing	30.875
Total	**665.473**



Trend analysis of total receipts and revenue generated by the province from its own resources shows an upward trend and is increasing steadily over the years. But comparison of the province self generated revenues with the total receipts of KP, shows downward trend and has decreased substantially in the year 2020 detailed as given below:

Year	**Total Receipts of KP**	**KP Own Revenue (Tax and non Tax)**	**Ratio of KP Own Share with total Receipts**
2015	333,169	52,171	15.66%
2016	399,119	76,634	19.20%
2017	410,476	71,916	17.52%
2018	496,218	94,523	19.05%
2019	520,298	76,036	14.61%
2020	665,473	81,536	12.25%



As a result of low revenue and greater expenditure cash and cash equivalents have decreased by 8,310 million in the financial year 2019-20. Since 2017-18 cash balances and cash equivalents have decreased from 34,456 million to 13,871 million.

*Source (financial statement 2018-19 and 2019-20)

1.2 Audit Paras

1.2.1 Non-utilization of SAP system for confirmation of Final Grants-Rs. 1,019,259 million

According to Section 7.4.6.3 of APPM read with Para-5(xi) of the Controller General of Accounts letter No.853/CGA/M&E/4-1/2018-19, dated April 5th 2019**,** the budget figures used shall be confirmed by the respective Finance Department (The Original Grant, Supplementary Grant and Final Grant appearing in the Appropriation Accounts should be properly verified with the SAP System as well as Schedule of Authorized Expenditure and Supplementary Schedule of Authorized Expenditure). The AGs/SAEs shall take necessary measures in this regard and shall take up the matter with respective Finance Division/Department and Districts.

During review of the Appropriation Accounts of the Government of Khyber Pakhtunkhwa prepared by the Accountant General for the financial year 2019-20, it was noticed that a sum of Rs. 1,019,259 million was shown as Final Grant. The Final Grants were required to have been confirmed/ updated and incorporated in SAP system under the relevant heads. On further scrutiny of record, it was noticed that Final Grants were manually prepared but not updated in SAP System by the Finance Department. Due to non-utilization of SAP system correct position could not be ascertained.

The lapse occurred due to weak internal controls and non-adherence to rules.

In the DAC meeting held on 27th November 2020, it was replied that the SAP system is being utilized in the confirmation of recurring grants. The Finance department promised to develop mechanism for confirmation of the developmental grant through SAP system.

The audit recommends expediting the process of developing mechanism for confirmation of accounts through the system.

AP No. 1.1.1 (2019-20)

1.2.2 Non-utilization of developmental funds - Rs. 164,881.306 million

According to Para 12 of GFR Vol-I, funds allotted should be spent in the public interest and upon the object for which the same was provided.

During review of the Appropriation Accounts of the Government of Khyber Pakhtunkhwa for the Financial Year 2019-20, it was noticed that a sum of Rs. 164,881.306 million was not utilized under the developmental grants as detail below:

Grant No.	Final Grant	Expenditure	Under-utilization
50	26,445.00	18,131.554	8,313.445
51	30,436.00	20,449.513	9,986.486
52	3,799.00	3,544.137	554.862
53	15,455.00	11,670.459	3,884.540
54	10,245.00	9,872.207	372.792
55	12,234.858	11,289.692	945.165
56	19,004.07	17,861.630	142.439
57	17,602.671	13,420.966	4181.704
59	82,000.00	12,115.635	69,884.364
60	83,331.900	38,406.366	44,925.533
61	79,000.00	57,310.023	21,689.976
	379,553.499	**214,072.182**	**164,881.306**

The lapse occurred due to weak financial controls.

In the DAC meeting held on 27th November 2020, the department replied that the administration of grant is the responsibility of the PAOs and they will explain their position before PAC.

Audit recommends investigating the reasons for non utilization of funds.

AP No. 1.1.3 (2019-20)

1.2.3 Excess expenditure over and above the final grant - Rs. 380.909 million

According to Para-88 of GFR Vol-I, the authority administering a grant is ultimately responsible for watching the progress of expenditure in public service under its control and for keeping the expenditure within the grant.

During review of the Appropriation Accounts (Final draft) of the Government of Khyber Pakhtunkhwa for the Financial Year 2019-20, it was noticed that expenditure amounting to Rs. 4.250 million was incurred in excess of final grant/allocation other than pay and allowances as details given below.

Grant No.	Page No.	Head of Account	Final Grant	Expenditure	Excess
06	40	A03-Operating Expenses Excl TA	780,535	996,427	215,892

		(PR 4047)			
06	40	A03805-Travelling Allowance (PR 4047)	225,032	304,820	79,788
07	44	A05-Grants subsidies and write off	6,999,000	7,000,000	1000
10	63	A13-Repair & maintenance	144,220,589	144,230,539	9,950
12	87	A03-Operating Expense Excl TA	85,056,403	85,126,064	69,661
13	134	A-096101-Secretariat/Policy/Curriculum	20	3,872,470	3,872,450
14	144	A04-Employee Retirement Benefit	9,042,770	9,044,213	1443
Total			**246,324,349**	**250,574,533**	**4,250,184**

Moreover, expenditure amounting to Rs. 1.197 million was incurred under PR-4985 Ehtisab Commission KP despite the closure of the said office and Rs. 375.462 million in the Regional Ehtisab Commissioners offices in KP under Cost Center No. AD-43333, BU-4422, DI-4353, KT-4396, MR-4392, PR-5183, SW-4474.

Audit is of the view that expenditure in excess of the final grants needs budgetary checks in SAP System in order to restrict the payments within the limit of final grants.

The lapses occurred due to weak internal and financial controls.

In the DAC meeting held on 27th November 2020, the department replied that the administration of grant is the responsibility of the PAO and they will explain their position before PAC.

Audit recommends regularization of expenditure.

AP No. 1.1.4 (2019-20)

1.2.4 Non-reconciled expenditure - Rs. 36,498 million

According to Para 9 (i) of action plan of the Comptroller General of Accounts, circulated vide CGA Islamabad No. 212/CGA/FM&E/4-1/2016-17, dated 27.03.2017, the expenditure should be 100% reconciled with Departments.

During review of Appropriation Accounts of the Government of Khyber Pakhtunkhwa for the Financial Year 2019-20, it was noticed that an expenditure of Rs. 210,917 million was shown incurred by various DDOs under different grants. However, an amount of Rs. 36,498 million remained non-reconciled.

The lapse occurred due to weak internal control.

In the DAC meeting held on 27th November 2020, the department replied that letters and reminders have been sent to the concerned departments for early reconciliation of the expenditure.

Audit recommends that the expenditure should be reconciled.

AP No. 1.1.5 (2019-20)

Chapter – 2

ADMINISTRATION DEPARTMENT

2.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- All Secretarial work of Cabinet
- It shall be the responsibility of the Chief Secretary to coordinate the work of all Departments of Government.
- The Chief Secretary may call for any case or information from any Department or Attached Department.
- The Establishment and Administration Department shall be responsible for service rules and service matters of all provincial govt employees.
- No Department shall without the concurrence of the Establishment and Administration Department authorize any orders, other than orders in pursuance of any general or special delegation made by the Establishment and Administration Department,
- No order in respect of the emoluments, promotion or conditions of service of any officer employed in the Finance Department shall be passed and no expenditure proposal relating to that Department sanctioned without prior concurrence of the Establishment and Administration Department. The Chief Secretary shall exercise, in respect of such matters, the functions of the Secretary, Finance Department.

Audit Profile of Administration Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	11	04	4,276.260	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

2.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
2-General Administration	NC21	3,925,612,000	0	3,925,612,000	2,388,376,690	-1,537,235,310
2-General Administration	NC24	316,089,000	0	316,089,000	184,510,001	-131,578,999
Total		**4,241,701,000**	**0**	**4,241,701,000**	**2,572,886,691**	**-1,668,814,309**

Development **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Grant No 50 General Administration	NC22	58,000,000	0	16,670,000	16,669,743	(257)
	NC22	133,000,000	0	94,139,000	99,343,536	5,204,536
	NC22	120,432,000	0	52,230,000	52,229,247	(753)
	NC22	182,360,000	0	93,184,000	93,372,528	188,528
	NC12	1,789,640,000	0	1,565,935,000	1,565,935,000	0
Total		**2,283,432,000**	**0**	**1,822,158,000**	**1,827,550,054**	**5,392,054**

Overview of expenditure against the final grant;

(Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	4241.701	2572.887	-1668.814	-39%
Development	1822.158	1,827.55	5.39	0.30%
Total	**6063.859**	**4400.437**	**-1663.422**	**-27.43%**

The above analysis shows that the non-developmental budget could not be utilized and 27.52% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved. While developmental budget on the other hand has been overspent which indicates poor SAP controls because it has allowed spending over the allocated amount.

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1192.818 million were raised in this report during the current audit of Administration Department. This amount also includes recoveries of Rs. 1074.545 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; **Amount in millions**

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	9.733
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	4.411
4	Value for money and service delivery issues	5.000
5	Others	1173.674

2.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2009-10	Establishment & Administration	32	09	-	23
2.	2010-11	-do-	25	08	-	17
3.	2011-12	-do-	20	08	-	12
4.	2012-13	-do-	08	07	-	01
5.	2013-14	-do-	12	06	-	06

2.4 Issues in the Administration Department

During scrutiny of the record of Administration Department, it came to the fore that, no proper list for allotment of official residences is maintained. It provides a wide open space for discretionary use of powers and manipulations, resulting in out of turn allotments, as are evident from several reported cases. Dual accommodation by a single officer has also been noticed.

Similarly, several instances of violation of official vehicle allotment policy have been noticed. Against the instructions given in Staff Car Rules 1980, pool's vehicles have been allotted to the officers of different department. In some instances more than one vehicle is retained and in others staff cars have been allotted to those who are not entitled.

The project vehicles are seldom handed over by the Project authorities to the Administration Department, resulting in the unauthorized retention of those

vehicles by the project officers. The process of condemnation of the old vehicles is also not pursued diligently. Consequently, vehicles that need to be auctioned remain un-auctioned for a long time and the Government is deprived of the precious revenue. These vehicles are dumped in open air which cause them to get rusted and are resultantly are badly depreciated in value.

AP No. 108,116, 121, 123 (2019-20)
AP No. 62, 66, 67 & 70 (2018-19)

2.5 Audit Paras

2.5.1 Loss to government due to defective service agreement – Rs.5.00 million

According to the clause 3.10 of the contract signed on 29-05-2019 with Center of Aviation Training for hiring as operator for operation and maintenance of Ecureuil and MI-171 Helicopters, the operator shall employ, arrange and provide qualified personnel; necessary to perform the services under this agreement. The owner shall bear the cost as per actual expenditures. List of required personnel with salary package is at Annexure-I to the contract agreement.

During audit of the Secretary to Government of Khyber Pakhtunkhwa, Administration Department (DG Aviation) Peshawar for the Financial Year 2019-20, it was observed that an expenditure of Rs.5,000,000/- was incurred on payment of fixed salary to the two (02) pilots of the MI-171 helicopter for 10 months upto June 2020.

The contract with Center of Aviation Training KP for hiring as operator for two helicopters (Ecureuil & MI-171) was signed on 29-05-2019; however, MI-171 helicopter was sent to Russia on 07-08-2018 for overhauling and reached back to Pakistan in 07/2020. Charging salaries of two (02) pilots for MI-171 helicopter, which was even not in Pakistan and remained in Russia for overhauling for about two (02) years, was loss to the government due to defective service agreement.

The lapse occurred due to weak contract and financial management.

When pointed out in November 2020, the department stated that the audit observations related to Center of Aviation Trainings (PAF, Operator). Therefore, reply in the matter will be submitted soon.

In the DAC meeting held on 08-01-2020, the department requested to settle the Para. However, audit did not agree because the helicopter was sent to Russia for overhauling well before the agreement signing date and that was not taken into consideration during signing the agreement. Thus payment of 10 months' salaries to the pilots was mismanagement on the part of the Administration Department and the matter needs investigation. However, no progress was reported till finalization of the report.

Audit recommends implementation of DAC decision.

AP No.105 (2019-20)

2.5.2 Non-credit of interest income to government treasury – Rs.4.411 million

According to Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3-(F/L)/FD/2007-08/Vol-IX dated 16-03-2018, the profit earned on the funds kept in the commercial bank, be deposited in government treasury under the relevant head immediately and not later than a week when declared by the concerned bank.

During audit of the Secretary to Government of Khyber Pakhtunkhwa, Administration Department (Aviation) Peshawar for the Financial Year 2019-20, it was observed that fund of Rs.115,951,000/- was drawn from government treasury and transferred to the bank account maintained by Center of Aviation Training, KP being hired as operator for the operation and maintenance of the Ecureuil and MI-171 Helicopters. Scrutiny of the Bank Statement of the operator revealed that interest of Rs. 4,411,154/- was earned on the funds.

Audit held that the funds were provided by the government; hence, any interest earned should have been deposited into government treasury, contrary, the interest income was retained in the said bank account.

The lapse occurred due to weak financial management.

When pointed out in November 2020, the department stated that the audit observations related to Center of Aviation Trainings (PAF, Operator). Therefore, reply in the matter will be submitted soon.

In the DAC meeting held on 08-01-2020, it was decided to credit the interest amount into government treasury. However, no progress was intimated till finalization of this report.

Audit recommends implementation of DAC decision.

AP No.102 (2019-20)

2.5.3 Unauthorized drawl of FDA/Special Allowance - Rs. 5.623 million

According to Para-3 of Finance Department (Regulation Wing) Notification No. FD (SOSR-II)/8-7/2016-17, dated 2.2.2018, the officers posted against scheduled post and are in receipt of such allowances other than regular allowances shall be entitled to one of the allowance which is more beneficial.

According to the Government of Khyber Pakhtunkhwa Establishment Department Notification No.SO (E-1)/E&AD/9-126/2018, dated 15th November 2018, circulated and notified by the FATA Development Authority on 29th November 2018, the following FDA Directorates working under FATA Development Authority shall henceforth report to the respective Secretaries to Government of Khyber Pakhtunkhwa in all official business.

According to the Finance Department (Regulation Wing) notification No.FD (SOSR-II) 8-7/2011, dated 27.4.2011 the special allowance @ 30% shall cease to be admissible to the civil servant w.e.f the date when, consequent upon his transfer to a post outside his Secretariat of original posting.

During audit of the Chief Executive FATA Development Authority Peshawar for the Financial Years 2018-20, it was observed that PMS/PCS officers were posted against the scheduled posts by the Establishment Department. The

officers were allowed Executive Allowance @ 150%, and other regular allowances, but they were also allowed FDA fixed Allowance @ Rs.60000/- & Rs. 48000/- P.M. which was not admissible. This resulted into un-authorized drawl of FDA allowance of Rs. 2,326,452/-.

Similarly the Secretariat Planning cadre officers were transferred to FDA on deputation basis and they were also allowed Special Allowance @ 30% in addition to deputation allowance against the government orders which resulted into an overpayment of Rs.3,296,600/-.

The lapse occurred due to non-observance of rules/policies.

When pointed out in September 2020, the department replied that FDA allowance was approved by BOD and subsequently approved by Governor KP. However, audit did not agree with the justification provided as the payment was in violation of government orders. Furthermore, as far as the special allowance is concerned, the department replied that this office has intimated vide letter dated 21.09.2020 to the respective departments for recovery of Special Allowance from the officers.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 01 & 02 (2018-20)

2.5.4 Un-authorized retention of residential accommodation – Rs 2.800 million

According section 18 KP Estate Office Accommodation Rules 2018, an allottee, who is transferred out of Peshawar in any department, organization, board, authority and Commission etc., or is posted within Peshawar to an ineligible department, organization, authority board and Commission etc.; may retain the residential accommodation on the following terms: one year on payment of normal rent; and subsequent one year on payment of market rent.

Provided further that no further extension shall be allowed beyond the permissible period mentioned above.

During audit of the Secretary to Government of Khyber Pakhtunkhwa, Administration Department (Estate Office), Peshawar for the Financial Year 2019-20, it was observed that House No. 6/9 Jheel road, Peshawar was allotted to Mr. Amjid Ali Khan on 23-11-2009. The officer has been transferred and posted at other province/ districts since 2010. Recovery of Rs 1,500,000 w.e.f. 23.11.2009 to 30.06.2013 has already been pointed out by audit and printed as DP No. 2.4.6 in Audit Report 2013-14.

Furthermore, the record revealed that the officer remained at different stations outside Peshawar from 01.07.2013 to 06.03.2018 (56 months). Therefore, monthly rent of Rs 2,800,000 (50000x56) was outstanding, which needs to be recovered from the officer.

The lapse occurred due to weak management of the affairs of the Estate Office.

When pointed out in November 2020, the department stated that proper reply will be submitted after verification of record.

In the DAC meeting held on 11-01-2021, it was decided that the amount should be recovered from the officers. However, no progress of recovery intimated to audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No.94 (2019-20)

2.5.5 Illegal retention of dual accommodations – Rs.1.310 million

According to the Declaration/ Affidavit submitted by Mr. Ali Asghar, No other accommodation is allotted from the pool of Estate Office or by any other government or institution. The officer undertake that in case of transfer within province, the accommodation will be vacated under rules 13(6) a. In case the particulars given above are found incorrect, the officer will be liable for

disciplinary action under E&D rules in additional to cancellation of allotment of the house.

During audit of the Secretary to Government of Khyber Pakhtunkhwa, Administration Department (Estate Office), Peshawar for the Financial Year 2019-20, it was observed that government residential flat No. 0I-NC Block, Khyber Road, Peshawar was allotted to Mr. Muhammad Ali Asghar, the then Deputy Secretary Administration with physical possession on 27-12-2016. Later on, the officer was transferred and posted as Deputy Commissioner, Bannu in October 2017 where designated residence was available. However, neither the residence in Peshawar was vacated nor was the requisite rent recovered as per detail below;

Particulars	Tenure	Rate	Amount (Rs.)
Normal rent	5 months	10000	50,000
Market Rent	36 months	35000	1,260,000
		Total	**1,310,000**

The lapse occurred due to weak internal controls and non adherence to Accommodation Rules.

When pointed out in November 2020, the department stated that as per Allotment Rules 2018, field officers are entitled to retain residential accommodation allotted from the pool of Estate Office in addition to the designated accommodation. Furthermore, rent of accommodation has already been deducted from the pay. However, detailed reply will be submitted after verification of record.

Reply of the department was not correct as neither Accommodation Rules 2015 nor Accommodation Rules 2018 were implemented in the instant case. There is no provision in rules to occupy/retain two residential accommodations simultaneously.

In the DAC meeting held on 11-01-2021, it was decided that rent amount as calculated above should be recovered.

Audit recommends inquiry and fixing responsibility.

AP No.121 (2019-20)

2.5.6 Non-transfer of funds to Government Consolidated Fund- Rs.1055.401 million
Unauthorized expenditure from the balances of defunct Authority - Rs 118.273 million

According to the Government of Khyber Pakhtunkhwa Establishment Department Notification No.SO (E-1)/E&AD/9-126/2018, dated 15th November 2018, circulated and notified by the FATA Development Authority on 29th November 2018, the Directorates working under FATA Development Authority shall henceforth report to the respective Secretary to Government of Khyber Pakhtunkhwa in all official business.

According to para-07 (1) of CTR, all money received by Govt. on account of revenues of the government should immediately be deposited into Govt. Treasury and shall be included in the consolidated fund. Government moneys should not be appropriated to meet the departmental expenditure.

During audit of the Chief Executive FATA Development Authority Peshawar for the Financial Years 2018-20, it was observed that the Authority was dissolved after merger of FATA in Khyber Pakhtunkhwa. It was required that all the balances of Rs. 1055.401 million should have been deposited in the Provincial Consolidated Fund, however, it was not deposited into provincial consolidated fund. Furthermore, expenditure of Rs.118.273 million was incurred from the defunct Authority without approval of the competent forum. The lapse occurred due to weak internal controls.

When pointed in September 2020, the department replied that this office has already submitted report regarding the closing balance/unspent funds of FDA for transfer to the Provincial Government of Khyber Pakhtunkhwa. However, the unspent balances were not transferred to Provincial Government till finalization of this report.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 07 (2018-20)

Chapter - 3

AGRICULTURE DEPARTMENT

3.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Agricultural Education and Research including Agricultural University.
- Experimental and demonstration farms.
- Improvement of Agricultural methods.
- Protection against insects and pests and prevention of plant diseases.
- Government gardens, including Botanical and Zoological gardens.
- Agricultural Engineering, mechanized cultivation and soil conservation.
- Improvement of varieties, its nutritional requirements and maintenance of soil fertility in research wings.
- Improvement of Livestock.
- Prevention of animal diseases.
- Veterinary Training and Research.
- Prevention of cruelty to animals.
- Zoological Survey.

Audit Profile of Agriculture Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in millions)	Revenue/Receipts Audited FY 2019-20 (Rs in millions)
1	Formations	31	10	2683.080	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	01	01	8.965	N/A
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	Nil	Nil	N/A

3.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2019-20 is given below:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
18-Agriculture	NC21	2,657,683,000	631,205,000	3,288,888,000	2,938,398,293	(350,489,707)
19- Animal Husbandry	NC21	1,283,295,000	14,578,000	1,297,873,000	1,082,788,342	(215,084,658)
20- Co-operation	NC21	32,728,000	2,461,000	35,189,000	28,987,781	(6,201,219)
23-Fisheries	NC21	126,455,000	80	126,455,080	110,450,826	(16,004,254)
Total		**4,100,161,000**	**648,244,080**	**4,748,405,080**	**4,160,625,242**	**(587,779,838)**

Development; **(Rs.)**

Grant # (Prov) NC12 & 22 and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
Agriculture	NC22	2,398,340,000	0	1,736,472,000	1,736,666,741	194,741
	NC12	45,000,000	0	59,004,000	59,004,460	460
Total		**2,443,340,000**	**0**	**1,795,476,000**	**1,795,671,201**	**195,201**

Overview of expenditure against the final grant:

(Rs. in millions)

Grant Type	Final Grant	Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	4,748.41	4,160.63	-587.78	**-12%**
Development	1,795.48	1,795.67	0.19	**0%**
Total	**6,543.88**	**5,956.30**	**-587.59**	**-9%**

The above analysis shows that non-developmental budget could not be fully utilized. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 130.684 million were raised in this report during the current audit of Agriculture Department. This amount also includes recoveries of Rs. 50.032 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	2.700
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	80.652
5	Others	47.332

3.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2011-12	Agriculture	07	07	-	-
2.	2012-13	-do-	02	-	-	02
3.	2013-14	-do-	17	06	-	11
4.	2014-15	-do-	15	06	-	09
5.	2015-16	-do-	17	02	-	15

3.4 Issues in Agriculture Department

The major issue that was noticed in the audit of Agriculture Department has been the poor management of Agriculture Research units/institutes across the province. The yield from the research oriented activities is not properly accounted for, resulting in understatement of the produce as is exemplified by the record maintained by the Cereal Crops Research Institute of Pirsabak. Similarly, in DI Khan Agriculture Research Institute, it was noticed with concern that requisite qualified staff for research purposes has not been employed so far despite the availability of slots. It shows that the Department is not rightly geared up for production of high yield varieties of cereals to cater for the burgeoning nutritional requirements of the province.

In addition to the above, it was also noticed that the warehouses and workshops are not properly managed. Outdated agricultural equipment, which is no longer utilized, has been dumped in the godowns and warehouses, instead of being timely auctioned to generate revenue for the Government. It reflects poorly on the warehouse management of the Department.

Internal Audit as an efficient tool of financial management is not properly employed to detect and correct financial irregularities in a timely manner. Several instances of late deposit of the revenue realized and misappropriations warrant the strengthening of internal audit unit of the Department.

AP No. 95 & 97 (2018-19)
AP No. 08, 36, 53 & 60 (2019-20)

3.5 Audit Paras

3.5.1 Non deposit of auction money of wheat seeds - Rs. 47.332 million

According to Para-7 of Federal Treasury Rules, all money received on account of revenues shall without delay be paid in full into Government Treasury and Receipts should not be utilized towards expenditure.

During audit of Director General Agriculture Extension KP for the Financial Year 2019-20, it was observed that left over stock of the "Insaf Food Security program (IFSP)" was auctioned thereby realizing an amount of Rs.

170,274,853 against which only Rs. 122,942,140 were deposited and Rs. 47,332,713/- was not deposited.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department stated that reply would be submitted after obtaining response of the sub office.

The department was requested for convening of the DAC meeting vide letter dated 22-01-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 60 (2019-20)

3.5.2 Excess drawl on account of subsidy charges - Rs. 2.700 million

According to PC-I ADP "wheat productivity enhancement project" wheat seed of different recommended varieties will be provided to the Districts by the Agriculture Development Fund. The District Director Agriculture Extension will distribute seed of 50 kg bag to one farmer beneficiary for one acre on full price. After sowing and upon verification by the district agriculture authorities to ensure that the seed has been actually sown, the 50% cost of the seed will be reimbursed to the beneficiary farmers either through branchless banking or bank account.

During audit of Director General Agriculture Extension KP for the Financial Year 2019-20, it was observed that District Director D.I. Khan drawn a subsidy amount of Rs. 4,800,000/- under PSDP Scheme "Wheat Productivity Enhancement Project" for further distribution to 4250 farmers instead of actual farmers of 2000, resulting in excess drawl of 2,700,000 (Rs. 2250 bags @ 1200). Furthermore, the amount drawn was not disbursed after lapse of one year to the farmers to whom one bag of wheat seed in the PSDP scheme was provided.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department stated that reply will be submitted after consultation with the sub office.

The department was requested for holding of the DAC meeting vide letter dated 22-01-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 54 (2019-20)

3.5.3 Wasteful expenditure due to non-achievement of the project objectives - Rs. 80.652 million

According to the objective of the project "Genetic improvement of local goats through cross breeding with Sannen goats in Malakand region" a sum of Rs. 80.652 million was provided for the project. In the provision a sum of Rs. 19.076 million was provided for the purchase of livestock i.e. Sannen Goats (imported) to achieve the main objectives of the project.

During audit of the Project Director "Genetic improvement of local goats through cross breeding with Sannen goats in Malakand region" for the Financial Year 2019-20, it was observed that the project was started in July 2015 and was due for completion on 30.06.2017, but was actually completed on 30.06.2019 with the total cost of the project amounting to Rs. 80.652 million. However, the main objective of the project, "purchase of Sannen dairy goats for crossing with local variety" was not achieved despite the advance payment of Rs. 19.076 million made to the contractor. Hence, the total project expenditure of Rs. 80.652 million was held wasteful.

The lapse occurred due to weak internal controls.

When pointed out in October 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 15-12-2020. However, no DAC meeting was convened till the finalization of the report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 11 (2019-20)

Chapter – 4

COMMUNICATION & WORKS DEPARTMENT

4.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Acquisition and development of sites for construction of government buildings
- ❖ Registration of contractors
- ❖ Implementation of various schemes of the provincial departments
- ❖ Construction of government owned buildings
- ❖ Maintenance and repair of government owned buildings
- ❖ Construction of provincial highways and roads
- ❖ Maintenance and repair of provincial highways and roads

Audit Profile of Communication & Works Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	136	30	15789.473	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	**N/A**	**N/A**	**N/A**	**N/A**
3	Authorities/Autonomous bodies etc under PAO	01	N/A	N/A	N/A
4	Foreign Aided Projects (FAP)	04	04	5338.206	N/A

4.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants allocated to Communication and Works Department and expenditure by the department in financial year 2019-20 is given below:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
14-Communication and Works	NC21	3,211,233,000	0	2,867,594,504	3,211,233,000	343,638,496
15-Roads, Highways, Bridges Buildings and Structures (Repair)	NC21	4,859,183,000	0	4,859,183,000	3,514,761,067	-1,344,421,933
	NC24	4,015,000	0	4,015,000	1,853,227	-2,161,773
Total		**8,074,431,000**	**0**	**7,726,777,504**	**6,727,847,294**	**-1,002,945,210**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Grant No 56	NC12	11,270,000,000	0	17,838,098,853	17,861,630,511	23,531,658
Building and Structure	NC12	812,000,000	0	514,491,440	435,084,180	-79,407,260
Building and Structure	NC22	387,995,000	0	252,536,566	256,714,590	4,178,024
	Total	**12,469,995,000**	**0**	**18,605,126,859**	**18,553,429,281**	**-51,697,578**

Overview of expenditure against the final grant;

(Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	7,730.79	6,727.85	-1002.945	-12.93
Development	18,605.127	18,553.28	-51.697	-0.28
Total	**26,331.904**	**25,281.128**	**-1,054.642**	**-3.99**

The above analysis shows that both the non-developmental and developmental budgets could not be utilized. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 801.805 million were raised in this report during the current audit of Communication & Works Department. This amount also includes recoveries of Rs. 241.370 million pointed out by audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in millions

S No.	Classification	Amount (Rs.)
1	Non production of record	20.444
2	Reported cases of fraud, embezzlement and Misappropriation	279.670
3	Irregularities	-
A	HR/Employees related irregularities	5.545
B	Procurement related irregularities	78.633
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	416.470
5	Others	1.043

4.3 Brief comments on the status of compliance with PAC directives

S.No	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2011-12	-do-	07	06	-	01
2	2012-13	-do-	10	05	-	05
3	2013-14	-do-	30	09	-	21
4	2014-15	-do-	26	20	-	06
5	2015-16	-do-	27	11	-	16

4.4 Issues in Communication & Works Department

It was noticed during the audit of C&W Department that a huge amount is retained in 2nd deposit as security arbitrarily by several divisions across the province. This undue and arbitrary retention in the 2nd deposit is used as a tool to avoid the lapse of fund and resultantly the money is blocked despite their inability to utilize funds on timely and efficient manner.

It has also become a matter of routine to accord the Technical Sanction at a belated stage to cover up all the major deviations from the original estimates and specifications. It is utilized as a cover up tool for the faulty planning and estimation instead of providing the executioner of works with technical guidance.

Similarly the contract management within the department is poor and despite having inordinate delays in the completion of schemes the penalty clauses are seldom/never invoked against the defaulting contractors. It results in considerable cost and time over-runs in the completion of schemes. Similarly, the instructions about the credit of lapsed deposits into the government treasury are not strictly followed by the Field offices of C&W department. The deduction of taxes as per applicable laws is more honored in the breach than in the observance.

AP No. 14, 39, 55, 71, 93, 95, 101, 102, 103, 105, 107, 120 & 121(2019-20)
AP No. 231, 478, 499 & 579 (2018-19)

4.5 Audit Paras

4.5.1 Non-production of record of land compensation - Rs.20.444 million

According to Article14 (2) of the Auditor General of Pakistan Ordinance 2001, the officer in-charge of any office or deportment shall afford all facilities and provide record for audit inspection and comply with request for information in as complete form as possible and with all reasonable expedition.

During audit of the Executive Engineer Highway Divisions South Waziristan& Tribal Sub-division Darazinda/Jandola at D.I.Khan (Newly Merged Tribal District) for the Financial Year 2019-20, it was observed that a sum of Rs. 20.444 million was given to the district administrations as land compensation to the locals for the construction of various roads. However, the amount remained un-verified because no detail accounts regarding the distribution and receipts acknowledgment from the locals was produced to audit.

The lapse occurred due to weak internal controls.

When pointed out in October & November 2020, the department stated that detailed reply will be furnished later on.

The Department was requested for holding of the DAC meeting vide letter dated 29-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 196 & 219 (2019-20)

4.5.2 Fraudulent payment on the basis of fake measurements – Rs. 131.628 million

According to Para-209 (d) of CPWA Code, all payments for work or supplies are based on the quantities recorded in the measurement book; it is incumbent upon the person taking the measurement to record the quantities clearly and accurately. This read with Para 208, 220 & 221 of CPWA; payments for all works should be made on the basis of measurements recorded in the measurement book.

During audit of the various Executive Engineer C&W Divisions, it was observed that contractors for different works were paid Rs. 131.628 million as per details given below, however, the payments in those cases stood as unauthorized due to the reasons mentioned against each.

Rs. In million

S. #	Division	FY(s)	Amount	Objection	Remarks
1	Bajaur	2019-20	2.399	The items of work were not executed as evident during physical visit.	Detail in Annexure-II
2	Dir (Upper)	2019-20	48.803	The works were either partially executed or not executed at all. The site was physically visited and pictures taken.	Detail in Annexure-II
3	Shangla	2017-19	46.922	Record entries in MBs were fake. Partial payments made against the recorded entries and funds were diverted to 2nd deposit.	Detail in Annexure-III
4	Shangla	2017-19	28.146	Funds relating to AOM&R Road 2018-19 for the repair related to 2017-18 which was considered as fake drawl because the payment was allowed before the completion of work	
5	Lakki Marwat	2017-19	5.358	9th and 10th running bills were presented with a gap of only 2 days without showing progressive balance of work against each bill.	Partial payments made against the recorded entries and funds were diverted to 2nd deposit.
		Total	**131.628**		

The lapse occurred due to weak internal controls.

When pointed out in September 2020, the management of C&W Bajaur stated that proper reply would be submitted in due course of time and after examination of record. While management of C&W Dir Upper stated that the matter would be inquired and audit would be informed accordingly. However, no progress was intimated in this regard.

Furthermore, when pointed out in June 2020, the managements of C&W Shangla and C&W Lakki Marwat stated that detailed reply would be furnished later on.

In the DAC meeting held for on 19-01-2021 and 20-01-2021 for discussion of C&W Bajaur, C&W Dir (Upper) and C&W Shangla audit observations respectively, it was decided that the Superintending Engineer of the Circle will personally inspect the cited work in the light of audit observations and submit report within 15 days, as during the discussion the payment was deemed

unauthorized and in case of any shortcomings, the responsibility may also be fixed and intimated to audit within 15 days. However, no progress was intimated till finalization of this report.

While in the DAC meeting held on 07-01-2021 for discussion of C&W Lakki Marwat audit observations, the department explained that the work has been executed, some funds were released and some funds were kept in 2nd deposit owing to non-provision of test results and payment. However, audit did not agree and contended that the payment was supposed to be made on actual work done and record entries could only be made after satisfactory work completion. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decisions.

AP No. 46, 54, 102, 103 & 105 (2019-20)
AP No. 475, 516, 519, 522, 545, 551, 558, 563, 565, 569 & 579 (2017-19)

4.5.3 Doubtful expenditure on account of Wearing Course-Rs.6.450 million

According to Para 228 of the CPWD Code, advances to contractors are as a rule prohibited, and every endeavor should be made to maintain a system under which no payments are made except for work actually done.

During audit of the Executive Engineer C&W Division Haripur for the Financial Year 2017-18, it was observed that the contractor was paid for the work "Construction of Akhoon Bandi to Magri RD" which included payment of Rs. 6,449,550/- as prime coat and asphalt wearing course. However, as verified from the MB No.834-H, a lump sum measurement of the item was recorded, without mentioning details of RDs and location.

Audit held that the items of work were not actually measured because place/location was not mentioned and even the RDs were not recorded in the relevant MB. Hence, the payment of Rs 6,449,550/- was doubtful.

When pointed out in January 2019, the department stated that detailed reply would be furnished after verification of record.

In the DAC meeting held on 24-07-2020, the record was provided to DAC wherein page 160 of the relevant MB was manipulated after audit observation. The Department requested to settle the Para, however audit stressed on fact finding inquiry within 30 days. No progress was made till the finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 145(2017-18)

4.5.4 Unauthorized retention of funds in 2nd deposit – Rs. 117.853 million

According to Para 209 and 221 of the CPWA Code, all payments of the work done are based on the quantities of the work recorded in the measurement book. It is incumbent upon the person taking the measurement to record the quantities clearly and accurately. He will also work out and record in the MB the figure for the contents of the area. The SDO should compare the quantities in the bill with those recorded in the M.B and see that all the rates are correctly entered and that all calculations, have been checked arithmetically.

During audit of the Executive Engineer C&W Divisions for the Financial Years as tabulated below, it was observed that funds of Rs 117.853 million for different schemes were retained in the 2nd deposit based on fake measurements which was illegal.

S. #	Division	FY(s)	Amount	Remarks
1.	Shangla	2017-19	102.18	Partial payments made against the recorded entries and funds were diverted to 2nd deposit. **(Detail in Annexure-IV)**
2.	Dir Upper	2019-20	11.131	
3.	Lakki Marwat	2017-19	4.542	
Total			117.853	

The lapse occurred due to weak internal controls.

When pointed out in July 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held for on 20-01-2021 and 19-01-2021, it was decided that the Superintending Engineer Swat Circle will personally inspect the cited work in the light of audit observations and submit report within 15 days as during the discussion the payment was deemed unauthorized and in case of any shortcomings, the responsibility may also be fixed and intimated to audit within 15 days. Furthermore, DAC meeting held on AP No. 478 dated 07-01-2021, the department explained that the funds were kept in 2nd deposit owing to non-provision of test results and payment, thus, was withheld. However, audit did not agree and contended that the payment was supposed to be made on actual work done and record entries could only be made after satisfactory work completion and there was no authority which could authorize the concerned staff to place the funds in 2nd deposit and therefore, department should conduct inquiry. However, no progress was intimated till finalization of this report

Audit recommends implementation of the DAC decisions.

AP No. 478, 517, 546, 552, 559, 564, 566, 580 &589(2017-19)
AP No. 107 & 108(2019-20)

4.5.5 Overpayment on account of execution of excess quantities of carriage of asphalt-Rs.9.521 million

According to the estimate prepared by department for 1 Km road, carriage of Asphalt concrete from Batch plant to site to be calculated as 287.7/2.31*85 = 10,586 ton/km. This read with para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the Executive Engineer C&W Division Shangla for the Financial Year 2017-19, it was observed that contract for the F/S Design & Rehabilitation of various roads were awarded to different Govt. contractors. Further scrutiny of record revealed that the contractor executed various items of work relating to black topping for which excess quantity of 1446051

Ton/Km carriage of asphalt was claimed by the contractor and also allowed by the department, which resulted into excess payment of Rs. 9.521 million to contractor. (As detailed below);

Item of work	Qty allowed fictitiously	Qty required	Diff ton/km	Rate	Overpayment
Carriage of asphalt	148090.92	505.77/2.31*85=18610	129481	10	1,294,810
Carriage of asphalt	268165	720.87/2.31*85=26525	241640	6.22	1,503,00
Carriage of asphalt	336596	934.99/2.31*85=34,404	302192	5	1,510,958
Carriage of asphalt	257650.40	739.80/2.31*85=27222	230228	6.22	1,432,020
Carriage of asphalt	213452.76	613.37/2.31*85=22570	190883	9.00	1,717,946
Carriage of asphalt	199954.80	555.43/2.31*85=20,438	179517	10.33	1,854,409
Carriage of asphalt	195666	640.18/2.31*85=23556	172110	10	1,710,096
Total			**1446051**		**9,521,742**

Black top width 5.5 M

**Note quantity of carriage of Asphalt for 1KM=287.7/2.31*85=10586 ton/km

The lapse occurred due to weak internal control.

When pointed out in July 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 20-01-2021, the para was discussed and it transpired that the carriage formula pointed out by audit was correct and overpayment was made, however, payment made as per site needs to be reconciled in view of the estimates and record entries in the relevant MB for determining and effecting recovery. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 520, 523, 529, 534, 536, 538& 582(2018-19)

4.5.6 Unauthorized payment on account of steel without RCC- Rs. 13.688 million

According to Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality

During audit of the Executive Engineer C&W Divisions Abbottabad and Kohat for the Financial Year 2019-20, it was observed that a sum of Rs. 13.688 million allowed to the contractors for the works mentioned below on account of steel reinforcement was considered as unauthorized because no RCC work in roof/slabs as well as raft foundation was executed.

Rs. in million

S.#	Division	Work	Amount	Remarks
1	C&W Abbottabad	Establishment of Service Delivery Center at Havelian	1.644	No RCC work executed in roof/slab as well as raft foundation
2	C&W Kohat	Reconstruction of Women 7 Children Hospital Kohat	12.044	
	Total		**13.688**	

The lapse occurred due to weak internal controls.

When pointed out in October 2020 and December 2020, the department stated that detailed reply would be furnished after checking the record.

In the DAC meeting on 19-01-2021, it was decided for AP # 165 that proof to the effect that actual RCC was already carried out at the time of execution of steel be produced to audit for verification within 15 days. However, no

progress was intimated till finalization of this report as far as AP # 291 is concerned, the department has been requested vide letter dated 25-01-2021 for holding of the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends implementation of the DAC decision in the former case while inquiring the matter and fixing responsibility in the later case.

AP No.165 & 291(2019-20)

4.5.7 Loss due to inadmissible payment of escalation – Rs. 48.002 million

According to the background, objectives of Standard Procedure and Formula for Price Adjustment Guidelines issued by Pakistan Engineering Council (March 2009 edition) read with section 5, B2-Parameters, C-Procedures, Part 2-Formula, "Prices of goods and labour are highly variable due to fluctuations in the currency market. Construction experts, therefore, thought it prudent to compute the cost of contracts on present price, keeping provisions of Price Adjustment for probable fluctuations. This document is intended to make reasonable price adjustment in the billed amount, which by virtue of its being restricted to listed adjustable elements, is an approximation. The basis for compensation will be only those elements, which are specifically listed as specified items in the tender documents. The base date price (or base date index) of any element shall be the price of the element which was prevalent twenty eight (28) days prior to the date of submission of the tender. The billed amount of the Works for each calendar month will be obtained from the checked bills submitted by the Contractor. Formula for Price Adjustment:

$$Pn = A + b\frac{Ln}{Lo} + c\frac{Mn}{Mo} + d\frac{En}{Eo} + \ldots\ldots\ldots\ldots$$

During audit of the accounts record of the Executive Engineer, C&W Division Kohat for the financial year 2019-20, it was observed that loss of Rs.48,002,134/- was sustained by the government due to allowing escalation instead of de-escalation and allowing excess escalation than actual escalation as summarized below:

Rs.

S. No	Scheme	Escalation paid	Escalation Due	De-escalation required	Recovery required/ Overpayment	Particulars of payment
1	Dental Block, KIMS	7,133,225	0	8,029,914	15,163,139	IPC 01-17
2	Common Facility Block, KIMS	6,843,479	4,838,813	0	2,004,665	IPC 01-05
3	Academic Block (Package-I)	13,256,536	0	11,990,015	25,246,551	IPC 01-19
4	Girls Hostel, (Package-III)	3,122,106	0	2,465,673	5,587,779	IPC 01-15
	Total	**30,355,346**	**4,838,813**	**22,485,602**	**48,002,134**	

The findings of audit behind incorrect calculations were:

i. Total work done was taken as 265,884,206/- for calculations, whereas the actual work done of the above mentioned IPCs was Rs.243,773,628/- Similarly, The contract was awarded on item rate basis wherein the contractor was paid on quoted rates, but still base rate of steel @ Rs.74,333.33 per ton was applied for calculating the Escalation. Furthermore, weightage of adjustable(s) were revised/changed which was unauthorized as the weightage points were already mentioned in the contract duly signed & agreed by both the parties e.g. steel weightage was taken as 0.1718 instead of 0.195, labour weightage taken as 0.181 instead of 0.175. **(S. No. 1)**

ii. Total work done paid through IPCs 01 till 05 was taken as 69,855,155/- for calculation purpose, whereas the actual work done of the above mentioned IPCs was Rs.47,339,678. Also, excess work done was shown due to inclusion of either Mobilization Advance or Location Factor in the work done. Furthermore, steel consumption started in IPC No. 3 but compensation weightage was allowed for steel against IPC No. 2 where no steel consumption had started. **(S. No. 2)**

Audit held that the loss due to inadmissible payment of escalation instead of de-escalation was due to deviation from above rules.

When pointed out in December 2020, the management stated that the matter would be referred to the consultants for proper reply. Progress would be intimated to Audit.

The Department was requested for holding of the DAC meeting vide letter dated 25-01-2021. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery and initiation of inquiry for fixing of responsibility on the person(s) at fault.

AP No. 283, 284, 285 & 286 (2019-20)

4.5.8 Overpayment due to non-utilization of the excavated material– Rs. 32.658 million

According to Section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2020 for workmanship, issued by Communication & Works Department, Government of Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed off. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure.

During audit of the Executive Engineer C&W Division Dir Lower for the Financial Year 2019-20, it was observed that the payments for excavating earth quantity have been made to the contractors in the below mentioned cases. However, the excavated material was neither used in formation of embankments nor deposited with the government store or any transportation lead was shown. Hence, whereabouts of the excavated material quantity of 82,100.84 M3 valuing Rs 31,893,616/- was not known.

S.No	Scheme/Work	Quantity of Excavated Material m3	Payment against Excavating earth quantity Rs.	Date of Payment
1	Construction of BT road Gawardesh	53042.82	21,801,958	03-06-2020
2	Construction of BT road Rani-dalay	15921.91	6,219,282	16-06-2020
3	Construction of Shadas to Fazalabad Meramai road	13136.11	3,872,376	04-06-2020
	Total	**82100.84**	**31,893,616**	

Similarly, payment of Rs.765,000/- was made for formation embankment from borrowed earth for a quantity of 1275 M3 despite the fact that 13136.11 M3 earth was available at site from excavation which should have been used but the same was not done and resulted in an overpayment of Rs.765,000/- was made to the contractor.

The lapse occurred due to weak monitoring & supervision of the site activities and non-adherence with the above provisions.

When pointed out in November 2020, the department stated that detailed reply would be furnished after consulting the relevant record.

In the DAC meeting held on 19-01-2021, the department explained that no payment was made for filling, it was decided that the cost of Back fill in retaining wall be deducted from the contractor in the view of available earth and be shown to audit. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 232, 236 & 240 (2019-20)

4.5.9 Loss to Govt. due to non-deduction of stone from Random Rubble Masonry (RRM) 1:6 in foundation -Rs.7.673 million

According to MRS item No. 08-01-b and 08-01-c-01 RRM includes 30% to 40% cost of stone. This read with Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the Executive Engineer C&W Division Shangla for the Financial Year 2017-19, it was observed that contract for the F/S Design & Rehabilitation of various roads were awarded to different Govt. contractors. Further scrutiny of record revealed that a quantity of 18497.09 M3 of roadway excavation in surplus material (medium+ hard rock material) was executed in various RDs of the road alignment along with retaining/breast walls for a total quantity of 5943.78 M3. However, the cost of stone available and used was not deducted from the contractor as received from the hard rock cutting which resulted into overpayment of Rs. 7,673,000/- and hence loss to the government as per details attached in the original observation.

Furthermore, the test results regarding rock classification were also not provided for justification of unsuitability of rocks, which further strengthened Audit contention.

When pointed out in July 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 20-01-2021, the Executive Engineer explained that the work is still in progress. The utilization of hard rock in RMM and Back fill will be utilized and necessary deduction will be made from the contractor under intimation to audit. DAC directed to provide adjustment of available material in the contractor bill. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 539, 543, 548, 554, 561, 562& 567(2018-19)

4.5.10 Loss to Govt. due to non-deduction of stone from RRM 1:6 in foundation - Rs. 6.973 million

According to MRS item No. 08-01-b and 08-01-c-01 RRM includes 30% to 40% cost of stone. This read with Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the Executive Engineer Highway Divisions Abbottabad and South Waziristan for the Financial Year 2019-20, it was observed that in the below mentioned works, the contractors have been paid the bills without deducting the cost of stone as per MRS which resulted in loss amounting to Rs. 6,973,062/- as per details tabulated below;

Work	RRM in Foundation & Super Structure	Deduction required in RRM Qty	Rate paid/M3 Rs.	Rate required less cost of stone	Diff	Loss Rs.
Improvement & Reconstruction from Hospital to Ratian Thandara with Link to Sher Shah & Bar Nikain Pind Kargo	1276	1276	6600	4620	1980	2,526,480
Establishment of Govt. Degree College at Lower Tanawel	685.27	205.581	5369.72	3758.80	1610	331,174
	1657.59	497.277	5598.16	3918.71	1679	835,151
B/T Road from Sam to Qareeb Karoona Lower Kaniguam 5KM	3674.65	2397.078	4561.46	3193.02	1368	3,280,257
Total						**6,973,062**

The lapse occurred due to weak internal controls& financial mismanagement.

When pointed out in October 2020, the departments stated that detailed reply would be furnished after consulting the record.

In the DAC meeting held on 19-01-2021, for AP No. 161, it was decided to recover the cost of stone while in case of AP No. 169, the department stated that according to lab tests the said hard rock was not suitable for use in RR Stone masonry, therefore, it was decided to produce the original tests to audit for verification. However, no progress was intimated till finalization of this report.

The Department was requested for holding of the DAC meeting for AP No. 180 vide letter dated 29-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends implementation of the DAC decision in the former cases and recovery in the later case.

AP No.161, 169 & 180 (2019-20)

4.5.11 Loss to Govt. due to execution of excessive quantities of asphalt- Rs.4.380 million

According to Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the Executive Engineer C&W Division Lakki Marwat for the Financial Year 2017-19, it was observed that for the work "AOM&R/Special Repair of various roads", the contractor was paid excessive quantity of 294.01 m3 Asphalt amounting to Rs. 5,515,128/- over and above the approved 2 inches' thickness in design. (As detailed below);

Item of work	Qty Allowed	Qty required	Difference	Rate	Overpayment
Asphalt	1508.84	24296.6*0.05=1214.83	294.01	18758.30	5,515,128
Location 1.05					5,790,884
Rebate 24.35%					1,410,080
Net Payment					**4,380,803**

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 07-01-2021, the department explained that the quantity of asphalt varied because it was rehabilitation work and the asphalt quantity varied as per site requirement, hence, department admitted the variation, therefore recovery may be affected. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 472(2017-19)

4.5.12 Loss to Govt. due to excess payment to contractor on account of formwork - Rs. 1.775 million

Para 228 of the CPWD Code, advances to contractors are as a rule prohibited, and every endeavor should be made to maintain a system under which no payments are made except for work actually done.

During audit of the Executive Engineer C&W Division D.I.Khan for the Financial Years 2017-18 and 2018-19, it was observed that the works "Construction of Central Prison D.I.Khan" and "Reconstruction of Government College of Management Sciences Boys" were awarded to contractors and payments were made accordingly. However, the payments included Rs. 1,040,895/- and Rs. Rs. 734,398/- respectively on account of formwork to concrete(vertical) for the main item of work "item No. 06-06-a-

01,02 & 03 of the MRS 2016" besides the fact that the formwork was already included in the said item of work, thereby resulting in an excess payment of Rs. 1,775,293/-.

The lapse occurred due to weak internal controls.

When pointed out in June 2019 and June 2020, the department stated that detailed reply would be furnished after scrutiny of relevant record.

In the DAC meeting held on 02-01-2020 for AP No. 393, it was decided that recovery of Rs. 1.040 million will be made. However, no progress regarding the said recovery has been intimated to Audit till finalization of this report.

While the department was requested for holding of the DAC meeting for AP No. 424 vide letter dated 08-09-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends implementation of the DAC decision in the former case while recovery in the later case.

AP No. 393 (2017-18) & 424 (2018-19)

4.5.13 Loss to public exchequer due to non-utilization of available material- Rs. 1.694 million

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

During audit of the Executive Engineer Provincial Building Construction Division-I Peshawar for the Financial Year 2018-19, it was observed that Rs. 1,694,529/- was paid to the contractor for the item of work "Earth filling in lawn i/c dressing & compaction with suitable earth borrowed" for a quantity of 2866.14 m3 @ Rs. 591.19 pm3 in the work "Construction of Dormitories for support staff at KP House Islamabad" vide voucher dated 19.6.2019. Quantity of 4256.89 m3 (2476.01+1433.32+347.56) was available from "Excavation in

foundation and hard rock", however, the existing earth was not utilized due to which Government sustained a loss of Rs 1,694,529/-

The lapse occurred due to weak internal controls.

When pointed in October 2019, the department replied that the excavated material was not suitable for reuse in the filling lawn, so keeping in view the sensitivity of the project, the excavated earth was transported outside the KP House and suitable earth was borrowed, which also existed in the PC-I/ Technical sanction.

The reply was not convincing because no laboratory result was available regarding unsuitability of the earth.

In the DAC meeting held on 24-11-2020, it was stated that the matter is sub-judice and progress of the case will be intimated to audit.

Audit recommends implementation of the DAC decision.

AP No. 07 (2018-19)

4.5.14 Loss to Govt. due to non-deduction of stone from Random Rubble Masonry (RRM) 1:6 in foundation-Rs.1.066 million

According to MRS item No. 08-01-b and 08-01-c-01, RRM includes 30% to 40% cost of stone. This read with Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the C&W Division Chitral for the Financial Year 2018-19, it was observed that the work "Construction of RCC Bridge at Ayun" was awarded to the contractor and up to date payment of Rs. 75.919 million was made vide voucher dated 17-6-2019 on 14th running bill.

Further scrutiny and verification of record revealed that a quantity of 198.63 M3 of roadway excavation in surplus material hard rock material was obtained/executed as well as on the other hand in Retaining/Breast Walls total quantity of 2343.524 m3@ 5369.72 amounting to Rs. 12.584 million was executed, but the cost of 30% of stone was not deducted from the contractor, which resulted into a loss of Rs.1.066 million, detailed below;

RRM quantity executed =2343.524m3
Available material hard rock= (198.63) m3
Payment to be made for RRM after deduction of hard Rock=198.63x5369.72=1.066 million

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply would be furnished after checking the record.

In the DAC meeting held on 19-01-2021, the department explained that the quantity obtained from the excavation was very low and could not be utilized in RRM, however, it was decided by the forum that the utilization of the available quantity be ensured either in RRM or Back fill and deduction be made from contractor under intimation to audit. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No.440 (2018-19)

4.5.15 Overpayment on account of BOQ based on item rates-Rs. 114.016 million

According to Para 23 of the General Financial Rules Volume-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which he contributed.

During audit of the Executive Engineer C&W Division D.I. Khan for the Financial Year 2017-18, it was observed that for the work "Construction Judicial Complex at Pharpur", different rates have been accepted for the same item of work which creates doubts about the authenticity of the tendering process. For instance an overpayment of Rs. 5,237,419/- as calculated below was allowed in steel due to allowing different rates i.e. Rs. 110,000, Rs. 130,000, and Rs. 181,000 and so on.

Particular	**Qty of Steel**	**Rate Allowed Rs.**	**Rate Required Rs.**	**Difference Rs.**	**Overpayment Rs.**
Session Judge Residence	27.41	130,000	110,000	20,000	548,300
Shade Area	17.98	181,500	110,000	71,500	1,285,570
Shade Area	18.07	181,500	110,000	71,500	1,292,005
Public Facilitation Area	14.56	198,000	110,000	88,000	1,281,544
Public Toilets	6.87	150,000	110,000	40,000	274,800
Boundary Wall	27.76	130,000	110,000	20,000	555,200
				Total	**5,237,419**

Likewise in other items/materials for the same schemes, different rates have been quoted hence the award of the work for Rs. 114.016 million is doubtful.

The lapse occurred due to weak internal controls and violation of rules.

When pointed out in June 2019, the department stated that detailed reply would be furnished after scrutiny of relevant record.

In the DAC meeting held on 02-01-2020, it was decided to conduct inquiry and make recovery because the rate variation of Rs. 70500/- (between RS. 181,500 and 110,000) in same grade of steel was found very high which means that the variations in other items would also need to be probed. Furthermore, there is

no difference in MRS on the basis of nature of work where steel is used; hence, the BOQ was defective. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 395(2017-18)

4.5.16 Overpayment on account of clearing and grubbing -Rs. 10.336 million

According to MRS 2017 Chapter No. 03, Formation of embankment relating to Item No. 03-03-b (Rs. 153.75/m^3), 03-04-a (Rs. 139.05/m^3), 03-04-b (Rs. 170.83m^3), 03-04-c (Rs. 337.70m^3) & 03-05-a Rs. 347.00m^3), the rate includes hire charges of machinery cost of fuel and also clearing and grubbing, where necessary read with Para1.58 of the B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs.

During audit of the Executive Engineer C&W Division Lakki Marwat for the Financial Year 2017-19,it was observed that for the works "Construction of B/T Road from village Abbasa to Shahab Khel" and "Construction of B/T Road from Chasma road to Wanda Nizami", the contractors were paid vide vouchers dated 18-06-2019& 20-06-2019 respectively including a sum of Rs. 8.294 million &Rs. 2.042 million on account of clearing and grubbing and compaction of natural ground. However, the contractors also executed formation of embankment and sub grade preparation in earth cut and it is clearly mentioned in the MRS dully approved by the competent authority that clearing and grubbing is included in formation of embankment, therefore, the expenditure of Rs. 10,336,000 incurred on clearing and grubbing was an overpayment.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 07-01-2021, the department stated that the payment was made as per MRS provision and separate payment of clearing and grubbing was accordingly made, therefore, department requested for settlement of para. However, audit did not agree and contended that the same was included in the detailed analysis of formation of embankment and thus recovery be affected. However, no progress was intimated till finalization of this report.

Audit recommends recovery.

AP No. 476& 479 (2017-19)

4.5.17 Non-deposit of the deductions made from the salaries of employees – Rs. 5.545 million

According to Government standing orders, General Provident Fund, Pension Contribution, Benevolent Fund, Income Tax, Retirement Benefits & Death Compensation and HRA shall be deducted at prescribed rates from salaries of employees on monthly basis.

During audit of the "Provincial Roads Improvement Project" for the financial year 2019-20, it was observed that an amount of Rs. 5,545,020/- was deducted on account of various mandatory deductions from the salaries of the regular employees on deputation in the project. However, the same was not deposited in the relevant heads of accounts.

The lapse occurred due to weak internal controls.

When pointed out in August, 2020, it was stated that the amount pertaining to pension contribution has been affected from some of the officials and the remaining amount still outstanding. The required deductions will be affected in due course of time.

The department was requested for holding the DAC meeting vide letter dated 10-11-2020. However, DAC meeting has not been held till finalization of this report.

Audit recommends recovery.

AP No. 90 (2019-20)

4.5.18 Overpayment on account of extra labour – Rs.4.576 million

According to MRS2016, the rates for items of work are the composite rate including Material, Equipment and Labour Cost.

During audit of the Executive Engineer Highway Peshawar for the Financial Year 2018-19, it was observed that the contract for the rehabilitation of road from Akbarpura & Jaba Daudzai was awarded to the contractor. The payment included Rs. 4,576,207/- on account of 2/3 extra labour rate, which was unjustified as all the items under MRS are composite rates i.e. Material + Labour + Overhead + Contractor Margin. Therefore, payment of Labour Rate as a separate item of work for Rs. 4,576,207/- was overpayment and needs recovery.

The lapse occurred due to weak management of the civil works.

When pointed out in November 2019, the department stated that proper reply would be submitted after verification of relevant record.

In the DAC meeting held on 24-11-2020, the department was directed to recover the amount pointed out by Audit. However, no progress was intimated to Audit till the finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 189 (2018-19)

4.5.19 Overpayment on account of carriage of asphalt-Rs.1.810 million

According to the estimate prepared by department for 1 Km road, carriage of Asphalt concrete from Batch plant to site to be calculated as 287.7/2.31*85 = 10,586 ton/km. This read with para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their

charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the Executive Engineer C&W Division Lakki Marwat for the Financial Year 2017-19, it was observed that contract for the "AOM&R/Special Repair of various roads" was awarded to the contractor and was paid the work done of Rs. 44.485 million vide voucher dated 20-06-2019. Further scrutiny of record revealed that the contractor executed various item of work relating to black topping for which quantity of 366394.63 ton/Km carriage of asphalt was claimed by the contractor and also allowed by the field Engineering Staff which resulted into excess payment of Rs. 1.810 million.

Item of work	Qty allowed	Qty required	Diff ton/km	Rate	Over-payment	Remarks
Carriage of asphalt	421900	1508.44/2.31*85=55,505.36	366394.63	6.22	2,278,974	Reference to MB No. 64 P 71to 87 quantities of carriage of asphalt was enhanced due fudging in the record entries
Location factor 1.05					2,392,923	
Rebate 24.35%					582,677	
Net total					**1,810,246**	

*Note quantity of carriage of Asphalt for 1KM=287.7/2.31*85=10586 ton/km

The lapse occurred due to weak internal controls

When pointed out in June 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 07-01-2021, the department contended that carriage of asphalt was paid on actual distance and requested the DAC to settle the para, however, after discussion it transpired that the carriage formula pointed out by audit was correct and overpayment was made, however, payment made as per site needs to be reconciled in view of the estimates and

record entries in the relevant MB for determining and effecting recovery. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 471(2017-19)

4.5.20 Overpayment on account of application of incorrect rate-Rs.1.808 million

According to the Item Code 03-61-a of MRS 2017, the rate of "Formation of Embankment from Roadway Excavation in Common Material including Compaction by Power Roller" is Rs. 335.28 pm3.

During audit of the Executive Engineer C & W Division Bannu for the Financial Year 2018-19, it was observed that a total quantity of 4647.800 m3 of an item, “Formation of Embankment from Roadway Excavation in Common Material including Compaction by Power Roller” was executed through a contractor under the scheme, “Baran Dam to Jani Khel” @ Rs.724.45 per M3 vide voucher No.81/B-II dated 23.06.2019 (5th R/Bill), as against the MRS rate of Rs.335.28 per m3, which resulted into an overpayment of Rs. 1,808,784/- (724.45- 335.28 = 389.17 x 4647.800).

The lapse occurred due to weak internal controls.

When pointed out in December 2019, the department stated that detailed reply would be provided after scrutiny of record within due course of time.

In the DAC meeting held on 19-01-2021, the forum was briefed by the department that the contract was awarded on MRS and not on item rate. However, the payment was erroneously made, the forum decided that Superintending Engineer Bannu Circle will conduct inquiry and submit report within 15 days. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 334 (2018-19)

4.5.21 Irregular payment on clearing & grubbing-Rs.1.517 million

According to the Note provided to Item No.03-05-a, "formation of embankment in ordinary soil" of the Market Rates System 2017, the rate of formation of embankment includes clearing and grubbing where necessary.

During audit of the Executive Engineer C&W Division Haripur for the Financial Year 2017-18, it was observed that expenditure of Rs. 1,517,411/- was incurred on clearing and grubbing, along with executing the formation of embankment in various schemes listed in the original observation.

Audit held that the item of work clearing and grubbing was covered in the item of work formation of embankment, therefore this separate payment was irregular and needs recovery.

When pointed out in January 2019, the department stated that detailed reply would be furnished after verification of record.

In the DAC meeting held on 24-07-2020, it was decided to make recovery. However, no progress was made till the finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 140 (2017-18)

4.5.22 Loss to Govt. due to less deduction of rebate & income tax from the contractor's bill – Rs. 1.043 million

According to the work order No. 348/11-T dated 10-06-2019; the work was awarded to M/S Fakhr E Alam with 35.50% below read with Income Tax Ordinance 2001, Income Tax @ 7.5% should be deducted from the taxpayer as deduction at source.

During audit of the Executive Engineer C&W Division Shangla for the Financial Year 2017-19, it was observed that AOM&R Work was awarded to a contractor for Rs. 15.902 million with 35.50 % below. On scrutiny of first and final bill, it was observed that the contractor was overpaid an amount of Rs.

1.043 million on account of less deduction of rebate and income tax which needs immediate recovery.

The lapse occurred due to weak internal controls.

When pointed out in July 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 20-01-2021, the para was not discussed.

Audit recommends recovery.

AP No. 526(2018-19)

4.5.23 Loss due to awarding scheduled item as non-scheduled item – Rs. 141.631 million

The Supply and Fabrication of mild steel (Cold deformed) is provided @ Rs. 29,949.91 per ton vide item No. 06-07 of the 1999 Schedule of rates.

During audit of the Executive Engineer Provincial Building Construction Division No. II Peshawar for the Financial Year 2016-17, it was observed that the payment of Rs. 314.626 million (2806.23 @ 112126 per ton) was made to the contractor dated 22-06-2017 for an item of work, Providing, Cutting, Bending, Placing & Fixing in position high tensile steel deformed bars G-60 as Non-Schedule Item in the work "Establishment of Peshawar Institute of Cardiology". However, this item of work was provided in the 1999 Schedule of rate hence its approval as Non-Schedule Item resulted in a loss of Rs. 141,631,494/- as detailed below;

Quantity	Rate Paid	Rate Required	Difference	Loss
2806.23 ton	Rs. 112,126/ton	Rs. 61655.62/ton (29929.91 + 106%)	Rs. 50,470.38	Rs. 141,631,494

The lapse occurred due to weak internal controls.

When pointed out in July, 2018, it was stated that detail reply would be given after consulting the relevant record.

In the DAC meeting held on 17-03-2020, the department admitted that the rate allowed was abnormally high which needs justification. However, the matter is under arbitration and outcome of the arbitration will be shared with audit for verification which was not provided yet.

Audit recommends implementation of the DAC decision.

AP No. 265 (2016-17)

4.5.24 Non-transparent award of contract – Rs. 78.633 million

According to clause 32.1 and 32.2 of the Standard Bid Document, the successful bidder shall furnish to the procuring entity a Performance Security in the form and the amount stipulated in the Bidding Data and the Conditions of Contract plus additional security for unbalanced bids in accordance with Clause IB 28.4 within a period of 28 days after receipt of letter of acceptance. Failure of the successful bidder to comply with the requirements of Sub-clause IB 32.1 shall constitute sufficient grounds for the annulment of the award and forfeiture of the Bid Security.

During audit of the Executive Engineer C&W Division Kohat for the Financial Year 2018-19, it was observed that the work "Reconstruction of Women and Children Liaqat Memorial Teaching Hospital Kohat" was awarded vide dated 03-04-2018 with the time limit of 36 months. However, 10% performance security amounting to Rs. 78.633 million was not provided till date of audit i.e. 12/2019. The same observation was also raised by the S.E C&W Circle Kohat vide letter dated 17-04-2019. Hence the award of the contact was not transparent.

The lapse occurred due to non-adherence to the bidding provisions.

When pointed out in December, 2019, it was stated that detail reply would be given after consulting the relevant record.

In the DAC meeting held on 30-12-2020, it was admitted by the department that the Performance Security was not obtained from the contractor hence the matter was referred to PAC.

Audit recommends inquiry and fixing responsibility.

AP No. 384 (2018-19)

4.5.25 Loss due to awarding an item of work on higher rate – Rs. 17.934 million

According to Clause 8.2.3.2 of the Accounting Policies and Procedure Manual, the Government employee shall also be held personally responsible for any loss or deficiency arising from theft, robbery, fraud or negligence on the part of any other government officer to the extent to which it may be shown that the officer concerned contributed to the loss or deficiency by his/her own action or negligence.

During audit of the Executive Engineer Provincial Building Construction Division No. II Peshawar for the Financial Year 2016-17, it was observed that the payment of Rs. 75.328 million was made to the contractor dated 22-06-2017 for certain items of work in the work "Establishment of Peshawar Institute of Cardiology". However, the rates were higher than those provided in the MRS-2016 which resulted in a loss of Rs. 17,933,609/-. (As detailed below);

Item of work	Quantity	Rate Paid Rs.	Rate in MRS-2016	Difference Rs.	Loss Rs.
P/L Granite porcelain tiles	14553.10	.2,756	2,106.76	649.24	9,448,454
P/L Granite porcelain tile skirting/dado	12584.77	2781	2,106.76	674.24	8,485,155
				Total	**17,933,609**

The lapse occurred due to weak internal controls.

When pointed out in July, 2018, it was stated that detail reply would be given after consulting the relevant record.

In the DAC meeting held on 17-03-2020, the department admitted that the rate allowed was abnormally high which needs justification. However, the matter is under arbitration and outcome of the arbitration will be shared with audit for verification which was not provided yet.

Audit recommends implementation of the DAC decision.

AP No. 266 (2016-17)

4.5.26 Loss to government due to non-execution of approved item of work-Rs. 11.35 million

According to the Chief Engineer (North) letter dated 04-01-2016, the Executive Engineer/SDO in-charge and consultants are responsible for the execution of the work according to the specifications, scope of work provided in the administrative approval, authenticity of the rates provided in the BOQ and in accordance with the contract agreement read with Para 209 and 221 of the CPWA Code, all payments of the work done are based on the quantities of the work recorded in the measurement book. It is incumbent upon the person taking the measurement to record the quantities clearly and accurately.

During audit of the Executive Engineer C&W Division Shangla for the Financial Year 2017-19, it was observed that work orders of Rs.17.482 million were issued to the contractor for AOM&R works in PK 24 & 23 with a rebate rate of 50.51 % and 55.50 % respectively (details given below). However, it was noticed that against the approved item of work costing Rs. 17.482 million, only Rs. 6.132 million work was executed by the contractor and the department diverted the funds to 2nd deposit as savings. Audit contends that instead of completing the leftover work at the risk and cost of contractor, the funds were unauthorisely diverted to 2nd deposit.

Contractor	EC (M)	Rebate	Bid cost (M)	Expenditure Incurred (M)	Work not executed	Remarks
M/S Noor Karim	18.600	50.51%	9.205	2.804	6.401	Ordinary AOM&R for PK-24
M/S Noor Karim	18.600	55.50%	8.277	3.328	4.949	Ordinary AOM&R for PK-23
Total			**17.482**	**6.132**	**11.35**	

The lapse occurred due to weak internal controls.

When pointed out in July 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held for on 20-01-2021, it was decided that the Superintending Engineer C&W Division Swat will personally inspect the cited work in the light of audit observations and submit report within 15 days as during the discussion the payment was deemed unauthorized and in case of any shortcomings, responsibility may also be fixed and intimated to audit within 15 days. However, no progress was intimated till finalization of this report.

Audit recommends conducting inquiry and fixing responsibility against the person(s) at fault.

AP No. 542(2018-19)

4.5.27 Un-authorized and excess payment to contractor - Rs.7.271 million

According to Para 228 of the CPWD Code, advances to contractors are as a rule prohibited, and every endeavor should be made to maintain a system under which no payments are made except for work actually done.

During audit of the Executive Engineer C&W Division Dir Lower for the Financial Year 2017-18, it was observed that contract for the "Construction of RCC Bridge at Markhanai Khawar" was awarded to the contractor and was allowed an up-to date payment/work done of Rs. 65.752 million in 13th running bill. Further scrutiny of record revealed that the said contractor had given an

undertaking in writing that he was ready to execute and complete the work within the bid cost of Rs. 58.481 million, so the excess payment over and above the agreed amount was not required to have been made. The contractor was thus overpaid an amount of Rs. 7.271 million (65.752 - 58.481).

When pointed out in April 2019, the department stated that detailed reply would be furnished after verification of record.

In the DAC meeting held on 01-01-2020, it was decided that the Chief Engineer North will conduct a fact finding inquiry. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 252 (2017-18)

Chapter – 5

EDUCATION DEPARTMENT

5.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- University Education.
- College Education.
- Coordination of schemes for higher studies abroad.
- Grants of scholarship.
- Promotion of Scientific Research.
- Promotion of art and literature.
- Production and distribution of educational and scientific material.

Audit Profile of Education Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/ Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	382	37	22530.280	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	03	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	40	25	9080.960	N/A
4	Foreign Aided Projects (FAP)	01	Nil	Nil	N/A

5.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriation of Education Department and expenditure by the department in financial year 2019-20 is given below:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
12-Higher Education Achieves and Libraries	NC21	13,895,001,000	500	13,895,001,500	10,675,108,331	-3,219,893,169
46-Elementary and Secondary Education	NC21	8,007,336,000	220	8,007,336,220	4,005,429,530	-4,001,906,690
Total		**21,902,337,000**	**720**	**21,902,337,720**	**14,680,537,861**	**-7,221,799,859**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
53-University/Colleges	NC12	2,225,679,000	10	1,627,724,265	1,647,484,255	19,759,990
53-University/Colleges	NC22	3,167,229,000	0	2,257,137,497	2,264,921,936	7,784,439
53-Technical/ University/Colleges	NC12	267,103,000	0	254,720,323	254,720,323	0
53-Technical/ University/Colleges	NC22	45,989,000	0	13,457,996	13,457,996	0
53-Archives Library and Museums	NC22	35,000,000	0	7,500,000	7,500,000	0
Total		**5,741,000,000**	**10**	**4,160,540,081**	**4,188,084,510**	**27,544,429**

Overview of expenditure against the final grant;

(Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	21,902.337	14,680.638	-7,221.699	-32.972
Development	4,160.540	4,188.085	27.545	0.662
Total	**26,062.877**	**18,868.723**	**-7,194.154**	**-27.603**

It can be seen from the above variance analysis that the budgets could not be utilized and 27.603 % of the funds have been left unspent. This

indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 2418.997 million were raised in this report during the current audit of Education Department. This amount also includes recoveries of Rs 2030.036 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	3.502
3	Irregularities	-
A	HR/Employees related irregularities	365.264
B	Procurement related irregularities	2.250
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	512.836
5	Others	1535.145

5.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2011-12	Education	13	09	-	04
2.	2012-13	-do-	10	04	-	06
3.	2013-14	-do-	19	09	-	10
4.	2014-15	-do-	31	07	-	24
5.	2015-16	-do-	32	06	-	26

5.4 Issues in Education Department:

During audit of universities across the province, it was observed that several scholars proceeded abroad for PhD studies on Government sponsored scholarships. However, on completion of their studies, they didn't come back to teach in their respective universities, though as allurements they were offered Brain Drain Allowance along with PhD allowance. The universities in consultation with HEC need to devise a strategy to implement the punitive clauses of the contract agreements against the defaulting scholars.

Though, several new universities have been established in different areas of the province, but there is a serious dearth of qualified staff for the administrative as well as academic slots. The academic staff has been assigned administrative responsibilities despite their lack of relevant expertise for efficient discharge of duties.

There is a widespread disparity in the pay & allowances of staff in different universities. The allowances allowed to the staff don't comply with the instructions of the Federal or Provincial Government. But, as the University Act 2016, allows the syndicates discretionary powers therefore every individual university has adopted its own payment mechanism without any regard for uniformity. On the direction of the PAC, a high level committee was constituted to address the issue permanently, but the recommendations of that committee are not acted upon, so far.

Similarly, the Provincial Institute for Teachers Education (PITE) has also dismal performance in terms of its planned training activities vis-à-vis the actual trainings carried for enhancement of teachers' capacities.

AP No. 95, 101, 102, 105, 106, 117, 118, 123, 185, 204, 251, 276 (2019-20)
AP No. 34, 93, 287, 341, 376, 517, 657, 684, 770, 814 & 929 (2018-19)

5.5 Audit Paras

5.5.1 Loss to government due to alleged theft - Rs.2.360 million

According to Para-20 of GFR any loss of public money, departmental revenue or receipts, stamps, opium, stores or other property held by or on behalf of Government, caused by defalcation or otherwise should be inquired and recovery made.

During audit of the University of Engineering and Technology Peshawar for the Financial Year 2019-20, it was observed that an open cheque No. 23058195 dated 28.01.2020 from Misc. Account No. 000244782539 UBL for Rs. 2.765 million was issued to In charge Survey Camp on account of survey camp of the 7th Semester students fall-2019. On scrutiny of record, it was revealed that the cash was kept by the dealing hand with him without sufficient safeguards and the amount was stolen from the room where the cash was kept.

The lapse occurred due to weak financial management.

When pointed out in December 2020, the department replied that the case already reported to Syndicate and its decision will be shared with audit.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends detailed investigation, recovery and fixing the responsibility.

AP No. 260 (2019-20)

5.5.2 Embezzlement of university receipts - Rs.1.142 million

According to Para-20 of GFR any loss of public money, departmental revenue or receipts, stamps, opium, stores or other property held by or on behalf of Government, caused by defalcation or otherwise should be inquired and recovery made.

During audit of the University of Engineering and Technology Peshawar for the Financial Year 2019-20, it was observed that a sum of Rs. 1.142 million was shown deposited in the Recurring Account on account of fee from M.S students. As a test check; 06 cases were selected which revealed that the said amount was neither reflected in the bank statement nor were office copies of deposit slips available in the Finance Section. Thus, the said amount has been embezzled by the dealing hands.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department replied that the committee has already been constituted and its findings will be shared with audit.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends detailed investigation, recovery and fixing the responsibility on the person(s) concerned.

AP No. 259 (2019-20)

5.5.3 Overpayment due to use of below specification steel -Rs.7.996 million

According to required standards as per book of specification of the required gauge of steel for use in column etc the bar bending schedule ¾ dia steel unit weight 1.46 lb/ft while the required standard weight was 1.502 lb/ft.

During audit of the Shaheed Benazir Bhutto University Sheringal Dir Upper for the Financial Year 2017-18, it was observed that work "Development of University of Dir Sheringal" was awarded to a contractor at a cost of Rs. 1709.187 million. The record revealed that the contractor was paid for ¾ dia steel having weight of 1.502 lb/ft. However, the test report from UET revealed that steel of unit weight 1.46 lb/ft was used. This indicated that under gauge steel was used which on one hand resulted into an overpayment of Rs 7.996 million while on the other hand the work remained substandard.

When pointed out in August 2019, the department stated that detailed reply will be furnished after verification of record.

In the DAC meeting held on 18 & 19-06-2020, it was directed that fact finding inquiry committee comprising of Director Works SBBU, Representative of Audit Department and Director Works UET Mardan or Peshawar be constituted to probe the matter and submit report within two months. However, no progress was made till the finalization of this report.

Audit recommends recovery of the differential amount, besides investigating the matter, fixing responsibility and taking action against the person(s) at fault.

AP No. 69 (2017-18)

5.5.4 Non-recovery from the contractors on account of defective work and overpaid amount- Rs. 247.301 million

According to Clause-III of Appendix-A of the contract agreement executed and extended vide AWKUM letter F.No.07/PS/AWKUM/2017/373 dated 10-05-2018, the ACE Limited shall prepare a summary in comparison with the work done and recommend payments to the contractors. In case of defective work or overpayment, the consultant will assist the client to engage the particular contractor to complete the remaining work or to return the overpaid amount to the client. The consultant will assist the client in recovery of all payables to the client in timely manner.

During audit of the Abdul Wali Khan University Mardan for the Financial Year 2019-20, it was observed that the consultant M/S Associated Consulting Engineers (ACE) Limited carried out a complete analysis of the measurement and work done and established an amount of Rs. 128,418,021/- as overpayment and an amount of Rs. 118,883,130/- as defective work done by 11 numbers of different contractors, totaling to Rs. 247,301,151/-. The same was duly communicated to the contractors for recoveries vide different letters in the month of May 2019. However, no progress was made regarding recovery of the said amount from the contractors till date of Audit.

The loss occurred due to weak internal controls.

When pointed out in October 2020, the department replied that the consultant hired by the university has already done a thorough job pertaining to the matter concerned. Recovery will be made from the contractors concerned and a detailed report will be shared with Audit.

The department admitted that recovery will be made from the contractors concerned.

The department was requested for holding of the DAC meeting vide letter dated 19-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery from the contractors at the earliest under intimation to Audit.

AP No. 127 (2019-20)

5.5.5 Loss to the university on account of ill planning of supervisory consultancy and designing phase- Rs. 3.560 million

According to Para 23 of GFR Vol-I, every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During audit of the University of Swat for the Financial Year 2018-19, it was observed that a supervisory contract for Rs. 23.223 million was awarded to MS PEPAC Consultant for the supervision of civil work of "Establishment of the University of Swat" dated April 2014 with a contract period of 48 months i.e. till April 2018. After that the contract period was further extended till April 2019 and payment to the tune of Rs. 19.656 million was made to the consultant till February 2019. However, another contract was awarded to MS Associated Consulting Engineers (ACE) for the supervision of the civil works of the University at a cost of Rs. 23.116 million with contract period of 18 months. Instead of awarding the contract to another contractor at the risk and cost of the

default consultant i.e. for Rs. 3.560 million, a new contract was awarded to the ACE Consultant which inflicted a loss of Rs. 19.550 million (23.116-3.560).

Similarly, a contract for Rs. 5.500 million was awarded to MS In Consult for designing the civil work of the University of Swat dated 05.09.2012 and later on the contract amount was increased to Rs. 9.00 million and a sum of Rs. 7.238 million was paid to the consultant till 02.08.2018.Later on, another contract agreement was made with the Associate Consultant Engineers (ACE) for the same work design at a cost of Rs. 7.503 million. Instead of awarding the contract to another contractor at the risk and cost of the previous contractor i.e. for Rs. 1.762 million (9.000-7.238), a new contract for the same work resulted into a loss of Rs. 5.741 million (7.503-1.762) to the University.

Moreover, neither any penalty was imposed on the defaulter contractors nor the earnest money and security amount forfeited so far.

When pointed out in January 2020, it was stated by the Management that the detailed reply will be furnished to DAC after the scrutiny of record.

In the DAC decision held on 09-06-2020, it was decided that the loss accrued against the contractor was Rs. 3.560 million, and the university inquiry committee has imposed a penalty of Rs. 1.680 million, however, the same was not recovered, rather withheld only. The additional cost was due to enhancement of scope of work and PC-I revision. The Para stands for determination of recovery of Rs. 3.560 million under intimation to Audit. However, no progress was intimated to Audit till the finalization of this report.

Audit recommends implementing the DAC decision.

AP No. 498 & 500 (2018-19)

5.5.6 Loss to the College due to charging of lesser rate of electricity units consumed in the residential colony- Rs. 2.508 million

According to minutes sheet dated 1055/Adm/KSKCCS dated 25.02.2016, subsidy was given by the principal to the residents of the college's colony and per unit rate was fixed @ Rs. 9.50 to be recovered from the residents.

During audit of the Karnal Sher Khan Cadet College Swabi for the Financial Year 2018-19, it was observed that the college was paying Rs.17.5/unit electricity charges to the PESCO, whereas only Rs. 9.5/unit was being recovered from the residents of the colony resulting into a loss of Rs.(17.5-9.5=8) per unit. During the period the residents of colony consumed total 313608 no of units due to which the college sustained a loss of Rs. (8 X 313608)=2,508,864/- It was further noticed that BOG being the apex body has not approved any such rebate in the unit charges for the college residents.

Year	Units consumed
2017-18	133471
2018-19	180137
Total units consumed	**313608**

The lapse occurred due to financial mismanagement.

When pointed out in July 2019, the department stated that reply will be furnished after consulting of original record.

In the DAC meeting held on 19-11-2020, it was decided to stand the Para till recovery of Rs. 2.508 million from the concerned persons. However, no progress was intimated to audit till the finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 895 (2018-19)

5.5.7 Overpayment to consultant - Rs. 12.071 million

According to the Engineering Consultancy Contract Clause-6.3 {i) (Special Conditions of Engineering Consultancy Contract), the Consultant's remuneration for Detailed Design and preparation of Tender Documents shall be at a lump sum rate of 2% of the cost of Works stated in the Letter of Award to the Contractors. Such remuneration shall tentatively amount to Rs. 56.969 million if based on the estimated cost of works referred in Sub-clause SC-6-2(b). However, this tentative amount of Consultants remuneration shall be

finally computed and adjusted @2% of the Contract amount stated in the Client's Letter of Award for respective construction Contract Packages.

During audit of the University of Engineering and Technology Peshawar for the Financial Year 2018-19, it was observed that contract of Rs.2668.728 million was awarded to M/S NESPAK for the project "Jalozai Campus of UET Peshawar". The consultant was entitled to Rs.53.375 million for remuneration of Detailed Design on the prescribed Rates @2% of the total cost of Civil Works, if they had submitted Detailed Design for the whole scope of the project by November 2009, as per Work Schedule of Engineering Consultancy Services Contract signed between UET Peshawar and NESPAK in April 2008. Further scrutiny of record revealed that the Consultant was paid Rs.65.446 million (as per invoice No.73) instead of calculated amount of Rs.53.375 million, as such an overpayment of Rs.12.071 million (65.446-53.375) as the total value of Work Orders/Client Letter of Award for Civil Works/Detailed Design issued till date amounting to Rs. 2,668.728 million and the scope of works has been reduced/abolished in the Revised PC-I. The Consultants failed to submit the Detailed Design and Tender Documents as per obligations of Engineering Consultancy Contract causing irreparable loss to the Project as merely 50% scope of the Civil Works was executed within the approved period till Sep 2014. Detailed Design and Tender Documents were not submitted by the Consultants despite a lapse of extended three years in the Consultancy Contract till Jan 2016. Due to which public interest was badly damaged and the government sustained loss.

The lapse occurred due to financial mismanagement.

When pointed out in June 2020, the department replied that recovery of Rs.12.071 million will be made from the pending invoices of the rendered services by the consultant and will be shared with Audit.

In the DAC meeting held on 20-10-2020, it was decided that complete recovery may be made. However, no progress was intimated to Audit till the finalization of this report.

Audit recommends implementing the DAC decision.

AP No. 927 (2018-19)

5.5.8 Overpayment on account of procurement of UTM Machine - Rs. 1.094 million

According to Treasurer UET Peshawar letter No. 4186/Acc/SR dated 19.5.2020 written to the M/S Electrical Engineer Services (supplier of Universal Testing Machines) that your rates of USD 1,68,000 were approved vide letter 238/Store dated 12.6.2018 and the L.C was required to be matured on 05.3.2020. At time the dollar rate was Rs. 154/- per dollar and thus the university has to pay Rs. 25.872 million. Any amount more than Rs. 25.872 million will be borne by your firm as the delays in LC has been occurred on the part of your firm. The firm admitted that the difference will be bear by the firm vide letter No. EES/UET-PSH/865-03 dated 19.5.2020

During audit of the University of Engineering and Technology Peshawar for the Financial Year 2019-20, it was observed that a sum of Rs. 27.023 million were paid to the firm M/S Electrical Engineer Services through Letter of credit for the procurement of Universal Testing Machine (UTM) for Bannu Campus against the agreed amount of Rs. 25.966 million resulting in an overpayment of Rs. 1.094 million (27.023- 25.966) which was duly admitted by the firm.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department replied that the case has been taken with firm and necessary recovery will be made from the firm.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery under intimation to Audit.

AP No. 264 (2019-20)

5.5.9 Loss to government on account of scholarships - Rs. 1531.027 million

According to the terms and conditions of the scholarship award, the scholar shall be bound to serve the University for a period of five years after his/her

return from abroad on successful completion of study/training and such period shall commence from the date of joining duty in the University, against any suitable post of which the University shall be the sole judge, and upon such terms and conditions as the University may prescribed.

During audit of various universities, it was observed that scholars were awarded scholarship for MS/PhD studies to various foreign countries. They were required to report for duty and serve the university for a period of 05 years after completion of their studies. However, among them several scholars failed and didn't complete their studies while others did not report to the universities after completion of their studies. As per terms and conditions of the scholarship agreements signed with the scholars, the universities couldn't recover the scholarship amount of Rs. 1,531.027 from the defaulting scholars as per details given below.

Rs. In million

S.No	University	FY(s)	Amount	Remarks
01	UET Peshawar	2019-20	372.942	Details in original observation
02	UET Peshawar	2018-19	924.515	Details in original observation
03	AWKUM	2018-19	89.779	Details in original observation
04	UET Peshawar	2017-18	143.791	Details in original observation
		Total	**1531.027**	

The lapse occurred due to poor contract management.

When pointed out in February, June, December 2020 and February 2019 respectively, the universities stated that an FIR lodged with Police, letter sent to F.I.A, case admitted in the Court of Law and also intimated to Ministry of Interior to put their names on ECL, for recovery from Defaulters.

UET Peshawar has been requested for arrangement of the DAC meeting for Financial Year 2019-20 vide letter dated 20-10-2020. However, no DAC meeting has been convened till finalization of this report.

On the other hand for the DAC meetings held on 20-10-202, 29-10-2020 and 19-10-2020 for discussion of audit observations of UET Peshawar and AWKUM, it was directed to recover the amount from the defaulted/failed students. However, no progress was intimated to Audit till the finalization of this report.

Audit recommends that a proper mechanism must be devised to invoke the punitive clauses of the Scholarship Agreement against the defaulters/Guarantors.

AP No. 298 (2017-18)
AP No. 517, 518 & 935 (2018-19)
AP No. 261 & 262 (2019-20)

5.5.10 Unauthorized payment on account of up-gradation of posts and allowing a premature increment- Rs. 225.113 million

According to Section 20(2) (c) of the Khyber Pakhtunkhwa Universities (Amendment) Act 2016, the Senate has the powers to determine the terms and conditions of all the employees of the University.

During audit of the Abdul Wali Khan University Mardan for the Financial Year 2019-20, it was observed that the university administration vide notification dated 28-06-2016 upgraded the posts of non-teaching employees of the university from BPS-01 to 21 on the recommendation of the 17th Syndicate meeting held on 23-06-2016 without obtaining approval of the Senate as required under the rules mentioned above.

This unlawful up-gradation of 893 numbers of employees in different grades resulted into an overall increase in the monthly salaries of Rs. 4,329,100/- (Rs. 22,337,109/- pay per month after up-gradation minus 18,008,009 pay before up-gradation), which further resulted into a total increase of Rs. 225,113,200/- **(**Rs. 4,329,100 per month X 52 months) since July 2016 till the date of Audit. This amount of Rs. 225,113,200/- also included expenditure of Rs. 41,753,140/- on account of one premature increment to the staff of the university newly upgraded.

Furthermore, the university administration upgraded the employees instead of up-grading the posts and approving the same from the competent forum in light of the provincial government rules.

Hence, the payment of Rs. 225,113,200/- on account of the increased rates of salaries to the staff of the university because of up-gradation was held irregular and unauthorized.

The lapse occurred due to violation of rules and regulations.

When pointed out in October 2020, the department replied that the matter is sub-judice; any progress made in this regard will be shared with Audit.

The reply was not convincing, as the Syndicate has no power to change the terms and conditions of posts as stated in the Universities Act.

The department was requested for holding of the DAC meeting vide letter dated 19-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends bringing the posts/ officers back to their original positions/ scales and affecting recovery of the increments and other emoluments at the earliest under intimation to Audit.

AP No. 119 (2019-20)

5.5.11 Non-forfeiture of security and call deposit due to leaving the work incomplete - Rs.2.250 million

According to clause-3(a) of the contract agreement to rescind the contract of (of which rescission notice in writing to the contractor under the hand of the Divisional Officer shall be conclusive evidence) and in which case the security deposit of the contractor shall stand forfeited and the absolutely at the disposal of Government.

During audit of the University of Engineering and Technology Peshawar for the Financial Year 2019-20, it was observed that the work “balance works of

boundary wall “A” (structures), Boundary “B” and Culverts at Jalozai Campus)" was awarded to the contractor with bid cost of Rs. 28.255 million which comes to 4.30% of the estimated cost with completion of 150 days vide work order dated 07.01.2014. The contractor drew 5thIPC in 2017 for Rs. 20.628 million and left the work incomplete, hence the contract was terminated. The bid security and call deposit of the contractor amounting to Rs, 2.250 million(Security Rs. 1.650 million + Rs. 0.600 million call deposit) were required to be forfeited as recommended by the Site Engineer, but no such action has been taken by the local office.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department agreed with the audit contention and stated that recovery will be made from the contractor under intimation to audit.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 267 (2019-20)

5.5.12 Non-recovery of outstanding dues- Rs. 1.610 million

According to Section-II of the Financial Rules of Gomal University D.I. Khan, recovery of any dues under any head or otherwise may be supplied to the collector, who shall proceed upon to recover the sum due as if these were arrears of land revenue.

During audit of the Gomal University D.I Khan for the Financial Year 2017-19, it was observed that Telenor and Ufone were in agreement with the University to utilize the university’s land for mobile towers. However, scrutiny of record showed that a sum of Rs. 1,610,835/- remained outstanding against both the companies for about three years which was required to have been paid in advance for the whole year as per the contract agreement (details below);

Company	Date of last payment	Payment due for	Amount	Remarks
Telenor	Rs. 381,150/- dated 2.06.2017	2.6.2018	419,265	last payment + 10% increase as per agreement
-do-	-	2.6.2019	461,191	last payment + 10% increase as per agreement
-do-	-	August-2016	328,350	Challans not found
Ufone	Rs. 382,885/- dated 27.03.2018	27.3.2019	402,029	last payment + 5% increase as per agreement
Total			1,610,835	

The lapse occurred due to weak financial management.

In the DAC meeting held on 08 & 09-10-2020, it was decided to recover the outstanding amount. However, no progress was intimated to Audit till the finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 794 (2017-19)

5.5.13 Blockage of government money due to non-installation of power house- Rs. 228.633 million

According to the Additional Agenda Item No. 03 of the minutes of the 18th Emergency meeting of the Syndicate held on 05-08-2016, wherein it was decided that a 2.5 Mega Watt Power House will be established to overcome the shortage of electricity, reduce the cost by 50%, and will provide full time backup to the high standard labs and equipment.

According to Section 6 of the Khyber Pakhtunkhwa Universities (Amendment) Act 2016, the university shall have the powers to provide education, scholarships and research opportunities to the society in such branches of knowledge as it may deem fit.

During audit of the Abdul Wali Khan University Mardan for the Financial Year 2019-20, it was observed that an amount of Rs. 228,633,155/- was paid to M/S Industrial Enterprises on account of installation of a power house in the university in the year 2015-16 (details attached in original file). The heavy project involving millions of rupees was started without any feasibility report, proper survey & analysis and engaging technical hands from the concerned departments. Accordingly, heavy machinery and equipment items were purchased and supplied for the said project, which were lying uninstalled in open space; exposed to rain, moist and dust.

The lapse occurred due to ill-planning and mismanagement.

When pointed out in October 2020, the department replied that the matter would be inquired and detailed report would be shared with Audit accordingly.

The department was requested for holding of the DAC meeting vide letter dated 19-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 125 (2019-20)

5.5.14 Wasteful expenditure on account of purchase of various items- Rs. 12.181 million

According to Para 145 of the General Financial Rules Volume-1, purchases must be made in the most economical manner in accordance with the definite requirement of the public services. Care should be taken not to purchase store much in advance of actual requirements, if such purchase is likely to prove unprofitable to Government.

According to Para 151 of the General Financial Rules Volume-1, the head of an office or any other officer entrusted with stores of any kind should take special care for arranging their safe custody, for keeping them in good and efficient condition and for protecting them from loss, damages or deterioration.

During audit of the Principal Government Post Graduate College Dargai Malakand for the Financial Year 2019-20, it was observed that purchase of furniture, machinery and one Hiace vehicle was made amounting to Rs.12.181 million as detail given in the original Para.

On detail scrutiny it was observed that the purchases were made for Govt. Girls Degree College Sakhakot during 2015-16 but the same college was not yet functional and whereabouts of the assets was not known.

The lapse occurred due to weak internal controls.

When pointed out in October 2020, the department stated that detailed reply will be submitted in due course of time along with relevant documents.

The department was requested for holding of the DAC meeting vide letter dated 18-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends detail inquiry.

AP No. 98 (2018-20)

5.5.15 Loss on account of illegal appointments- Rs. 140.151 million

According to Clause A (a) of the recommendations at Page No. 7 of the inquiry report, employees in different grades were appointed without any justification, sanctioned positions and against the eligibility criteria set forth in the advertisement, therefore, all these surplus/ illegally appointed persons may be terminated from service after following proper procedure of show cause and the subsequent process by the appointing authority.

During audit of the Abdul Wali Khan University Mardan for the Financial Year 2018-19, it was observed that a sum of Rs. 140.151 million was paid to the illegal appointees and the contract employees, which were later on terminated, due to which the University sustained a heavy loss of Rs. 140.15 million in the shape of pay and allowances, as detailed below;

S. No	Description	No. of employees	Gross per month	Per Annum
01	Demonstrator	65	3,145,027	
02	LDC	35	746,179	
03	Office Asst	63	2,050,117	
04	UDC	40	963,693	
05	KPO	41	1,350,445	
06	Lab Asst	28	509,203	
Total		**272**	**8,764,464**	**105,175,968**
01	Contract employees	97	2914613	34,975,356
Grand Total				**140,151,324**

The lapse occurred due to weak Human Resource Management.

When pointed out in February 2020, the department stated that detailed reply will be given in due course of time.

In the DAC meeting held on 28 & 29-10-2020, it was decided that the fate of the Para may be decided by the PAC.

Audit recommends investigating the matter and fixing responsibility.

AP No. 523 (2018-19)

Chapter – 6

ENVIRONMENT DEPARTMENT

6.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- **Forest:**
  - Forest settlement.
  - Afforestation
  - Range management.
  - Erosion.
  - Cooperatives in Guzara Forests.
  - Ecology and Environmental factors.
  - Watershed Management.
  - Applied Research in forestry.
  - Forest Training.
- **Wildlife:**
  - Protection, preservation, conservation and management of wildlife
  - Habitat improvement.
  - Conservation education and training.
  - Applied research on wildlife and its habitat

Audit Profile of Environment Department; (Rs. in millions)

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20	Revenue/Receipts Audited FY 2019-20
1	Formations	63	17	768.345	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

6.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
21- Environment and Forestry	NC21	2,842,982,000	830	2,842,982,830	1,983,623,413	-859,359,417
22- Forestry (Wildlife)	NC21	675,521,000	78,100,000	753,621,000	584,221,699	-169,399,301
Total		**3,518,503,000**	**78,100,830**	**3,596,603,830**	**2,567,845,112**	**-1,028,758,718**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50- Environment	NC22	40,000,000	0	50,686,000	61,115,259	10,429,259
50- Forestry	NC22	4,078,007,000	0	2,889,853,000	2,890,044,228	191,228
50- Forestry	NC12	7,993,000	0	7,993,000	7,993,000	0
Total		**4,126,000,000**	**0**	**2,948,532,000**	**2,959,152,487**	**10,620,487**

Overview of expenditure against the final grant;

(Rs. In millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	3,596.60	2,567.85	-1,028.76	-21.45
Development	2,948.53	2,959.15	10.62	0.25
Total	**6,545.14**	**5,527.00**	**-1,018.14**	**-15.56**

It can be seen from the above variance analysis that the non-developmental budget could not be utilized and 21.45% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 499.916 million were raised in this report during the current audit of Environment Department. This amount also includes recoveries of Rs. 485.018 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	41.327
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	1.05
5	Others	457.539

6.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil Compliance
1.	2011-12	Environment	03	01	-	01
2.	2012-13	-do-	05	01	-	04
3.	2013-14	-do-	14	02	-	12
4.	2014-15	-do-	11	04	-	07
5.	2015-16	-do-	22	09	-	13

6.4 Issues in Environment Department

During audit of Environment Department, it was noticed that in several Forest Divisions, the revenue realized from the imposition of penalty has not been deposited in the Government Treasury on time.

Similarly, after the Billion Tree Afforestation Project, now the Forest Field offices are executing the 10 Billion Tree Afforestation Project. But, as described in details, in the Performance audit report of the former, the same problems of economy, efficiency and effectiveness have been plaguing the latter. The report of this Directorate General, clearly points out the loopholes that need to be plugged for achieving the objectives of 10 Billion Tree Project in effective manner.

In addition, it was noticed that illicit cutting of timber is still going on. But as the pursuance of court cases is slow, the precious timber confiscated from the offenders is going to waste.

AP No. 63, 66, 119, 183, 186, 204, 215, 221 & 186 (2019-20)
AP No. 08, 49, 84, 85 & 103 (2018-19)

6.5 Audit Paras

6.5.1 Loss due to claiming excess block plantation - Rs. 13.765 million

According to Para 23 of the General Financial Rules Volume I, every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

During audit of the Divisional Forest Officer Mardan for the Financial Year 2018-19, it was observed that under Billion Trees Afforestation Project the SDFO Gadoon reported 355.65 hectares block plantation and booked expenditure against the said areas of plantations. During the monitoring of the said areas the monitoring officer reported that physically 138.08 hectares of plantation exist and the remaining 217.57 hectares were missing resulting in a loss of Rs. 13,765,662. Neither amount was recovered nor was disciplinary action taken.

The lapse occurred due to weak internal control.

When pointed out in November 2019, the department stated that detail reply will be given later.

The department was requested for holding of the DAC meeting vide letter dated 24-12-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends fixing responsibility and recovering the amount.

AP No. 36 (2018-19)

6.5.2 Fictitious expenditure on account of plantation of plants– Rs. 12.465 million

According to S. No.6 of the activity plan provided by the local office, plantation season is January to April (spring).

During audit of the Divisional Forest Officer Watershed Shangla at Besham for the Financial Year 2014-19, it was observed that Rs.8.298 million was incurred on plantation of 1053357 plants and Rs 2.652 million under "Billion Tree Afforestation Project" (BTAP). Scrutiny of muster rolls revealed that the works were carried out in November and December 2017, which was not understandable as it was a snowbound area and the months of plantation were contradictory to the weather and activity plan of the department.

Similarly, an amount of Rs.1.515 million was incurred on plantation under "Billion Tree Afforestation Project" in May and June. Audit opines that as per activity plan plantation was not permissible during May and June 2016.

The lapse occurred due to violation of activity plan.

When pointed out in March 2020, the department stated that detailed reply will be given after consultation of original record to audit.

The department was requested for holding of the DAC meeting vide letter dated 15-05-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 125& 128 (2014-19)

6.5.3 Excess payment on account of watch and ward- Rs 2.407 million

According to PC-I of the project, watch and ward will be paid for three years.

During audit of the Divisional Forest Officer, Haripur for the Financial Year 2018-19, it was observed that watch and ward was paid to Chowkidars of departmental plantation out of funds provided under Billion Tree Tsunami Afforestation Project.

On further scrutiny it was observed that in some cases watch and ward was incurred beyond three years and thus an amount of Rs 2,407,750 was paid in excess.

The lapse occurred due to lack of internal control.

When pointed out in June 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 21-07-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 157 (2018-19)

6.5.4 Fictitious drawl on account of utility charges -Rs 1.383 million

Para 10 (i) of GFR Vol-1 provides that every government officer shall exercise the same vigilance in respect of expenditure incurred from public moneys, as a

person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the Divisional Forest Officer Haripur for the financial year 2018-19, it was observed that an amount of Rs 1,842,800/- was drawn on account of utility charges as per detailed below.

S#	Head of Accounts	Budget utilized	Evidences produced	Balance
1.	Electricity Charges	674,800	279,111	395,689
2.	Gas Charges	568,000	163,990	404,010
3.	Water Charges	600,000	16,200	583,800
Total		**1,842,800**	**459,301**	**1,383,499**

Further scrutiny of relevant record revealed that expenditure amounting Rs 459,301/- was paid under the head of Electricity, Gas and water charges and evidences of balance amount of Rs 1,383,499 were not available, therefore, held fictitious.

Moreover all the payments were made in cash instead of cheque/vendor.

The lapse occurred due to lack of internal control.

When pointed out in June 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 21-07-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility on person(s) at fault.

AP No. 163 (2018-19

6.5.5 Loss to government on account of excess area claimed of afforestation activities- Rs. 11.302 million

According to S. No.5 of Para 6.3.21 of the PC-I, the Conservator of Forests of the concerned forest circles will physically monitor and verify the 30% work to satisfy correctness of work in his area of jurisdiction. Further he has to ensure that duties of DFO regarding developmental works are fulfilled, gaps identification and course correction accordingly. As per monitoring report of DFO Watershed Besham conducted by the Project Management Unit (PMU) in March 2019, where 30 sites were selected out of total 99 sites, in which certain serious observations/shortcomings were reported.

During audit of the Divisional Forest Officer Watershed Shangla at Besham for the Financial Year 2014-19, it was observed that a sum of Rs.335.315 million was incurred under "Billion Tree Afforestation Project" on account of Afforestation in 9307.5 hectare at 99 Sites. As per monitoring report conducted in March 2019 through GPS, out of approved 99 sites, 30 (30.30%) sites were monitored which reported that 2223 hectare was claimed in excess by the department, which resulted in excess payment of Rs. 6,698,945/- (196.45x34100). Audit is of the view that loss could be increased if remaining 69 sites were also monitored.

Similarly a sum of Rs.4,603,500/- (135x34100) was claimed in excess due to overlapping 135 (75+60) hectare areas of Phase-II and III which was already taken in GPS coordinates of Phase, I, II and III plantation.

The lapse occurred due to weak internal controls.

When pointed out in March 2020, the department stated that detailed reply will be given after consultation of original record to audit.

The department was requested for holding of the DAC meeting vide letter dated 15-05-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 122& 123 (2014-19)

6.5.6 Loss to Government due to non-recovery of outstanding Government dues from FDC- Rs. 456.249 million

According to quarterly progress report of government outstanding for the quarter ended on 30.06.2019 in respect of Dir Kohistan Forest Division Sheringal an amount of was Rs. 456,249,105/- outstanding against FDC for illegal cutting of forest.

During audit of the Divisional Forest Officer Dir Kohistan at Sheringal for the Financial Year 2017-19, it was observed that an amount of Rs. 456,249,105/- was outstanding as government dues as per progress report for the month of 06/2019. The department imposed fine on FDC for illegal cutting of forest. However, no efforts were made by concerned DFO to recover the outstanding government dues from FDC.

The lapse occurred due to weak internal control.

When pointed out in September 2019, the department stated that detail reply will be given later.

The department was requested for holding of the DAC meeting vide letter dated 25-09-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 01 (2017-19)

6.5.7 Non-deposit of receipts realized on account of compensation cases from forest offenders - Rs.1.238 million

According to Para-7 of Federal Treasury Rules, all money received on account of revenues shall without delay be paid in full into Government Treasury and Receipts should not be utilized towards expenditure.

During audit of the Divisional Forest Officer Kalam for the financial year 2018-19, it was observed that amount Rs 1,238,955/-was recovered from the

forest offenders on account of compensation cases. The same was not deposited into Government Treasury. The detail is given below:

S. No.	Name of SDFO	Amount of CC
1	Behrain South	145,589
2	Behrain North	1,093,366
	Total	**1,238,955**

The lapse occurred due to weak internal control.

When pointed out in December 2019, the department stated that the amount will be deposited into Government Treasury shortly.

The department was requested for holding of the DAC meeting vide letter dated 24-12-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 49 (2018-19)

6.5.8 Irregular expenditure on repair of building-Rs.1.050 million Non-deduction of sales tax on services – Rs 52,500

According to Finance Department letter No.B-I/2-7/96-97/FD Dated 16-10-1997, The Provincial Cabinet in its meeting held on 16-06-1997 decided that all maintenance and repair work in excess of Rs.100,000 shall require preparation of PC-I and its approval from P&D/appropriate forum.

As per Khyber Pakhtunkhwa Revenue Authority Notification No. so (Tax)/E&T/2-7/2014 dated 04-08-2014 construction services including construction of road, building and bridges etc is chargeable to sales tax @5%.

During the audit of Chief Conservator Wildlife Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that an amount of Rs 500,000 and Rs 550,000 was incurred on repair of office and residential building respectively.

Audit observed that:

1 Open tender system was not adopted to achieve economical rates.
2 The payment was made in piecemeal
3 All the payment were made in cash instead of cheque
4 All the vouchers paid could not be differentiated whether expended on office or residential building
5 5% sales tax on construction services which comes to Rs 52,500 was not deducted from the contractors.

The lapse occurred due to weak financial control.

When pointed out in April 2019, the department replied that the condition of PC-I was only for C&W Department.

Reply was not convincing. PC-I/Cost estimate was required to be prepared by a qualified engineer which was not done and the expenditure incurred was therefore, held irregular and unjustified. The same was reported to the Principal Accounting Officer for appropriate action.

In DAC meeting held on 23.12.2019, inquiry was ordered which was conducted by the department and responsibility was fixed against the concerned along with recovery. However, recovery has not been intimated to audit till finalization of this report.

Audit recommends implementation of the inquiry findings.

AP No. 118 (2017-18)

Chapter – 7

FINANCE DEPARTMENT

7.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

1. Management of Public Funds i.e.
   a. Supervision and control of Provincial Finances;
   b. Preparation of Provincial Budget;
   c. Preparation of supplementary estimates and demands for excess grants;
   d. Appropriations and Re-Appropriations; except those relating to development budget which will be sanctioned only with the prior concurrence of Planning and Development Department; and
   e. Ways and Means
2. Public Accounts and Public Accounts Committee.
3. The framing of financial rules for guidance of departments and supervision of maintenance of accounts.
4. To guide autonomous and semi-autonomous bodies, whether aided wholly or partly from provincial revenue in the framing of various financial regulations under the relevant Acts/Ordinances constituting the said body.
5. The framing of Civil Service Rules applicable to all Government servants and interpretation thereof.
6. Floatation and administration of Provincial loans.
7. Examination and advice on matters affecting directly or indirectly the finance of the province.
8. Administration of public revenue saves as otherwise provided.
9. Assets and Liabilities Committee.
10. Communication of financial sanction.
11. Examination of all proposals for the increase or reduction of taxation.
12. Creation of new posts and examination of schemes of new expenditure.
13. Audit of receipts and expenditure.
14. Public Debts.
15. The Local Fund Audit Department.
16. Treasuries and Sub-Treasuries.
17. Electronic Data processing.

Audit Profile of Finance Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	39	02	734.574	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	01	01	42.759	N/A
3	Authorities/Autonomous bodies etc under PAO	02	Nil	N/A	N/A
4	Foreign Aided Projects (FAP)	01	01	115.000	N/A

7.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2019-20 is given below:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
03-Finance, Treasuries and Local Fund Audit	NC21	2,250,483,000	60	2,250,483,060	1,513,745,374	-736,737,686
Total		**2,250,483,000**	**60**	**2,250,483,060**	**1,513,745,374**	**-736,737,686**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
		0	0	0	0	0
Total		**0**	**0**	**0**	**0**	**0**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	2,250.48	1,513.75	-736.74	-32.74
Development	0	0	0	0.0
Total	**2,250.48**	**1,513.75**	**-736.74**	**-32.74**

It can be seen from the above variance analysis that the non-developmental funds have been overspent by 32.74%. This is a serious control lapse on part of SAP system because it has allowed spending over the allocated amount.

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.15.808 million were raised in this report during the current audit of Finance Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S.No	Classification	(Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	15.808
5	Others	-

7.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2004-05	Finance	02	01	-	01
2.	2008-09	-do-	03	01	-	02
3.	2010-11	-do-	02	02	-	-
4.	2013-14	-do-	08	07	-	1
5.	2014-15	-do-	02	01	-	01

7.4 Issues in Finance Department

The Finance Department hired a qualified Certified Financial Analyst (CFA) to streamline the Investment Cell. The CFA pointed out that current investment attitude (fixed investment) of the Department is conservative and needs to be improved in view of the current investment scenarios. His working included that if the investment Rs. 125 billion Pension/ Provident Fund is diversified in real estate, equity and fixed investments then it can return on average an additional 4% per year in comparison to the current average annual return of 10%. Furthermore, if the current 1 year tenor of the investments is reduced to short daily, weekly and monthly etc. tenors then the average return will increase. This was also proven by the fact that for the first time the department invested Rs. 125 billion in shortened tenors as proposed by the CFA, which resulted in additional profit of Rs. 2 billion. All these facts and proposals were included as agenda item in the Board meeting with the proposal to establish a 76 members Fund Management comprising local high skilled human resource to manage the proposed diversified fund. However, no concrete progress has been achieved in this regard so far.

Furthermore, the Electricity Monitoring Unit (EMU) has been unable to timely adjust the PESCO dues and properly adjust the electricity duty with the Federal Government/WAPDA. Due to late adjustment of bills, the 10% surcharge adversely affects the net amount payable to the Province. Furthermore, the EMU does not have any proper reconciliation mechanism with PESCO.

Similarly, as part of the reforms initiative, the Government of Khyber Pakhtunkhwa has established Debt Management Unit (DMU) in Finance Department to assist the department to manage sub-national debt portfolio of the province. However, it was noticed that it has not been made fully operational and its functioning stands compromised.

AP No. 60, 61, 62, 89, 90, 91 & 101 (2019-20)

7.5 Audit Paras

7.5.1 Loss due to non-adjustment of electricity duty

Provincial Government of Khyber Pakhtunkhwa established Electricity Monitoring Unit to monitor 25% at source deduction of federal government as per CCI decision 2014 and to adjust arrear of Khyber Pakhtunkhwa share of electricity duty lying with PESCO.

During audit of the Secretary to Government of Khyber Pakhtunkhwa Finance Department (Electricity Monitoring Unit) for the Financial Year 2019-20, it was observed that an amount of Rs.417.191 million was receivable from PESCO on account of provincial share of electricity duty. On the other hand Rs.1436.742 million was payable to PESCO by the provincial Government on account of electricity dues on which PESCO is charging surcharge @ 10% which is recurring loss to the provincial government.

The lapse occurred due to weak internal controls.

When pointed out in August 2020, department replied efforts are in place to do the needful.

In the DAC meeting held on 24-12-2020, it was stated that matter has been pursued on war footing basis. DAC directed to share the outcome of the actions taken in this matter with audit. However, no progress was intimated to audit till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 89 (2019-20)

7.5.2 Wasteful expenditure on account of hiring and renovation of Bar Council Building - Rs.15.808 million

Para 23 of the General Financial Rules Volume I requires that every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

During audit of the Secretary to Government of Khyber Pakhtunkhwa Finance Department for Financial Year 2019-20 (Khyber Pakhtunkhwa Fund

Management), it was observed that the two floors of KP Bar Council building were hired @ Rs.640,000/- per month by making advance payment Rs Rs.11,520,000/- for 18 months. The purpose of building was to accommodate the newly proposed 33 employees, neither these appointments were made nor the KP Bar council two floors occupied. Similarly, an amount of Rs 4.288 million was also incurred on the repair and maintenance of the building.

The lapse occurred due weak internal controls.

When pointed out in August 2020, department replied that Bar Council Building was hired for the above mentioned purpose.

The reply was not convincing because the building was not utilized for the purpose it was hired.

In the DAC meeting held on 24-12-2020, the department repeated earlier reply. However, audit reiterated its earlier stance and requested to conduct inquiry & fix responsibility. However, no progress was reported till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP 65 & 66 (2019-20)

Chapter – 8

FOOD DEPARTMENT

8.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Food procurement, rationing and distribution.
- Storage of food grain.
- Controls over the price and distribution of sugarcane
- Control over the price and distribution of sugar and other matters under the Sugar Factories Control Act, 1950.
- Implementation of Sugarcane Development Cess Rules, 1964.
- Civil supplies
- Price of food items
- Service matter, except those entrusted to the Establishment and Administration department.

Audit Profile of Food Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	37	11	485.860	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	N/A	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	N/A	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

8.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2019-20 is given below:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
35-Subsidiers	NC-21	3,150,012,000	0	3,150,012,000	2,943,316,944	-206,695,056
49-State Trading In Food Grain And Sugar	NC-11	92,181,942,000	140	92,181,942,140	34,589,391,604	-57,592,550,536
	NC-11	1,100,000,000	0	1,100,000,000	0	-1,100,000,000
Total		**96,431,954,000**	**140**	**96,431,954,140**	**37,532,708,548**	**-58,899,245,592**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
041401-Food (wheat)	NC-12	404,000,000	0	174,369,912	174,369,912	0
Total		**0**	**0**	**0**	**0**	**0**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	96,431.954	37,532.708	-58899.256	61.08
Development	174.370	174.370	0	0.0
Total	**96,606.324**	**37,707.078**	**-58899.256**	**61.08%**

It can be seen from the above variance analysis that the non-developmental funds have been overspent by 61.08 %. This is a serious control lapse on part of SAP system because it has allowed spending over the allocated amount.

8.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.1978.686 million were raised in this report during the current audit of Food Department. This amount also includes recoveries of Rs. 87.256 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S.No	Classification	(Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	1890.363
4	Value for money and service delivery issues	31.820
5	Others	56.503

8.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2010-11	Food	40	-	13	27
2.	2011-12	-do-	12	-	09	03
3.	2012-13	-do-	06	06	-	-
4.	2015-16	-do-	12	08	04	-

8.4 Issues in Food Department

A scheme titled, 'Establishment of District Level Food Department Offices in Merged Areas' was launched to operationalize the offices of DFCs in the merged areas by January 2020. However, scrutiny of record revealed that the Department is lagging behind in achieving the intended project objectives. Similarly, the consultant failed to timely submit the feasibility study report about the 'Establishment of Food grain godowns to ascertain need in the newly merged tribal districts based on demand and supply patterns'. However, the department failed to impose the penalty on the defaulting firm.

Like previous years, the Food Department failed to achieve the wheat procurement targets from the local growers of the province. It was further noticed that available godown storage capacity of the Department is far below the required quantum to cater for the requirements of the growing population.

Furthermore, a general laxity was noticed on part of field staff of the Food Department to accurately deduct the applicable taxes and duties from the suppliers/contractors. The data available with the department for local purchase and total requirement of the province is highly defective that result in shortages of wheat across the province and unnecessary transportation charges from one PR center to another.

AP No. 20, 21, 38, 37, 39, 40, 46, 66, 67, 68, 69 & 70 (2019-20)

8.5 Audit Paras

8.5.1 Non-production of record

According to Para 17 of GFR Vol-I read with Section 14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, to which the Auditor General has a statutory right of access, may be withheld from the Director General Audit.

During audit of the District Food Controller D.I. Khan for the Financial Year 2019-20, it was observed that Mr. Chaudhary Khaliqur Rehman, (AFC) D.I.Khan and Mr. Rashid Sadozai, (AFC) D.I.Khan were suspended for a period of 90 days on the allegation of hoarding of wheat vide Food Department notification dated 04.09.2020.

But no details of the charges were provided to audit nor any detail of enquiry or departmental proceeding furnished in support of the suspension.

The lapse occurred due to non-adherence to rules.

When pointed out in October 2020, the department stated that detailed reply will be submitted within 15 days.

The department was requested for holding of the DAC meeting vide letter dated 08-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 26 (2019-20)

8.5.2 Excess payment on account of transportation charges- Rs. 31.82 million

According to the Clause 3.2 of the effect of change in the POL will be reconsidered on quarterly basis. The increase or decrease in the POL rates will be calculated at the rate of fifty per cent (50%) for the POL. However, the impact below ten per cent (10%) will not be considered.

During audit of the District Food Controller D.I. Khan for the Financial Year 2019-20, it was observed that a sum of Rs. 54,858,062/- was paid to the contractor for the transportation of wheat during the month of March & April 2020. The scrutiny of record revealed that the POL prices during 11/2019 was Rs.119/- per liter when the contract was signed. But the government has reduced the POL prices due to lock down from Rs.119/- to Rs. 75/- during 3/2020 and 4/2020.

Audit pointed out that as per terms and condition of the agreement transportation rate was required to be reduced but the payment was made without reducing the rate which inflicted a loss to the public exchequer.

The loss occurred due to non adherence to the rules and regulations.

When pointed out in October 2020, the department stated that detailed reply will be submitted within 15 days.

The department was requested for holding of the DAC meeting vide letter dated 08-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 23 (2019-20)

8.5.3 Non-deduction of 15% Sales Tax on Services by contractor- Rs. 31.388 million

According to Khyber Pakhtunkhwa Revenue Authority (KPRA) Notification No.KPRA/GN/2019/514-18 Dated: 15-03-2019 the Khyber Pakhtunkhwa Revenue Authority with the prior approval of the Govt. is pleased to grant

exemption from the whole of sales tax leviable there under, to the service providers of the erstwhile Federally or Provincially Administered Tribal Areas (FATA and PATA) subject to the following conditions, namely:-

a. The service providers are the bonafide residents of,
b. Their service providing business are located in, and
c. They are providing services for consumption exclusively within the territory of, the said areas.

During audit of the District Food Controller Swat for the Financial Year 2018-20, it was observed that a sum of Rs. 31,387,555/- was recoverable from the carriage contractors as Khyber Pakhtunkhwa Sales Tax on Services. Verification of record revealed that 15% sales tax on services was not deducted, resulting into loss to Government as detail given in original Para.

The lapse occurred due to non-adherence to rules.

When pointed out in November 2020, the department stated that detailed reply will be submitted after checking/consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 39 (2018-20)

8.5.4 Less deduction of KP Sales Tax on Services- Rs. 24.048million

According to Government of Khyber Pakhtunkhwa, Revenue Authority (KPRA), Notification No.KPRA/Withholding –Regulation/DC/2020/2105 dated 06-10-2020, it is the responsibility of the Government Department to withhold 100% sales tax on service from the payment made to the service providers, irrespective of the fact that whether such service provider is registered with KPRA or not in respect of service mentioned in the second schedule to KP Finance Act, 2013 and deposit it in the Government Account under the Head B-02386 in terms of para 5 of the aforesaid regulation.

During audit of the District Food Controllers Mardan, D.I.Khan and Swat for the Financial Year 2019-20, it was observed that a sum of Rs.24.048 (15.769 + 6.583+1.696) million was recoverable from Carriage Contractor as 4/5thon account of Khyber Pakhtunkhwa Sales Tax on Services. Verification of record revealed that 1/5th Sales Tax on Services was deducted, resulting into less deduction by 12% amounting to Rs. 24.048 million.

The lapse occurred due to weak internal controls.

When pointed out in January 2021, October 2020 and November 2020, the departments replied that the remaining 4/5th of KPRA Sales Tax will be confirmed from the Carriage Contractor and reported to Audit.

The department was requested for holding of the DAC meeting vide letters dated 27.01.2021 and 28.12.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 79, 20 & 38 (2019-20)

8.5.5 Non auction of empty gunny bags – Rs. 1.067 million

According to Para- 151 GFR-Vol- 1, head of the office is responsible to take care of all store on his disposal, he should take proper arrangement to keep the store in safe custody and protect it from damages and deterioration or deposal them through procedure

During audit of the District Food Controller D.I. Khan for the Financial Year 2019-20, it was observed that there was a balance of 10467 empty gunny bags as per FG-13 Register lying un-auctioned till the date of audit i-e 10/2020 and were losing their value with the passage of time and deteriorating in the store.

The lapse occurred due to weak internal control

When pointed out in October 2020, the department stated that detailed reply will be submitted within 15 days.

The department was requested for holding of the DAC meeting vide letter dated 08-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 25 (2019-20)

8.5.6 Non-refund of loan to Bank of Khyber- Rs. 1890.363 million

According to the agreement of Food Department with the Bank of Khyber, an interest bearing loan will be paid to the grower on behalf of the food department for procuring wheat from the local growers.

During audit of the District Food Controller D.I. Khan for the Financial Year 2019-20, it was observed that a sum of Rs.1890.363 million was paid by Bank of Khyber as interest bearing loan for the purchase of wheat from the local growers. However, details about the repayment of the principal amount and interest thereon could not be found on record.

The loss occurred due to weak internal controls.

When pointed out in October 2020, the department stated that detailed reply will be submitted within 15 days.

The department was requested for holding of the DAC meeting vide letter dated 08-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 24 (2019-20)

Chapter – 9

HEALTH DEPARTMENT

9.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Regulation of medical and other professional qualification and standards;
- ❖ Medical Registration including Medical Council;
- ❖ Indigenous system of medicines;
- ❖ Medical attendance of Government servants; and
- ❖ Levy of fees by Medical Officers.
- ❖ Medical and Nursing Council.
- ❖ Medical education including medical schools and colleges, and institution for dentistry.
- ❖ Control of Medical drugs, poisons and dangerous drugs (Drug Act and Rules)

Audit Profile of Health Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	124	45	36154.770	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	06	03	459.514	N/A
3	Authorities/Autonomous bodies etc under PAO	19	12	18400.520	N/A
4	Foreign Aided Projects (FAP)	04	04	1601.786	N/A

9.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
13-Health	NC21	54,973,178,000	830	54,973,178,830	43,890,997,699	-11,082,181,131
Total		**54,973,178,000**	**830**	**54,973,178,830**	**43,890,997,699**	**-11,082,181,131**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
54-General Hospitals	NC-22	1,297,768,000	0	193,365,702	227,928,144	34,562,442
54-General Hospitals	NC-12	1,558,442,000	0	1,741,833,092	2,591,294,839	849,461,747
54-DHQs	NC-22	20,000,000	0	22,175,210	0	-22,175,210
54-DHQs	NC-12	255,000,000	0	317,150,000	45,000,000	-272,150,000
54-Mother & Child Health	NC-12	197,574,000	0	193,552,828	0	-193,552,828
54-Professional/ Technical/ University/ Colleges	NC-22	462,968,000	0	754,254,746	754,911,746	657,000
54-Professional/ Technical/ University/ Colleges	NC-12	1,127,987,000	0	1,415,856,242	1,415,856,242	0
Total		**4,919,739,000**	**0**	**4,638,187,820**	**5,034,990,971**	**396,803,151**

Overview of expenditure against the final grant; **(Rs. in millions)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	54,973.18	43,891.00	-11,082.18	-20.16
Development	4,638.19	5,034.99	396.80	8.56
Total	**59,611.37**	**48,925.99**	**-10,685.38**	**-17.93**

It can be seen from the above variance analysis that the budgets could not be utilized and 17.93% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

9.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 5072.924 million were raised in this report during the current audit of Health Department. This amount also includes recoveries of Rs. 410.168 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S.No	Classification	(Rs.)
1	Non production of record	23.877
2	Reported cases of fraud, embezzlement and misappropriation	132.921
3	Irregularities	-
A	HR/Employees related irregularities	6.877
B	Procurement related irregularities	2611.322
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	1934.067
5	Others	363.860

9.3 Brief comments on the status of compliance with PAC directives:-

S.No.	Audit Year	Name of Department	Total No. of actionable points	Full Compliance	Partial compliance	Nil compliance
1.	2011-12	Health	33	18	-	15
2.	2012-13	-do-	14	09	-	05
3.	2013-14	-do-	46	23	-	23
4.	2014-15	-do	27	14	-	13
5.	2015-16	-do-	39	12	-	27

9.4 Issues in Health Department

Audit of DG Health Services, Khyber Pakhtunkhwa revealed that up gradation of health facilities from RHCs to DHQs and Category D to Category C hospitals was carried out without proper need assessment and evaluation. Huge expenditure was incurred on purchase of equipment for these health facilities but instead of being used for patients care they were found in the warehouses of these facilities.

Similarly for Covid-19 pandemic, medicines, machines and PPEs were procured without need and availability assessment resulting in unnecessary blockage of Government funds.

All across the province it is a perennial issue that the receipts realized from various diagnostic and therapeutic procedures are not promptly deposited in Government Treasury in violation of Financial Rules. Similarly, the receipts realized from the fitness certificates were considerably higher than the actual receipts deposited in the Government Treasury.

AP No. 105, 187, 203, 353, 373, 384, 409, 424, 434, 473 & 505 (2019-20)
AP No. 159, 468, 481 & 498 (2018-19)

9.5 Audit Paras

9.5.1 Non-production of record of ICRC patients' transportation charges- Rs. 23.877 million

According to Section 14 (2) of the AGP Ordinance 2001, the officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that transportation charges amounting to Rs.23,877,408/- were shown paid in cash to the ICRC patients and reimbursed from ICRC. However, detailed record of the expenditure incurred on transportation of patients was not provided to Audit.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and production of record for audit.

AP No. 848 (2018-20)

9.5.2 Misappropriation of stock - Rs. 51.305 million

According to Para 148 & 149 of General Financial Rules Volume-I, all material received should be examined, counted, measured or weighed as the case may be and should be taken in charge by a responsible officer who should see that the quantities are correct and their quality good, and record a certificate to the effect that materials are actually received and recorded in appropriate stock register.

During audit of the District Coordinator Peshawar under the Provincial Coordinator National Program for Family Planning and Primary Health Care Khyber Pakhtunkhwa for Financial Year 2017-18, it was observed that stock was issued to the District Coordinator Peshawar vide acknowledgement dated 04-08-2015. On further scrutiny at District Coordinator Office Peshawar, it was observed that accessories amounting to Rs. 51,305,000/- were neither taken on stock nor physically available.

The lapse occurred due to weak internal controls.

When pointed out in December 2018, it was replied that enquiry has been initiated by the DHO Peshawar on the request of the District Coordinator LHWs Programme Peshawar and the progress will be submitted as and when completed. However, no progress was intimated to audit till finalization of this report.

The department was requested for holding of the DAC meeting vide letter dated 04-01-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry.

AP No. 432 (2017-18)

9.5.3 Doubtful expenditure on different heads of accounts- Rs. 33.971 million

According to Para 10 of GFR Vol-1, every public servant is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his

own money. Moreover, the expenditure should not be prima-facie more than the occasion demands.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that an expenditure of Rs. 33,971,052/- was shown made on Administrative charges, Conveyance/Taxi charges, Purchase of Material/Tools, Repair/Maintenance, Entertainment and Utilities charges. However, it was observed that expenditure on these heads in different months remained the same. Audit noticed that one and the same Proforma was used for drawing funds from the main Receipt Account without supporting vouchers.

Lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 839 (2018-19)

9.5.4 Fictitious drawl on account of Running Cost, Students Stipend and Students Chairs- Rs. 23.787 million

According to Para 10 of General Financial Rules Volume-1, every public servant is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money. Moreover, the expenditure should not be prima-facie more than the occasion demands.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that running cost amounting to Rs. 19,880,000/- was drawn twice for few months. According to the procedure, the PIPOS management will draw a certain amount from its main Receipt Account for expected expenditure for a month. But contrarily, running cost for the months of August 2013, December 2013 and October 2015 was drawn twice. Similarly, the USAID Students'

Stipend and Diploma Students Stipend amounting to Rs. 1,202,000/- was also drawn twice for the months of March 2014 and May 2014. Furthermore, funds to the tune of Rs. 2,705,000/- for the Students' Chairs were drawn from bank for various months.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 835, 836 & 837 (2018-19)

9.5.5 Double invoicing of ICRC patients' bills- Rs. 13.857 million

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

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that double invoices of PIPOS Rehabilitation Services Program (PRSP) Peshawar and PRSP Centers at Districts were made and claimed from ICRC on account of ICRC referred patient's rehabilitation services, food charges and transportation charges. However, on further checking of record it was revealed that Journal Vouchers (JVs) through which the invoices were claimed had different entries from the bills which were attached to the JVs. Hence double invoicing amounting to Rs. 13,857,600/- was made.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 847 (2018-19)

9.5.6 Fictitious drawl on account of cost of OPD chits medicines – Rs.2.477 million

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

During audit of the Medical Superintendent Services Hospital Peshawar for the Financial Years 2018-20, it was observed that a sum of Rs.2,476,818/- (net amount) was drawn vide cheque No.1758857 on account of local purchase of OPD medicines and paid to MS Medica Pharma accordingly. The drawl on this account was suspicious on the following grounds:

1. The OPD chits enclosed with LP contractor invoice No.445 dated 05.04.2019 for Rs. 132,483/- were found on exorbitant rates which was neither prescribed by any doctor & signed it nor any history of patients clinical examination etc were available on these OPD chits, which clearly indicates that the OPD chits were merely filled for the drawl of costly medicines only.
2. OPD chit No.14856-19 dated 02.02.2019 attached to the invoice No. 766 dated 05.04.2019 was for Rs.70,630/- wherein the prescription does not show any strength/ mg of the medicines so prescribed and the LP contractor was at liberty to charge the maximum strength of each medicine cost.
3. Most of the OPD chits cost were ranging between 30,000/- to 70,000/- with the prescription of one and the same costly medicines i.e. injc: Aclasta, Tab: Myfortic, Tab: Tacavir, Tab: Elixa, Inj: Callcept, Inj: Intaglobolineetc, without patient's disease history and

compatibility of medicines as prescribed. Moreover, the alternate medicines were required to have been prescribed by the physician keeping in view its cost impact.

4. Most of the costly OPD chits were shown drawn using the names of the departments i.e. DGHS, Finance etc but no designation of the individual concerned affixed for genuineness & authentication which was in contradiction of the Medical Allowance and MRC claims by the concerned officers/ officials from the respective departments.
5. Neither the OPD chits drawn were signed/ checked for medicine strength, mg, dosage, make, type & market retail price etc before referral to LP contractor nor LP book was maintained for authentication.
6. Overwriting/ tempering were made in the prescribed medicines by the LP contractor as the tablets were converted to costly injections, capsules & vice versa.

Hence, the drawl of Rs. 2,476,820/- as summarized below stands fictitious:

S. No	Token No.	Gross amount after deduction of 13% rebate	Net amount (Rs.)
1	70964	289,145	273,242
2	70965	413,014	390,298
3	70966	381,235	360,272
4	70967	338,244	319,640
5	70968	378,296	357,490
6	70969	133,026	125,709
7	70970	301,661	285,070
8	70971	386,348	365,099
	Total	**2,620,969**	**2,476,820**

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the management did not furnish reply.

The Department was requested for holding of the DAC meeting vide letter dated 15.10.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 474 (2018-20)

9.5.7 Loss due to purchase of machinery on higher rates - Rs. 31.768 million

According to the Selection & Rate Contracting Committee List circulated vide DGHS letter dated 13-05-2019 and the Medicine Coordination Cell List, all the hospital items and medicines shall be purchased by the hospitals and other health institutions in the province from the suppliers (and at the rates) selected and mentioned therein.

During audit of the MTI DHQ D.I. Khan for the Financial Years 2018-20, it was observed that a sum of Rs. 78,890,000/- was paid to different suppliers on account of purchase of Bio-Medical Equipments. Further Scrutiny of record revealed that those Bio-Medical Equipments were purchased at much higher rates as compared with MCC approved rates, which resulted into loss of Rs. 31,768,000/-.

The lapse occurred due to weak internal controls.

When pointed out in August-2020, the department stated that reply will be given after consulting the record.

The department was requested for holding DAC meeting vide letter dated 08-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 426 (2019-20)

9.5.8 Loss on account of non-imposition of penalty on late supply - Rs. 25.240 million

According to Clause-7 of the DGHS Peshawar letter No. 8110-60/Proc. Cell dated 21-07-2017 and Clause 18 (I &II) of the Rate Contract Agreements, the bidder shall complete the supply of the ordered goods under this agreement within the stipulated period of time as laid down in the SBDs. In case of delay

in supplies for a period of 01-to-15 days, penalty @03% of the total bid price of the items supplied late shall be levied. Similarly, in case of delay in supplies for a period of 16-to-30 days, penalty@ 07% of the total bid price of the items supplied late shall be levied.

During visit to various health facilities while auditing the accounts record of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that the items purchased were not supplied within the due course of time, and penalties at the prescribed rate of 03% (for late supply for a period of 01-to-15 days) amounting to Rs. 22,749,000/- were not imposed.

Similarly various suppliers of the Director General Health Integrated Health Project (IHP) supplied different items after the 30 days' period. However, penalty at the prescribed rate was not imposed, which resulted into a loss of Rs. 2,491,544/- to the government.

The lapse occurred due to weak internal controls.

When pointed out in September 2020, the department stated that detailed reply will be furnished after response is received from the districts.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends imposition of penalty and recovery.

AP No. 507 & 553 (2018-20)

9.5.9 Loss due to purchase of disposable items on higher rates - Rs. 11.399 Million

According to the Selection & Rate Contracting Committee List circulated vide DGHS letter dated 13-05-2019 and the Medicine Coordination Cell List, all the hospital items and medicines shall be purchased by the hospitals and other health institutions in the province from the suppliers (and at the rates) selected and mentioned therein.

During audit of District Head Quarter Hospital MTI D.I.Khan for the Financial Years 2018-20, it was observed that disposable items were purchased from

various suppliers on higher rates than the approved MCC rates. Thus the loss of Rs. 7,305,500/- was sustained by Government.

The lapse occurred due to weak internal controls.

When pointed out in August-2020, the department stated that reply will be given after consulting the record.

The department was requested for holding DAC meeting vide letter dated 08-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 446 (2019-20)

9.5.10 Loss due to non-recovery of electricity charges - Rs. 5.605 million

According to F.R. 45-B (I), the tenant will also be required to pay the cost of the water, electric energy etc. consumed.

During audit of the Hospital Director Khalifa Gul Nawaz Medical Teaching Institute Bannu for the Financial Year 2019-20, revealed that doctors, paramedics' staff and house officers were provided residential accommodation within the hospital. However, electricity charges were not recovered from the staff.

S. No.	Name of Hostel	Total Rooms	Per Month Charges	Total	Total Per Annum
1	Doctor Hostel	48	5000	240,000	240000 x 12 = 2,880,000
2	Paramedics Hostel	28	5000	140,000	140,000 x 12 = 1,680,000
3	House Officers Hotel	14	5000	70,000	70000 x 12 = 840,000
04	Flat # 01	01	Since 2014		205,442
Total					**5,605,442**

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the department replied that a committee has been nominated for this purpose and outcome will be intimated soon.

In the DAC meeting held on 17.12.2020, it was decided that electricity charges may be recovered from the persons concerned. However, no progress was intimated till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 331 (2019-20)

9.5.11 Non-recovery of outstanding Affiliation Retention Fees and penalty - Rs. 114.862 million

According to Sub-clause 7.2 of the Statutes of KMU Peshawar, the Annual Affiliation Retention Fee, as prescribed by the Syndicate, must be deposited by each affiliated college/ institute by 31st December each year. Read with Sub-clause 7.3 of the said Statutes, for any delay in depositing the Annual Affiliation Retention Fee by an institution/college by 31st December of the year, penalties as prescribed in the statute should be levied on the defaulted institutes.

During audit of the Khyber Medical University Peshawar for the Financial Year 2019-20, it was observed that an amount of Rs. 111,194,300/- was outstanding against various affiliated institutes on account of annual retention fee. Furthermore, the university administration has not imposed the required penalty of Rs. 3,668,490/- (@ 1% per day up-to one-month period) on the outstanding amount which resulted into non-recovery of the University funds amounting to Rs. 114,862,790/-.

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-09-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery of outstanding amount.

AP No. 210 & 211 (2019-20)

9.5.12 Non- imposition of penalty on late supply - Rs.1.487 million

According to MCC rates agreement deed clause 18 Sub- Clause –a (i) a lump-sum penalty amounting to three percent upon delay in supply from 31 to 45 days and 7% penalty upon delay from 46 to 60 days shall be imposed on the supplier.

During audit of Mufti Mehmood Memorial Teaching Hospital MTI D.I.Khan for the Financial Year 2019-20, it was observed that various medicines, chemicals & disposable items were purchased from various suppliers. However, these items were not supplied within stipulated time period. Thus, penalty of Rs. 1,487,647 should have been imposed.

The lapse occurred due to weak internal controls.

When pointed out in August-2020, the department stated that reply will be given after consulting the record.

The department was requested for holding of the DAC meeting vide letter dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 635 (2019-20)

9.5.13 Excess payment to the contractor on account of Service & Maintenance of CT Scan Machine- Rs. 5.110 million

According to Clause 7 of the contract, On-Mark Technologies shall visit the CT scan machine twice a month and repair the machine within 24 hours after receiving the complaint. A penalty of Rs. 10,000/- per day shall be imposed after three days (72 hours) under clause-08 of the contract.

During audit of the Hospital Director Khalifa Gul Nawaz Medical Teaching Institute Bannu for the Financial Year 2019-20, it was observed that the contract for the service and maintenance of CT scan was awarded on 13.5.2019

to M/S On-Mark Technologies Sales & Services for a period of one year @ Rs. 500,000/- per month.

The verification of record i.e. logbook/activity register revealed that during the whole year, the firm's team visited only twice in the whole contract period instead of twice regular visit per month.

The Incharge CT Scan reported on 01.06.2020 that the CT Scan Printer is not working. To this, the firm's team visited on 13.06.2020 instead of within the 24 hours' time period, therefore, penalty of RS. 10,000/- per day may be imposed for 11 days amounting to Rs.110,000/- as required under Clause-8, which the hospital authorities failed to recover till date of Audit.

Thus excess payment of Rs. 5,110,000/- may be recovered from the contractor as detail below;

Total amount paid to Firm	=	6,000,000
Payment required to be paid for 2 visits	=	1,000,000
Excess Paid	**=**	**5,000,000**
Add Penalty	=	110,000
Total:	**=**	**5,110,000**

The laps occurred due to weak internal controls.

When pointed out in August 2020, the department stated that detailed reply will be furnished after scrutiny of the record.

In the DAC meeting held on 17.12.2020, it was decided that the case may be inquired jointly by the representatives of Health Department, Director Works, and NGNHS and Audit not below the rank of DS & Deputy Director Audit respectively, to probe and submit their report within two months.

Audit recommends implementation of DAC decision.

AP No. 327 (2019-20)

9.5.14 Loss to Government due to non-recovery of HPA & C.A during leave- Rs. 3.144 million

According to F.D. regulation wing notification No. FD (SQSR-II)8-18/2016 dated 07-01-2016, HPA will not be admissible during earned leave, study leave, extra ordinary leave read with FR 84 & Appendix 9 of Vol-II,

During audit of the Govt. Naseerullah Khan Baber Memorial Hospital Peshawar for the Financial Year 2018-20, it was observed that various doctors, nurses and paramedical staff had availed different kinds of leave during the period as noted against each, but they were also allowed Health Professional Allowance (HPA) and Conveyance Allowance (C.A) at the prescribed rate for which they were not entitled to draw during the leave. This resulted into non-deduction of Rs.3.144 million.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department stated that detailed reply will be furnished later on.

The Department was requested for holding of the DAC meeting vide letter dated 08-09-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 194, 196, 197 & 205 (2018-20)

9.5.15 Overpayment on account of Adhoc Relief Allowances - Rs 2.004 million

According to Part-II (Allowances) of Government of Khyber Pakhtunkhwa Finance Department (Regulation Wing) Notification No.FD (PRC) 1-1/2016 dated 19-07-2016, the Adhoc Relief Allowances of 2013, 2014 and 2015 have been merged in basic pay scale 2016 and shall cease to exist w.e.f 01-07-2016.

During audit of the Hospital Director MTIs Mardan Medical Complex Mardan and Qazi Hussain Ahmad Medical Complex Nowshera for the Financial Year 2019-2020, it was observed that Adhoc Relief Allowances of 2013, 2014 and 2015 were paid to the newly appointed employees which was unauthorized. Thus an overpayment of Rs 3,733,850 was made.

The lapse occurred due to weak internal controls.

When pointed out in August and October 2020 respectively, the management of MTI Mardan Medical Complex stated that recovery has been started from the concerned employees and the progress will be shared with audit. Similarly when pointed out in August 2020, the management of MTI Qazi Hussain Ahmad Complex stated that recovery will be made and intimated to audit. However, no progress was shared with audit till finalization of this report

The departments were requested for holding of DAC meeting vide letters dated 01-10-2020 & 21-12-2020 respectively. However, no DAC was convened till finalization of this report.

Audit recommends recovery of overpaid amount.

AP No. 376 & 608 (2019-2020)

9.5.16 Un-authorized drawl of doctors' share - Rs. 1.991 million

According to the Health Department Notification No.SO (B)/Health/10-12/03-04/user charges dated 13-04-2005, the Medical Superintendent is only entitled to 2% administrative share out of hospital's receipts (User charges). The 25 % doctor share of X-Ray, Laboratory and Cardiology Departments will be equally distributed amongst the consultant's i.e. Professor, Associate Professor and Assistant Professor.

During audit of the Medical Superintendent District Headquarter Hospital Haripur, for the Financial Year 2019-20, it was observed that 25% share of Pathologist, Radiologist and Cardiologist was drawn by Medical Superintendents, for which they were not entitled.

The lapse occurred due weak internal controls.

When pointed out in September 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding DAC meeting vide letter dated 06-10-2020. However, no DAC meeting was convened till the finalization of the report.

Audit recommends recovery of unauthorized amount paid to Medical superintendent.

AP No. 401 (2019-20)

9.5.17 Non-deposit of Warehouse cost of material to main Receipt Account of PIPOS- Rs. 182.304 million

According to Para 15 of the PIPOS Act 1999, receipts of the institute fund shall consist of the following;

a. Grant-in-aid made by Government including the Federal Government;

b. Funds generated from fees to be charged from the students being taught by the Institute;

c. Sale proceeds from the rehabilitation services provided to the patients by the care centers maintained by the Institute; and

d. Donations received from any source, including charitable institutions, philanthropists and international donor organizations.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that the Incharge PIPOS Warehouse issued local material of Rs. 52,719,898/-, imported material of Rs. 113,850,798/-, local tools of Rs. 1,285,474/-, imported tool of Rs. 2,380,394/- and imported MEQs of Rs. 11,648,275/- to PRSP Peshawar, PIPOS Training & Education Peshawar, PRSP Buner, PRSP Swat, PRSP Timergara, PRSP D.I. Khan and PRSP Bannu. However, only Rs. 4,377,766 has been received from the PRSP centers.

The management was asked to produce evidence of the collection and deposit of the remaining cost of material issued from the PIPOS warehouse during the last ten years. But no documentary proof was produced. Collection of all the cost of material issued from PIPOS warehouse to PRSP centers was the responsibility of the management.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility along with recovery, if it was involved.

AP No. 840 (2018-19)

9.5.18 Non-Recovery of ICRC Patients Receivables- Rs. 13.296 million

According to Para 15 of the PIPOS Act 1999, c the institute fund shall consist of the following;

a. Grant-in-aid made by Government including the Federal Government;
b. Funds generated from fees to be charged from the students being taught by the Institute;
c. Sale proceeds from the rehabilitation services provided to the patients by the care centers maintained by the Institute; and
d. Donations received from any source, including charitable institutions, philanthropists and international donor organizations.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that two claims/bills for an amount of Rs. 13,296,670/- were issued to ICRC of account of expenditure incurred on Rehabilitation of patients referred by ICRC. Account record revealed that the amount was outstanding against the ICRC since 2015.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends recovery of outstanding amount from ICRC.

AP No. 842 (2018-19)

9.5.19 Less Receipt of Patients Receivables from ICRC - Rs. 10.150 million

According to Para 15 of the PIPOS Act 1999, receipts of the institute fund shall consist of the following;

a. Grant-in-aid made by Government including the Federal Government;

b. Funds generated from fees to be charged from the students being taught by the Institute;

c. Sale proceeds from the rehabilitation services provided to the patients by the care centers maintained by the Institute; and

d. Donations received from any source, including charitable institutions, philanthropists and international donor organizations.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that an amount of Rs. 9,119,540/- was less received from the ICRC on account of services provided to the patients referred by ICRC to PRSP Peshawar and PRSP Centers at Districts.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 841 (2018-19)

9.5.20 Non-deposit on account of health and age certificates - Rs. 5.262 million

According to Health department notification No.SOB-1/HD/1-27/provincial receipt, dated 18.6.2016, health and age medical examination of gazetted and

non-gazetted employees are being carried out at hospital level at the prescribed rates.

During audit of the District Head Quarters Hospital Lower Dir (Timergara) and Medical Superintendent Services Hospital Peshawar for the Financial Year 2018-20, it was observed that 3,006 number of medical fitness certificates and 7,101 age certificates were issued by DHQ Lower Dir @ Rs. 400 each, amounting to Rs. 4,042,800/- which was not deposited into the government treasury.

Similarly 12546 certificates were issued by Services Hospital, however, fee receipt of 2440 certificates amounting to Rs, 1,220,000/- was not deposited into the government treasury.

When pointed out in August 2020, the department stated that detailed reply will be furnished after consultation of the record.

The department was requested for holding DAC meeting vide letters dated 28-09-2020 and 15-10-2020 respectively. However, no DAC meeting was convened till the finalization of this report.

Audit recommends deposit of government fee.

AP No. 342 & 484 (2019-20)

9.5.21 Less receipt of WHO Patients Fee - Rs. 2.238 million

According to Para 15 of the PIPOS Act 1999, receipts of the institute fund shall consist of the following;

a. Grant-in-aid made by Government including the Federal Government;

b. Funds generated from fees to be charged from the students being taught by the Institute;

c. Sale proceeds from the rehabilitation services provided to the patients by the care centers maintained by the Institute; and

d. Donations received from any source, including charitable institutions, philanthropists and international donor organizations.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that JV No. 28 dated 30.10.2014 amounting to Rs. 2,238,636/- was issued to WHO under letter dated 23.10.2014 for payment against WHO patients treated at PIPOS. However, the amount was neither received nor reflected in the receivable accounts of the institute.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends recovery.

AP No. 843 (2018-19)

9.5.22 Wasteful expenditure without need assessment - Rs. 1028.235 million

According to the project document "Purchases of Equipment in respect of Health Facilities of Khyber Pakhtunkhwa" the provincial government has taken keen interest in improving the health infrastructure across the Khyber Pakhtunkhwa province. To take forward the reforms agenda, and to achieve the set targets/milestones, many initiatives have been executed. The underlined objectives of the said project are to improve the Health Infrastructure and to ensure provision of optimal services delivery to the general public at their door step.

During audit of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that an amount of Rs. 1028.235 million was spent on the purchase of machinery and equipment for

the newly upgraded hospitals. However, the machinery and equipment items purchased were lying dumped in the hospital stores, without being utilized, due to lack of staff and minimum turn-out of patients. The said facilities were upgraded without any need assessment as evident from the fact that the same were running on "zero bed occupancy" as observed upon physical inspection of Category-D Hospital Yar Hussain (Swabi), BHU Shewa (Swabi), THQ Hospital Kalu Khan, Category-D Hospital Topi (Swabi) and Category-D Hospital Ziarat Kaka Sahib (Nowshera).

The lapse occurred due to lack of proper need assessment.

When pointed out in September 2020, the department stated that detailed reply will be furnished after response is received from the districts.

The department was requested for holding of DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 505 (2018-20)

9.5.23 Irregular expenditure on account of purchase of Air Purification System- Rs. 667.400 million

According to the Selection and Rate Contracting Committee List for the Financial Year 2017-18 circulated vide DGHS Peshawar letter No. 8110-60/Proc. Cell dated 21-07-2017, M/S Novatek Pakistan was selected to supply the Air Purification Systems at the rate of Rs. 1,175,000/- per unit.

According to the company profile of the Air Purification Systems, the subject product is best suited for indoor spaces; not larger than 2,000 cubic feet & needed VOC, and removal of particular matter caused by people, pets, food and other organics (multiple units can be used to cover larger spaces).

During audit of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that an amount of Rs. 667,400,000/- was paid to M/S Novatek Pakistan on account of supply of 568 Air Purification Systems to various hospitals in the province @ Rs. 1,175,000/- per unit without considering the basic requirements before their installation.

Audit selected 05 districts as a sample for physical verification of machinery and equipment, wherein 18 facilities were visited. Audit has the following observations;

- No demand of the equipment purchased from health facility was found on record.
- Neither the machine was found installed in the indoor spaces nor was the 2000 cubic feet condition met as shown by the manufacturer's specifications.
- The second condition of company is "Up to 2,000 Cubic Feet Coverage per Unit (250 Square Feet x 8 Foot Ceiling) only 1 Air Change per Hour was needed, not complied with.
- Majority of the said machines were found installed in the Operation Theaters of various hospitals, which were not even operational till date of Audit.

The loss occurred due to weak internal controls.

When pointed out in September 2020, the department stated that detailed reply will be furnished after response is received from the districts.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 509 (2018-20)

9.5.24 Loss to government due to ineffective execution of project- Rs. 135.155 million

According to the budgetary provision of PC-I, an amount of Rs. 298.543 million was allocated for the civil work component of "Establishment of Research Institute of Hepatology, Hepatobiliary Pancreatic Surgery and Transplantation (RIHEHP), Research Institute of Dialectology, Endocrinology and NCDs (RIDENC) at 91228 sqft area under the project "Strengthening of Khyber Medical University Peshawar", the work awarded to the contractor on

14-12-2016 at the cost of Rs.258.148 million with completion period of three years.

During audit of the Khyber Medical University Peshawar for the Financial Year 2019-20, it was observed that an amount of Rs. 15,119,116/- was paid to the contractor M/S Akhunzada Fazal Jamil & Co. up to 17th running bill in the financial year 2019-20 under the head civil work and total payment made was Rs. 191,547,675/-.

Audit found the following shortcomings and observations;

- The original date of civil work completion was December 2019, followed by 6-months extension up to June 2020, granted by HEC Islamabad. However, till date of audit, the work was not yet completed.
- The necessary approval for the scope of work by expending the area from 91228 Sqft to 104580 sqft, and its design from five stories to seven stories, was not obtained from the competent forum, which resulted in cost escalation.
- The revised technical sanction was also not approved from the competent forum.
- The contractor was paid for 60 grade steel of quantity of 782 tons against the original and revised BOQ of 555 tons.
- A quantity of 10.3719 tons @103529/- totaling to 1,073,802/- was shown used vide MB page number 184 which was later on deleted vide MB No. 3-page number 56. The same quantity was again taken/ utilized vide MB No. 3-page number 144.
- The consultant fee was not frozen as required under his contract agreement resulting into an overpayment of Rs. 1,117,629.
- The pay and allowances of the project staff amounting to Rs. 1,992,578/- were paid from the recurring budget of the university instead of project fund, during the extended period of time, continued till date of Audit.
- These shortcomings noticed during the audit are also validated by the report of inquiry committee duly constituted to investigate the deviation in the project execution.

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-09-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends implementing the recommendations of the inquiry committee.

AP No. 229 (2019-20)

9.5.25 Loss on account of penalty payment to PM&DC- Rs. 35.000 million

According to the PM&DC letter dated 26-01-2009, the KIMS Kohat was allowed to register 50 students of MBBS only and to shift its affiliation from KUST Kohat to KMU Peshawar.

During audit of the Khyber Medical University Peshawar for the Financial Year 2019-20, it was observed that an amount of Rs. 30,000,000/- was paid to PM&DC (in six equal installments) on account of penalty charges for registering 50 numbers of MBBS students over-&-above the approved strength at KIMS Kohat, for the session 2012-13 and 2013-14. Similarly, an amount of Rs. 5,000,000/- was also paid to PM&DC on account of penalty charges for registering BDS students in KIDS Kohat, since 2011-12 without the same being registered with PM&DC Islamabad.

The loss occurred due to weak Human Resource Management.

When pointed out in August 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-09-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 213 (2019-20)

9.5.26 Wasteful expenditure on account of purchase of generators - Rs. 20.00 million

According to the DGHS Peshawar letter No. 8110-60/Proc: Cell dated 21-07-2017 addressed to all DHOs/ MS-DHQs, the offices/ hospitals shall ensure, before purchase of machinery & equipment, the availability of human resources, electricity, infrastructure, and that there will be no dumping of the said equipment.

During audit of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that an amount of Rs. 20,000,000/- million was spent on the purchase of 04, 40 KVA Generators, for the newly upgraded hospitals at District Swabi and Nowshera, at the rate of Rs. 5,000,000/- per unit. However, during visit of the hospitals in the selected districts at Yar Hussain, Shewa, Topi and Dag Ismail Khel, for physical verification of machinery and equipment, it was observed that the generators purchased in the year 2017-18 were installed in the concerned hospitals, but were not operational till the date of inspection.

The lapse occurred due to lack of proper need assessment.

When pointed out in September 2020, the department stated that detailed reply will be furnished after response is received from the districts.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 506 (2018-20)

9.5.27 Un-authorized expenditure on local purchase of medicines exceeding the prescribed limit - Rs 13.148 million

According to the health department notification No.SO(D) Health2-43/2003, dated 19.9.2006, local purchases shall be made up to 10/% of the allocated budget.

During audit of the Medical Superintendent Services Hospital Peshawar for the Financial Years 2018-20, it was observed that an expenditure of Rs.40.572

million was incurred under object-AO3927 purchase of drugs during 2019-20. Furthermore, it was noticed that out of the allocated budget a sum of Rs.17.205 million was incurred on local purchase of medicines for OPD patients which is 42.40% (17205324x100/40572770) of the total budget against the admissible limit of Rs. 4.057 million (10% of the budget) resulting into un-authorized expenditure of Rs.13.148 (M) (17.205 (-) 4.057).

It is further added that:

1. There was no LP book maintained as required by the authorized person/store keeper to check and verify it against the indented brand (s), strength (s) dosage, and quantity/quality of each medicine purchased from LP contractor.

2. The maximum outflow of MCC medicines so acquired was also to the OPD patients through hospital pharmacy as compared to the nominal admission in respective units of hospital, which is against the approved guidelines.

3. There was no record in shape of hard copies produced on monthly/yearly basis within the pharmacy showing the detail of drugs received from main store, issue to ward and OPD patients.

Audit is of the view that not only the prescribed limit was violated in both years, but on the other hand, no record was maintained for comparison and authentication of the medicines acquired through LP contractor and as well as through MCC.

The lapse occurred due to non-observance of rules/procedure by the management.

When pointed out in August 2020, the management stated that:

1. This hospital has been exempted from LP SOPs vide Health Department Notification dated 13.10.2006.
2. As per above said exemption, the budget could be utilized through LP, however, all the available medicines in MCC approved list are purchased from respective firms on subsidized rates.

3. The observation has been noted for future compliance. The software will be upgraded for monthly/ yearly reports & reconciliation of stock.

Audit held the view that the exemption of Services Hospital from LP SOP was doubtful as the SOP for LP was notified by Health Department of Khyber Pakhtunkhwa on 16.09.2006 while the exemption refers to SOP issued in November 2006. Furthermore, exemption of only one hospital from LP SOP was unjustified and no alternate SOP has been devised since 2006 to administer the Local Purchase of medicines.

The Department was requested for holding of the DAC meeting vide letter dated 15.10.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 473 (2018-20)

9.5.28 Supply of sub-standard medicine - Rs. 7.748 million

According to the Department of Anesthesiology and General Intensive Care of PGMI-LRH Peshawar letter No.167/Anesthesia dated 23.6.2020, the anesthesia medication provided was substandard and not effective in the surgical anesthesia patients, and that the medicine shall be replaced with standard quality medicine in the best public interest.

During audit of the Hospital Director Lady Reading Hospital Peshawar for the Financial Year 2019-20, it was observed that an amount of Rs. 7.748 million was drawn from the hospital fund on account of purchase of medicine and paid to the supplier.

It was further noticed that the medicines/items were declared sub-standard and non-effective in surgical anesthesia patients by chairperson of Anesthesia Department.

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the department stated that a detailed reply will be submitted later on.

The department was requested for holding of the DAC meeting vide letter dated 29-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 866 (2019-20)

9.5.29 Doubtful payment on account of LP medicines – Rs. 5.533 million

According to SOP regarding LP medicines duly endorsed by Health Department Khyber Pakhtunkhwa vide Notification No. SO (D)/Health/2-43/2003 dated 19.09.2006, Para-6 provides that "Head of health institution has to constitute a sub-committee or authorize a person to receive the LP supplies and to check and verify it against indented brand(s), strength(s) and quantity and with the Cash Memo, which is to be provided on daily basis by the LP contractor. The stock is to be recorded in the LP register".

During audit of the Medical Superintendent Services Hospital Peshawar for the Financial Years 2018-20, it was observed that a sum of Rs. 5,532,873/- was drawn vide cheque No. 1758837 dated 16-04-2019 was paid to MS Medica Pharma (LP contractor).

On further verification and comparison of record invoices and OPD chits, it was observed that:

1. The amount of Rs.5,532,873/- was drawn on one token No.70332 as shown in the cash book page-198, while the amount was drawn on 16 numbers different abstract contingent bills as was evident from the face of these bills (copies enclosed).
2. The invoices attached to the contingent bills were without machine number & date and seems to have been drawn at once with same hand writing which also created doubts.
3. All the OPD chits were carbonized copies and most of chits were written in haphazardly manner in the month of February 2019 which is also doubtful.

4. The other OPD chits were also either on printed single pads and carbonized simultaneously within the same months which further strengthen the audit contention.
5. The LP register was not maintained for the confirmation of received medicines, strength, dosage, quantity, quality and brand etc along-with acknowledgement of the user.

Keeping in view the drawl of huge amount of Rs. 5,532,873/- under the above cheque was thus held suspicious.

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the management did not furnish reply.

The Department was requested for holding of the DAC meeting vide letter dated 15.10.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 482 (2018-20)

9.5.30 Loss to government due to purchase of medicines at higher rates- Rs 4.254 million

According to Director General Health Services Khyber Pakhtunkhwa Peshawar Letter No 1805-1900/DD (Preq/Reg/Drugs) dated 11.09.2018, the approved rates at MCC formula No. 189, 54, 239, 459, 178, 954, 955 and 956 for Ceftriaxone Sodium, Paracetamol Infusion 1000mg/100ml, Meropenem Injection 500mg/vial and Hydrocortisone Injection 250mg/vial, Cefeperazone + Salbuctum Injection 1g, for IV Cannula 20G, 22G and 24G were Rs 33.97, 53.90, Rs 390, Rs 58, Rs 42.97, 37.50, 37.50 and 39.90 respectively.

During audit of the MTI Ayub Teaching Hospital Abbottabad for the Financial Year 2018-19, it was observed that a sum of Rs. 7,266,657/- were paid to various suppliers on account of purchase of medicines, as detailed below:

S#	Suppliers	Medicines	Payment made to supplier	Payment to be made as per MCC rate	Overpayment / Loss
1.	M/S Fazal Surgical	Ceftriaxone Injection 1g/vial	1,835,752	339,700	1,496,052
2.		Paracetamol Infusion 1000mg/100ml	357,418	269,500	87,918
3.		Meropenem Injection 500mg/vial	1,672,083	780,000	892,083
4.		Hydrocortisone Injection 250mg/vial	94,662	58,000	36,662
5.		Cefeperazone +Salbuctum Injection 1g	1,127,992	214,850	913,142
6.	M/S Braun Pharma	IV Cannula 20G, 22G & 24 G	2,178,750	1,350,675	828,075
Total			**7,266,657**	**3,012,725**	**4,253,932**

Audit observed that the medicines were purchased either from LP contractor or from other suppliers, despite the fact that MCC rates and suppliers were available, which resulted into loss of Rs. 4,253,932/-.

The lapse occurred due to weak internal control and non adherence to MCC rates.

When pointed out in March 2020, it was stated that detail reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-05-2020 followed by subsequent reminder dated 06-08-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 346, 347, 348 & 349 (2018-19)

9.5.31 Irregular purchase of equipment of Rs. 6.995 million and non-imposition of penalty - Rs. 0.687 million

According to the Selection and Rate Contracting Committee List for the Financial Year 2017-18 circulated vide DGHS Peshawar letter No. 8110-60/Proc. Cell dated 21-07-2017, M/S Matora Engineering was selected to supply the Mobile C-Arm Image Intensifier at the rate of Rs. 9,828,000/- per unit.

According to Clause-7 of the DGHS Peshawar letter No. 8110-60/Proc. Cell dated 21-07-2017, in case of delay in supplies for a period of 16-to-30 days, penalty @ 07% of the total bid price must be imposed.

During audit of the Director General Health Services KP for the Financial Years 2018-19 and 2019-20, it was observed on physical verification of the equipment in BKMC Swabi, that supply order to M/S Matora Engineering Corporation Peshawar was issued on 02.12.2017 followed by repeated reminders. However, the supplier failed to supply the said item and the supply order was cancelled vide letter dated 18-06-2019, without imposition of penalty @ 7% amounting to Rs 687,960/- and proceeding for blacklisting of the firm was not initiated as the same supplier also failed to supply the same item to DHO Nowshera.

Later on, the management of BKMC Swabi purchased the item with different specifications from M/S Medco vide supply order dated 29-06-2019 at the rate of **Rs. 6,995,500/-** per unit, without obtaining prior approval from the DGHS Peshawar, for the change in the specifications and supplier.
The lapse occurred due to weak internal controls.

When pointed out in September 2020, the department stated that detailed reply will be furnished after consultation of original record.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and recovery of penalty from the defaulted supplier.

AP No. 515 (2018-20)

9.5.32 Irregular procurement of machinery and equipment- Rs. 2557.431 million

According to the project document, "Purchases of Equipment in respect of Health Facilities of Khyber Pakhtunkhwa" the Director Procurement DGHS Peshawar was directed to frame the facility-wise list of the deficient equipment on need basis in consultation with all stakeholders.

During audit of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that an amount of Rs. 2,557,431,783/- was spent on purchase of machineries and equipment for various health facilities of the province. However, during physical verification of the machinery and equipment items purchased for the hospitals/ facilities in the selected sample (five districts and eighteen health facilities), the following shortcomings were observed;

- The items were not operationalized.
- The PC-I was not prepared.
- No need assessment was conducted, hence 500 MA X-Ray Machine and Mobile C-Arm Image Intensifier were not supplied to DHQ Hospital Kohat, ordered to be supplied vide letter dated 29-06-2018. Likewise, in RHC Jamalabad Charsadda, an Anesthesia Machine valuing Rs. 2,250,000/- was provided to the facility, in addition to the already available one, where no minor operation/ surgery was carried out for the last two years, as evident from the certificate provided by the MS concerned.
- The end user driven demand was not obtained from the facilities concerned nor was the same properly consulted with them, as evident from the list prepared at DHQ Hospital Charsadda wherein the 24 Hours ABPM were not required/ demanded, but still purchased. Likewise, in DHQ Hospital Kohat, no 24 Hours Ambulatory Blood Pressure Monitor was required, but 24 machines were purchased by the hospital.

- The major value items like Air Purification System, 24 Hours Ambulatory Blood Pressure Monitors, X-Ray Plants and Mobile C-Arm Machines etc. were found non-operational, stocked and dumped in the facilities visited during physical verification, since their date of purchase as evident from the stock registers of the facilities.
- As the machinery and equipment is lying unutilized, their warranty period has expired and the 8% performance guarantee/ security withheld as per DGHS Peshawar letter dated 21-11-2017, has already been released to the contractors concerned, putting the government kitty at risk of a suspected loss.
- M/S Friends Traders failed to supply the complete set of items to some districts as evident from the DGHS Peshawar letter dated 19-07-2018. However, no action was taken against the defaulting supplier.
- The staff of the facilities where the Air Purification Systems were installed neither replaced the reaction chambers once a year nor were they aware of this fact, as was required for proper operation of the machinery.
- An amount of Rs. 1364.104 Million was spent on the purchase of four (major) items i.e. Air Purification System, 24 Hours Ambulatory Blood Pressure Monitors, X-Ray Plants and Mobile C-Arms, which were not even required in the districts.

Audit held that the government fund was utilized on machinery and equipment which were not even required in the hospitals concerned.

The lapse occurred due to weak internal controls and improper utilization of government funds.

When pointed out in September 2020, the department stated that detailed reply will be furnished after consultation with all the stakeholders like the Planning Cell, the districts and procurement officer etc.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 504 (2018-20)

9.5.33 Irregular purchase of GAIT Analysis Lab- Rs. 9.867 million

According to rules 06 of the Khyber Pakhtunkhwa Public Procurement Regulatory Authority Act, 2012, save as otherwise provided hereinafter and subject to the provisions of rule 10, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 100,000 (rupees one hundred thousand).

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that equipment for GAIT Analysis Lab. were purchased from SIMI Reality Motion System on the basis of selection of supplier online without adopting government prescribed tendering procedure. The bill of Rs. 9,867,141/- also included installation and training cost to the employees of PIPOS for running the lab. 10% security money was not retained from the payment as agreed with the donor for the establishment of this GAIT Analysis Lab. However, SIMI Reality motion System sent the equipment but did not come for its installation and training of PIPOS personnel.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 849 (2018-20)

9.5.34 Non-supply of the C/ARM imaging machine – Rs.9.628 million

According to supply order No. 3711-18 dated 28.12.2017, two items including C/ARM imaging machine @ Rs.9,828,000/- was ordered to MS Matora Engineering Corporation, Peshawar.

During audit of the Medical Superintendent Services Hospital Peshawar for the Financial Years 2018-20, it was observed that Mobile C/ARM imaging intensifier machine (GEMSS Korea) was ordered to MS Matora Engineering Corporation, Peshawar vide supply order No.3711-18 dated 28.12.2017, at the cost of Rs.9,828,000/- out of the funds provided by the DGHS under ADP for 2017-18.

Scrutiny of the record revealed that imaging machine duly ordered on 28.12.2017 was not supplied till 25.07.2020 i.e. after lapse of more than two and half years. The hospital management neither took the issue with the supplier nor reported to DGHS / quarter concerned for taking action against the supplier for not supplying the required machine.

The lapse occurred due to weak management and supervision of the procurement activities.

When pointed out in August 2020, the management stated that the rates contract was made by DGHS. The payment was made for the supplied item only instead of two items. All the relevant supporting documents will be communicated to Audit and detail report will be submitted. The same will be taken up with DGHS as well.

The Department was requested for holding of the DAC meeting vide letter dated 15.10.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 478 (2018-20)

9.5.35 Loss to government due to irregular award of contract - Rs 2.251 million

According to Clause # 1.12 of the Repair and Maintenance contract agreement of Angiography between Hospital Director, Ayub Teaching Hospital Abbottabad and M/S Zelin Medical System Private Limited executed on 09.10.2017 for the period of 09.10.2017 to 08.10.2022, the maintenance contract for the first year with effect from 10.10.2017 is Rs. 1,875,786/- and

thereafter the rate will be increased by 10% yearly for the next 04 years upon satisfactory performance certification by the Head of Cardiology Department or his representative.

During audit of the MTI Ayub Teaching Hospital Abbottabad for the Financial Year 2018-19, it was observed that a sum of Rs 3,282,394/- was paid to M/S Zelin Medical System Private Limited vide cheque # A-543834 dated 24.06.2019 on account of repair and maintenance contract charges of Angiography for the period of 06.12.2018 to 05.06.2019.

Audit held that Ayub Teaching Hospital Abbottabad could have extended their contract with M/S Zelin Medical System Private Limited on the terms and conditions mentioned above. However, it was re-awarded to the same contractor on 27.02.2019 for the period of 06.12.2018 to 05.12.2019 with a contract price of Rs 6,564,786/- per annum.

Maint. charges of old contract upto 09.10.2018	**Annual Increase@10%**	**06 months maint. Charges Of old agreement**	**06 months maint charges of new agreement**	**Difference**
1,875,786	1,875,786*110/100 = 2,063,365	2,063,365/2 =1,031,682	3,282,394	2,250,712

Therefore, Rs 2,250,712 were overpaid to M/S Zelin Medical System Private Limited, and the same will be accrued throughout the period of contract.

The lapse occurred due to weak internal controls.

When pointed out in March 2020, it was stated that detail reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-05-2020 followed by subsequent reminder dated 06-08-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 356 (2018-19)

9.5.36 Less deduction of DPR Charges- Rs. 2.728 million

According to the Directorate of Social Welfare & Women Empowerment Department KP Peshawar letter No.DPR/Pub/PCRDP/559-63 dated 18-05-2012, the deduction of DPR Fund for rehabilitation of disable persons from the bills/ payments should be Rs. 2,000/- per one million and be deposited in the Head No. G-12218 “Fund for Rehabilitation of Disabled Persons".

During audit of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that an amount of Rs. 1364.104 Million was paid to various contractors on account of supply of four (major) items i.e. Air Purification System, 24 Hours Ambulatory Blood Pressure Monitors, X-Ray Plants and Mobile C-Arms to various facilities/ hospitals (lists attached). However, the DPR charges were deducted at the rate of Rs. 2000/- per contractor bill rather than the prescribed rate of Rs. 2,000/- per one million rupees, resulting into a less deduction of DPR charges amounting to Rs. 2,728,000/- (Rs. 2000 X 1364 Million).

The lapse occurred due to weak internal controls.

When pointed out in September 2020, the department stated that detailed reply will be furnished after response is received from all the stakeholders.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 517 (2018-20)

Chapter –10

HOME & TRIBAL AFFAIRS DEPARTMENTS

10.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Public Order and internal security.
- Political intelligence and censorship.
- Administration of Justice, constitution and organization of courts except the High Court.
- Criminal Law and Criminal
- Arms, ammunition and military stores.
- Crime report.
- Prisons, reformatories and similar institutions, classification and transfer of prisoners, state, political prisoners, Good Conduct Prisoners and Probationer Release Act.
- Extradition and Deportation.
- Question of domicile and application for Nationality certificates
- Registration of aliens.

Audit Profile of Home & Tribal Affairs Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/ Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	245	25	12,143.980	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	05	02	107.091	N/A
3	Authorities/Autonomous bodies etc under PAO	01	01	1170.789	N/A
4	Foreign Aided Projects (FAP)	N/A	N/A	N/A	N/A

10.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
08-Home and TA	NC21	1,778,000,000	180	1,778,000,180	1,316,446,472	-461,553,708
09-Jails and Convict's Settlement	NC21	2,800,000,000	254021000	3,054,021,000	2,624,144,433	-429,876,567
10-Police	NC21	47,975,000,000	2343122000	50,318,122,000	42,783,981,351	-7,534,140,649
Total		**52,553,000,000**	**2,597,143,180**	**55,150,143,180**	**46,724,572,256**	**-8,425,570,924**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Home & TA	NC22	274,776,000	0	85,548,451	95,532,004	9,983,553
Home & TA	NC12	1,597,224,000	0	1,437,612,887	1,437,612,887	0
Total		**1,872,000,000**	**0**	**1,523,161,338**	**1,533,144,891**	**9,983,553**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	55,150.14	46,724.57	-8,425.57	-15.28
Development	1,523.16	1,533.15	9.98	0.66
Total	**56,673.30**	**48,257.72**	**-8,415.59**	**-14.85**

It can be seen from the above variance analysis that the budgets could not be utilized and 14.85% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

10.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 199.953 million were raised in this report during the current audit of Home & Tribal Affairs Department. This amount also includes recoveries of Rs. 194.500 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in millions

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	8.453
3	Irregularities	-
A	HR/Employees related irregularities	2.242
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	2.175
5	Others	187.083

10.3 Brief comments on the status of compliance with PAC directives: -

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
10	2011-12	Home & TA	27	15	-	12
11	2012-13	-do-	12	06	-	06
12	2013-14	-do-	19	08	-	11
13	2014-15	-do-	18	09	-	09
14	2015-16	-do-	21	14	-	07

10.4 Issues in Home & Tribal Affairs Department:

It was observed during the audit of various District Police Offices that the receipts realized from fines & fees are not timely deposited into the Government Treasury according to the Treasury Rules. Similarly, the funds are withdrawn and then withheld in designated accounts without being utilized for the purposes, they are earmarked for. It has also become a routine practice in various offices of Home Department to withdraw pay and allowances through DDOs instead of being directly credited to the bank accounts of the concerned officials. It further paves the way for misappropriation and embezzlement.

Furthermore, petty/special repairs in police stations are carried out without preparation of PC-I. All these issues reflect badly on the financial management of the law enforcement agencies.

AP No. 14, 15, 20, 28, 31, 74, 76, 80, 91, 94, 101, 106, 123, 132 (2019-20)
AP No. 143, 154, 175, 188, 189, 206, 218 & 220 (2018-19)

10.5 Audit Paras

10.5.1 Fraudulent drawl due to marking advance entries in the log books- Rs. 5.453 million

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

During audit of the District Police Officer Abbottabad for the Financial Year 2018-19, it was observed that a sum of Rs. 5,453,600/- was misappropriated by the dealing hands due to marking advance entries of POL in the log books. Verification of the log books of only three vehicles (the rest not provided to audit) revealed that advance entries of 384960 KMs were in the log books against actual meter reading (certificate attached) resulting in misappropriation of Rs. 5,453,600/- as detailed below;

S. No.	Vehicle No	Log books reading May 2020	Physical reading June 2020	Difference
1	A-5756	303058	244086	58972
2	A-1393	168406	157305	11101
3	A-4487	462585	147698	314887
Total				**384960 KMs**

It is pertinent to mention here that physical verification of meter reading was made in presence of the Pay Officer and MTC Police Line Abbottabad, signed physical report attached.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 24-12.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 187 (2018-19)

10.5.2 Fraudulent drawl from the BISP - Rs.3.00 million

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

During audit of the Additional Inspector General of Police Special Branch Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that 15 officials/their spouses received benefits from Benazir Income Support Program, which were not admissible to them being government servants.

The lapse occurred due to weak internal controls.

When pointed out in May 2019, the department stated that detailed reply will be furnished after verification of record.

The Department was requested for holding of the DAC meeting vide letter dated 29.10.2020. However, no DAC meeting was convened till the finalization of this report

Audit recommends recovery.

AP No. 215 (2018-19)

10.5.3 Non recovery of outstanding government dues - Rs 181.558 million

According to District Police Officer letter No. 4036/A dated: 15-04-2019 and letter No. 4039/A dated: 15-04-2019. Read with Para 26 of GFR Vol-1, that it is the duty of the Controlling officer to see that sums due to government are regularly and promptly assessed realized and credited into government treasury.

According to IGP Khyber Pakhtunkhwa Letter No. 8184-214/B-II, dated 10.07.2018, the costs of agreements done of the previous financial year from hiring party may please be charged up to 30.06.2018 .

During audit of the accounts record of District Police Officer, Nowshera and Kohat for the Financial Year 2018-19, it was noticed that the police guard/force were deployed in different offices for security purpose and payment of Rs. 181,558,141/- was not made on account of their salary (pay and allowances) from Government exchequer, instead of being paid by the hiring office.

The lapse occurred due to weak internal control system.

When pointed out in October 2019, it was stated that reply will be given in due course of time.

In the DAC meetings held on dated 10-12-2020 and 09-12-2020, it was decided that recovery will be made for the concerned officers. However, no recovery has been intimated to audit till finalization of this report.

Audit recommends implementation of DAC decisions.

AP No. 32& 45 (2018-19)

10.5.4 Non-deposit of receipts into government treasury- Rs. 5.525 million

According to Para-7 of Federal Treasury Rules, all money received on account of revenues shall without delay be paid in full into Government Treasury and Receipts should not be utilized towards expenditure.

During audit of the District Police Officer D.I. Khan for the Financial Year 2019-20, it was observed that a sum of Rs. 5,524,780/- was realized from the rent of shops, wheel carts and service stations but the same was distributed among the PPO, RPO and DPO with the ratio of 25%, 20% and 55% respectively, instead of depositing into government treasury.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department stated that detailed reply will be furnished after consulting the record.

The department was requested for holding DAC meeting vide letter dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends depositing of the amount into government treasury.

AP No. 115 (2019-20)

10.5.5 Unauthorized drawl of Executive Allowance- Rs. 2.242 million

According to the Finance Department (Regulation Wing) Notification No.FD(SOSR-II)8-7/2016-17 dated 2.2.2018, Executive Allowance @150% of the initial basic pay per month was allowed to the PAS/ PCS and PMS officers working against the scheduled posts of the Establishment and Administration Department at the prescribed rates.

During audit of the Commandant Police Training College Hangu for the Financial Year 2019-20, it was observed that a sum Rs.2.242 million (1,366,500 + 876000) was drawn under head Executive Allowance by the officers of the local office in violation of government orders.

The lapse occurred due to non-adherence to rules.

When pointed out in October 2020, the department stated that detailed reply will be given after consulting the original record.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 65 & 68 (2019-20)

10.5.6 Non recovery of penalty on late supply of traffic items - Rs.1.087 million

According to contract agreement clause No .4.2 & 4.7, that completion of the delivery will be within 90 days from the date of signing of the contract. In case of delayed supply the government will be at liberty to impose liquidated damages @ 2% per month maximum up to 5% for the total contract price.

During audit of the Inspector General of Police Khyber Pakhtunkhwa Peshawar for the Financial Year 2019-20, it was observed that contract was made with M/S Asian Contractor & Builders (Pvt) Ltd for supply of 2000 quantity of traffic small cone size @ 3400 for a total of Rs. 6800,000 and paid vide cheque no. 33126288 dated 23.07.2019. The contract was signed on 15.03.2018 and the supply should have been completed within 90 days as per condition of the contract which was 14-06-2018. But the supply was made on 20.06.2019 and was delayed for more than a year but penalty amounting to Rs. 340,000/- (Rs. 6,800,000 X 5%) was imposed on the contractor.

Similarly, contract agreement for supply of 500 customized Lamination Roll @ 29,900 total amounting to Rs 14,950,000/-was made with M/S Orbit Technology on 13.03.2019 to be supplied within 90 days i.e. by 12.06.2019. But the supplies were made on 29.07.2019 i.e. after the due date but penalty

amounting to Rs. 747,500/- (Rs. 14,950,000 X 5%) was not imposed on the contractor.

The lapse occurred due to giving undue favor to the contractors.

When reported to the management it was stated that penalty was imposed for Rs.68,000 on late supply of traffic cones and no penalty was imposed on late supply of lamination roll due to reason of less than one month delay.

The department was requested for holding of the DAC meeting vide letter dated 05-01.2021. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 196 (2019-20)

10.5.7 Non recovery of penalty on late supply of electronic boards- Rs. 1.088 million

According 10 contract agreement clause no.4.2 & 4.7, that completion of the delivery will be within 120 days from the date of signing of the contract. In case of delayed supply the government will be at liberty 10 impose liquidated damages @.2% per month maximum up to 5% for the total contract price.

During audit of the Inspector General of Police Khyber Pakhtunkhwa Peshawar for the Financial Year 2019-20, it was observed that contract was made with M/S Asian Contractor & Builders (Pvt) Ltd for supply of 15 Electronic Boards @ 1,450,000/- total amounting to Rs. 21,750,000/- The contract was signed on 17.05.2018 and the supply should have been completed within 90 days as per condition of the contract. But the supply was made on 28.10.2019 which was delayed by more than a year but penalty amounting to Rs. 1,087,500/- (Rs. 21,750,000 X 5%) was not imposed on the contractor.

The lapse occurred due to giving undue favor to the contractor.

When reported to the management it was stated that the matter is under consideration of TEDPC and decision will be intimated to Audit in due course of time.

The department was requested for holding of the DAC meeting vide letter dated 05-01.2021

Audit recommends recovery of the penalty amount under intimation to audit.

AP No. 193 (2019-20)

Chapter – 11

INDUSTRIES, COMMERCE AND TECHNICAL EDUCATION

11.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Planning development and control of industries, including cottage industries.
- Industrial Research
- Industrial training (including training of demonstration parties).
- Industrial exhibition within the country.
- Survey of industries.
- Trade and commerce, within the Province, including Government commercial undertakings, Merchandise Marks Act, railway freight, import and export, trade control, capital issue, Insurance Act, Registration of Accountants, Auditors Certificate Rules, Partnership Act, trade condition reports, trade enquiries and agreements.
- All cases relating to Boilers Act, Patent and Designs Act, Explosive Act and Companies Act.
- Registration of Joint Stock Companies, Firms, Societies.
- Store Purchase Department, purchase of stores and capital goods including stores for Government Presses and Public Works Department.
- The Provincial Advisory Panels for Industries and Minerals.
- Chambers and Associations of Commerce and Industry.

Audit Profile of Industries Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	44	01	427.00	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	04	N/A	N/A	N/A
3	Authorities/Autonomous bodies etc under PAO	08	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	1016.50	N/A

11.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2019-20 is given below:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
25-Industries	NC21	601,113,000	40	601,113,040	408,650,919	-192,462,121
29-Techincal Education and Man-power training	NC21	2,439,957,000	140	2,439,957,140	1,784,877,165	-655,079,975
Total		**3,041,070,000**	**180**	**3,041,070,180**	**2,193,528,084**	**-847,542,096**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Industries	NC22	555,995,000	0	369,894,000	369,779,034	-114,966
Industries	NC12	922,005,000	0	522,804,000	516,599,000	-6,205,000
Total		**1,478,000,000**	**0**	**892,698,000**	**886,378,034**	**-6,319,966**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	3,041.07	2,193.53	-847.54	-20.28
Development	892.698	886.378	-6.32	0.17
Total	**3,933.77**	**3,079.91**	**-853.86**	**-21.71**

It can be seen from the above variance analysis that the budgets could not be utilized and 21.71% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

11.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 377.740 million were raised in this report during the current audit of Industries Department. This amount also includes recoveries of Rs.88.554 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in millions

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	293.989
B	Procurement related irregularities	1.186
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	82.000
5	Others	0.565

11.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2001-02	Industries	08	06	-	02
2	2003-04	-do-	01	01	-	-
3	2009-10	-do-	04	01	-	03
4	2014-15	-do-	07	05	-	02

11.4 Issues in Industries, Commerce and Technical Education Department

During audit of Industries, Commerce and Technical Education department, it was noticed that receipts from registration and renewal fees are realized by the Directorate of Industries, but they are not timely and promptly deposited into the Government Treasury in contravention of the Treasury Rules. Furthermore, though the Department is entrusted with the registration of civil society organizations, Non-Governmental Organizations and Religious Seminaries, but the record of all the registered entities are not properly maintained. In turn, the collection of renewal fees becomes problematic as well. The Industrial Policy of 2016 envisaged establishing 18 Special Economic Zones and 09 industrial estates, but the progress on ground is abysmally slow and lukewarm. The University of Technical Education at Nowshera is still housed in a rented building with high cost of rent and repair. Instead of rented building, if efforts would have been made for land acquisition, a considerable amount would have been saved and utilized for construction of the subject building.

AP No 194, 195, 668, 669, 670, 672 & 687 (2017-18)

11.5 Audit Paras

11.5.1 Loss on account of purchase of laptops - Rs. 1.186 million Non-deduction of Stamp Duty, DPR Charges and Income Tax- Rs. 0.565 million

According to Para 6 (3-iv) of Chapter II of the Khyber Pakhtunkhwa Procurement Rules 2014, "the lowest offer from the qualified bidder shall be accepted for award of the contract and will be the best evaluated bid".

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company for the Financial Year 2017-18, it was observed that expenditure of Rs.9,930,160/- was paid to M/S Kontinental Establishment for supply of laptops. The verification of record revealed that the purchases were not made within the bid validity period of 30 days from the lowest bidder M/S Analytical Solution. The management failed to execute the contract agreement with the lowest bidder within the bid validity period of 30 days. The lowest

bidder did not agree for extension of bid validity period beyond 30 days and resultantly, the purchases were made from the higher bidder, which resulted into loss of Rs.1,186,000/-.

Furthermore, the Stamp Duty, DPR fund and Income Tax amounting to Rs. 565,000/-, were not deducted.

The loss occurred due to weak internal controls.

When pointed out in June 2019, it was stated that proper reply will be given after consulting the concerned section of the company.

In the DAC meeting held on 19-08-2020, it was decided that the Para stands for recovery.

Audit recommends implementation of the DAC decision.

AP No. 687 (2017-18)

11.5.2 Non-recovery of repair charges - Rs. 82.00 million

According to Para-03 of Government of Khyber Pakhtunkhwa Finance Department letter No.SO (DEV-IV/FD/28-63/2014-2015 dated 18-03-2015, the amount of Rs. 99.500 million proposed to be incurred on the repair of rented building shall be recovered/ recouped from the monthly rent of the owner.

During audit of the Vice Chancellor Shuhada-E-APS University of Technology Nowshera for the Financial Year 2018-19, it was observed that an expenditure of Rs. 82.00 million was incurred on repair and maintenance of rented building and rent of Rs 34,970,000 were paid till date of audit. However, no recovery had been made so far. This resulted in violation of the Finance department letter quoted above.

The lapse occurred due to weak internal controls.

When pointed out in February 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding DAC meeting vide letter dated 04-06-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 687 (2018-19)

11.5.3 Overpayment on account of pay and allowances to the Vice Chancellor – Rs. 4.561 million

According to Higher Education Commission (HEC) letter No.1-11/HEC/A&C/2014/6431 dated 13-11-2015, the revised salary of vice chancellors appointed through Search Committee Mechanism will be as follows:

Minimum	Increment	Maximum	20% vice Chancellor Allowance on basic pay
292,500	14,300	507,000	58,500

During audit of the Vice Chancellor Shuhada-E-APS University of Technology Nowshera for the financial year 2016-19, it was noticed that Mr. Qamar Ul Wahab was appointed as Vice Chancellor vide Higher Education, Archives and Libraries Department notification No. So (U-II)HE/3-4/2016/6922-30 dated 08-06-2017 and he took over the charge of his post on 09-06-2017 (F.N). As per standard pay package the Vice Chancellor was entitled to a maximum salary of Rs. 351,000/- per month. On further perusal of monthly payroll it was observed that an amount of Rs. 507,000/- (maximum of MP-II) was paid to Vice Chancellor on account of salary. Thus an amount of Rs. 4,561,440/- was overpaid to Qamar Ul Wahab on account of pay and allowances as per detail given below:

Monthly Pay Drawn	Monthly Pay Admissible	Difference	(Period) From	Period To	Total Months	Overpayment
507,000	292500x20 %= 351000	156,000	01-07-17	30-11-18	17	2,652,000
507,000	292500+143 00=306800x 20%=36816 0	138,840	1-12-18	30-11-19	12	1,666,080
507,000	321100x20 %= 385320	121,680	1-12-19	02-02-20	02	243,360
Total						**4,561,440**

The lapse occurred due to weak internal controls.

When pointed out in February 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding DAC meeting vide letter dated 04-06-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 684 (2018-19)

11.5.4 Overpayment on account of salary of the Chief Executive Officer- Rs. 1.428 million

According to the Agenda Item No. 2(a), the Board of Directors unanimously endorsed recommendations of the HR Committee and approval of appointing Mr. Saeed Ahmad with a salary of Rs. 1 million exclusive of taxes plus other benefits as per the Company's Policy.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company for the Financial Year 2017-18, it was observed that

Mr. Saeed Ahmad was appointed as Chief Executive Officer on 26-02-2018, with a salary of Rs. 1 million per month, exclusive of all taxes and other benefits, but verification of payroll for the month of April 2018 revealed that the CEO was paid a net monthly salary of Rs. 1,095,219/- after deduction of taxes, which resulted into overpayment of Rs. 95,219/- per month. The total overpayment since March 2018 to May 2019 was Rs. 1,428,285/- (Rs. 95,219 X 15 months).

Furthermore, the concerned staff was repeatedly asked through written and verbal requests for production of the personal file of the CEO, which was not produced. So, the terms & conditions of his appointment could not be verified.

The overpayment occurred due to non-observance of directives of the BOD and weak internal controls.

When pointed out in June 2019, it was stated that proper reply will be given after consulting the concerned section of the company.

In the DAC meeting held on 19-08-2020, it was decided that the Para stands for recovery of Rs. 1.428 million or any justification duly endorsed by the Finance Department KP.

Audit recommends implementation of the DAC decision.

AP No. 696 (2017-18)

11.5.5 Irregular payment on account of staff salaries- Rs. 288.000 million

According to Para 1.7 of the HR Policy Manual, the aptitude test will be conducted for the hiring of Executives and Officers in order to test the intellectual abilities of the applicants. The test will be conducted in-house or by testing agencies such as NTS, ETEA, PTS etc. as approved by the Competent Authority, in a time restricted environment either at the Company premises or at any testing center. Read with article 62 (ii) of the Memorandum of Association, the CEO shall be responsible to prescribe duties of all employees and staff of the Company.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company the Financial Year 2017-18, it was observed that 327 different categories of posts were filled by the company management from open market in the last three years, for which the company is paying a monthly salary upto Rs 24 million. Audit observed the following shortcomings;

- Approval for the creation of posts and terms & conditions of services from the BOD was not obtained.
- No aptitude test by testing agencies such as NTS, ETEA, PTS etc. was conducted for hiring of the Executives and Officers.

The lapse occurred due to weak internal controls.

When pointed out in June 2019, it was stated that proper reply would be given after consulting the concerned section of the company.

In the DAC meeting held on 19-08-2020, it was decided that the Para stands for PAC.

Audit recommends inquiry and fixing responsibility.

AP No. 686 (2017-18)

Chapter – 12

INFORMATION AND PUBLIC RELATIONS DEPARTMENT

12.1 A) Introduction

Under the Government of Khyber Pakhtunkhwa Rule of Business the department has been assigned the business of:

- ❖ Policy relating to internal publicity on provincial matters
- ❖ Broadcasting
- ❖ Press releases of the provincial government

Audit Profile of Information and Public Relations Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	03	01	181.740	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	36	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

12.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; (Rs.) in million

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
31-Information and PR	NC21	553,309,000	30	553,309,030	353,885,391	-199,423,639
Total		**553,309,000**	**30**	**553,309,030**	**353,885,391**	**-199,423,639**

Development; (Rs.) in million

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Information and PR	**NC22**	75,285,000	0	113970	113970	**0**
50-Information and PR	NC12	80,715,000	0	2,537,825	2,537,825	0
Total		**156,000,000**	**0**	**2,651,795**	**2,651,795**	**0**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)	Variance %
Non-Development	553.309	353.885	-199.423	-36.04
Development	2.651	2.651	0	0
Total	**555.96**	**356.54**	**-199.42**	**-35.87**

It can be seen from the above variance analysis that the budgets could not be utilized and 35.87 % of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public

interest and hence many of the planned activities could not have been achieved.

12.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 21.310 million were raised in this report during the current audit of Information Department. This amount also includes recoveries of Rs. 21.310 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in millions

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	21.310

12.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
01	Nil	Information	-	-	-	-

12.4 Issues in Information and Public Relations Department

It was observed during audit of the DG Information and Public Relations that a huge sum in lieu of advertisement charges is outstanding against various departments of KP government. As prescribed by KP advertisement policy 2018, no concrete steps were taken to recover the outstanding dues from various departments in order to be paid to the concerned newspapers. The department also does not regularly carry out reconciliation with AG KP.

12.5 Audit Paras

12.5.1 Loss due to non-deduction of Sales Tax on Services from newspapers & advertising agencies -Rs. 21.310 million

According Sr. No. 6 of the Second Schedule of Finance Act 2013, as amended vides KP Finance Act 2019; Sales Tax on Advertisement on TV, Radio etc. is chargeable at the rate of 10%. In case of advertisement on or through print media of all types and forms, tax shall be charged at the rate of five percent (5%), without any input tax adjustment.

During audit of the Director General Information & Public Relations KP Peshawar for the Financial Year 2019-20, it was observed that payments on account of advertisement charges were made to various newspapers and advertising agencies. However, Sales Tax on Services (in most of the cases) amounting to Rs. 21,310,513/- was not deducted. It is pertinent to mention here that the Khyber Pakhtunkhwa Revenue Authority, in reply to a letter of the Information Directorate, clarified vide letter No. 7(2)/KPRA/Clarification/ 2019/7015-18 dated 25-07-2019 that Sales Tax on Advertisement from newspapers and advertising agencies is recoverable at the rate of 5% and 10% respectively. However, despite this clarification, Sales Tax was not deducted from the newspapers and advertising agencies.

The loss occurred due to non-observance of rules and regulations.

When pointed out in August 2020, the department did not furnish properly reply.

In the DAC meeting held on 16-11-2020, it was decided that complete recovery of Sales Tax on Services amounting to **Rs. 21,310,513/-** should be made from the concerned newspapers.

Audit recommends complete recovery from the newspapers concerned**.**

AP No. 10 (2019-20)

Chapter – 13

IRRIGATION DEPARTMENT

13.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Implementation of irrigation policies
- ❖ Maintenance of irrigation channels
- ❖ Construction of small dams
- ❖ Maintenance of small dams

Audit Profile of Irrigation Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	41	11	5807.700	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	N/A	Nil
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	3048.130	N/A

13.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
24-Irrigation	NC21	4,599,518,000	378,267,000	4,977,785,000	4,335,851,353	-641,933,647
Total		**4,599,518,000**	**378,267,000**	**4,977,785,000**	**4,335,851,353**	**-641,933,647**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
55-Construction of irrigation works	NC12 & 22	10,350,000,000	1,884,858,000	11,295,515,000	11,289,692,001	-5,822,999
Total		**10,350,000,000**	**1,884,858,000**	**11,295,515,000**	**11,289,692,001**	**-5,822,999**

Overview of expenditure against the final grant; **(Rs. in millions)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)	Variance %
Non-Development	4,977.79	4,335.85	-641.93	-12.90
Development	11,295.52	11,289.69	-5.82	-0.05
Total	**16,273.30**	**15,625.54**	**-647.76**	**-3.98**

It can be seen from the above variance analysis that the budgets could not be utilized and 3.98% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

13.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 3815.605 million were raised in this report during the current audit of Irrigation Department. This amount also includes recoveries of Rs. 32.114 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	3434.535
2	Reported cases of fraud, embezzlement and misappropriation	3.000
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	13.323
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	241.568
5	Others	123.179

13.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2011-12	Irrigation	18	06	-	12
2.	2012-13	-do-	10	07	-	03
3.	2013-14	-do-	14	10	-	04
4.	2014-15	-do-	07	03	-	04
5.	2015-16	-do-	23	16	-	07

13.4 Issues in Irrigation Department:

During audit it was observed that the canal command area and the accompanying revenue of the Department have been on a downward trajectory despite massive spending on development projects. The department also does not comply with the basic rules of the contract award. As a consequence of poor contract management, there has been considerable cost and time over run in different development schemes across the province. Again like C&W, the Technical Sanctions for development schemes are prepared at belated stage to cover up the variations in cost, specifications and estimates. As a matter of policy, the Technical Sanctions must be awarded before the commencement of work.

AP No. 09, 12, 14 & 20 (2019-20)
AP No. 69, 94, 101, 114, 119, 132, 139, 142, 161, 165 & 174 (2018-19)

13.5 Audit Paras

13.5.1 Non production of record of completed/ ongoing schemes- Rs. 3434.535 Million

According to Para-17 of GFR Vol.I read with Section-14 of the Auditor-General's Ordinance-2001, all the auditable record should be produced to audit. No such information nor any books or other documents to which the audit has a statutory right of access, may be withheld from the Director General audit.

During audit of the Chief Executive FATA Development Authority Hayatabad Peshawar for the Financial Year 2018-20, it was observed that the auditable record relating to completed/ongoing schemes of various Distt:/Sub-Divisions of merged area were demanded by audit through requisition dated 5.8.20 followed by specific detail requisition dated 25.8.20 addressed to the Project Director Small Dam Irrigation Deptt: which was endorsed to the concerned staff for production of requisitioned record, but after a lapse of considerable time period, the record of the completed/ongoing schemes with a total worth of Rs.3434.535 million was not produced.

The lapse occurred due to weak internal controls.

When pointed in September 2020, the department replied that the audit observations were sent to Small Dam Sector for preliminary replies vide letter dated 16.09.2020, but no reply was given.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 35 (2018-20)

13.5.2 Wastage of funds on uncompleted scheme – Rs.16.916 million

According to clause 7.1 & 12.1 of the contract agreement for the "Restoration of collapsed irrigation system in Yousaf Khel Area in PK-10", "The contractor shall commence the works on the commencement date and shall proceed expeditiously and without delay and shall complete the works within the stipulated time.

During audit of the Executive Engineer Warsak Canal Irrigation Division Peshawar for Financial Year 2018-2019, it was observed that the contract for the restoration of collapsed irrigation system in Yousaf Khel Area PK-10 was awarded to the contractor on 18-01-2017. An upto date payment of Rs.16,915,704/- has been made to the contractor. In this regard, the following observations have been raised:

1 After the lapse of 2 years and 5 months, the contractor executed only one item of work and eight items of works were not yet taken up.
2 The contractor executed abnormal quantity 63389.25 M3 of the single executed item i.e. earthwork by mechanical means in drains and irrigation channels in dry soil, against the estimates/BOQ provision of 26054.47 M3.
3 The total cost of the scheme inclusive of the nine (09) items of work was Rs.19,433,700/- while the contractor has been paid Rs.17,086,570/- for executing a single item of work. The total BOQ provision for earthwork was Rs.7,022,982/- whereas Rs.17,086,570/- was paid to contractor which resulted in excess payment of Rs.10,063,588/-

The lapse occurred due to weak internal controls.

When pointed out, the department stated that the detailed reply will be submitted after verification of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 07-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 86 (2018-19)

13.5.3 Non-recovery of liquidated damages from the contractors- Rs. 17.006 million

According to S.No.6(a) of Appendix-A to Bid (Special Stipulations) Condition of Contract, Rs.0.05 million for each day of delay in completion of the works subject to a maximum of 10% of contract price should be deducted.

During audit of the Chief Executive FATA Development Authority Hayatabad Peshawar for the Financial Year 2018-20, it was observed that the construction works of various irrigation and Water Supply Schemes were awarded to the contractors to be completed within the stipulated time period as provided in the relevant work orders. However, no penalty as per contract agreement was imposed despite the failure of contractor to complete the work in the given time, which resulted into non recovery of liquidated damages of Rs.17.006 million.

The lapse occurred due to weak internal controls.

When pointed in September 2020, the department replied that the audit observations were sent to Small Dam Sector for preliminary replies vide letter dated 16.09.2020, but no reply was given till the last date of audit.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 23, 27, 30 & 31 (2018-20)

13.5.4 Overpayment to consultants – Rs.19.624 million

According to the contract agreement executed with MS Engineering Consultancy Services for the consultancy supervision cost of the scheme construction of six (06) number sub-works clause 2.7-Force Majeure read with 6.1-cost estimates, ceiling amount, 6.4 (b), 4.3-approval of personnel “Payment under this contract shall not exceed the ceiling in Appendix-E i.e. Rs.38.00

million. Force majeure shall not include insufficiency of funds or failure to make any payment required hereunder. The remuneration/ indirect salary costs shall be payable on submission of monthly invoices reflecting the presence of key personal/ other staff. The key personnel and sub consultants listed by title as well as by name in Appendix C are deemed to be approved by the client. No change shall be made in key personnel"

During audit of the Executive Engineer Warsak Canal Irrigation Division Peshawar for Financial Year 2018-2019, it was observed that the consultancy contract for the design & construction supervision of six (06) sub-works was awarded to MS Engineering Consultancy Services at the bid cost of Rs.34,200,002/- The consultants have been paid an amount of Rs.53,232,322/- till 63rd invoice till the month of June 2019 resulting in overpayment of Rs.19,047,320/- over the contractual cost. Furthermore, assets worth Rs.577,525/- (329525+248000) provided to the consultants during the Design phase, were not recovered from the consultants but despite the completion of supervision phase, they have not yet been recovered.

The lapse occurred due to violation of contract agreement.

When pointed out, the department stated by the management that the detailed reply will be submitted after verification of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 07-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 83 (2018-19)

13.5.5 Overpayment on account of Escalation due to non-freezing of current rates– Rs.10.04 million

According to the Standard Procedure and formula for price adjustment March 2009 edition of Pakistan Engineering Council, "The Price adjustment shall be applicable as payable in full for the original scheduled completion period. In

the event the completion of contract exceeds the original scheduled period, in case of default on the part of the contractor causing delay in original scheduled completion, the rate of price adjustment will be frozen at the original scheduled date of completion.

During audit of the Executive Engineer Warsak Canal Irrigation Division Peshawar for Financial Year 2018-2019, it was observed that the contract for the construction of canal patrol road along Warsak Gravity Canal on the right side from ring road to Kohat road was awarded to contractor at the bid cost of Rs.172,539,084/- with the contract period of 18 months which was extended till 30-06-2018. The final bill includes escalation payment of Rs.2,848,989/-, however, rates of price adjustment were not frozen neither at the expiry of the original scheduled date of completion i.e. 20.09.2016 nor at the expiry of the approved extended period i.e. 30-06-2018. This resulted in overpayment of Rs.10,044,118.

The lapse occurred due to violation of rules.

When pointed out, the department stated that the detailed reply will be submitted after verification of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 07-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 85 (2018-19)

13.5.6 Overpayment to contractor on account of Geo Technical investigation – Rs.1.00 million

According to clause 5.1 and 36.3 of the contract agreement executed with the contractors "The cost of making any test shall be borne by the contractor if such test is clearly intended by or provided for in the contract or particularized in the contract (in cases only for a test under load or of a test to ascertain whether the design of any finished or partially finished work is appropriate for

the purposes which it was intended to fulfill) in sufficient detail to enable the contractor to price or allow for the same in his tender. The bidders shall bear all costs associated with the preparation and submission of their respective bids and the employer will in no case be responsible or liable for those costs regardless of the conduct or outcome of the bidding process"

During audit of the Executive Engineer Irrigation Division Charsadda, for Financial Year 2018-2019, it was observed that the contract for the construction of bridge on Jindi River, Hameed Mian Dheri Turangzai was awarded to the contractor. Scrutiny of the 6th running bill revealed that Rs.500,000/- was paid on account of Geo Technical investigation, design and preparation of construction design etc. The payment was not admissible in light of the above quoted clause of contract agreement.

Similarly, Rs.500,000/- was paid to MS J&B construction company on account GEO technical investigation under the scheme construction of bridge on Nawa Dand Khawar on main lower Swat canal, which was not admissible to the contractor.

Hence, an amount of Rs.1,000,000 (500000 + 500000) was overpaid.
The lapse occurred due to weak internal controls.

When pointed out in December 2019, the department stated that the detailed reply will be submitted after scrutiny of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 04-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 60 (2018-19)

13.5.7 Unauthorized enhancement of consultancy - Rs.1.957 million Non imposition of penalty –Rs 0.279 million

According to the Technical Sanction of the work improvement of canal patrol road in Gujjar Garhi Sari Behlol, provision for the consultancy of Design,

Review and Construction Supervision was Rs.2,810,000/- i.e. 3% of the project cost (Fixed cost consultancy).

During audit of the Executive Engineer Mardan Irrigation Division Mardan for Financial Year 2018-2019, it was observed that the consultancy contract for Design, Review and Construction supervision of the canal patrol road in Gujjar Garhi Sari Behlol was awarded to MS SAK Consultants Peshawar. An upto date payment of Rs.2,531,855/- has been made to the consultant. Scrutiny of the contract agreement, Technical Sanction and other relevant documents revealed the following:

1 The provision for consultancy charges was fixed for Rs.2,794,000/- i.e. @ 3% of the contract cost as per Technical Sanction. The consultancy contract was revised from Rs.2,794,000/- to Rs.4,751,300/- by changing its status from fixed consultancy to man-month consultancy, which was in violation of Technical Sanction.

2 The work order to contractor MS Bacha Wali was issued on 08.02.2016. While work order to consultant for Design, Review and Construction Supervision was issued on 11.08.2017. Design and review activities are initiated prior to construction work, while in the instant case, design & review activities were assigned to consultants one and half year after commencement of civil work by the contractor.

3 The work to contractor was assigned at the contract cost of Rs.140,301,349/- and was due for completion till June 2017. The contractor executed the work done of Rs.94,520,991/- till 13th running bill paid vide voucher No. 61M/23.04.2019 without change in the scope of work. The cost of contract for consultancy was enhanced by Rs.4,751,300/-

4 The scheme which was due for completion till June 2017 could not be completed till June 2019. The consultants could not ensure completion within stipulated time nor communicated any reasons for such abnormal delay. However, a penalty of Rs 279,000 was not imposed on the firm.

The lapse occurred due to extending favor towards the consultants.

When pointed out in January 2020, the department stated that payments to the consultant were made according to the TORs.

The reply of the management was not convincing, as the change of fixed consultancy to man month was unauthorized.

Audit requested the department for holding the DAC meeting vide letter dated 10-03-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility.

AP No. 106 (2018-19)

13.5.8 Less deduction of Income Tax-Rs.6.386 million

According to Income Tax Ordinance, 2001, income Tax @ Rs.7.50% shall be deducted from the suppliers/contractors at the time of payment.

During audit of the Executive Engineer Warsak Canal Irrigation Division Peshawar, for Financial Year 2018-2019, it was observed that an expenditure of Rs. 409,075,648/- on (ADP schemes) and Rs.30,000,000/- on (M&R) schemes totaling to Rs.439,075,648/- were incurred during Financial Year 2018-19 (Detail attached).

Income Tax @7.5% amounting to Rs.32,930,974/- (Rs.439,075,648 x 7.5%) was required to have been deposited into government treasury however, Rs.26,544,529/- was shown deducted from the bills of the contractors/consultants as evident from Form-46 for the month of June 2019. This resulted in less deduction of Rs.6,386,145/-

The lapse occurred due to violation of provision of Income Tax ordinance, 2001.

When pointed out, the department stated that the detailed reply will be submitted after verification of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 07-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery of income tax amount.

AP No. 96 (2018-19)

13.5.9 Non-obtaining Performance securities-Rs.5.955 million Non-forfeiture of bid security-Rs.1.488 million

According to clause 32.1 read with 32.2 of the standard Bidding documents/contract agreement, the successful bidder shall furnish to the Procuring Entity a Performance Security in the form and the amount stipulated in the Bidding Data and the Conditions of Contract plus additional security for unbalanced bids in accordance with Clause IB.28.4 within a period of 28 days after the receipt of Letter of Acceptance and failure of the successful bidder to comply with the requirements of Sub Clause IB.32.1 or Clauses IB.33 or IB.35 shall constitute sufficient grounds for the annulment of the award and forfeiture of the Bid Security. As per clause 10.1 ibid, the Performance Security shall be of an amount equal to 10% of the Contract Price stated in the Letter of Acceptance.

During audit of the Executive Engineer Warsak Canal Irrigation Division Peshawar, for Financial Year 2018-2019, it was observed that performance securities valuing Rs.5.955 million were not received from contractors of various works.

Audit held that non-obtaining of the performance securities before signing the contract agreement would put government's interests at stake at the event of default of the contractor. Hence, bid securities of Rs 1.4888 million were required to have been forfeited.

The lapse occurred due to violation of provisions of contract agreement.

When pointed out, the department stated that the detailed reply will be submitted after verification of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 07-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 95 (2018-19)

13.5.10 Loss to government due to manipulation in contractor's BOQ - Rs. 3.00 million.

According to Para-209 (d) of CPWA Code, all payments for work or supplies are based on the quantities recorded in the measurement book; it is incumbent upon the person taking the measurement to record the quantities clearly and accurately.

During audit of the Chief Executive FATA Development Authority Hayatabad Peshawar for the Financial Years 2018-20, it was observed that the construction of Shakas Irrigation & Water Supply Scheme, Bajaur Agency was awarded to M/s Mehboob Khan Wazir Govt. Contractor under "Small Dam" Sector at item rate basis at a cost of Rs.53.0478 million, vide work order No.410-415/Small Irrigation Scheme, Shakas (SD) FDA, dated 20.4.2017 and paid Rs.57, 663,468/- vide cheque No.2002756, dated 22.6.20 (final bill).

On further verification the BOQ of M/s Muhammad Riaz& Brothers was manipulated from actual quoted rate of Rs.50,047,800/- to Rs5,3047,800 resulting into a loss of Rs 3.00 million.

The lapse occurred due to weak internal controls.

When pointed in September 2020, the department replied that the audit observations were sent to Small Dam Sector for preliminary replies vide letter dated 16.09.2020, but no reply was given.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing reasonability.

AP No. 25 (2018-20)

13.5.11 Wasteful expenditure on un-feasible weir and irrigation channel - Rs. 107.431 million

According to Para-209 (d) of CPWA Code, all payments for work or supplies are based on the quantities recorded in the measurement book; it is incumbent upon the person taking the measurement to record the quantities clearly and accurately.

During audit of the Chief Executive FATA Development Authority Hayatabad Peshawar for the Financial Years 2018-20, it was observed that the construction of Haji Dhand, Weir &Irrigation channel, Khyber Agency was awarded to M/S Ittehad& Co Government Contractor under "Small Dam" Sector at item rate basis at a cost of Rs.117.849 (M) vide work order No.1389-94/Haji-Dhand (SD) FDA, dated 2.9.2016 and paidRs.107, 431,212/- vide cheque No.357556, dated 26.6.18 (up to 7th R/ bill).

The TS of the above Scheme was 1st revised at a cost of Rs.128.973 (M), 2nd revised at a cost of Rs.129.298 million, but again 3rd time revised (Reduced the TS cost) up to 119.876 (M) just to cover up the actual work done of the contractor and the work was closed at the present status. Time extension was granted only for the clearance of contractor's liability duly approved on 13.06.19 (copies of note-part enclosed for ready reference) but no penalty was imposed.

The above scheme was physically got verified on 12.9.2020 and the following short-comings were noticed:-

1. The weir and irrigation channel was constructed far-deep on un-feasible site due to which not a single piece of land was irrigated till date from the scheme as physically got verified.
2. The protection walls both back side were eroded due to usage of sub-standard material (Picture enclosed).

3. The consumption of 71.526 ton steel grade-60 was not got confirmed as per record entries at page-99 to 102 of MB No.80 at site.
4. The water channel on both sides downstream was filled from silt, blocked and even broken at various RDs (Picture enclosed).
5. The stone filling in G.I wire in G.I wire netting was also broken and loose stones were dumped (Pictures enclosed).

The lapse occurred due to weak internal controls.

When pointed in September 2020, the department replied that the audit observations were sent to Small Dam Sector for preliminary replies vide letter dated 16.09.2020, but no reply was given.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends a high level inquiry by deputing an impartial technical team for detail investigation of all irrigation schemes executed by defunct FDA.

AP No. 20 (2018-20)

13.5.12 Non-imposition of liquidated damages on incomplete scheme – Rs.7.405 million

According to the terms & condition No. H (5)-Contract Data of the contract agreements "The condition of contract contain no overall limit on the contractor's liability. The amount of liquidated damages per day of delay shall be entered by the Engineer/ Procuring entity.

During audit of the Executive Engineer Mardan Irrigation Division Mardan for Financial Year 2018-2019, it was observed that the following works were awarded to various contractors. The contractors could not complete the works within the stipulated period. However, the department did not impose penalty. This resulted in non-recovery of the liquidated damages Rs.7,405,300/- as tabulated below:

Scheme	Contractor	Work order date	E/Cost/ Bid cost	Vr. No. & Date	Penalty @10%
Improvement of road along Murdara drain on the L/S U/S of Mardan road crossing	Sher Ali	16.11.15	14,120,000	87M/ 26.06.19	1,412,000
Imp: / Lining of Rashakai minor RD 10000 to tail etc	Waheed Khan	09.01.17	25,775,000	10M/ 10.01.19	2,577,500
Imp:/ Lining of Rashakai minor head to RD 10000 etc	Sahibzada Engineer	09.01.17	34,158,000	8M/ 10.01.19	3,415,800
Total					**7,405,300**

The lapse occurred due to non-enforcement of the contract agreement provision.

When pointed out in January 2020, the department stated that the work was taken in hand by the contractors after completing the codal formalities and completed the work well in time but due to financial constraint, the accrued liabilities could not be liquidated.

Reply of the department is not correct as documentary evidence in support of the reply was not produced.

Audit requested the department for holding of the DAC meeting vide letter dated 10-03-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends imposition of liquidated damages on the delayed schemes.

AP No. 97 (2018-19)

13.5.13 Unauthorized subletting of contract by a contractor – Rs.13.323 million

According to the contract agreement executed with MS Gulzar Ali for the up-gradation/ rehabilitation of canal patrol road along Nowshera minor (Nazir

Khan killi) to M1 Motorway, clause 4.3 provides "The contractor shall not subcontract the whole of the works. The contractor shall not subcontract any part of the works without the consent of the procuring entity"

During audit of the Executive Engineer Mardan Irrigation Division Mardan for Financial Year 2018-2019, it was observed that the contract for the up-gradation/ rehabilitation of canal patrol road along Nowshera minor (Nazir Khan killi) to M1 Motorway was awarded to MS Gulzar Ali at the bid cost of Rs.13,323,000. Scrutiny of the record revealed that upto date payment of Rs.7,151,996/- has been made to the MS Nauman Mustafa instead of MS Gulzar Ali, till 6th running bill vide voucher 22M/08.04.2019, which shows that the contractor subleted the work without the consent of the department. Hence, the payment of Rs.7,151,996/- due to subletting of the work was unauthorized.

The lapse occurred due to violation of contract agreement.

When pointed out in January 2020, the department stated that the contractor MS Gulzar Ali had issued attorney in the name of Numan Mustafa in the said work and was also approved by the Executive Engineer.

Reply of the department was not correct as in case of issuing attorney by a contractor to another contractor, the attorney holder contractor is authorized to represent the original contractor by submitting his bills/claims and collect cheques from the department on his behalf. While in the instant case, even cheques have been issued in the name of MS Nauman Mustafa instead of Gulzar Ali.

Audit requested the department for holding of the DAC meeting vide letter dated 10-03-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 100 (2018-19)

13.5.14 Unjustified award of contract due to non-retendering of the additional work – Rs.170.113 million

According to the KPPPRA Rules 2014, clause 18 (c) (v) provide that "subject to the conditions of contract, a procuring entity may insure a variation order to a contractor to include works which were outside the original scope of works to ensure interest of government and for reasons of economy, compatibility and efficiency provided that the value of the variation order is not more than fifteen percent of the original contract"

During audit of the Executive Engineer Irrigation Division Charsadda, for Financial Year 2018-2019, it was noticed that the contract for the construction of road on right side along distry No. 6 from Charsadda Takht Bhai road crossing to motorway interchange was awarded to the contractor at the bid cost of Rs.211,247,542/- the scope of work was enhanced to Rs.381,759,542/- (81% i.e. Rs 170,512,000). But the scheme was not retendered which was 81% above the original contract.

The lapse occurred due to violation of the rules/ regulations.

When pointed out in December 2019, the department stated that the detailed reply will be submitted after scrutiny of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 04-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter for fixing responsibility.

AP No. 59 (2018-19)

Chapter -14

LOCAL GOVERNMENT ELECTION & RURAL DEVELOPMENT DEPARTMENT

14.1A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Promotion of local government institutions
- Planning and coordination amongst district governments, TMAs and Union Councils
- Liaison with community development organizations
- Supervision of Rural development program

Audit Profile of Local Govt. Election & Rural Dev: Department

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	03	02	10679.250	N/A
2	• Assignment Account • SDA • Etc	04	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	01	3549.000	N/A
4	Foreign Aided Projects (FAP)	01	Nil	Non production	N/A

14.1B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
17-Local Government	NC21	5,051,991,000	859566000	5,911,557,000	4,543,674,275	-1,367,882,725
Total		**5,051,991,000**	**859,566,000**	**5,911,557,000**	**4,543,674,275**	**-1,367,882,725**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Local Government	NC22	182,360,000	0	93,184,000	93,372,528	188528
Total		**182,360,000**	**0**	**93,184,000**	**93,372,528**	**188,528**

Overview of expenditure against the final grant (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	5911.557	4543.674	-1367.883	-23.139
Development	93.184	93.373	0.189	0.202
Total	**6,004.74**	**4,637.05**	**-1,367.69**	**-22.78**

It can be seen from the above variance analysis that the budgets could not be utilized and 22.78 % of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

14.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 58.364 million were raised in this report during the current audit of Local Government Department. This amount also includes recoveries of Rs. 45.993 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	6.371
C	Management of Accounts with Commercial Banks	3.200
4	Value for money and service delivery issues	17.398
5	Others	31.395

14.3 Brief comments on the status of compliance with PAC directives:-

S No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2008-09	Local Government	4	1	-	3
2.	2009-10	-do-	2	1	-	1
3.	2010-11	-do-	20	2	-	18
4.	2011-12	-do-	9	2	-	7
5.	2012-13	-do-	6	1	-	5

14.4 Issues in Local Government, Election and Rural Development Department

During Audit of DG Peshawar Development Authority, it was observed that an expenditure of Rs.2,347,360,449/- was incurred against the actual receipts of Rs.2,180,458,506/- but till date no annual statement of account, profit and loss, and audited balance sheet was prepared by the authority as required under Section 29 of PDA Act -2017. Therefore, the expenditure including opening balance, receipts and expenditure along with closing balance remained unverified and unauthentic.

The Accounting Manual of Peshawar Development Authority is obsolete which has certain loopholes. It results in non-transparent and incorrect reflection of accounting figures. Therefore, it is recommended that the Authority has to formulate new Accounting Rules for their accounting procedures and get it vetted from the provincial government as well as Controller General of Accounts.

As per requirement of the Local Government Act 2013,it was required that Local Government Department should have operationalized Tehsil Accounts Offices and accounts of councils and TMAs submitted on monthly basis to Government but it was not operationalized and the accounts were not submitted to AG KP and Government of KP.

It was also observed that despite the availability of funds, 43 projects were not completed. Furthermore, no appropriation work register for each sub-work carried out under the projects, ADPs and Self Finance Schemes was maintained so as to ascertain the actual allocated budget and expenditure thereto during the previous as well current financial year.

The physical and financial positions of each sub-work as shown in the progress report did not match with the actual progress and expenditure.

Audit Objectives (2019-20)

14.5 Audit Paras

14.5.1 Loss due to missing of plants- Rs. 2.803 million

According to the Deputy Director Horticulture (PDA) letter No. 245-247 dated 17-10-2019, the contractor was intimated to provide the missing plants.

During audit of the DG Peshawar Development Authority for the Financial Year 2018-19, it was observed that the work "beautification and uplift of municipal area from Pabbi to Jehangira" was awarded to M/S Haji Fida Muhammad. However, upon inspection by the Horticulture Cell PDA, it was revealed that plants valuing Rs. 2,803,345/- were found missing.

The lapse occurred due to weak internal controls.

When pointed out in January 2020, no reply was furnished.

In the DAC meeting held on 19.01.2021, the management replied that the contractor has brought the missing plants to the site, but audit stressed on detail

verification of missing plants. However, no such verification was provided to audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No.143 (2018-19)

14.5.2 Non-recovery of outstanding dues on account of rent & surcharge- Rs. 17.634 million

According to Section-6(q) Chapter-III Power & Function of the PDA Act-2017, that to recover all arrears of taxes, rents and other moneys, within the authority area, claimable by it as arrears of land revenue.

During audit of the Director General Peshawar Development Authority Peshawar for the Financial Year 2019-20, it was observed that various shops were rented out for 10 and 33 years, but on verification of record, it was disclosed that a sum of Rs. 17,963,468/- was still outstanding on account of rent and surcharge.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department furnished no reply.

In the DAC meeting held on 19.01.2021, the management replied that there are some issues in the recovery of rent and surcharge and it will be recovered. DAC observed that no strenuous efforts were made for the recovery of government money and directed to recover the amount immediately. However, no recovery was reported till finalization of this report.

Audit recommends implementation of DAC decision

AP No. 147 (2019-20)

14.5.3 Non-recovery of advances from the community based organizations - Rs. 17.398 million

According to Section 1.2 of the Contract Agreement signed between the Community Based Organizations (CBO) and DC Dir Lower, the CBO will complete the scheme within 18 months. In case the CBO is not operating to complete the scheme, the Govt. will take action for recovery of the paid amount vide Section-4 sub section (h).

During audit of the Community Driven Local Development Timergara for the Financial Year 2018-19, it was observed that 22 CBOs were granted advance payment of Rs. 15,987,542/- for various schemes/ projects. They failed to complete these schemes in time. A number of letters were issued to them for completion of their schemes, but they did not respond. Similarly, the advance payment of Rs. 1,409,874/- was made to those CBOs but despite their failure recovery of the advance payment was not made.

The lapse occurred due to violation of contract agreement.

When pointed out in December 2019, the department stated that the observation will be responded after receipt of reply from the concerned staff.

In the DAC meeting held on 19.01.2021, the management replied for AP No. 87 that 22 schemes were suspended due to technical issues. Now the schemes have been closed, hence, the Para is marked for verification of record. As for as AP No 88 is concerned, the department assured that the progress of recovery will be intimated to audit. However, no recovery has been intimated till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 87& 88 (2018-19)

14.5.4 Non-recovery of outstanding dues on account of water charges - Rs. 7.888 million

According to Para 08 of GFR Vol-I, it is the duty of administrative officer to see that the dues of government are correctly and promptly assessed, collected and paid into the treasury.

During audit of the DG Peshawar Development Authority for the Financial Year 2018-19, it was observed that Rs. 7,888,159/- were outstanding against the consumers of Hayatabad Township on account of water charges.

The lapse occurred due to weak internal controls.

When pointed out in January 2020, no reply was furnished.

In the DAC meeting held on 19.01.2021, the management replied that efforts will be made for recovery of outstanding dues by issuing notices and disconnection of services. However, no progress was intimated till finalization of this report.

Audit recommends implementation of DAC decision.

AP No.164 (2018-19)

14.5.5 Non-recovery of outstanding dues along with fine on rent from the tenants – Rs. 3.070 million

According to Section 7 of the PDA Act 2017, the authority shall collect fines and fees for the penalty it imposes or the services it provides. The Authority may, subject to prior publication in the official Gazette, collect a user charge or a fee or payment in respect of services or facilities extended or made available by the Authority to the public, including fee or charges on account of conservancy, maintenance of public parks, green belts and green areas or facilities within the Authority areas.

During audit of the DG Peshawar Development Authority for the Financial Year 2018-19, it was observed that Rs. 3,070,000/- were outstanding against

the tenants of shops, but neither the monthly rent nor the penalty was recovered.

The lapse occurred due to weak internal controls.

When pointed out in January 2020, no reply was furnished.

In the DAC meeting held on 19.01.2021, the management requested to provide break up of outstanding amount pointed out by audit, which was provided. However, no recovery has been intimated till finalization of this report.

Audit recommends recovery.

AP No. 165 (2018-19)

14.5.6 Loss to government due to non-transparent award of contract - Rs. 38.664 million resulting into loss of - Rs. 3.651 million

According to KPPPRA 6 (2, b) and 6 (3,IV);

1. Single stage, two envelops procedure. --this method shall be used where bids are to be evaluated on technical and financial grounds and price is taken into account after technical evaluation. Bid shall comprise a single package containing separate envelopes. Each envelope shall contain separately the financial proposal and technical proposal;
2. The lowest offer from the qualified bidder shall be accepted for award of the contract and will be the best evaluated bid.

During audit of the DG Peshawar Development Authority for the Financial Year 2018-19, it was observed two firms submitted technical and financial bid for the work "Rehabilitation/Improvement of Roads in PK-05". However, the rate offered by M/S Nasr Ullah Jan Inam Ullah Khan & Co. Pvt. Ltd (NIC) at 10% below was rejected on the plea that overwriting was done in BOQ. Audit further observed that the overwriting and signature recorded in the BOQ do not match with the signature of the contractor. Thus, award of contract to M/S Probuilt Construction Company at 02% above resulted into a loss of Rs. 3,651,292/- on one hand and cost apprehension on the tendering process on the other.

The lapse occurred due to weak internal controls.

When pointed out in January 2020, no reply was furnished.

In the DAC meeting held on 19.01.2021, the management replied that over writing on the BOQ/ tender form has been done by the contractor and the overwriting was attested. Moreover, the contractor voluntarily reduced the rate from 02 % above to 01% below on their office letter dated 20.09.2017. However, audit did not agree with the justification provided by the department and the forum directed the Authority to investigate the matter through a fact finding inquiry. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC decision

AP No.125 (2018-19)

14.5.7 Loss to the Authority due non-investing of funds in the high profit bank - Rs. 3.200 million

According to the proposals submitted by different banks for TDR investment, Habib Bank Limited offered the highest rate of 7.20%.

During audit of the DG Peshawar Development Authority for the Financial Year 2018-19, it was observed that in contrary to above an amount of Rs 800 million was invested @ 6.80% at National Bank of Pakistan, resulting into a loss of Rs. 3,200,000/- (7.20-6.80= 0.40/100 x 800) by ignoring the higher interest rate of Habib Bank Limited.

The loss occurred due to violation of rules and regulations.

When pointed out in January 2020, no reply was furnished.

In the DAC meeting held on 19.01.2021, the management replied that the interest rate offered by Habib Bank Limited was valid for only five days. Therefore, the Authority invested the fund at 2nd highest rate offered by

National Bank of Pakistan. However, audit did not agree with the Authority justification and the forum directed the Authority to investigate the matter through a fact finding inquiry and fixing responsibility. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC decision

AP No. 113 (2018-19)

14.5.8 Irregular extension in contract agreement of engineers - Rs. 2.720 million

According to minutes of the Policy Coordination and Review Committee meeting held 23-10-2017 circulated vide Govt. of KP Local Govt.& Rural Development Department No.PIU-CDLD/LGE&RDD/2019/269 dated 29.04.2019, annual performance review of the pool of engineers working in the district under CDLD should made before granting extension in their contract agreement.

During audit of the Community Driven Local Development Timergara for the Financial Year 2018-19, it was observed that contract agreement of the pool of engineers was expired on 31st March 2019. As annual performance review of the staff was mandatory therefore all members of the committee were invited for the meeting on 23rd April 2019. The Committee reviewed performance of the pool of engineers working under the CDLD Timergara under a pre set criteria circulated by the Secretary Local Govt.& RDD. Performance of various engineers was found unsatisfactory and did not meet the expectations hence the committee unanimously rejected extension in their contract agreement. Despite that, they were retained in service and payment of Rs. 2,270,000/- was made to them till 11/2019.

The lapse occurred due to weak internal controls.

When pointed out in December 2019, the department stated that the observation will be responded after receipt of reply from the concerned staff.

In the DAC meeting held on 19.01.2021, the management replied that extension in the contract agreement of engineers was given by the Deputy Commissioner, through the recommendation of another committee. They believed that non extension in the contract agreement would have resulted into loss to the project. However, audit did not agree with the justification provided by the department and recommended inquiry into the matter.

Audit recommends inquiry and fixing responsibility.

AP No. 90 (2018-19)

Chapter -15

MINES & MINERAL DEVELOPMENT DEPARTMENT

15.1A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Geological Survey
- ❖ Development of Mineral resources and regulation of mines
- ❖ Mineral Rules
- ❖ Grant and transfer of prospecting licenses and mining leases
- ❖ Import, purchase, distribution and price fixation of coal and coke.

Audit Profile of Mines & Minerals Development Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	36	05	498.070	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	04	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

15.1B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; (Rs.) in million

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
26-Mineral Development	NC21	994,396,000	140	994,396,140	417,192,530	-577,203,610
Total		**994,396,000**	**140**	**994,396,140**	**417,192,530**	**-577,203,610**

Development; **(Rs.) in million**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Mines and Minerals	NC22	350,000,000	0	115,390,000	119,211,807	3,821,807
Total		**350,000,000**	**0**	**115,390,000**	**119,211,807**	**3,821,807**

Overview of expenditure against the final grant (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	994.40	417.19	-577.20	-58.05
Development	115.39	119.21	3.82	3.31
Total	**1,109.79**	**536.40**	**-573.38**	**-51.67**

It can be seen from the above variance analysis that the budgets could not be utilized and 51.67 % of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

15.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 6778.886 million were raised in this report during the current audit of Mines and Minerals Development Department. This amount also includes recoveries of Rs. 6769.178 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	9.708
5	Others	6769.178

15.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
Nil	Nil	Mines & Minerals	Nil	Nil	Nil	Nil

15.4 Issues in Mines and Minerals Development Department

While conducting audit of the office of the Secretary Mines and Minerals, it was found that government has allocated Rs. 397 million for strengthening and geological mapping for the improvement of mineral resources through improved exploration, utilization of mines & minerals resources and environmentally sound manners for supporting and contributing the provincial exchequer and national economy and also sustaining the development of minerals. However, the amount of Rs. 9.7 million was spent on TA/DA, POL and Pay and Allowances. No tangible project objectives were achieved as the department failed to provide record to ascertain the actual progress made so far.

Furthermore, long outstanding dues of lease and rent amount due against various lessees has been not recovered, so far. It was further observed that the department did not take any steps to recover the outstanding government dues. Moreover, no punitive action was taken against these lessees to either recover the amount or cancel their lease agreements forthwith, to safeguard government interest.

AP No. 162 (2019-20)
AP No. 01, 10 & 13 (2018-19)

15.5 Audit Paras

15.5.1 Short-realization of royalty – Rs. 6729.328 million

According to Division-wise Production reports duly signed by the Assistant Director (Royalty) of the Director General Mines and Mineral Development Department Khyber Pakhtunkhwa, an amount of Rs. 8592.731 million was required to be recovered on account of Royalty for the financial year 2018-19.

During audit of the Director General Mines and Minerals Development Department Khyber Pakhtunkhwa Peshawar for the Financial Year 2018-19, it was observed that Rs. 8592.731 million was required to be realized as royalty from contractors of different mines' lease holders during the year 2018-19, as revealed from the Districts and Divisions wise production statements. However, it was confirmed from the reconciled statement of the Accountant General Office that only Rs. 1,863.403/- were deposited leaving a balance of Rs. 6729.328 million un-recovered.

The lapse occurred due to weak internal controls.

When pointed out in March 2020, the department stated that detailed reply would be given after consultation of original record.

The department was requested for convening of the DAC meeting vide letter dated 21-09-2020, followed by a reminder dated 16-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 38 (2018-19)

15.5.2 Loss to the government due to non-recovery of auction money from the lessees-Rs.30.308 million

According to the clause 02 of the right of the excise duty collection agreement, the lessee was bound to deposit the remaining 75% of the auction money in 07 equal installments as per schedule given in clause.

During audit of the Chief Commissioner Mines Labour Welfare Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that an agreement for award of right for collection of Excise Duty on Minerals in Peshawar Division was executed with Mr. Khan Pervez, amounting to Rs.40.570 million. However, the lessee only deposited 25 % advance auction money and 02 installments and failed to deposit a sum of Rs. 21,733,928/- in the government treasury.

Similarly, agreement for award of right for collection of excise duty on minerals in D.I.Khan Division was executed with Mr. Mushtaq Khan, amounting to Rs.14.700 million. However, the lessee only deposited 25 % advance auction money and 02 installments and failed to deposit a sum of Rs.8,575,000/- in the govt. treasury.

The lapse occurred due to poor contract management.

When pointed out in December. 2019, the department stated that 10% bid security amount was forfeited in favor of government and case for recovery of outstanding balance has been sent to the Director Collector Nowshera and D.I.Khan and will be shared with Audit.

The department was requested for holding DAC meeting vide letter dated 22-01-2020. However, no DAC meeting was convened till the finalization of the report.

Audit recommends recovery.

AP No.10&13 (2018-19)

15.5.3 Loss to the government due to non-recovery of advance income tax and professional tax from the lessee- Rs. 5.582 million

According to the provisional work orders addressed to the lessee Mr. Khan Pervez and Mr. Mushtaq Khan for award of right for collection of excise duty on minerals in Peshawar and in D.I.Khan Divisions respectively, read with clause 04 of the agreement to deposit a sum of Rs. 4,057,000 and Rs.1,470,000/- @ 10% of the bid money as advance withholding tax

immediately. Moreover, Rs.30, 000 and 25000 shall be deposited as professional tax of the total bid money.

During audit of the Chief Commissioner Mines Labour Welfare Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that an advance income tax of Rs. 5,527,000/- and professional tax of Rs. 55,000/- was not recovered from the above-mentioned lease holders despite the lapse of considerable time period.

The lapse occurred due to weak internal controls.

When pointed out in December 2019, the department stated that District Collector Nowshera and D.I.Khan have been requested to recover the income tax and professional tax.

The department was requested for holding DAC meeting vide letter dated 22-01-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

APNo.11& 15(2018-19)

15.5.4 Non-recovery of annual rent from lease holders- Rs.3.96 Million

According to Government of Khyber Pakhtunkhwa Mineral Development Department Notification No. So-Admn (M&M)31-148/09 dated 07-11-2009, annual rent for mining lease (Small Scale) were fixed Rs.60 per acre per annum for initial period of ten years and Rs.200 per acre per annum for the extended period.

During audit of the Assistant Director Mineral Development Department Abbottabad for the Financial Year 2018-2019, it was observed that an amount of Rs. 3,967,680/- was outstanding against various lease holders on account of annual rent till date of audit.

The lapse occurred due to weak internal controls.

When pointed out in November 2019, the department stated that efforts are being made to recover the outstanding dues.

The department was requested for convening of the DAC meeting vide letter dated 24-12-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No.01 (2018-19)

15.5.5 Non achievement of target and unjustified expenditure - Rs. 9.708 Million

According to PC-I of the Project (Strengthening and Geological Mapping), Rs. 397.404 million was earmarked for the development of mineral resources through improved exploration, utilization of Mines and Minerals resources in protected and environmentally sound manners for supporting and contributing to the provincial exchequer and national economy and also sustaining the development of minerals and highlighting the rock units and geological structures across the region through various mapping. The objectives of the project were to acquire complete surface and scale knowledge.

During audit of the Secretary Mines and Mineral Development Department for the financial year 2019-20, it was observed that a sum of Rs. 9.708 million was expended up-to 30-06-2020. But a single penny was not spent on the purpose of the project. The whole amount was spent on account of TA/DA, POL charges pay & allowances etc. Audit held that neither a detailed geological map for whole province facilitation was prepared nor any mechanism for exploration of mines, Geochemistry, Geophysics, Geo statistics and planning was made during the period. Audit could not ascertain that;

1. How much revenue of the province increased?
2. How much new potential sites for mining were identified?
3. How much opportunities of employment were generated?

4. How much private sector/investors were united?
5. Why the project was delayed and not achieved the targets?
6. How much investors were facilitated?
7. How much top sheets were proposed and prepared by the Geological survey of Pakistan?
8. How much Geological maps were compiled by the Geological survey of Pakistan (GSP)?

Audit held that incurrence of a huge expenditure on account of POL, TA/DA and medical charges etc. was unjustified against nil achievement/target.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department stated that detailed reply will be furnished later.

The department was requested for convening of the DAC meeting vide letter dated 05-01-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 162 (2019-20)

Chapter – 16

SOCIAL WELFARE, WOMEN EMPOWERMENT & ZAKAT & USHER DEPARTMENT

16.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Provision of Social Services to the various educational institutions meant for special persons.
- ❖ Collection of Zakat and Usher and its fair distribution amongst the deserving community
- ❖ Establishment of Zakat Committees

Audit Profile of Social Welfare Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	03	01	59.050	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	N/A	N/A	N/A	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

16.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2019-20 is given below:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
32-Social Welfare	NC21	857,229,000	110	857,229,110	387,874,181	-469,354,929
33-Zakat and Usher	NC21	277,123,000	20	277,123,020	207,771,912	-69,351,108
Total		**1,134,352,000**	**130**	**1,134,352,130**	**595,646,093**	**-538,706,037**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Social Welfare	NC22	236,000,000	0	135,407,000	141,144,861	5,737,861
Social Welfare	NC12	152,000,000	0	107,107,000	104,026,848	-3,080,152
Total		**388,000,000**	**0**	**242,514,000**	**245,171,709**	**2,657,709**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1134.35213	595.646	-538.706	-47.490
Development	242.514	245.172	2.658	1.096
Total	**1,376.87**	**840.82**	**-536.05**	**-38.93**

It can be seen from the above variance analysis that the budgets could not be utilized and 38.93 % of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

16.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 484.646 million were raised in this report during the current audit of Social Welfare Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	28.000
2	Reported cases of fraud, embezzlement and misappropriation	4.647
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	451.999

16.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable point	Full compliance	Partial compliance	Nil compliance
1.	-	Social Welfare	-	-	-	-

16.4 Issues in Social Welfare, Women Empowerment & Zakat & Usher Department

Audit observed in the Directorate of Social Welfare and Women Empowerment Peshawar that a sum Rs. 354.492 million was lying in the DPR Account maintained by the Accountant General Khyber Pakhtunkhwa and Rs. 97.507 million in the Bank of Khyber directly transferred by the provincial departments. The amount was not expended on the intended objectives and the balance has been accumulating since the Year 2007-08. The funds are utilized for payment of staff salaries rather than on the objectives for which they are meant.

Similarly, an amount of Rs. 10.00 million was released by the Finance Department as one time Grant-in-Aid to the Senior Citizen Council. However, no expenditure could be incurred from the amount released which shows that the Senior Citizen Act 2014 has not been implemented in letter and spirit and the government funds have been blocked unnecessarily.

Audit also observed in the Lissail-e-Wal Mahroom Foundation of the Social Welfare Department Peshawar that the Tanzim Lissail-e-Wal Mahroom was merged into/ with the Lissail-e-Wal Mahroom Foundation, through the KP LSWM Act 2015, and all of its assets & liabilities were transferred to the said Foundation. However, the Foundation failed to produce the record of the assets so transferred from the defunct Tanzim Lissail-e-WalMahroom. Furthermore, an amount of Rs. 11,646,000/- was lying in the bank account of the Tanzim, but whereabouts of the same could not be authenticated as to whether the same was transferred to the designated bank account of the Foundation or otherwise.

AP No. 180 &187 (2018-19)
AP No. 168, 181, 188 & 189 (2017-19)

16.5 Audit Paras

16.5.1 Fictitious procurement of sewing machines and training material - Rs. 4.647 million

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

During audit of the Khyber Pakhtunkhwa Lissail-e-Wal-Mahroom Foundation (LSWMF), Social Welfare Department Peshawar for the Financial Years 2017-19, it was observed that a sum of Rs. 4,647,800/- was paid to the contractor for supply of 680 sewing machines @ 6835 each. However, the contractor failed to supply the machines according to the approved specifications as pointed out by the inspection officer Mr. Shabbir Hussain, Senior Instructor (Technical Expert) vide his report dated 11.02.2019. Resultantly, the supply order was cancelled vide order dated 19.02.2019 and re-tendered. The supplier approached KPPRA for grievance redressal, which nominated Chief Drug Inspector o/o the DG Health Services, having no experience in the relevant field, as a Technical Assistant to probe the matter. The supplier's grievance was addressed and he supplied the sewing machines and the supply was accepted without waiting for the completion of the re-tendering process.

The lapse occurred due to violation of rules and regulations.

When pointed out in June 2020, the department stated that the observation will be communicated to the office concerned and reply will be submitted in due course of time.

The department was requested for holding of the DAC meeting vide letter dated 11-01-2021. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 171(2017-19)

16.5.2 Doubtful expenditure due to non-production of auditable record- Rs. 28.00 million

According to Section 14 (2) of the AGP Ordinance 2001, the officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

During audit of the Director Social Welfare and Women Empowerment Peshawar for the Financial Year 2017-19, it was observed that an amount of Rs.28.00 million was drawn out of the grant-in-aid fund and paid to various private organizations. However, the department failed to devise any policy or criteria for the recipients of grant-in-aid, under which they would have spent the public funds, as directed by the Finance Department vide letters referred to above. Furthermore, no documented account of funds was prepared/provided for scrutiny to ensure its proper utilization, being public money.

In absence of approved policy/criteria and complete accounts record of fund, audit could not authenticate the expenditure so incurred by the private organizations, hence was remained un-verified.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that the observation will be communicated to the office concerned and reply will be submitted in due course of time.

The department was requested for holding of the DAC meeting vide letter dated 11-01-2021.However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 176 (2017-19)

16.5.3 Non-utilization/ transfer of DPR Fund - Rs. 451.999 million

According to Directorate of Social Welfare & Special Education, Disabled Persons (Employment and Rehabilitation) Rules-1991, notified vide No.(SW)/1-47/91, dated.11.01.1992 the DPR fund is to be expended upon the objectives made for rehabilitation of the indigent employees as per rules framed under ordinance 1981 duly amended in 2012.

During audit of the Director Social Welfare and Women Empowerment Peshawar for the Financial Years 2017-19, it was observed that the Accountant General KP is being deducting at source 0.2% DPR charges (i.e. 2000/- per one million) from the contractor's bills of different establishment/offices in terms of Section-II of the Disabled Persons (Employment and Rehabilitation) Ordinance 1981 and Rules 1991 made there under, and accumulated a sum of Rs.354.492 million up to 30.06.2019 duly notified by the AG KP Peshawar vide letter No.Book-1/General/2019-20/1434dated 18.09.2019.

It was further observed that no accounting procedure in consultation with Finance Department duly vetted by the Controller General of Accounts was evolved till date, for transfer of fund in the authorized bank account and its subsequent utilization on the objectives/aims are elaborated in Clauses 21 to 29 of the Employment and Rehabilitation Rules1991 and PCRDP (Provincial

Council for Rehabilitation of Disabled Persons) was constituted vide notification No.SO-III(SWD)/4-2/2010/7178-7228dated 20.12.2010.

Furthermore, DPR charges amounting to Rs. 97.507 million were received from various offices/organizations directly to the Directorate of Social Welfare Department and were deposited into the designated bank Account No.PLS-12988 BOK, w.e.f 31.05.2016. However, further scrutiny of record revealed that:

1. The amount was accumulated in the bank account of DPR Fund without its proper utilization in terms of the rules already framed.
2. The objectives of the Provincial Council for Rehabilitation of Disabled Persons (PCRDP) as notified in the aforementioned rules were never achieved to minimize the inferiority complex of the disabled persons.
3. The bank statement of designated account of DPR fund shows debits entries for withdrawal of salaries of the staff which is illegitimate as the Govt. has already provided GIA for operational activities being operated in a separate bank account No.12987 in BOK. Hence the drawl of salaries out of DPR fund account is held irregular and un-authorized.
4. The amount of profit accrued thereon was also credited to the same account instead have been drawn and credited into Govt. treasury in terms of FD letter No.2/3-(F/L)FD/2007-08/Vol-IX, dated.10.2.2014, state that the profit earned on designated bank accounts be deposited into Govt. treasury under the relevant head of account immediately but not later than a week when declared by the bank.
5. It was further noticed that the DPR remittances have also been deposited into the GIA Bank Account No.12987 in BOK instead of designated DPR bank account which is irregular and needs justification.

Audit is of the view that the amount so accumulated since long should have been expended upon the objectives framed under the rules, which was not done. This resulted into non-implementation of rules and non-achievements of objectives framed for the rehabilitation of disabled persons.

The lapse occurred due to weak internal controls and non-adherence to the prescribed rules.

When pointed out in June 2020, the department stated that the observation will be communicated to the office concerned and reply will be submitted in due course of time.

The department was requested for holding of the DAC meeting vide letter dated 11-01-2021. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 180 & 187 (2017-19)

Chapter – 17

TRANSPORT DEPARTMENT

17.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Administration of provincial transport authority and regional transport authorities.
- ❖ Administration of the West Pakistan Motor Vehicles Ordinance, 1965 except enforcement of the provision of the Ordinance relating to control of traffic and inspection and checking of motor vehicles for the purposes of traffic control.
- ❖ Services matters except those entrusted to E&AD.

Audit Profile of Transport Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	10	01	1955.052	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	03	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	03	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	02	02	11639.797	N/A

17.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; (Rs.) in million

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
45-Transport	NC21	340,362,000	390	141,362,390	95,205,980	(46,156,410)
Total		**340,362,000**	**390**	**141,362,390**	**95,205,980**	**(46,156,410)**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Transport	NC22	114,468,000	0	97,365,000	98,327,276	20,710,557
50-Transport	NC12	7,000,532,000	0	7,000,526,000	7,000,526,000	-
Total		**7,115,000,000**	**0**	**7,097,891,000**	**7,098,853,276**	**20,710,557**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	141.362	95.205	(46.156)	(32.58)
Development	7,097.891	7,098.853	0.962	0.013
Total	**7,239.253**	**7,194.058**	**(45.195)**	**(32.56)**

It can be seen from the above variance analysis that the budgets could not be utilized and 32.56% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

17.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 4966.105 million were raised in this report during the current audit of Transport Department. This amount also includes recoveries of Rs. 595.933 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	(Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	912.303
5	Others	4,053.802

17.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil Compliance
1	2014-15	Transport	02	02	-	-

17.4 Issues in Transport and Mass Transit Department

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor Project, it was observed that performance securities/ guarantees amounting to Rs. 3,489,152,373/- were released to the contractors.

Audit observed that the original performance guarantees obtained were required to have not been released before the completion of the project on time. Furthermore, the new performance guarantees obtained were from an un-reputable bank of West Indies which were not verified from the concerned local bank.

Moreover, an amount of Rs. 636,675,514/- (USD 6,034,839 X 105.50) was paid to M/S MM Pakistan on account of pay and allowances during the Financial Year 2019-20. However, the project could not be completed within the stipulated period of time due to failure of both the consultant and the contractors, for which the same should have been held responsible by imposing penalties at proper rates but it was not done.

It was further observed that the contract of detailed engineering design was awarded to M/S MM Pakistan and M/S Mott Mac Donald. However, the consultant failed to finalize the detailed engineering design, as evident from

the reasons for revision of the PC-I, wherein it has been clearly stated that the same was revised because the approved PC-I was based on tentative quantum of work. This weak contract management not only resulted in time overrun but also abnormal cost overrun.

The Project Management and the contractors should have restricted to the approved estimates in the PC-I of the project but in disregard to the revised PC-I provisions the contractor executed extra work of Rs 4,845,088,479/-

Similarly, it was also observed that an amount of Rs. 881,020,008/- was paid to contractors on account of installation of Elevators, Escalators and Steel Structure for Cycle Track. However, during physical verification it was observed that the said Elevators, Escalators and the Cycle Track could not be operationalized till the time of audit.

AP No. 196, 198, 213 & 215 (2019-20)

17.5 Audit Paras

17.5.1 Non-deduction of General Sales Tax- Rs. 564.650 million

According to the Project Management Construction Supervision consultants (PMCSC) letter No;PMCSC/PDA/R2/BRTC/09 dated 19-04-2018 address to DG Peshawar regarding rate analysis wherein it was stated that the rate for the 10m single arm and double arm electric poles comes to Rs. 67750/ each and Rs. 70630/ respectively inclusive of contractor claimed 19% GST, with the condition that the contractor will furnish original sales tax invoice & GST registered firm certification at the time of Interim Payment Application (copy attached in original file).

According to Clause 14.1 (b) of the general conditions of contract agreement, the contractor shall pay all taxes, duties and fees required to be paid by him under the contract and the contract price shall not be adjusted for any of these costs (copy attached in original file).

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor Project for the Financial Year 2019-20, it was observed that the project management

paid a sum of Rs. 3,321,473,356/- to various contractors up to 06/2020 on account of different electric works/ poles, and general items/ bus stations. As per the above consultant's letter and rate analysis of other similar BOQ and Non-BOQ items, 17% General Sales Tax was included in the rate analysis. However, the 17% General Sales Tax amounting to Rs. 564,650,471/- was neither deducted at the time of payment nor were any original sales tax invoices along with the monthly returns submitted by the contractors.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department stated that a detailed reply will be submitted later on.

In the DAC meeting held on 13-01-2021, it was decided that recovery will be made from the contractors or original sales tax invoices showing the deposit of sales tax will be produced to Audit.

Audit recommends implementing the DAC decision.

AP No. 202 (2019-20)

17.5.2 Unauthorized/ over payment to the consultant on account of direct cost- Rs. 31.283 million

According to Clause 42.1 of the Consultant Agreement executed between PDA and MM Pakistan Limited in association with Mott MacDonald Limited on 04-11-2017, the client shall pay to the consultant the remuneration that shall be determined on the basis of time actually spent by each expert in the performance of the services after the date of commencing of services, for 54 international/ national and 144 key experts, along-with 1704 technical/ support staff (non-key staff).

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor Project for the Financial Year 2019-20, it was observed that the project management paid an amount of Rs. 27,083,668/- to M/S MM Pakistan under the head of account "Direct Cost- Non Technical Staff", in contrary to the above. The payment of direct cost for non-technical staff was not required to have been

made as the aforementioned staff was already included and paid as indirect cost of remuneration to various key and non-key (support) staff.

Similarly, an amount of Rs. 4,200,000/- was also paid to the consultant under the head of account "Head Office Support" on monthly lump sum basis at the rate of Rs. 300,000/- per month for a period of 14 months, in addition to the payment of Rs. 6,216,866/- on account of Lahore Office Staff, which was held unauthorized and overpayment.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department stated that the reply will be submitted after verification of record.

In the DAC meeting held on 13-01-2021, it was decided that recovery may be made from the consultant or from the persons at fault.

Audit recommends implementing the DAC decision.

AP No. 199 (2019-20)

17.5.3 Wasteful expenditure on account of Elevators & Escalators and Cycle Track- Rs. 881.020 million

According to Para 56 of CPWD Code, the proposals in the estimates should be structurally sound and that the estimates are accurately calculated and based on adequate data.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor Project for the Financial Year 2019-20, it was observed that the project management paid an amount of Rs. 147,600,000/- to contractor on account of installation of 12.3 Elevators at the rate of Rs. 12,000,000/- and Rs. 85,500,000/- on account of 9.50 Escalators at the rate of 9,000,000/- in various bus stations up to IPC 18 reach III, during the Financial Year 2019-20. Similarly, an amount of Rs. 647,920,008/- was paid to the contractor M/S CR21G-Maqbool-Calsons JV on account of Steel Structure for Cycle Track up to IPC No. 14 Reach-II.

Audit observed during physical verification of the site that the said Elevators & Escalators and the Cycle Track could not be operationalized since its installation till the date of Audit i.e. November 2020, hence incurrence of the expenditure totaling to Rs. 881,020,008/- was held wasteful.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department replied that the project was approved with the condition that it should be universally accessible for which necessary provision of ramps was made but where there were constraints of space, then escalators and elevators were provided. Necessary operationalization of the same will be carried out by the Trans Peshawar after awarding the contract for maintenance etc. of the escalators and elevators.

The reply was not satisfactory. If the elevators and escalators were the requirements of the project, the same should have been operationalized at the start of the project with the initiation of the BRT services. The same could not be operationalized till date of Audit i.e. November 2020 and as per the visit of the BRT Bus Stations on 24-11-2020; the same cannot be operationalized in the near future even.

In the DAC meeting held on 13-01-2021, it was decided that the Para stands till operationalization of the said items and imposition of penalty upon the contractors/ suppliers.

Audit recommends implementing the DAC decision.

AP No. 213 (2019-20)

17.5.4 Unauthorized and premature release of performance guarantees to the contractors- Rs. 3489.152 million

According to Clause 4.2 of the Contract Agreement Volume-I executed between PDA Peshawar and the joint venture of three contractors Messer CR21G, Maqbool & Calsons, the performance guarantee shall be issued either by a reputable scheduled bank located in the country or by a reputable foreign bank selected by the contractor and acceptable to the empployer. If the bank

issuing the performance security furnished by the contractor is outside the country, the issuer shall have a correspondent bank in the country to make it enforceable in the country.

According to Clause 16.4 of the general conditions of contract, after a notice of termination has taken effect, the employer shall return the performance security to the contractors.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor Project for the Financial Year 2019-20, it was observed that the Project Management released the performance securities/ guarantees amounting to Rs. 3,489,152,373/- to the contractors, upon their requests, during the Financial Year 2019-20.

Audit observed that the original performance guarantees obtained were required to have not been released before the completion of the project on time. Furthermore, the new performance guarantees obtained were from an un-reputable bank of West Indies which were not verified from the concerned bank.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department replied that the performance guarantees have been verified by the correspondent bank and the verification documents provided to Audit accordingly.

There was no clause available in the contract agreement for the replacement of the performance guarantees before the completion of the project. The same should have not been replaced before the said completion.

In the DAC meeting held on 13-01-2021, it was decided that the performance guarantees were released upon the request of the contractors on their plea of facing financial constraints and that the same are now expired as well.

Audit recommends inquiry and fixing responsibility.

AP No. 215 (2019-20)

Annexure-I

MFDAC

S#	AP No.	FY	Department	Amount	Para
1.	143	2019-20	C&W Swabi	15.918	Non-deduction of general sales tax on account of solarization of mosque in UC Taraka & Dagai
2.	250	2017-18	C&W Dir (L)	0.348	Loss to Govt due to allowing undue favor to the contractor
3.	147	2017-18	C&W Haripur	21.34	Wasteful expenditure on account of feasibility study design and supervision
4.	518, 547, 553 & 560	2017-19	C&W Shangla	3.73	Non-recovery of interest on the advance payment made to contractor
5.	528	2017-19	C&W Shangla	1.718	Fictitious execution of AOM&R work
6.	540	2017-19	C&W Shangla	8.129	Unauthorized accord of technical sanction relating to emergency nature work (AOM&R) by the executive engineer
7.	571	2017-19	C&W Shangla	212.635	Misreporting of ADP's Funds utilization to Administrative Department
8.	578	2017-19	C&W Shangla	32.803	Irregular and unauthentic award of contract due to fake and fictitious tendering process
9.	587	2017-19	C&W Shangla	32.803	Irregular and unauthentic award of contract due to fake and fictitious tendering process
10.	234	2019-20	C&W Dir (L)	8.474	Unauthorized change in key personnel by M/S Global Consultant
	234	2019-20	C&W Dir (L)	0.353	Overpayment due to allowing payment in

					excess of contract agreement provision
11.	181	2018-19	C&W H/W Peshawar	43.849	Non-imposition of penalty on contractors for in-completed schemes
12.	371	2017-18	C&W Mardan	15.557	Unauthorized payment of secured advance on account of M Steel work
	371	2017-18	C&W Mardan	0.207	Non-recovery of interest
13.	335	2017-18	C&W Chitral	4.601	Overpayment to contractor due to non utilization of available earth
14.	415	2017-18	PBC Div-II	1.383	Loss to government due to extension of undue benefit to the contractor
15.	424	2017-18	PBC Div-II	0.255	Overpayment due to application of incorrect rate
16.	425	2017-18	PBC Div-II	0.100	Overpayment due to application of incorrect rate
17.	519	2018-19	AWKUM	125.541	Loss due to defective work
18.	520	2018-19	AWKUM	68.706	Overpayment to the Contractors
19.	526	2018-19	AWKUM	14.255	Non-recovery from defaulter PhD scholars and Illegal deputation
20.	532	2018-19	AWKUM	1.876	Illegal appointment as Supervisor work, as Asstt. Director Works and Deputation to Health Department
21.	878	2018-19	Uo Lakki	1.822	Unauthorized payment on account of House Rent Allowance
22.	881	2018-19	Uo Lakki	1.523	Unauthorized payment on account of Project Allowance
23.	889	2018-19	Uo Lakki	3.691	Irregular payment on account of salary of the Project Director
24.	53	2017-18	SBBWU Dir	3.782	Irregular payment on illegal appointment of Project Director worth
25.	61	2017-18	SBBWU Dir	10.46	Irregular purchase of

					computers hardware from unauthorized dealer
	61	2017-18	SBBWU Dir	1.76	Non-deduction of sales tax
26.	65	2017-18	SBBWU Dir	7.567	Fraudulent drawl on account of execution of RRM and plump concrete
27.	66	2017-18	SBBWU Dir	18.058	Loss to Government due to excess quantity of PCC over and above approved design
28.	95	2019-20	GPGC Dargai	7.154	Less deposit on account of private fund
29.	101	2019-20	GPGC Dargai	3.134	Loss to govt: due to non investment of govt: money
30.	102	2019-20	GPGC Dargai	6.864	Unauthorized expenditure on appointments from private fund
31.	105	2019-20	GPGC Dargai	1.8	Non-return of loans
32.	106	2019-20	GPGC Dargai	24.482	Unauthorized operation of current bank accounts
33.	112	2019-20	GPGC Dargai	0.392	Loss to government due to less deposit of govt
34.	115	2019-20	GPGC Dargai	0.565	Loss to government due to less deposit of gov
35.	784	2017-19	Gomal Uni	49.298	Non recovery from the consultant
36.	321	2014-17	Captain Sher Khan	1.22	Unjustified expenditure on account of payments for borrowed pit excavation and transportation of earth
37.	263	2019-20	UET Peshawar	2.642	Non deposit of various taxes
38.	271	2019-20	UET Peshawar	13.861	Illegal re-instatement and non-recovery of expenses including leave salary
39.	337	2019-20	KGN Bannu	11.906	Unauthorized payment of Sale Tax in Electricity Bills
40.	48	2019-20	SHPI FAP	2.94	Non-deduction of Income Tax
41.	789	2019-20	BMC Bannu	-	Weak performance of BMC on the quality of education and facilities offered to students
42.	510	2019-20	DGHS	377.645	Wasteful expenditure on

					account of purchase of 24 Hours Ambulatory Blood Pressure Monitors
43.	511	2019-20	DGHS	220.779	Doubtful expenditure on account of purchase of X-Ray Machines
44.	519	2019-20	DGHS	442.568	Non-surrender of savings
45.	542	2019-20	DGHS	29.625	Wasteful expenditure on account of purchase of items/ machinery
46.	217	2019-20	KMU	6.088	Loss due to hiring of Security Services at higher rates
47.	290	2019-20	KTH	33.495	Loss to government due to non-deposit of 50% of the hospital receipts fund account for repair of machinery & equipment
48.	379	2019-20	MMC Mardan	1.382	Unauthorized Payment of shares from private room Rent
49.	612	2019-20	Qazi Complex	1.346	Non recovery on account of OPD receipts
50.	429	2019-20	DHQ D.I.K	1.071	Un-authorized / forceful occupation of private rooms
51.	626	2019-20	MMTH D.I.K	6.236	Fraudulent drawl due to non-receipt of medicine, chemical & disposable Items
52.	636	2019-20	MMTH D.I.K	1.049	Fraudulent/Irregular drawl of Pay & Allowances
53.	199	2019-20	NKBH Pesh	2.667	Loss to Government on account of opening of non-interest bearing accounts
54.	193	2019-20	NKBH Pesh	2.912	Loss to Government on account of non-realization of capitation fee
	193	2019-20	NKBH Pesh	0.291	Loss to govt. Due to non-recovery of interest on capitation fee
55.	268	2018-19	HMC	2.548	Non deposit of income tax and stamp duty by fair price pharmacy
56.	271	2018-19	HMC	3.062	Loss to government due to purchase of cardiac

					monitors on higher rate
57.	851	2019-20	LRH	17.521	Misappropriation due to less deposit of admission & OT receipts
58.	855	2019-20	LRH	7.499	Misappropriation in the hospital receipt
59.	862	2019-20	LRH	1.4	Loss due to non-recovery of outstanding dues from the contractors
60.	863	2019-20	LRH	1.024	Misappropriation due to less deposit of OPD receipts
61.	882	2019-20	LRH	18.119	Non supply of medicine & disposable by the firm
62.	431	2017-18	NPFPHC	101.14	Loss on account
63.	860	2019-20	LRH	3.771	Misappropriation of Hospital Radiology and other receipts
64.	869	2019-20	LRH	27.404	Blockade of public money due to unnecessary purchase of disposable
65.	838	2009-19	PIPOS	33.687	Irregular expenditure on account of purchase of Raw Material/Components and Durable Goods
66.	845	2009-19	PIPOS	47.908	Unjustified transfer of money from Main Receipt Account
67.	846	2009-19	PIPOS	56.911	Irregular purchase of imported material without open bidding from the supplier of choice
68.	120	2018-19	XEN Irrigation ATD	3.367	Loss to Govt. due to execution of excess quantities of length of apron over and above approved design
69.	123	2018-19	XEN Irrigation ATD	2.583	Wasteful expenditure on account of PCC 1:2:4
70.	110	2018-19	XEN Irrigation Mardan	10.967	Unauthentic payment of Non-Scheduled Items without rate analysis
	110	2018-19	XEN Irrigation Mardan	0.944	Loss to government due to splitting of contracts of the similar works at different

					rebate/ premium
	110	2018-19	XEN Irrigation Mardan	0.071	Non-deduction of Income Tax
71.	111	2018-19	XEN Irrigation Mardan	1.192	Loss due to non-utilization of available earth
72.	112	2018-19	XEN Irrigation Mardan	1.61	Unauthorized payment to MS NESPAK Consultants due to change of Key Personnel
73.	115	2018-19	XEN Irrigation Mardan	1.887	Non-recovery of outstanding dues in time
74.	56	2018-19	XEN Irrigation Charsadda	33.226	Award of contract to the ineligible contractor
75.	57	2018-19	DG PFI	50	Loss of millions of rupees due to retention of student fund in PLS account instead of other higher rates profitable schemes
76.	3	2017-19	DFO Sheringal	30	Negahbans
77.	4	2017-19	DFO Sheringal	136.4	Court penalties
78.	5	2017-19	DFO Sheringal	5.83	Unauthentic wages
79.	12	2017-19	DFO Sheringal	141.009	royalty holders
80.	15	2017-19	DFO Sheringal	643.432	Non pursuance of prosecution cases
81.	141	2018-19	DFO Chitral	3.644	Wasteful expenditure on account of afforestation activities on harchain area
82.	91	2018-19	DFO Bannu	14.404	Misappropriation on account of fake drawl on plantations and huge failure
83.	35	2018-19	DFO Mardan	1.262	Non Recovery from Private Nursery Growers
84.	130	2014-19	DFO Besham	4.084	unjustified expenditure on transpiration of plant Rs.4.084
85.	131	2014-19	DFO Besham	2.021	irregular expenditure on

					outsourced plantation Rs.2.021
86.	132	2014-19	DFO Besham	88.468	unauthentic payment on account of watch anad ward Rs.88.468
87.	9	2019-20	DPO Mansehra	3.838	Irregular/fictitious expenditure on account of feeding charges
88.	10	2019-20	DPO Mansehra	2.83	Loss due non-deduction of income tax
89.	12	2019-20	DPO Mansehra	67.172	Illegal involvement of JS Bank in causing delay government receipts in to government treasury
90.	162	2018-19	DPO Mansehra	7.166	Non Deduction of Income Tax
91.	127,128	2018-19	SSP Traffic Pesh	132.480	Non Deposit of Govt Revenue and unauthorized expenditure
92.	184	2018-19	DPO Chitral	3.360	Blockade of public fund due to unnecessary purchase of arms and ammunitions
93.	176	2018-19	DPO Chitral	1.853	Non recovery of outstanding govt dues
94.	66	2018-19	DPO Charsadda	1.102	Loss due to ignoring lowest rates on account of feeding charges
95.	84	2019-20	Administration	19.644	Less-credit of interest on cash balance
96.	87	2019-20	Administration	1.515	Un-authentic and unjustified collection of Chief Minister Relief Fund for flood
97.	89	2019-20	Administration	6.613	Non-recovery of room rent from the illegal occupant in KP House Islamabad
98.	123	2019-20	Administration	-	Non-transparent and out of turn allotment in violation of accommodation rules as well as High Court orders
99.	125	2019-20	Administration	-	Non-transparent and irregular allotment of residential accommodation
100.	29	2019-20	FDA	1.041	Loss to government due to award of contract on item

					rate basis instead of MRS 2016
101.	33	2019-20	FDA	6.3	Irregular and unauthorized appointment of contract employee involving pay
102.	37	2019-20	FDA	1.17	Overpayment due to unauthorized promotion of contract employees
103.	129	2019-20	PDA	69.349	Unauthorized drawl of Technical Allowance
104.	136	2019-20	PDA	197.193	Loss to government due to non-investment of surplus funds
105.	141	2019-20	PDA	166.9	Excess expenditure over and above the budgetary provision
106.	146	2019-20	PDA	2.742	Recurring loss due to unauthorized allotment of vehicles to non-entitled personnel
107.	108	2018-19	PDA	2896.418	Blockage of funds
108.	109	2018-19	PDA	280.31	Loss due to non-leasing out of flats
109.	110	2018-19	PDA	10.72	Loss to PDA due to non-auction of plot
110.	114	2018-19	PDA	14.517	Irregular retention of interest
111.	115	2018-19	PDA	12.137	Uneconomical expenditure on the purchase of fork lift truck & other heavy machinery
	115	2018-19	PDA	0.601	Not withholding sales Tax
112.	116	2018-19	PDA	11.4	Uneconomical expenditure on purchase of water bowser machines
113.	126	2018-19	PDA	35.21	Non-transparent award of tender
114.	120	2018-19	PDA	1.98	Irregular purchase of fumigation machines/ thermal fog generator costing
115.	138	2018-19	PDA	10.491	Doubtful expenditure on asphalt wearing course
116.	142	2018-19	PDA	2.228	Overpayment due to making payment at

					incorrect rates
117.	147	2018-19	PDA	1.000	Non-forfeiture of call deposit due to failure to take possession of the halls
118.	150	2018-19	PDA	1.19	Loss due to recovery of income tax at lesser rates
119.	157	2018-19	PDA	1.335	Unauthorized expenditure on clearing & grubbing
120.	30	2019-20	DG Livestock Research	2.75	Loss to the Government due to selling of Shandar Vanda at subsidized rates
121.	16	2018-19	Chief Commissioner Mines	3.038	Loss to Government due to non-collection of excise duty on mineral
122.	169	2019-20	Social Welfare Department	1.506	Loss due to non-deduction of income tax from the contractor's FMT & LP bills
123.	168	2019-20	Social Welfare Department	1.311	Loss due to non-recovery of outstanding dues from the occupants of working women hostel
124.	170	2019-20	Social Welfare Department	3.166	Loss due to irregular drawl of executive allowance
125.	59	2019-20	Finance	2144.291	Loss due to investment in U-Microfinance Bank
126.	71	2019-20	Finance	0.512	Fictitious expenditure on Purchase of Hardware items
127.	72	2019-20	Finance	0.446	Irregular expenditure on printing of stationary through private contractor
128.	78	2019-20	Finance	6377.700	Unauthorized investment of Funds in Bank of Khyber
129.	83	2019-20	Finance	65.622	Non-reflection of electricity duty in accounts
130.	92	2019-20	Finance	3.145	Double adjustment of electricity dues

Annexure-II

Detail of works and the payments mentioned in DP No. 4.5.2

Rs in million

S.No	Division	Work/Scheme	Amount	Remarks
01	C&W Bajaur	Supply and fixing aluminum bronze/ black premium 4" sliding window in construction of office for Executive Engineer, Highway Division Bajaur	1.053	This item was not executed
02	C&W Bajaur	First class deodar wood joinery in doors & windows complete in all respect in construction of Rescue-1122 station at Bajaur Khar	1.107	This item was not executed
03	C&W Bajaur	MS Flat Grill in windows of approved design in construction of Rescue-1122 station at Bajaur Khar	0.239	This item was not executed
04	C&W Bajaur	Supply & fixing aluminum bronze/ black premium sliding window in construction of Rescue-1122 station at Bajaur Khar	0.531	This item was not executed
05	C&W Dir (U)	AOM&R All Roads	8.686	Only WBM was carried out for 1800 meters
06	C&W Dir (U)	AOM&R All Roads	38.019	Not executed
07	C&W Dir (U)	RCC Bridge at Kass Dir town	2.098	Not executed
Total			**51.735**	

Annexure-III

Detail of works and the payments mentioned in DP No. 4.5.2

Rs in million

S.No	Work/Scheme	Voucher No./Date	Amount
01	F/S Design & Rehabilitation of Road Matong to Dedal 6 Km	32-R/ 17-06-2019	12.150
02	F/S Design & Rehabilitation of Pishlor Road	35-R/ 17-06-2019	8.000
03	Construction & Rehabilitation of Geer Chargharzae Road	36-R/ 17-06-2019	12.272
04	Construction & Rehabilitation of Geer Mandoria Road	37-R/ 17-06-2019	4.500
05	Repair & Rehabilitation of Karora to Ajmir Road P-I (5 Km)	47-R/ 17-06-2019	2.000
06	Repair & Rehabilitation of Karora to Ajmir Road P-I (5 Km)	47-R/ 17-06-2019	2.000
07	Repair & Rehabilitation of Karora to Ajmir Road P-II (7 Km)	48-R/ 17-06-2019	6.000
Total			**46.922**

Annexure-IV

Detail of works and the payments mentioned in DP No. 4.5.4

Rs in million

S.No	Work/Scheme	Voucher No./Date	Amount
01	F/S Design & Rehabilitation of Road Martong to Dedal 6 Km	32-R/ 17-06-2019	12.150
02	F/S Design & Rehabilitation of Pishlor Road	35-R/ 17-06-2019	8.000
03	Construction & Rehabilitation of Geer Chargharzae Road	36-R/ 17-06-2019	12.272
04	Construction & Rehabilitation of Geer Mandoria Road	37-R/ 17-06-2019	4.500
05	Repair & Rehabilitation of Karora to Ajmir Road P-I (5 Km)	47-R/ 17-06-2019	14.100
06	Repair & Rehabilitation of Karora to Ajmir Road P-I (5 Km)	47-R/ 17-06-2019	14.100
07	Martong Almi Banda Road	53-R/ 17-06-2019	10.280
08	Repair & Rehabilitation of Karora to Ajmir Road P-II (7 Km)	48-R/ 17-06-2019	22.854
09	Kiari to Mole Sar 4 Km	38-R/ 30-05-2019	3.762
Total			**102.018**

AUDIT REPORT

ON

THE ACCOUNTS OF

GOVERNMENT OF

KHYBER PAKHTUNKHWA

AUDIT YEAR 2020-21

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

ADP	Annual Development Program
AG	Accountant General
AGP	Auditor General of Pakistan
AOM&R	Annual Operational Maintenance and Repair
APPM	Accounting Policies and Procedures Manual
AWKUM	Abdul Wali Khan University Mardan
BHU	Basic Health Unit
BKMC	Bacha Khan Medical Complex
BOD	Board of Directors
BOQ	Bill of Quantities
C&W	Communication and Works
CGA	Controller General of Accounts
CMA	Controller Military Accounts
CPO	Central Police Office
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
CSR	Composite Schedule of Rates
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
DFC	District Food Controller
DDA	District Director Agriculture
DDO	Drawing & Disbursing Officer
DFO	Divisional Forest Officer
DG	Director General
DHO	District Health Officer
DIK	Dera Ismail Khan
DP	Draft Para
DPO	District Police Officer
EMU	Energy Monitoring Unit
EZDMC	Economic Zones Development and Management Company
FAP	Foreign Aided Project
FD	Finance Department
FDA	FATA Development Authority
FDC	Forest Development Corporation
FTR	Federal Treasury Rules

FATA	Federally Administered Tribal Area
FY	Financial Year
GAIT	Glucosamine Arthritic Intervention Trial
GFR	General Financial Rules
GST	General Sales Tax
HEC	Higher Education Commission
HMC	Hayatabad Medical Complex
HR	Human Resource
ICRC	International Committee of the Red Cross
IFSP	Insaf Food Security Program
IPC	Interim Payment Certificate
JVs	Journal Vouchers
KP	Khyber Pakhtunkhwa
Kg	Kilogram
Km	Kilometer
LGE &RD	Local Government & Rural Development Department
MB	Measurement Book
MCC	Medicines Coordination Cell
MEQs	Medical Equipments
MRS	Market Rates System
MS	Medical Superintendent
MTC	Motor Transport Clerk
MTI	Medical Teaching Institutions
MOU	Memorandum of Understanding
NIT	Notice Inviting Tender
NMDs	Newly Merged Districts
OPD	Out Patient Department
PAC	Public Accounts Committee
PAF	Pakistan Air Force
PAO	Principle Accounting Officer
PATA	Provincially Administered Tribal Areas
PD	Project Director
PESCO	Peshawar Electric Supply Company
PIU	Project Implementation Unit
PIPOS	Pakistan Institute of Prosthetic & Orthotics Sciences
PCRDP	Provincial Council for Rehabilitation of Disabled Person
PC-I	Planning Commission Proforma 1

PCC	Plain Cement Concrete
PMS	Provincial Management Services
POL	Petroleum, Oil & Lubricants
PPO	Provincial Police Officer
PR	Provincial Reserves
PRSP	PIPOS Rehabilitation Service Program
RCC	Reinforced Cement Concrete
RPO	Regional Police Officer
RRM	Random Rubble Masonry
SAE	Senior Account Executives
SAP	System Application Product
SBC	Sub Base Course
SBDs	Standard Bidding Documents
SDO	Sub Divisional Officer
Sft	Square Feet
THQ	Tehsil Headquarter Hospital
TORs	Term of References
TS	Technical Sanction
TST	Triple Surface Treatment
UTM	Universal Testing Machine
VC	Vice Chancellor
VOC	Volatile Organic Compund
Vol	Volume
WAPDA	Water and Power Development Authority
WBM	Water Bound Macadam

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of the accounts of Province and the accounts of any authority or body established by the Province.

The report is based on audit of the accounts of various departments and organizations of the Government of Khyber Pakhtunkhwa for the financial year 2019-20 and the accounts of some formations for previous financial years. The Directorate General Audit Khyber Pakhtunkhwa conducted the audit during 2020-21 on a test check basis, with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying a value of Rs.1 million or more. Relatively, less significant issues are listed in the Annexure-A of the Audit Report. The audit observations listed in Annexure-A shall be pursued with the Principal Accounting Officers at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

Most of the observations included in this report have been finalized in the light of written responses and discussions in the DAC meetings.

The Report is submitted to the Governor of 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 Provincial Assembly of Khyber Pakhtunkhwa.

(Javaid Jehangir)
Auditor-General of Pakistan

Islamabad
Dated:

EXECUTIVE SUMMARY

The Directorate General Audit Khyber Pakhtunkhwa carries out the audit of the Government of Khyber Pakhtunkhwa. The Government of Khyber Pakhtunkhwa conducts its operations under the Rules of Business 1985 that envisage the provincial government as comprising 32 Principal Accounting Officers for different departments, Attached Departments, Subordinate Offices and certain Autonomous Bodies. Financial provisions of the constitution prescribe the procedures relating to the Receipts and Disbursements to and from the Provincial Consolidated Fund and Public Account for which the Annual Budget Statement is authorized by the Assembly. The Directorate General Audit has human resources of 105 officers/other staff and 18177 man-days available for audit. The annual budget of this Directorate General was Rs.130.882 million. The office is mandated to conduct regularity audit (financial attest audit and compliance with authority audit) and performance audit of departments and projects run by those departments. This is a Regularity Audit Report on Expenditure and Non-Tax Receipts. The Revenue Receipts Audit Report has been published separately.

a. Scope of Audit

This office is mandated to conduct audit of 1507 formations working under 32 PAOs. Total expenditure and receipts of these formations were Rs 694.560 and 118.303 billion respectively, for the financial year 2019-20 and the Public Account expenditure of 683.611 billion.

Audit coverage relating to expenditure for the current audit year comprises 307 formations of 28 PAOs having a total expenditure of Rs.214.822 billion for the financial year 2019-20. In terms of percentage, the audit coverage for expenditure is 30.93 % of auditable expenditure.

This audit report also includes audit observations resulting from the audit of:

1. Expenditure of Rs 51.223 billion for the financial year 2018-19 pertains to 37 formations of 11 PAOs.
2. Expenditure of RS 17.459 billion pertaining to Financial Years 2017-18 and previous years.

In addition to this compliance audit report, DG Provincial Audit KP conducted 02 Certification Audits, 27 Financial Attest Audits of FAPs, 02 Performance Audits, and 02 Special Audits/Studies. The reports of these audits are being published separately.

b. Recoveries at the instance of audit:

As a result, recovery of Rs 12104.694 million was pointed out in this report. Recovery effected from January to December 2020 was Rs. 366.743 million that was verified by audit.

c. Audit Methodology:

The audit year 2019-20 witnessed the intensive application of desk audit techniques in the Director-General Audit, Khyber Pakhtunkhwa. This was facilitated by access to live SAP/R3 data, intranet, internet facility, and availability of permanent files. Detailed review helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. This greatly facilitated the identification of high-risk areas for substantive testing in the field.

d. Audit Impact

As a result of audit recommendations at PAC level, subcommittee along with Administrative secretaries has been notified to look into the affairs of Food Department.

Market Rate System was prepared by Finance Department in 2015, due to which certain ambiguities existed which rose to certain audit observations. Due to technical deficiencies in the MRS as reported by audit, the responsibility of MRS preparation has been given to C & W department.

There is a long standing issue of non adjustment of electricity dues between the PESCO and provincial government which was specially highlighted in the audit of FD and on the recommendation of DAC the FD has issued strict instructions to the Provincial Administrative Secretaries for immediate clearance of PESCO dues with intimation to audit.

Boards of Intermediate and Secondary Education in KP were refusing Constitutional Audit which was highlighted by audit in audit report followed by letters to PAC, Secretaries secondary education, secretary Finance and Chief Secretary. As a result Finance Department has directed all boards to conduct their audit through office of the DG Audit KP.

Most of the irregularities noticed in the previous year were repeated in the current year as well, because departments failed to convene DAC meetings on time. Due to non-conduct of DACs and non implementation of DAC

directives, the departments failed to implement a proper system of financial management and internal controls.

Previously, considerable amount of Abyana was either not or short realized for many years. On the repeated pointation of audit, the collection of Abyana has now been shifted from Irrigation Department to Revenue Department.

In the Revenue and Estate Department, there were irregularities in assessment, calculation of Capital Value Tax, Mutation Fee and Advance Tax. The irregularities were repeatedly pointed out by audit; the responsibility of tax deposit has been devolved to the sellers and purchasers. The property is now transferred on the production of paid challans.

An amount of Rs. 366.743 million was recovered on pointation of Audit.

e. Comments on Internal Control

Internal Control is a tool for management to improve performance, prevent losses, and control mismanagement of public money and safeguard government assets.

For effective management and achievement of the objectives, various types of internal controls should be in place. Accounting controls ensure completeness, accuracy, timelines, and reliability of accounts. Financial controls help in budgeting and accurate forecasting. Administrative controls help in preventing unauthorized payments, losses, and misappropriations, etc.

In most of the provincial government departments lack of internal control as evident from the following shortcomings in the Key audit findings.

f. Key audit findings of the report:

- Non production of record amounting to Rs.5,397.219 million was noticed in 6 cases[1].
- Embezzlement amounting to Rs.9.595 million was noticed in 3 cases[2].
- Misappropriation amounting to Rs. 255.784 million was noticed in 13 cases[3].
- Doubtful expenditure amounting to Rs. 103.186 was noticed in 8 cases[4].
- Non-recovery/deposit of government dues/revenues and other deductions amounting to Rs. 10,769.353 was noticed in 24 cases[5].

- Non-recovery from defaulter Scholars amounting to Rs. 1,531.027 was noticed in 1 cases[6].
- Non-deduction/deposit of taxes & DPR charges amounting to Rs. 657.752 was noticed in 10 cases[7].
- Loss to government amounting to Rs. 781.953 million was noticed in 33 cases[8].
- Wasteful expenditure amounting to Rs. 2,822.435 million was noticed in 9 cases[9].
- Overpayments to contractors amounting to Rs. 519.569 million was noticed in 18 cases[9].
- Unauthorized payment & retention in 2nd deposit amounting to Rs. 117.853 million was noticed in 1 cases[11].
- Non-transparent award of contract, non-forfeiture of security & non-imposition of penalty amounting to Rs. 385.297 million was noticed in 11 cases[12].
- Irregular/ unauthorized expenditure amounting to Rs. 2,623.401 million was noticed in 7 cases[13].
- Inadmissible Payments on account of pay & allowances amounting to Rs. 670.851 million was noticed in 8 cases[14].
- Irrational utilization of budget, retention of savings/funds and reconciliation issues amounting to Rs. 202,933.889 million was noticed in 4 cases[15].
- Non-updating of final grant in SAP system amounting to Rs. 1,019,259 million was noticed in 1 case[16].
- Non-utilization of DPR fund amounting to Rs. 451.999 million was noticed in 1 case[17].
- Un-authorized release of performance guarantee amounting to Rs. 3,489.152 million was noticed in 1 case[18].

Para	1	4.5.1	8.5.1	8.5.6	9.5.1	13.5.1	16.5.2										
Para	2	5.5.2	10.5.1	10.5.2													
Para	3	3.5.2	4.5.2	4.5.6	5.5.1	6.5.1	6.5.3	6.5.4	6.5.5	9.5.2	9.5.16	13.5.2	13.5.10	14.5.1			
Para	4	4.5.3	6.5.2	9.5.3	9.5.4	9.5.5	9.5.6	9.5.29	16.5.1								
Para	5	2.5.2	2.5.4	2.5.5	3.5.1	4.5.17	5.5.12	6.5.6	6.5.7	9.5.8	9.5.17	9.5.18	9.5.19	9.5.20	9.5.21	10.5.3	10.5.4
		11.5.2	13.5.3	14.5.2	14.5.3	14.5.4	14.5.5	15.5.1	15.5.4								
Para	6	5.5.9															
Para	7	4.5.22	6.5.8	8.5.3	8.5.4	9.5.36	11.5.1	12.5.1	13.5.8	15.5.3	17.5.1						
Para	8	2.5.1	4.5.7	4.5.9	4.5.10	4.5.11	4.5.12	4.5.13	4.5.14	4.5.23	4.5.25	4.5.26	5.5.5	5.5.6	5.5.13	6.5.8	7.5.1
		8.5.5	9.5.7	9.5.9	9.5.10	9.5.14	9.5.24	9.5.25	9.5.28	9.5.30	9.5.34	9.5.35	11.5.1	13.5.9	13.5.12	14.5.6	14.5.7
		15.5.2															
Para	9	3.5.3	5.5.14	7.5.2	9.5.22	9.5.23	9.5.26	13.5.11	15.5.5	17.5.3							
Para	10	4.5.5	4.5.8	4.5.15	4.5.16	4.5.18	4.5.19	4.5.20	4.5.21	4.5.27	5.5.3	5.5.4	5.5.7	5.5.8	8.5.2	9.5.13	13.5.4
		13.5.5.	13.5.6														
Para	11	4.5.4															
Para	12	4.5.24	5.5.11	9.5.11	9.5.12	9.5.31	10.5.6	10.5.7	13.5.7	13.5.9	13.5.13	13.5.14					
Para	13	9.5.27	9.5.31	9.5.32	9.5.33	13.5.7	14.5.8	17.5.2									
Para	14	2.5.3	5.5.10	5.5.15	9.5.15	10.5.5	11.5.3	11.5.4	11.5.5								
Para	15	1.2.2	1.2.3	1.2.4	2.5.6												
Para	16	1.2.1															
Para	17	16.5.3															
Para	18	17.5.4															

Audit Paras for the audit year 2019-20 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC is attached as Annexed-A.

Recommendations

- Instances of making payments by the departments or their autonomous bodies/authorities to employees in contravention of rules and disregard of the employees' entitlement need to be checked by effecting recoveries where due and taking disciplinary action against the officials involved in overpayments.
- PAOs should promptly investigate cases of embezzlements/frauds/losses.
- The departments should ensure adherence to the provisions of GFR, Procurement Rules, and other Government Instructions.
- Departments need to deposit the public money received by them in the Provincial Consolidated Fund and Public Account instead of depositing into unauthorized accounts in commercial banks.
- The PAOs should strengthen the internal control mechanism to prevent losses, misuse of delegated financial powers and government assets and recurrence of similar nature of irregularities.
- The PAOs should ensure the production of auditable records to audit in respect of cases relating to non-production of record pointed out by audit and take disciplinary action in terms of section 14 (3) of Auditor General's Ordinance, 2001.
- The departments' compliance towards PAC directives was poor. The PAOs should give full attention to the PAC directives and improve compliance by their respective departments.
- The PAOs should ensure holding of DAC meetings regularly.

Chapter -1

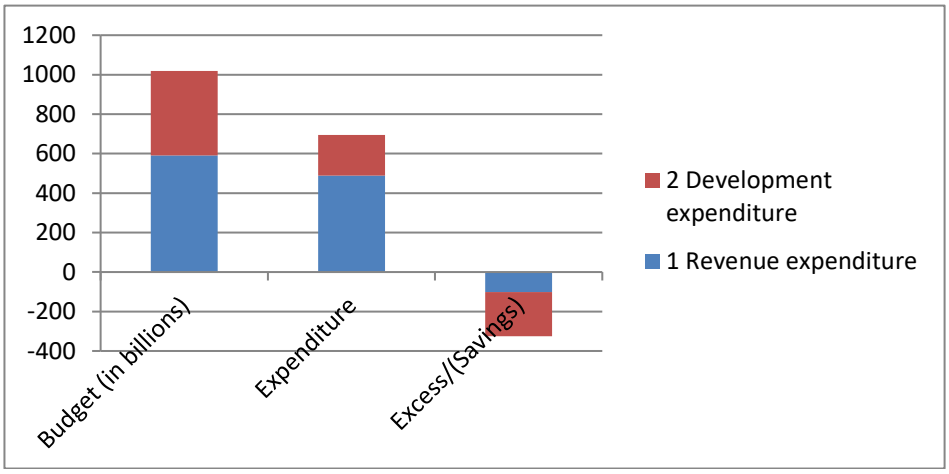
PUBLIC FINANCIAL MANAGEMENT ISSUES

1.1 Sectoral Analysis

While analyzing the financial data of the government of Khyber Pakhtunkhwa for the financial year 2019-20, it was noticed that the original budget for the financial year 2019-20 was Rs. 963.282 billion, which was further supplemented by a grant of Rs. 55.978 billion; hence, the total budget outlay for the financial year 2019-20 was Rs. 1019.260 billion. However, against the total budget, the provincial government departments incurred an expenditure of Rs. 694.560 billion resulting in under spending of Rs. 324.700 billion which in terms of percentage was 31.85% of annual budget, as tabulated below:

Amount in Billion

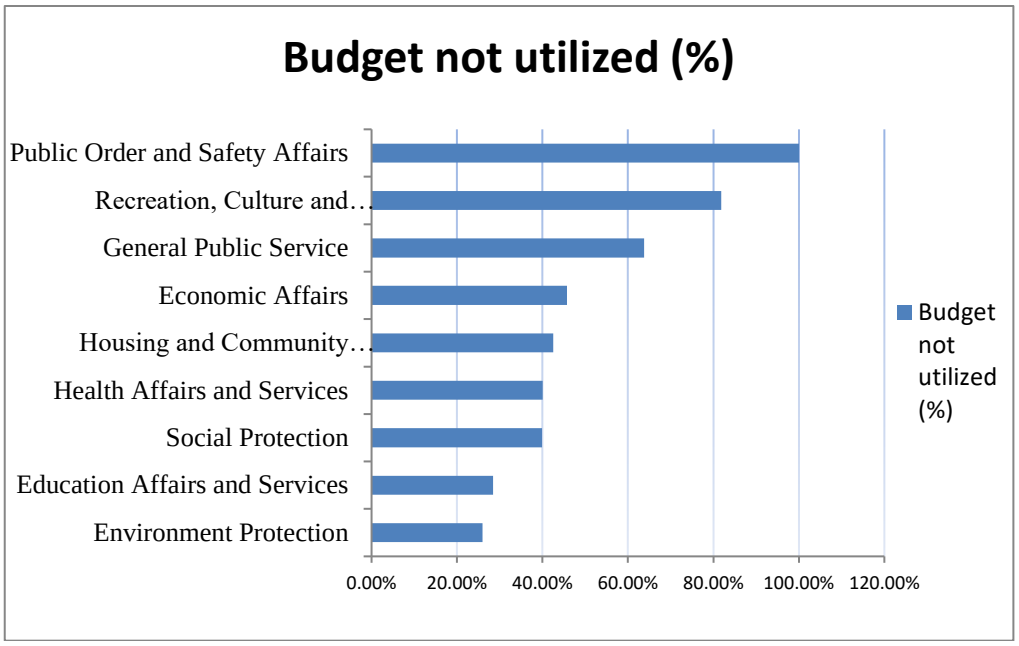
S.No.	Expenditure Head	Revised Budget	Expenditure	Excess/(Savings)
1	Revenue expenditure	591.309	489.043	-102.266
2	Development expenditure	427.951	205.517	-222.434
	Total	**1,019.26**	**694.56**	**-324.700**



The developmental budget for the financial year 2019-20 was enhanced by 46% as compared to the financial year 2018-19. However, of the total development budget of Rs. 427.951 billion, only Rs. 205.560 billion was spent in the financial year 2019-20, resulting in 52% under spending. It indicates the inefficiency of the provincial government departments to utilize the available resources efficiently. Sector wise analysis of the developmental budget is given below:

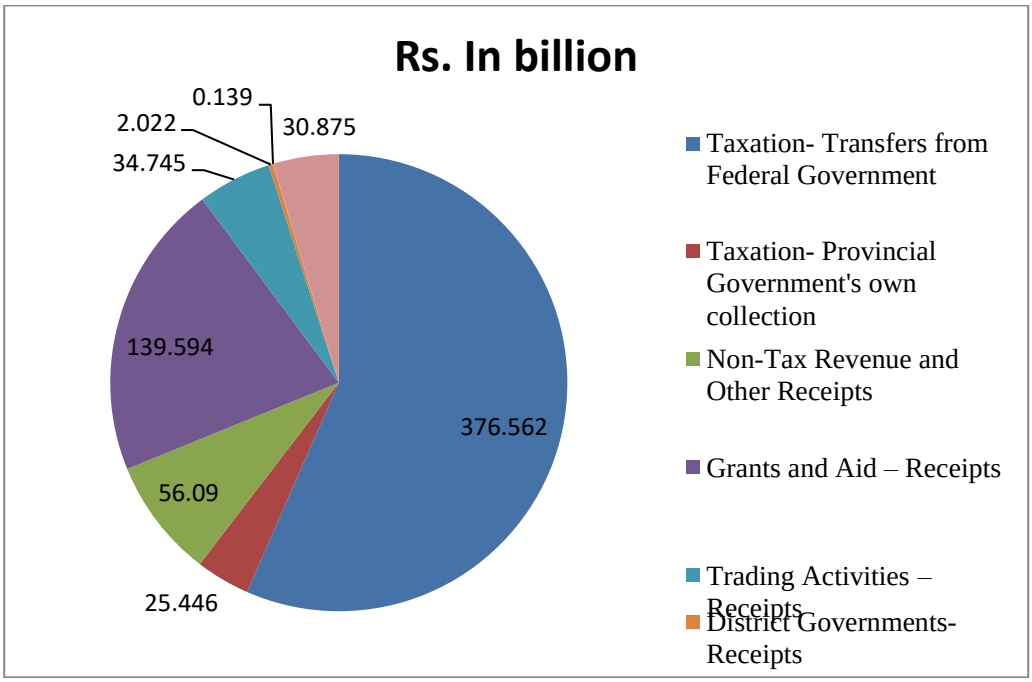
Amount In Rs (million)

Description by function	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Excess/(Savings)**
General Public Service	159,542	171,492	62,065	(109,427)
Public Order and Safety Affairs	214	214	-	(214)
Economic Affairs	176,970	191,065	103,688	(87,377)
Environment Protection	5,805	5,805	4,296	(1,509)
Housing and Community Amenities	20,596	20,609	11,850	(8,759)
Health Affairs and Services	5,311	5,462	3,275	(2,187)
Recreation, Culture and Religion	5,796	5,796	1,053	(4,743)
Education Affairs and Services	24,034	24,034	17,201	(6,833)
Social Protection	3,474	3,474	2,089	(1,385)
Total capital payments	**401,742**	**427,951**	**205,517**	**(222,434)**



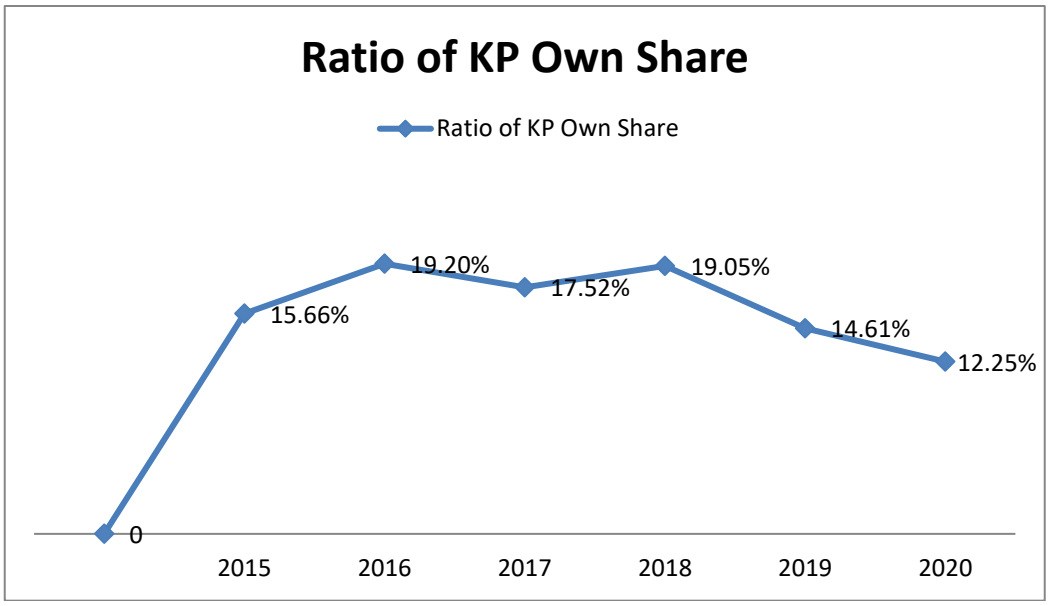
It is pertinent to mention here that the provincial government has generated a sum of Rs.118.303 billion through the collection of tax, non-tax receipts and trading activities (constituting 17.78% of the total budget), while Rs. 376.562 billion (constituting 56.59% of the budget) has been received from the Federal Government. The remaining Rs. 170.469 billion (25.62 % of the total budget) were realized from Grants (local and foreign), aids and foreign debts. It shows that the provincial government is financially dependent on the revenue transfers from the federal government. The table below gives the details of the revenue generated by the province:

Head of Receipt	**Rs. In billion**
Taxation- Transfers from Federal Government	376.562
Taxation- Provincial Government's own collection	25.446
Non-Tax Revenue and Other Receipts	56.090
Grants and Aid – Receipts	139.594
Trading Activities – Receipts	34.745
District Governments-Receipts	2.022
Recovery of Loans and Advances	.139
Debt Financing	30.875
Total	**665.473**



Trend analysis of total receipts and revenue generated by the province from its own resources shows an upward trend and is increasing steadily over the years. But comparison of the province self generated revenues with the total receipts of KP, shows downward trend and has decreased substantially in the year 2020 detailed as given below:

Year	**Total Receipts of KP**	**KP Own Revenue (Tax and non Tax)**	**Ratio of KP Own Share with total Receipts**
2015	333,169	52,171	15.66%
2016	399,119	76,634	19.20%
2017	410,476	71,916	17.52%
2018	496,218	94,523	19.05%
2019	520,298	76,036	14.61%
2020	665,473	81,536	12.25%



As a result of low revenue and greater expenditure cash and cash equivalents have decreased by 8,310 million in the financial year 2019-20. Since 2017-18 cash balances and cash equivalents have decreased from 34,456 million to 13,871 million.

*Source (financial statement 2018-19 and 2019-20)

1.2 Audit Paras

1.2.1 Non-utilization of SAP system for confirmation of Final Grants-Rs. 1,019,259 million

According to Section 7.4.6.3 of APPM read with Para-5(xi) of the Controller General of Accounts letter No.853/CGA/M&E/4-1/2018-19, dated April 5th 2019**,** the budget figures used shall be confirmed by the respective Finance Department (The Original Grant, Supplementary Grant and Final Grant appearing in the Appropriation Accounts should be properly verified with the SAP System as well as Schedule of Authorized Expenditure and Supplementary Schedule of Authorized Expenditure). The AGs/SAEs shall take necessary measures in this regard and shall take up the matter with respective Finance Division/Department and Districts.

During review of the Appropriation Accounts of the Government of Khyber Pakhtunkhwa prepared by the Accountant General for the financial year 2019-20, it was noticed that a sum of Rs. 1,019,259 million was shown as Final Grant. The Final Grants were required to have been confirmed/ updated and incorporated in SAP system under the relevant heads. On further scrutiny of record, it was noticed that Final Grants were manually prepared but not updated in SAP System by the Finance Department. Due to non-utilization of SAP system correct position could not be ascertained.

The lapse occurred due to weak internal controls and non-adherence to rules.

In the DAC meeting held on 27th November 2020, it was replied that the SAP system is being utilized in the confirmation of recurring grants. The Finance department promised to develop mechanism for confirmation of the developmental grant through SAP system.

The audit recommends expediting the process of developing mechanism for confirmation of accounts through the system.

AP No. 1.1.1 (2019-20)

1.2.2 Non-utilization of developmental funds - Rs. 164,881.306 million

According to Para 12 of GFR Vol-I, funds allotted should be spent in the public interest and upon the object for which the same was provided.

During review of the Appropriation Accounts of the Government of Khyber Pakhtunkhwa for the Financial Year 2019-20, it was noticed that a sum of Rs. 164,881.306 million was not utilized under the developmental grants as detail below:

Grant No.	Final Grant	Expenditure	Under-utilization
50	26,445.00	18,131.554	8,313.445
51	30,436.00	20,449.513	9,986.486
52	3,799.00	3,544.137	554.862
53	15,455.00	11,670.459	3,884.540
54	10,245.00	9,872.207	372.792
55	12,234.858	11,289.692	945.165
56	19,004.07	17,861.630	142.439
57	17,602.671	13,420.966	4181.704
59	82,000.00	12,115.635	69,884.364
60	83,331.900	38,406.366	44,925.533
61	79,000.00	57,310.023	21,689.976
	379,553.499	**214,072.182**	**164,881.306**

The lapse occurred due to weak financial controls.

In the DAC meeting held on 27th November 2020, the department replied that the administration of grant is the responsibility of the PAOs and they will explain their position before PAC.

Audit recommends investigating the reasons for non utilization of funds.

AP No. 1.1.3 (2019-20)

1.2.3 Excess expenditure over and above the final grant - Rs. 380.909 million

According to Para-88 of GFR Vol-I, the authority administering a grant is ultimately responsible for watching the progress of expenditure in public service under its control and for keeping the expenditure within the grant.

During review of the Appropriation Accounts (Final draft) of the Government of Khyber Pakhtunkhwa for the Financial Year 2019-20, it was noticed that expenditure amounting to Rs. 4.250 million was incurred in excess of final grant/allocation other than pay and allowances as details given below.

Grant No.	Page No.	Head of Account	Final Grant	Expenditure	Excess
06	40	A03-Operating Expenses Excl TA	780,535	996,427	215,892

		(PR 4047)			
06	40	A03805-Travelling Allowance (PR 4047)	225,032	304,820	79,788
07	44	A05-Grants subsidies and write off	6,999,000	7,000,000	1000
10	63	A13-Repair & maintenance	144,220,589	144,230,539	9,950
12	87	A03-Operating Expense Excl TA	85,056,403	85,126,064	69,661
13	134	A-096101-Secretariat/Policy/Curriculum	20	3,872,470	3,872,450
14	144	A04-Employee Retirement Benefit	9,042,770	9,044,213	1443
Total			**246,324,349**	**250,574,533**	**4,250,184**

Moreover, expenditure amounting to Rs. 1.197 million was incurred under PR-4985 Ehtisab Commission KP despite the closure of the said office and Rs. 375.462 million in the Regional Ehtisab Commissioners offices in KP under Cost Center No. AD-43333, BU-4422, DI-4353, KT-4396, MR-4392, PR-5183, SW-4474.

Audit is of the view that expenditure in excess of the final grants needs budgetary checks in SAP System in order to restrict the payments within the limit of final grants.

The lapses occurred due to weak internal and financial controls.

In the DAC meeting held on 27th November 2020, the department replied that the administration of grant is the responsibility of the PAO and they will explain their position before PAC.

Audit recommends regularization of expenditure.

AP No. 1.1.4 (2019-20)

1.2.4 Non-reconciled expenditure - Rs. 36,498 million

According to Para 9 (i) of action plan of the Comptroller General of Accounts, circulated vide CGA Islamabad No. 212/CGA/FM&E/4-1/2016-17, dated 27.03.2017, the expenditure should be 100% reconciled with Departments.

During review of Appropriation Accounts of the Government of Khyber Pakhtunkhwa for the Financial Year 2019-20, it was noticed that an expenditure of Rs. 210,917 million was shown incurred by various DDOs under different grants. However, an amount of Rs. 36,498 million remained non-reconciled.

The lapse occurred due to weak internal control.

In the DAC meeting held on 27th November 2020, the department replied that letters and reminders have been sent to the concerned departments for early reconciliation of the expenditure.

Audit recommends that the expenditure should be reconciled.

AP No. 1.1.5 (2019-20)

Chapter – 2

ADMINISTRATION DEPARTMENT

2.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- All Secretarial work of Cabinet
- It shall be the responsibility of the Chief Secretary to coordinate the work of all Departments of Government.
- The Chief Secretary may call for any case or information from any Department or Attached Department.
- The Establishment and Administration Department shall be responsible for service rules and service matters of all provincial govt employees.
- No Department shall without the concurrence of the Establishment and Administration Department authorize any orders, other than orders in pursuance of any general or special delegation made by the Establishment and Administration Department,
- No order in respect of the emoluments, promotion or conditions of service of any officer employed in the Finance Department shall be passed and no expenditure proposal relating to that Department sanctioned without prior concurrence of the Establishment and Administration Department. The Chief Secretary shall exercise, in respect of such matters, the functions of the Secretary, Finance Department.

Audit Profile of Administration Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	11	04	4,276.260	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

2.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
2-General Administration	NC21	3,925,612,000	0	3,925,612,000	2,388,376,690	-1,537,235,310
2-General Administration	NC24	316,089,000	0	316,089,000	184,510,001	-131,578,999
Total		**4,241,701,000**	**0**	**4,241,701,000**	**2,572,886,691**	**-1,668,814,309**

Development **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Grant No 50 General Administration	NC22	58,000,000	0	16,670,000	16,669,743	(257)
	NC22	133,000,000	0	94,139,000	99,343,536	5,204,536
	NC22	120,432,000	0	52,230,000	52,229,247	(753)
	NC22	182,360,000	0	93,184,000	93,372,528	188,528
	NC12	1,789,640,000	0	1,565,935,000	1,565,935,000	0
Total		**2,283,432,000**	**0**	**1,822,158,000**	**1,827,550,054**	**5,392,054**

Overview of expenditure against the final grant;

(Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	4241.701	2572.887	-1668.814	-39%
Development	1822.158	1,827.55	5.39	0.30%
Total	**6063.859**	**4400.437**	**-1663.422**	**-27.43%**

The above analysis shows that the non-developmental budget could not be utilized and 27.52% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved. While developmental budget on the other hand has been overspent which indicates poor SAP controls because it has allowed spending over the allocated amount.

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1192.818 million were raised in this report during the current audit of Administration Department. This amount also includes recoveries of Rs. 1074.545 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; **Amount in millions**

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	9.733
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	4.411
4	Value for money and service delivery issues	5.000
5	Others	1173.674

2.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2009-10	Establishment & Administration	32	09	-	23
2.	2010-11	-do-	25	08	-	17
3.	2011-12	-do-	20	08	-	12
4.	2012-13	-do-	08	07	-	01
5.	2013-14	-do-	12	06	-	06

2.4 Issues in the Administration Department

During scrutiny of the record of Administration Department, it came to the fore that, no proper list for allotment of official residences is maintained. It provides a wide open space for discretionary use of powers and manipulations, resulting in out of turn allotments, as are evident from several reported cases. Dual accommodation by a single officer has also been noticed.

Similarly, several instances of violation of official vehicle allotment policy have been noticed. Against the instructions given in Staff Car Rules 1980, pool's vehicles have been allotted to the officers of different department. In some instances more than one vehicle is retained and in others staff cars have been allotted to those who are not entitled.

The project vehicles are seldom handed over by the Project authorities to the Administration Department, resulting in the unauthorized retention of those

vehicles by the project officers. The process of condemnation of the old vehicles is also not pursued diligently. Consequently, vehicles that need to be auctioned remain un-auctioned for a long time and the Government is deprived of the precious revenue. These vehicles are dumped in open air which cause them to get rusted and are resultantly are badly depreciated in value.

AP No. 108,116, 121, 123 (2019-20)
AP No. 62, 66, 67 & 70 (2018-19)

2.5 Audit Paras

2.5.1 Loss to government due to defective service agreement – Rs.5.00 million

According to the clause 3.10 of the contract signed on 29-05-2019 with Center of Aviation Training for hiring as operator for operation and maintenance of Ecureuil and MI-171 Helicopters, the operator shall employ, arrange and provide qualified personnel; necessary to perform the services under this agreement. The owner shall bear the cost as per actual expenditures. List of required personnel with salary package is at Annexure-I to the contract agreement.

During audit of the Secretary to Government of Khyber Pakhtunkhwa, Administration Department (DG Aviation) Peshawar for the Financial Year 2019-20, it was observed that an expenditure of Rs.5,000,000/- was incurred on payment of fixed salary to the two (02) pilots of the MI-171 helicopter for 10 months upto June 2020.

The contract with Center of Aviation Training KP for hiring as operator for two helicopters (Ecureuil & MI-171) was signed on 29-05-2019; however, MI-171 helicopter was sent to Russia on 07-08-2018 for overhauling and reached back to Pakistan in 07/2020. Charging salaries of two (02) pilots for MI-171 helicopter, which was even not in Pakistan and remained in Russia for overhauling for about two (02) years, was loss to the government due to defective service agreement.

The lapse occurred due to weak contract and financial management.

When pointed out in November 2020, the department stated that the audit observations related to Center of Aviation Trainings (PAF, Operator). Therefore, reply in the matter will be submitted soon.

In the DAC meeting held on 08-01-2020, the department requested to settle the Para. However, audit did not agree because the helicopter was sent to Russia for overhauling well before the agreement signing date and that was not taken into consideration during signing the agreement. Thus payment of 10 months' salaries to the pilots was mismanagement on the part of the Administration Department and the matter needs investigation. However, no progress was reported till finalization of the report.

Audit recommends implementation of DAC decision.

AP No.105 (2019-20)

2.5.2 Non-credit of interest income to government treasury – Rs.4.411 million

According to Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3-(F/L)/FD/2007-08/Vol-IX dated 16-03-2018, the profit earned on the funds kept in the commercial bank, be deposited in government treasury under the relevant head immediately and not later than a week when declared by the concerned bank.

During audit of the Secretary to Government of Khyber Pakhtunkhwa, Administration Department (Aviation) Peshawar for the Financial Year 2019-20, it was observed that fund of Rs.115,951,000/- was drawn from government treasury and transferred to the bank account maintained by Center of Aviation Training, KP being hired as operator for the operation and maintenance of the Ecureuil and MI-171 Helicopters. Scrutiny of the Bank Statement of the operator revealed that interest of Rs. 4,411,154/- was earned on the funds.

Audit held that the funds were provided by the government; hence, any interest earned should have been deposited into government treasury, contrary, the interest income was retained in the said bank account.

The lapse occurred due to weak financial management.

When pointed out in November 2020, the department stated that the audit observations related to Center of Aviation Trainings (PAF, Operator). Therefore, reply in the matter will be submitted soon.

In the DAC meeting held on 08-01-2020, it was decided to credit the interest amount into government treasury. However, no progress was intimated till finalization of this report.

Audit recommends implementation of DAC decision.

AP No.102 (2019-20)

2.5.3 Unauthorized drawl of FDA/Special Allowance - Rs. 5.623 million

According to Para-3 of Finance Department (Regulation Wing) Notification No. FD (SOSR-II)/8-7/2016-17, dated 2.2.2018, the officers posted against scheduled post and are in receipt of such allowances other than regular allowances shall be entitled to one of the allowance which is more beneficial.

According to the Government of Khyber Pakhtunkhwa Establishment Department Notification No.SO (E-1)/E&AD/9-126/2018, dated 15th November 2018, circulated and notified by the FATA Development Authority on 29th November 2018, the following FDA Directorates working under FATA Development Authority shall henceforth report to the respective Secretaries to Government of Khyber Pakhtunkhwa in all official business.

According to the Finance Department (Regulation Wing) notification No.FD (SOSR-II) 8-7/2011, dated 27.4.2011 the special allowance @ 30% shall cease to be admissible to the civil servant w.e.f the date when, consequent upon his transfer to a post outside his Secretariat of original posting.

During audit of the Chief Executive FATA Development Authority Peshawar for the Financial Years 2018-20, it was observed that PMS/PCS officers were posted against the scheduled posts by the Establishment Department. The

officers were allowed Executive Allowance @ 150%, and other regular allowances, but they were also allowed FDA fixed Allowance @ Rs.60000/- & Rs. 48000/- P.M. which was not admissible. This resulted into un-authorized drawl of FDA allowance of Rs. 2,326,452/-.

Similarly the Secretariat Planning cadre officers were transferred to FDA on deputation basis and they were also allowed Special Allowance @ 30% in addition to deputation allowance against the government orders which resulted into an overpayment of Rs.3,296,600/-.

The lapse occurred due to non-observance of rules/policies.

When pointed out in September 2020, the department replied that FDA allowance was approved by BOD and subsequently approved by Governor KP. However, audit did not agree with the justification provided as the payment was in violation of government orders. Furthermore, as far as the special allowance is concerned, the department replied that this office has intimated vide letter dated 21.09.2020 to the respective departments for recovery of Special Allowance from the officers.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 01 & 02 (2018-20)

2.5.4 Un-authorized retention of residential accommodation – Rs 2.800 million

According section 18 KP Estate Office Accommodation Rules 2018, an allottee, who is transferred out of Peshawar in any department, organization, board, authority and Commission etc., or is posted within Peshawar to an ineligible department, organization, authority board and Commission etc.; may retain the residential accommodation on the following terms: one year on payment of normal rent; and subsequent one year on payment of market rent.

Provided further that no further extension shall be allowed beyond the permissible period mentioned above.

During audit of the Secretary to Government of Khyber Pakhtunkhwa, Administration Department (Estate Office), Peshawar for the Financial Year 2019-20, it was observed that House No. 6/9 Jheel road, Peshawar was allotted to Mr. Amjid Ali Khan on 23-11-2009. The officer has been transferred and posted at other province/ districts since 2010. Recovery of Rs 1,500,000 w.e.f. 23.11.2009 to 30.06.2013 has already been pointed out by audit and printed as DP No. 2.4.6 in Audit Report 2013-14.

Furthermore, the record revealed that the officer remained at different stations outside Peshawar from 01.07.2013 to 06.03.2018 (56 months). Therefore, monthly rent of Rs 2,800,000 (50000x56) was outstanding, which needs to be recovered from the officer.

The lapse occurred due to weak management of the affairs of the Estate Office.

When pointed out in November 2020, the department stated that proper reply will be submitted after verification of record.

In the DAC meeting held on 11-01-2021, it was decided that the amount should be recovered from the officers. However, no progress of recovery intimated to audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No.94 (2019-20)

2.5.5 Illegal retention of dual accommodations – Rs.1.310 million

According to the Declaration/ Affidavit submitted by Mr. Ali Asghar, No other accommodation is allotted from the pool of Estate Office or by any other government or institution. The officer undertake that in case of transfer within province, the accommodation will be vacated under rules 13(6) a. In case the particulars given above are found incorrect, the officer will be liable for

disciplinary action under E&D rules in additional to cancellation of allotment of the house.

During audit of the Secretary to Government of Khyber Pakhtunkhwa, Administration Department (Estate Office), Peshawar for the Financial Year 2019-20, it was observed that government residential flat No. 0I-NC Block, Khyber Road, Peshawar was allotted to Mr. Muhammad Ali Asghar, the then Deputy Secretary Administration with physical possession on 27-12-2016. Later on, the officer was transferred and posted as Deputy Commissioner, Bannu in October 2017 where designated residence was available. However, neither the residence in Peshawar was vacated nor was the requisite rent recovered as per detail below;

Particulars	Tenure	Rate	Amount (Rs.)
Normal rent	5 months	10000	50,000
Market Rent	36 months	35000	1,260,000
		Total	**1,310,000**

The lapse occurred due to weak internal controls and non adherence to Accommodation Rules.

When pointed out in November 2020, the department stated that as per Allotment Rules 2018, field officers are entitled to retain residential accommodation allotted from the pool of Estate Office in addition to the designated accommodation. Furthermore, rent of accommodation has already been deducted from the pay. However, detailed reply will be submitted after verification of record.

Reply of the department was not correct as neither Accommodation Rules 2015 nor Accommodation Rules 2018 were implemented in the instant case. There is no provision in rules to occupy/retain two residential accommodations simultaneously.

In the DAC meeting held on 11-01-2021, it was decided that rent amount as calculated above should be recovered.

Audit recommends inquiry and fixing responsibility.

AP No.121 (2019-20)

2.5.6 Non-transfer of funds to Government Consolidated Fund- Rs.1055.401 million
Unauthorized expenditure from the balances of defunct Authority - Rs 118.273 million

According to the Government of Khyber Pakhtunkhwa Establishment Department Notification No.SO (E-1)/E&AD/9-126/2018, dated 15th November 2018, circulated and notified by the FATA Development Authority on 29th November 2018, the Directorates working under FATA Development Authority shall henceforth report to the respective Secretary to Government of Khyber Pakhtunkhwa in all official business.

According to para-07 (1) of CTR, all money received by Govt. on account of revenues of the government should immediately be deposited into Govt. Treasury and shall be included in the consolidated fund. Government moneys should not be appropriated to meet the departmental expenditure.

During audit of the Chief Executive FATA Development Authority Peshawar for the Financial Years 2018-20, it was observed that the Authority was dissolved after merger of FATA in Khyber Pakhtunkhwa. It was required that all the balances of Rs. 1055.401 million should have been deposited in the Provincial Consolidated Fund, however, it was not deposited into provincial consolidated fund. Furthermore, expenditure of Rs.118.273 million was incurred from the defunct Authority without approval of the competent forum. The lapse occurred due to weak internal controls.

When pointed in September 2020, the department replied that this office has already submitted report regarding the closing balance/unspent funds of FDA for transfer to the Provincial Government of Khyber Pakhtunkhwa. However, the unspent balances were not transferred to Provincial Government till finalization of this report.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 07 (2018-20)

Chapter - 3

AGRICULTURE DEPARTMENT

3.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Agricultural Education and Research including Agricultural University.
- Experimental and demonstration farms.
- Improvement of Agricultural methods.
- Protection against insects and pests and prevention of plant diseases.
- Government gardens, including Botanical and Zoological gardens.
- Agricultural Engineering, mechanized cultivation and soil conservation.
- Improvement of varieties, its nutritional requirements and maintenance of soil fertility in research wings.
- Improvement of Livestock.
- Prevention of animal diseases.
- Veterinary Training and Research.
- Prevention of cruelty to animals.
- Zoological Survey.

Audit Profile of Agriculture Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in millions)	Revenue/Receipts Audited FY 2019-20 (Rs in millions)
1	Formations	31	10	2683.080	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	01	01	8.965	N/A
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	Nil	Nil	N/A

3.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2019-20 is given below:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
18-Agriculture	NC21	2,657,683,000	631,205,000	3,288,888,000	2,938,398,293	(350,489,707)
19- Animal Husbandry	NC21	1,283,295,000	14,578,000	1,297,873,000	1,082,788,342	(215,084,658)
20- Co-operation	NC21	32,728,000	2,461,000	35,189,000	28,987,781	(6,201,219)
23-Fisheries	NC21	126,455,000	80	126,455,080	110,450,826	(16,004,254)
Total		**4,100,161,000**	**648,244,080**	**4,748,405,080**	**4,160,625,242**	**(587,779,838)**

Development; **(Rs.)**

Grant # (Prov) NC12 & 22 and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
Agriculture	NC22	2,398,340,000	0	1,736,472,000	1,736,666,741	194,741
	NC12	45,000,000	0	59,004,000	59,004,460	460
Total		**2,443,340,000**	**0**	**1,795,476,000**	**1,795,671,201**	**195,201**

Overview of expenditure against the final grant:

(Rs. in millions)

Grant Type	Final Grant	Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	4,748.41	4,160.63	-587.78	**-12%**
Development	1,795.48	1,795.67	0.19	**0%**
Total	**6,543.88**	**5,956.30**	**-587.59**	**-9%**

The above analysis shows that non-developmental budget could not be fully utilized. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 130.684 million were raised in this report during the current audit of Agriculture Department. This amount also includes recoveries of Rs. 50.032 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	2.700
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	80.652
5	Others	47.332

3.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2011-12	Agriculture	07	07	-	-
2.	2012-13	-do-	02	-	-	02
3.	2013-14	-do-	17	06	-	11
4.	2014-15	-do-	15	06	-	09
5.	2015-16	-do-	17	02	-	15

3.4 Issues in Agriculture Department

The major issue that was noticed in the audit of Agriculture Department has been the poor management of Agriculture Research units/institutes across the province. The yield from the research oriented activities is not properly accounted for, resulting in understatement of the produce as is exemplified by the record maintained by the Cereal Crops Research Institute of Pirsabak. Similarly, in DI Khan Agriculture Research Institute, it was noticed with concern that requisite qualified staff for research purposes has not been employed so far despite the availability of slots. It shows that the Department is not rightly geared up for production of high yield varieties of cereals to cater for the burgeoning nutritional requirements of the province.

In addition to the above, it was also noticed that the warehouses and workshops are not properly managed. Outdated agricultural equipment, which is no longer utilized, has been dumped in the godowns and warehouses, instead of being timely auctioned to generate revenue for the Government. It reflects poorly on the warehouse management of the Department.

Internal Audit as an efficient tool of financial management is not properly employed to detect and correct financial irregularities in a timely manner. Several instances of late deposit of the revenue realized and misappropriations warrant the strengthening of internal audit unit of the Department.

AP No. 95 & 97 (2018-19)
AP No. 08, 36, 53 & 60 (2019-20)

3.5 Audit Paras

3.5.1 Non deposit of auction money of wheat seeds - Rs. 47.332 million

According to Para-7 of Federal Treasury Rules, all money received on account of revenues shall without delay be paid in full into Government Treasury and Receipts should not be utilized towards expenditure.

During audit of Director General Agriculture Extension KP for the Financial Year 2019-20, it was observed that left over stock of the "Insaf Food Security program (IFSP)" was auctioned thereby realizing an amount of Rs.

170,274,853 against which only Rs. 122,942,140 were deposited and Rs. 47,332,713/- was not deposited.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department stated that reply would be submitted after obtaining response of the sub office.

The department was requested for convening of the DAC meeting vide letter dated 22-01-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 60 (2019-20)

3.5.2 Excess drawl on account of subsidy charges - Rs. 2.700 million

According to PC-I ADP "wheat productivity enhancement project" wheat seed of different recommended varieties will be provided to the Districts by the Agriculture Development Fund. The District Director Agriculture Extension will distribute seed of 50 kg bag to one farmer beneficiary for one acre on full price. After sowing and upon verification by the district agriculture authorities to ensure that the seed has been actually sown, the 50% cost of the seed will be reimbursed to the beneficiary farmers either through branchless banking or bank account.

During audit of Director General Agriculture Extension KP for the Financial Year 2019-20, it was observed that District Director D.I. Khan drawn a subsidy amount of Rs. 4,800,000/- under PSDP Scheme "Wheat Productivity Enhancement Project" for further distribution to 4250 farmers instead of actual farmers of 2000, resulting in excess drawl of 2,700,000 (Rs. 2250 bags @ 1200). Furthermore, the amount drawn was not disbursed after lapse of one year to the farmers to whom one bag of wheat seed in the PSDP scheme was provided.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department stated that reply will be submitted after consultation with the sub office.

The department was requested for holding of the DAC meeting vide letter dated 22-01-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 54 (2019-20)

3.5.3 Wasteful expenditure due to non-achievement of the project objectives - Rs. 80.652 million

According to the objective of the project "Genetic improvement of local goats through cross breeding with Sannen goats in Malakand region" a sum of Rs. 80.652 million was provided for the project. In the provision a sum of Rs. 19.076 million was provided for the purchase of livestock i.e. Sannen Goats (imported) to achieve the main objectives of the project.

During audit of the Project Director "Genetic improvement of local goats through cross breeding with Sannen goats in Malakand region" for the Financial Year 2019-20, it was observed that the project was started in July 2015 and was due for completion on 30.06.2017, but was actually completed on 30.06.2019 with the total cost of the project amounting to Rs. 80.652 million. However, the main objective of the project, "purchase of Sannen dairy goats for crossing with local variety" was not achieved despite the advance payment of Rs. 19.076 million made to the contractor. Hence, the total project expenditure of Rs. 80.652 million was held wasteful.

The lapse occurred due to weak internal controls.

When pointed out in October 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 15-12-2020. However, no DAC meeting was convened till the finalization of the report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 11 (2019-20)

Chapter – 4

COMMUNICATION & WORKS DEPARTMENT

4.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Acquisition and development of sites for construction of government buildings
- ❖ Registration of contractors
- ❖ Implementation of various schemes of the provincial departments
- ❖ Construction of government owned buildings
- ❖ Maintenance and repair of government owned buildings
- ❖ Construction of provincial highways and roads
- ❖ Maintenance and repair of provincial highways and roads

Audit Profile of Communication & Works Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	136	30	15789.473	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	**N/A**	**N/A**	**N/A**	**N/A**
3	Authorities/Autonomous bodies etc under PAO	01	N/A	N/A	N/A
4	Foreign Aided Projects (FAP)	04	04	5338.206	N/A

4.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants allocated to Communication and Works Department and expenditure by the department in financial year 2019-20 is given below:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
14-Communication and Works	NC21	3,211,233,000	0	2,867,594,504	3,211,233,000	343,638,496
15-Roads, Highways, Bridges Buildings and Structures (Repair)	NC21	4,859,183,000	0	4,859,183,000	3,514,761,067	-1,344,421,933
	NC24	4,015,000	0	4,015,000	1,853,227	-2,161,773
Total		**8,074,431,000**	**0**	**7,726,777,504**	**6,727,847,294**	**-1,002,945,210**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Grant No 56	NC12	11,270,000,000	0	17,838,098,853	17,861,630,511	23,531,658
Building and Structure	NC12	812,000,000	0	514,491,440	435,084,180	-79,407,260
Building and Structure	NC22	387,995,000	0	252,536,566	256,714,590	4,178,024
	Total	**12,469,995,000**	**0**	**18,605,126,859**	**18,553,429,281**	**-51,697,578**

Overview of expenditure against the final grant;

(Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	7,730.79	6,727.85	-1002.945	-12.93
Development	18,605.127	18,553.28	-51.697	-0.28
Total	**26,331.904**	**25,281.128**	**-1,054.642**	**-3.99**

The above analysis shows that both the non-developmental and developmental budgets could not be utilized. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 801.805 million were raised in this report during the current audit of Communication & Works Department. This amount also includes recoveries of Rs. 241.370 million pointed out by audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in millions

S No.	Classification	Amount (Rs.)
1	Non production of record	20.444
2	Reported cases of fraud, embezzlement and Misappropriation	279.670
3	Irregularities	-
A	HR/Employees related irregularities	5.545
B	Procurement related irregularities	78.633
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	416.470
5	Others	1.043

4.3 Brief comments on the status of compliance with PAC directives

S.No	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2011-12	-do-	07	06	-	01
2	2012-13	-do-	10	05	-	05
3	2013-14	-do-	30	09	-	21
4	2014-15	-do-	26	20	-	06
5	2015-16	-do-	27	11	-	16

4.4 Issues in Communication & Works Department

It was noticed during the audit of C&W Department that a huge amount is retained in 2nd deposit as security arbitrarily by several divisions across the province. This undue and arbitrary retention in the 2nd deposit is used as a tool to avoid the lapse of fund and resultantly the money is blocked despite their inability to utilize funds on timely and efficient manner.

It has also become a matter of routine to accord the Technical Sanction at a belated stage to cover up all the major deviations from the original estimates and specifications. It is utilized as a cover up tool for the faulty planning and estimation instead of providing the executioner of works with technical guidance.

Similarly the contract management within the department is poor and despite having inordinate delays in the completion of schemes the penalty clauses are seldom/never invoked against the defaulting contractors. It results in considerable cost and time over-runs in the completion of schemes. Similarly, the instructions about the credit of lapsed deposits into the government treasury are not strictly followed by the Field offices of C&W department. The deduction of taxes as per applicable laws is more honored in the breach than in the observance.

AP No. 14, 39, 55, 71, 93, 95, 101, 102, 103, 105, 107, 120 & 121(2019-20)
AP No. 231, 478, 499 & 579 (2018-19)

4.5 Audit Paras

4.5.1 Non-production of record of land compensation - Rs.20.444 million

According to Article14 (2) of the Auditor General of Pakistan Ordinance 2001, the officer in-charge of any office or deportment shall afford all facilities and provide record for audit inspection and comply with request for information in as complete form as possible and with all reasonable expedition.

During audit of the Executive Engineer Highway Divisions South Waziristan& Tribal Sub-division Darazinda/Jandola at D.I.Khan (Newly Merged Tribal District) for the Financial Year 2019-20, it was observed that a sum of Rs. 20.444 million was given to the district administrations as land compensation to the locals for the construction of various roads. However, the amount remained un-verified because no detail accounts regarding the distribution and receipts acknowledgment from the locals was produced to audit.

The lapse occurred due to weak internal controls.

When pointed out in October & November 2020, the department stated that detailed reply will be furnished later on.

The Department was requested for holding of the DAC meeting vide letter dated 29-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 196 & 219 (2019-20)

4.5.2 Fraudulent payment on the basis of fake measurements – Rs. 131.628 million

According to Para-209 (d) of CPWA Code, all payments for work or supplies are based on the quantities recorded in the measurement book; it is incumbent upon the person taking the measurement to record the quantities clearly and accurately. This read with Para 208, 220 & 221 of CPWA; payments for all works should be made on the basis of measurements recorded in the measurement book.

During audit of the various Executive Engineer C&W Divisions, it was observed that contractors for different works were paid Rs. 131.628 million as per details given below, however, the payments in those cases stood as unauthorized due to the reasons mentioned against each.

Rs. In million

S. #	Division	FY(s)	Amount	Objection	Remarks
1	Bajaur	2019-20	2.399	The items of work were not executed as evident during physical visit.	Detail in Annexure-II
2	Dir (Upper)	2019-20	48.803	The works were either partially executed or not executed at all. The site was physically visited and pictures taken.	Detail in Annexure-II
3	Shangla	2017-19	46.922	Record entries in MBs were fake. Partial payments made against the recorded entries and funds were diverted to 2nd deposit.	Detail in Annexure-III
4	Shangla	2017-19	28.146	Funds relating to AOM&R Road 2018-19 for the repair related to 2017-18 which was considered as fake drawl because the payment was allowed before the completion of work	
5	Lakki Marwat	2017-19	5.358	9th and 10th running bills were presented with a gap of only 2 days without showing progressive balance of work against each bill.	Partial payments made against the recorded entries and funds were diverted to 2nd deposit.
		Total	**131.628**		

The lapse occurred due to weak internal controls.

When pointed out in September 2020, the management of C&W Bajaur stated that proper reply would be submitted in due course of time and after examination of record. While management of C&W Dir Upper stated that the matter would be inquired and audit would be informed accordingly. However, no progress was intimated in this regard.

Furthermore, when pointed out in June 2020, the managements of C&W Shangla and C&W Lakki Marwat stated that detailed reply would be furnished later on.

In the DAC meeting held for on 19-01-2021 and 20-01-2021 for discussion of C&W Bajaur, C&W Dir (Upper) and C&W Shangla audit observations respectively, it was decided that the Superintending Engineer of the Circle will personally inspect the cited work in the light of audit observations and submit report within 15 days, as during the discussion the payment was deemed

unauthorized and in case of any shortcomings, the responsibility may also be fixed and intimated to audit within 15 days. However, no progress was intimated till finalization of this report.

While in the DAC meeting held on 07-01-2021 for discussion of C&W Lakki Marwat audit observations, the department explained that the work has been executed, some funds were released and some funds were kept in 2nd deposit owing to non-provision of test results and payment. However, audit did not agree and contended that the payment was supposed to be made on actual work done and record entries could only be made after satisfactory work completion. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decisions.

AP No. 46, 54, 102, 103 & 105 (2019-20)
AP No. 475, 516, 519, 522, 545, 551, 558, 563, 565, 569 & 579 (2017-19)

4.5.3 Doubtful expenditure on account of Wearing Course-Rs.6.450 million

According to Para 228 of the CPWD Code, advances to contractors are as a rule prohibited, and every endeavor should be made to maintain a system under which no payments are made except for work actually done.

During audit of the Executive Engineer C&W Division Haripur for the Financial Year 2017-18, it was observed that the contractor was paid for the work "Construction of Akhoon Bandi to Magri RD" which included payment of Rs. 6,449,550/- as prime coat and asphalt wearing course. However, as verified from the MB No.834-H, a lump sum measurement of the item was recorded, without mentioning details of RDs and location.

Audit held that the items of work were not actually measured because place/location was not mentioned and even the RDs were not recorded in the relevant MB. Hence, the payment of Rs 6,449,550/- was doubtful.

When pointed out in January 2019, the department stated that detailed reply would be furnished after verification of record.

In the DAC meeting held on 24-07-2020, the record was provided to DAC wherein page 160 of the relevant MB was manipulated after audit observation. The Department requested to settle the Para, however audit stressed on fact finding inquiry within 30 days. No progress was made till the finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 145(2017-18)

4.5.4 Unauthorized retention of funds in 2nd deposit – Rs. 117.853 million

According to Para 209 and 221 of the CPWA Code, all payments of the work done are based on the quantities of the work recorded in the measurement book. It is incumbent upon the person taking the measurement to record the quantities clearly and accurately. He will also work out and record in the MB the figure for the contents of the area. The SDO should compare the quantities in the bill with those recorded in the M.B and see that all the rates are correctly entered and that all calculations, have been checked arithmetically.

During audit of the Executive Engineer C&W Divisions for the Financial Years as tabulated below, it was observed that funds of Rs 117.853 million for different schemes were retained in the 2nd deposit based on fake measurements which was illegal.

S. #	Division	FY(s)	Amount	Remarks
1.	Shangla	2017-19	102.18	Partial payments made against the recorded entries and funds were diverted to 2nd deposit. **(Detail in Annexure-IV)**
2.	Dir Upper	2019-20	11.131	
3.	Lakki Marwat	2017-19	4.542	
Total			117.853	

The lapse occurred due to weak internal controls.

When pointed out in July 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held for on 20-01-2021 and 19-01-2021, it was decided that the Superintending Engineer Swat Circle will personally inspect the cited work in the light of audit observations and submit report within 15 days as during the discussion the payment was deemed unauthorized and in case of any shortcomings, the responsibility may also be fixed and intimated to audit within 15 days. Furthermore, DAC meeting held on AP No. 478 dated 07-01-2021, the department explained that the funds were kept in 2nd deposit owing to non-provision of test results and payment, thus, was withheld. However, audit did not agree and contended that the payment was supposed to be made on actual work done and record entries could only be made after satisfactory work completion and there was no authority which could authorize the concerned staff to place the funds in 2nd deposit and therefore, department should conduct inquiry. However, no progress was intimated till finalization of this report

Audit recommends implementation of the DAC decisions.

AP No. 478, 517, 546, 552, 559, 564, 566, 580 &589(2017-19)
AP No. 107 & 108(2019-20)

4.5.5 Overpayment on account of execution of excess quantities of carriage of asphalt-Rs.9.521 million

According to the estimate prepared by department for 1 Km road, carriage of Asphalt concrete from Batch plant to site to be calculated as 287.7/2.31*85 = 10,586 ton/km. This read with para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the Executive Engineer C&W Division Shangla for the Financial Year 2017-19, it was observed that contract for the F/S Design & Rehabilitation of various roads were awarded to different Govt. contractors. Further scrutiny of record revealed that the contractor executed various items of work relating to black topping for which excess quantity of 1446051

Ton/Km carriage of asphalt was claimed by the contractor and also allowed by the department, which resulted into excess payment of Rs. 9.521 million to contractor. (As detailed below);

Item of work	Qty allowed fictitiously	Qty required	Diff ton/km	Rate	Overpayment
Carriage of asphalt	148090.92	505.77/2.31*85=18610	129481	10	1,294,810
Carriage of asphalt	268165	720.87/2.31*85=26525	241640	6.22	1,503,00
Carriage of asphalt	336596	934.99/2.31*85=34,404	302192	5	1,510,958
Carriage of asphalt	257650.40	739.80/2.31*85=27222	230228	6.22	1,432,020
Carriage of asphalt	213452.76	613.37/2.31*85=22570	190883	9.00	1,717,946
Carriage of asphalt	199954.80	555.43/2.31*85=20,438	179517	10.33	1,854,409
Carriage of asphalt	195666	640.18/2.31*85=23556	172110	10	1,710,096
Total			**1446051**		**9,521,742**

Black top width 5.5 M

**Note quantity of carriage of Asphalt for 1KM=287.7/2.31*85=10586 ton/km

The lapse occurred due to weak internal control.

When pointed out in July 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 20-01-2021, the para was discussed and it transpired that the carriage formula pointed out by audit was correct and overpayment was made, however, payment made as per site needs to be reconciled in view of the estimates and record entries in the relevant MB for determining and effecting recovery. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 520, 523, 529, 534, 536, 538& 582(2018-19)

4.5.6 Unauthorized payment on account of steel without RCC- Rs. 13.688 million

According to Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality

During audit of the Executive Engineer C&W Divisions Abbottabad and Kohat for the Financial Year 2019-20, it was observed that a sum of Rs. 13.688 million allowed to the contractors for the works mentioned below on account of steel reinforcement was considered as unauthorized because no RCC work in roof/slabs as well as raft foundation was executed.

Rs. in million

S.#	Division	Work	Amount	Remarks
1	C&W Abbottabad	Establishment of Service Delivery Center at Havelian	1.644	No RCC work executed in roof/slab as well as raft foundation
2	C&W Kohat	Reconstruction of Women 7 Children Hospital Kohat	12.044	
	Total		**13.688**	

The lapse occurred due to weak internal controls.

When pointed out in October 2020 and December 2020, the department stated that detailed reply would be furnished after checking the record.

In the DAC meeting on 19-01-2021, it was decided for AP # 165 that proof to the effect that actual RCC was already carried out at the time of execution of steel be produced to audit for verification within 15 days. However, no

progress was intimated till finalization of this report as far as AP # 291 is concerned, the department has been requested vide letter dated 25-01-2021 for holding of the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends implementation of the DAC decision in the former case while inquiring the matter and fixing responsibility in the later case.

AP No.165 & 291(2019-20)

4.5.7 Loss due to inadmissible payment of escalation – Rs. 48.002 million

According to the background, objectives of Standard Procedure and Formula for Price Adjustment Guidelines issued by Pakistan Engineering Council (March 2009 edition) read with section 5, B2-Parameters, C-Procedures, Part 2-Formula, "Prices of goods and labour are highly variable due to fluctuations in the currency market. Construction experts, therefore, thought it prudent to compute the cost of contracts on present price, keeping provisions of Price Adjustment for probable fluctuations. This document is intended to make reasonable price adjustment in the billed amount, which by virtue of its being restricted to listed adjustable elements, is an approximation. The basis for compensation will be only those elements, which are specifically listed as specified items in the tender documents. The base date price (or base date index) of any element shall be the price of the element which was prevalent twenty eight (28) days prior to the date of submission of the tender. The billed amount of the Works for each calendar month will be obtained from the checked bills submitted by the Contractor. Formula for Price Adjustment:

$$Pn = A + b\frac{Ln}{Lo} + c\frac{Mn}{Mo} + d\frac{En}{Eo} + \ldots\ldots\ldots\ldots$$

During audit of the accounts record of the Executive Engineer, C&W Division Kohat for the financial year 2019-20, it was observed that loss of Rs.48,002,134/- was sustained by the government due to allowing escalation instead of de-escalation and allowing excess escalation than actual escalation as summarized below:

Rs.

S. No	Scheme	Escalation paid	Escalation Due	De-escalation required	Recovery required/ Overpayment	Particulars of payment
1	Dental Block, KIMS	7,133,225	0	8,029,914	15,163,139	IPC 01-17
2	Common Facility Block, KIMS	6,843,479	4,838,813	0	2,004,665	IPC 01-05
3	Academic Block (Package-I)	13,256,536	0	11,990,015	25,246,551	IPC 01-19
4	Girls Hostel, (Package-III)	3,122,106	0	2,465,673	5,587,779	IPC 01-15
	Total	**30,355,346**	**4,838,813**	**22,485,602**	**48,002,134**	

The findings of audit behind incorrect calculations were:

i. Total work done was taken as 265,884,206/- for calculations, whereas the actual work done of the above mentioned IPCs was Rs.243,773,628/- Similarly, The contract was awarded on item rate basis wherein the contractor was paid on quoted rates, but still base rate of steel @ Rs.74,333.33 per ton was applied for calculating the Escalation. Furthermore, weightage of adjustable(s) were revised/changed which was unauthorized as the weightage points were already mentioned in the contract duly signed & agreed by both the parties e.g. steel weightage was taken as 0.1718 instead of 0.195, labour weightage taken as 0.181 instead of 0.175. **(S. No. 1)**

ii. Total work done paid through IPCs 01 till 05 was taken as 69,855,155/- for calculation purpose, whereas the actual work done of the above mentioned IPCs was Rs.47,339,678. Also, excess work done was shown due to inclusion of either Mobilization Advance or Location Factor in the work done. Furthermore, steel consumption started in IPC No. 3 but compensation weightage was allowed for steel against IPC No. 2 where no steel consumption had started. **(S. No. 2)**

Audit held that the loss due to inadmissible payment of escalation instead of de-escalation was due to deviation from above rules.

When pointed out in December 2020, the management stated that the matter would be referred to the consultants for proper reply. Progress would be intimated to Audit.

The Department was requested for holding of the DAC meeting vide letter dated 25-01-2021. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery and initiation of inquiry for fixing of responsibility on the person(s) at fault.

AP No. 283, 284, 285 & 286 (2019-20)

4.5.8 Overpayment due to non-utilization of the excavated material– Rs. 32.658 million

According to Section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2020 for workmanship, issued by Communication & Works Department, Government of Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed off. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure.

During audit of the Executive Engineer C&W Division Dir Lower for the Financial Year 2019-20, it was observed that the payments for excavating earth quantity have been made to the contractors in the below mentioned cases. However, the excavated material was neither used in formation of embankments nor deposited with the government store or any transportation lead was shown. Hence, whereabouts of the excavated material quantity of 82,100.84 M3 valuing Rs 31,893,616/- was not known.

S.No	Scheme/Work	Quantity of Excavated Material m3	Payment against Excavating earth quantity Rs.	Date of Payment
1	Construction of BT road Gawardesh	53042.82	21,801,958	03-06-2020
2	Construction of BT road Rani-dalay	15921.91	6,219,282	16-06-2020
3	Construction of Shadas to Fazalabad Meramai road	13136.11	3,872,376	04-06-2020
	Total	**82100.84**	**31,893,616**	

Similarly, payment of Rs.765,000/- was made for formation embankment from borrowed earth for a quantity of 1275 M3 despite the fact that 13136.11 M3 earth was available at site from excavation which should have been used but the same was not done and resulted in an overpayment of Rs.765,000/- was made to the contractor.

The lapse occurred due to weak monitoring & supervision of the site activities and non-adherence with the above provisions.

When pointed out in November 2020, the department stated that detailed reply would be furnished after consulting the relevant record.

In the DAC meeting held on 19-01-2021, the department explained that no payment was made for filling, it was decided that the cost of Back fill in retaining wall be deducted from the contractor in the view of available earth and be shown to audit. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 232, 236 & 240 (2019-20)

4.5.9 Loss to Govt. due to non-deduction of stone from Random Rubble Masonry (RRM) 1:6 in foundation -Rs.7.673 million

According to MRS item No. 08-01-b and 08-01-c-01 RRM includes 30% to 40% cost of stone. This read with Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the Executive Engineer C&W Division Shangla for the Financial Year 2017-19, it was observed that contract for the F/S Design & Rehabilitation of various roads were awarded to different Govt. contractors. Further scrutiny of record revealed that a quantity of 18497.09 M3 of roadway excavation in surplus material (medium+ hard rock material) was executed in various RDs of the road alignment along with retaining/breast walls for a total quantity of 5943.78 M3. However, the cost of stone available and used was not deducted from the contractor as received from the hard rock cutting which resulted into overpayment of Rs. 7,673,000/- and hence loss to the government as per details attached in the original observation.

Furthermore, the test results regarding rock classification were also not provided for justification of unsuitability of rocks, which further strengthened Audit contention.

When pointed out in July 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 20-01-2021, the Executive Engineer explained that the work is still in progress. The utilization of hard rock in RMM and Back fill will be utilized and necessary deduction will be made from the contractor under intimation to audit. DAC directed to provide adjustment of available material in the contractor bill. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 539, 543, 548, 554, 561, 562& 567(2018-19)

4.5.10 Loss to Govt. due to non-deduction of stone from RRM 1:6 in foundation - Rs. 6.973 million

According to MRS item No. 08-01-b and 08-01-c-01 RRM includes 30% to 40% cost of stone. This read with Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the Executive Engineer Highway Divisions Abbottabad and South Waziristan for the Financial Year 2019-20, it was observed that in the below mentioned works, the contractors have been paid the bills without deducting the cost of stone as per MRS which resulted in loss amounting to Rs. 6,973,062/- as per details tabulated below;

Work	RRM in Foundation & Super Structure	Deduction required in RRM Qty	Rate paid/M3 Rs.	Rate required less cost of stone	Diff	Loss Rs.
Improvement & Reconstruction from Hospital to Ratian Thandara with Link to Sher Shah & Bar Nikain Pind Kargo	1276	1276	6600	4620	1980	2,526,480
Establishment of Govt. Degree College at Lower Tanawel	685.27	205.581	5369.72	3758.80	1610	331,174
	1657.59	497.277	5598.16	3918.71	1679	835,151
B/T Road from Sam to Qareeb Karoona Lower Kaniguam 5KM	3674.65	2397.078	4561.46	3193.02	1368	3,280,257
Total						**6,973,062**

The lapse occurred due to weak internal controls& financial mismanagement.

When pointed out in October 2020, the departments stated that detailed reply would be furnished after consulting the record.

In the DAC meeting held on 19-01-2021, for AP No. 161, it was decided to recover the cost of stone while in case of AP No. 169, the department stated that according to lab tests the said hard rock was not suitable for use in RR Stone masonry, therefore, it was decided to produce the original tests to audit for verification. However, no progress was intimated till finalization of this report.

The Department was requested for holding of the DAC meeting for AP No. 180 vide letter dated 29-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends implementation of the DAC decision in the former cases and recovery in the later case.

AP No.161, 169 & 180 (2019-20)

4.5.11 Loss to Govt. due to execution of excessive quantities of asphalt- Rs.4.380 million

According to Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the Executive Engineer C&W Division Lakki Marwat for the Financial Year 2017-19, it was observed that for the work "AOM&R/Special Repair of various roads", the contractor was paid excessive quantity of 294.01 m3 Asphalt amounting to Rs. 5,515,128/- over and above the approved 2 inches' thickness in design. (As detailed below);

Item of work	Qty Allowed	Qty required	Difference	Rate	Overpayment
Asphalt	1508.84	24296.6*0.05=1214.83	294.01	18758.30	5,515,128
Location 1.05					5,790,884
Rebate 24.35%					1,410,080
Net Payment					**4,380,803**

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 07-01-2021, the department explained that the quantity of asphalt varied because it was rehabilitation work and the asphalt quantity varied as per site requirement, hence, department admitted the variation, therefore recovery may be affected. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 472(2017-19)

4.5.12 Loss to Govt. due to excess payment to contractor on account of formwork - Rs. 1.775 million

Para 228 of the CPWD Code, advances to contractors are as a rule prohibited, and every endeavor should be made to maintain a system under which no payments are made except for work actually done.

During audit of the Executive Engineer C&W Division D.I.Khan for the Financial Years 2017-18 and 2018-19, it was observed that the works "Construction of Central Prison D.I.Khan" and "Reconstruction of Government College of Management Sciences Boys" were awarded to contractors and payments were made accordingly. However, the payments included Rs. 1,040,895/- and Rs. Rs. 734,398/- respectively on account of formwork to concrete(vertical) for the main item of work "item No. 06-06-a-

01,02 & 03 of the MRS 2016" besides the fact that the formwork was already included in the said item of work, thereby resulting in an excess payment of Rs. 1,775,293/-.

The lapse occurred due to weak internal controls.

When pointed out in June 2019 and June 2020, the department stated that detailed reply would be furnished after scrutiny of relevant record.

In the DAC meeting held on 02-01-2020 for AP No. 393, it was decided that recovery of Rs. 1.040 million will be made. However, no progress regarding the said recovery has been intimated to Audit till finalization of this report.

While the department was requested for holding of the DAC meeting for AP No. 424 vide letter dated 08-09-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends implementation of the DAC decision in the former case while recovery in the later case.

AP No. 393 (2017-18) & 424 (2018-19)

4.5.13 Loss to public exchequer due to non-utilization of available material- Rs. 1.694 million

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

During audit of the Executive Engineer Provincial Building Construction Division-I Peshawar for the Financial Year 2018-19, it was observed that Rs. 1,694,529/- was paid to the contractor for the item of work "Earth filling in lawn i/c dressing & compaction with suitable earth borrowed" for a quantity of 2866.14 m3 @ Rs. 591.19 pm3 in the work "Construction of Dormitories for support staff at KP House Islamabad" vide voucher dated 19.6.2019. Quantity of 4256.89 m3 (2476.01+1433.32+347.56) was available from "Excavation in

foundation and hard rock", however, the existing earth was not utilized due to which Government sustained a loss of Rs 1,694,529/-

The lapse occurred due to weak internal controls.

When pointed in October 2019, the department replied that the excavated material was not suitable for reuse in the filling lawn, so keeping in view the sensitivity of the project, the excavated earth was transported outside the KP House and suitable earth was borrowed, which also existed in the PC-I/ Technical sanction.

The reply was not convincing because no laboratory result was available regarding unsuitability of the earth.

In the DAC meeting held on 24-11-2020, it was stated that the matter is sub-judice and progress of the case will be intimated to audit.

Audit recommends implementation of the DAC decision.

AP No. 07 (2018-19)

4.5.14 Loss to Govt. due to non-deduction of stone from Random Rubble Masonry (RRM) 1:6 in foundation-Rs.1.066 million

According to MRS item No. 08-01-b and 08-01-c-01, RRM includes 30% to 40% cost of stone. This read with Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the C&W Division Chitral for the Financial Year 2018-19, it was observed that the work "Construction of RCC Bridge at Ayun" was awarded to the contractor and up to date payment of Rs. 75.919 million was made vide voucher dated 17-6-2019 on 14th running bill.

Further scrutiny and verification of record revealed that a quantity of 198.63 M3 of roadway excavation in surplus material hard rock material was obtained/executed as well as on the other hand in Retaining/Breast Walls total quantity of 2343.524 m3@ 5369.72 amounting to Rs. 12.584 million was executed, but the cost of 30% of stone was not deducted from the contractor, which resulted into a loss of Rs.1.066 million, detailed below;

RRM quantity executed =2343.524m3
Available material hard rock= (198.63) m3
Payment to be made for RRM after deduction of hard Rock=198.63x5369.72=1.066 million

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply would be furnished after checking the record.

In the DAC meeting held on 19-01-2021, the department explained that the quantity obtained from the excavation was very low and could not be utilized in RRM, however, it was decided by the forum that the utilization of the available quantity be ensured either in RRM or Back fill and deduction be made from contractor under intimation to audit. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No.440 (2018-19)

4.5.15 Overpayment on account of BOQ based on item rates-Rs. 114.016 million

According to Para 23 of the General Financial Rules Volume-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which he contributed.

During audit of the Executive Engineer C&W Division D.I. Khan for the Financial Year 2017-18, it was observed that for the work "Construction Judicial Complex at Pharpur", different rates have been accepted for the same item of work which creates doubts about the authenticity of the tendering process. For instance an overpayment of Rs. 5,237,419/- as calculated below was allowed in steel due to allowing different rates i.e. Rs. 110,000, Rs. 130,000, and Rs. 181,000 and so on.

Particular	**Qty of Steel**	**Rate Allowed Rs.**	**Rate Required Rs.**	**Difference Rs.**	**Overpayment Rs.**
Session Judge Residence	27.41	130,000	110,000	20,000	548,300
Shade Area	17.98	181,500	110,000	71,500	1,285,570
Shade Area	18.07	181,500	110,000	71,500	1,292,005
Public Facilitation Area	14.56	198,000	110,000	88,000	1,281,544
Public Toilets	6.87	150,000	110,000	40,000	274,800
Boundary Wall	27.76	130,000	110,000	20,000	555,200
				Total	**5,237,419**

Likewise in other items/materials for the same schemes, different rates have been quoted hence the award of the work for Rs. 114.016 million is doubtful.

The lapse occurred due to weak internal controls and violation of rules.

When pointed out in June 2019, the department stated that detailed reply would be furnished after scrutiny of relevant record.

In the DAC meeting held on 02-01-2020, it was decided to conduct inquiry and make recovery because the rate variation of Rs. 70500/- (between RS. 181,500 and 110,000) in same grade of steel was found very high which means that the variations in other items would also need to be probed. Furthermore, there is

no difference in MRS on the basis of nature of work where steel is used; hence, the BOQ was defective. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 395(2017-18)

4.5.16 Overpayment on account of clearing and grubbing -Rs. 10.336 million

According to MRS 2017 Chapter No. 03, Formation of embankment relating to Item No. 03-03-b (Rs. 153.75/m^3), 03-04-a (Rs. 139.05/m^3), 03-04-b (Rs. 170.83m^3), 03-04-c (Rs. 337.70m^3) & 03-05-a Rs. 347.00m^3), the rate includes hire charges of machinery cost of fuel and also clearing and grubbing, where necessary read with Para1.58 of the B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs.

During audit of the Executive Engineer C&W Division Lakki Marwat for the Financial Year 2017-19,it was observed that for the works "Construction of B/T Road from village Abbasa to Shahab Khel" and "Construction of B/T Road from Chasma road to Wanda Nizami", the contractors were paid vide vouchers dated 18-06-2019& 20-06-2019 respectively including a sum of Rs. 8.294 million &Rs. 2.042 million on account of clearing and grubbing and compaction of natural ground. However, the contractors also executed formation of embankment and sub grade preparation in earth cut and it is clearly mentioned in the MRS dully approved by the competent authority that clearing and grubbing is included in formation of embankment, therefore, the expenditure of Rs. 10,336,000 incurred on clearing and grubbing was an overpayment.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 07-01-2021, the department stated that the payment was made as per MRS provision and separate payment of clearing and grubbing was accordingly made, therefore, department requested for settlement of para. However, audit did not agree and contended that the same was included in the detailed analysis of formation of embankment and thus recovery be affected. However, no progress was intimated till finalization of this report.

Audit recommends recovery.

AP No. 476& 479 (2017-19)

4.5.17 Non-deposit of the deductions made from the salaries of employees – Rs. 5.545 million

According to Government standing orders, General Provident Fund, Pension Contribution, Benevolent Fund, Income Tax, Retirement Benefits & Death Compensation and HRA shall be deducted at prescribed rates from salaries of employees on monthly basis.

During audit of the "Provincial Roads Improvement Project" for the financial year 2019-20, it was observed that an amount of Rs. 5,545,020/- was deducted on account of various mandatory deductions from the salaries of the regular employees on deputation in the project. However, the same was not deposited in the relevant heads of accounts.

The lapse occurred due to weak internal controls.

When pointed out in August, 2020, it was stated that the amount pertaining to pension contribution has been affected from some of the officials and the remaining amount still outstanding. The required deductions will be affected in due course of time.

The department was requested for holding the DAC meeting vide letter dated 10-11-2020. However, DAC meeting has not been held till finalization of this report.

Audit recommends recovery.

AP No. 90 (2019-20)

4.5.18 Overpayment on account of extra labour – Rs.4.576 million

According to MRS2016, the rates for items of work are the composite rate including Material, Equipment and Labour Cost.

During audit of the Executive Engineer Highway Peshawar for the Financial Year 2018-19, it was observed that the contract for the rehabilitation of road from Akbarpura & Jaba Daudzai was awarded to the contractor. The payment included Rs. 4,576,207/- on account of 2/3 extra labour rate, which was unjustified as all the items under MRS are composite rates i.e. Material + Labour + Overhead + Contractor Margin. Therefore, payment of Labour Rate as a separate item of work for Rs. 4,576,207/- was overpayment and needs recovery.

The lapse occurred due to weak management of the civil works.

When pointed out in November 2019, the department stated that proper reply would be submitted after verification of relevant record.

In the DAC meeting held on 24-11-2020, the department was directed to recover the amount pointed out by Audit. However, no progress was intimated to Audit till the finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 189 (2018-19)

4.5.19 Overpayment on account of carriage of asphalt-Rs.1.810 million

According to the estimate prepared by department for 1 Km road, carriage of Asphalt concrete from Batch plant to site to be calculated as 287.7/2.31*85 = 10,586 ton/km. This read with para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their

charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the Executive Engineer C&W Division Lakki Marwat for the Financial Year 2017-19, it was observed that contract for the "AOM&R/Special Repair of various roads" was awarded to the contractor and was paid the work done of Rs. 44.485 million vide voucher dated 20-06-2019. Further scrutiny of record revealed that the contractor executed various item of work relating to black topping for which quantity of 366394.63 ton/Km carriage of asphalt was claimed by the contractor and also allowed by the field Engineering Staff which resulted into excess payment of Rs. 1.810 million.

Item of work	Qty allowed	Qty required	Diff ton/km	Rate	Over-payment	Remarks
Carriage of asphalt	421900	1508.44/2.31*85=55,505.36	366394.63	6.22	2,278,974	Reference to MB No. 64 P 71to 87 quantities of carriage of asphalt was enhanced due fudging in the record entries
Location factor 1.05					2,392,923	
Rebate 24.35%					582,677	
Net total					**1,810,246**	

*Note quantity of carriage of Asphalt for 1KM=287.7/2.31*85=10586 ton/km

The lapse occurred due to weak internal controls

When pointed out in June 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 07-01-2021, the department contended that carriage of asphalt was paid on actual distance and requested the DAC to settle the para, however, after discussion it transpired that the carriage formula pointed out by audit was correct and overpayment was made, however, payment made as per site needs to be reconciled in view of the estimates and

record entries in the relevant MB for determining and effecting recovery. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 471(2017-19)

4.5.20 Overpayment on account of application of incorrect rate-Rs.1.808 million

According to the Item Code 03-61-a of MRS 2017, the rate of "Formation of Embankment from Roadway Excavation in Common Material including Compaction by Power Roller" is Rs. 335.28 pm3.

During audit of the Executive Engineer C & W Division Bannu for the Financial Year 2018-19, it was observed that a total quantity of 4647.800 m3 of an item, “Formation of Embankment from Roadway Excavation in Common Material including Compaction by Power Roller” was executed through a contractor under the scheme, “Baran Dam to Jani Khel” @ Rs.724.45 per M3 vide voucher No.81/B-II dated 23.06.2019 (5th R/Bill), as against the MRS rate of Rs.335.28 per m3, which resulted into an overpayment of Rs. 1,808,784/- (724.45- 335.28 = 389.17 x 4647.800).

The lapse occurred due to weak internal controls.

When pointed out in December 2019, the department stated that detailed reply would be provided after scrutiny of record within due course of time.

In the DAC meeting held on 19-01-2021, the forum was briefed by the department that the contract was awarded on MRS and not on item rate. However, the payment was erroneously made, the forum decided that Superintending Engineer Bannu Circle will conduct inquiry and submit report within 15 days. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 334 (2018-19)

4.5.21 Irregular payment on clearing & grubbing-Rs.1.517 million

According to the Note provided to Item No.03-05-a, "formation of embankment in ordinary soil" of the Market Rates System 2017, the rate of formation of embankment includes clearing and grubbing where necessary.

During audit of the Executive Engineer C&W Division Haripur for the Financial Year 2017-18, it was observed that expenditure of Rs. 1,517,411/- was incurred on clearing and grubbing, along with executing the formation of embankment in various schemes listed in the original observation.

Audit held that the item of work clearing and grubbing was covered in the item of work formation of embankment, therefore this separate payment was irregular and needs recovery.

When pointed out in January 2019, the department stated that detailed reply would be furnished after verification of record.

In the DAC meeting held on 24-07-2020, it was decided to make recovery. However, no progress was made till the finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 140 (2017-18)

4.5.22 Loss to Govt. due to less deduction of rebate & income tax from the contractor's bill – Rs. 1.043 million

According to the work order No. 348/11-T dated 10-06-2019; the work was awarded to M/S Fakhr E Alam with 35.50% below read with Income Tax Ordinance 2001, Income Tax @ 7.5% should be deducted from the taxpayer as deduction at source.

During audit of the Executive Engineer C&W Division Shangla for the Financial Year 2017-19, it was observed that AOM&R Work was awarded to a contractor for Rs. 15.902 million with 35.50 % below. On scrutiny of first and final bill, it was observed that the contractor was overpaid an amount of Rs.

1.043 million on account of less deduction of rebate and income tax which needs immediate recovery.

The lapse occurred due to weak internal controls.

When pointed out in July 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held on 20-01-2021, the para was not discussed.

Audit recommends recovery.

AP No. 526(2018-19)

4.5.23 Loss due to awarding scheduled item as non-scheduled item – Rs. 141.631 million

The Supply and Fabrication of mild steel (Cold deformed) is provided @ Rs. 29,949.91 per ton vide item No. 06-07 of the 1999 Schedule of rates.

During audit of the Executive Engineer Provincial Building Construction Division No. II Peshawar for the Financial Year 2016-17, it was observed that the payment of Rs. 314.626 million (2806.23 @ 112126 per ton) was made to the contractor dated 22-06-2017 for an item of work, Providing, Cutting, Bending, Placing & Fixing in position high tensile steel deformed bars G-60 as Non-Schedule Item in the work "Establishment of Peshawar Institute of Cardiology". However, this item of work was provided in the 1999 Schedule of rate hence its approval as Non-Schedule Item resulted in a loss of Rs. 141,631,494/- as detailed below;

Quantity	Rate Paid	Rate Required	Difference	Loss
2806.23 ton	Rs. 112,126/ton	Rs. 61655.62/ton (29929.91 + 106%)	Rs. 50,470.38	Rs. 141,631,494

The lapse occurred due to weak internal controls.

When pointed out in July, 2018, it was stated that detail reply would be given after consulting the relevant record.

In the DAC meeting held on 17-03-2020, the department admitted that the rate allowed was abnormally high which needs justification. However, the matter is under arbitration and outcome of the arbitration will be shared with audit for verification which was not provided yet.

Audit recommends implementation of the DAC decision.

AP No. 265 (2016-17)

4.5.24 Non-transparent award of contract – Rs. 78.633 million

According to clause 32.1 and 32.2 of the Standard Bid Document, the successful bidder shall furnish to the procuring entity a Performance Security in the form and the amount stipulated in the Bidding Data and the Conditions of Contract plus additional security for unbalanced bids in accordance with Clause IB 28.4 within a period of 28 days after receipt of letter of acceptance. Failure of the successful bidder to comply with the requirements of Sub-clause IB 32.1 shall constitute sufficient grounds for the annulment of the award and forfeiture of the Bid Security.

During audit of the Executive Engineer C&W Division Kohat for the Financial Year 2018-19, it was observed that the work "Reconstruction of Women and Children Liaqat Memorial Teaching Hospital Kohat" was awarded vide dated 03-04-2018 with the time limit of 36 months. However, 10% performance security amounting to Rs. 78.633 million was not provided till date of audit i.e. 12/2019. The same observation was also raised by the S.E C&W Circle Kohat vide letter dated 17-04-2019. Hence the award of the contact was not transparent.

The lapse occurred due to non-adherence to the bidding provisions.

When pointed out in December, 2019, it was stated that detail reply would be given after consulting the relevant record.

In the DAC meeting held on 30-12-2020, it was admitted by the department that the Performance Security was not obtained from the contractor hence the matter was referred to PAC.

Audit recommends inquiry and fixing responsibility.

AP No. 384 (2018-19)

4.5.25 Loss due to awarding an item of work on higher rate – Rs. 17.934 million

According to Clause 8.2.3.2 of the Accounting Policies and Procedure Manual, the Government employee shall also be held personally responsible for any loss or deficiency arising from theft, robbery, fraud or negligence on the part of any other government officer to the extent to which it may be shown that the officer concerned contributed to the loss or deficiency by his/her own action or negligence.

During audit of the Executive Engineer Provincial Building Construction Division No. II Peshawar for the Financial Year 2016-17, it was observed that the payment of Rs. 75.328 million was made to the contractor dated 22-06-2017 for certain items of work in the work "Establishment of Peshawar Institute of Cardiology". However, the rates were higher than those provided in the MRS-2016 which resulted in a loss of Rs. 17,933,609/-. (As detailed below);

Item of work	Quantity	Rate Paid Rs.	Rate in MRS-2016	Difference Rs.	Loss Rs.
P/L Granite porcelain tiles	14553.10	.2,756	2,106.76	649.24	9,448,454
P/L Granite porcelain tile skirting/dado	12584.77	2781	2,106.76	674.24	8,485,155
				Total	**17,933,609**

The lapse occurred due to weak internal controls.

When pointed out in July, 2018, it was stated that detail reply would be given after consulting the relevant record.

In the DAC meeting held on 17-03-2020, the department admitted that the rate allowed was abnormally high which needs justification. However, the matter is under arbitration and outcome of the arbitration will be shared with audit for verification which was not provided yet.

Audit recommends implementation of the DAC decision.

AP No. 266 (2016-17)

4.5.26 Loss to government due to non-execution of approved item of work-Rs. 11.35 million

According to the Chief Engineer (North) letter dated 04-01-2016, the Executive Engineer/SDO in-charge and consultants are responsible for the execution of the work according to the specifications, scope of work provided in the administrative approval, authenticity of the rates provided in the BOQ and in accordance with the contract agreement read with Para 209 and 221 of the CPWA Code, all payments of the work done are based on the quantities of the work recorded in the measurement book. It is incumbent upon the person taking the measurement to record the quantities clearly and accurately.

During audit of the Executive Engineer C&W Division Shangla for the Financial Year 2017-19, it was observed that work orders of Rs.17.482 million were issued to the contractor for AOM&R works in PK 24 & 23 with a rebate rate of 50.51 % and 55.50 % respectively (details given below). However, it was noticed that against the approved item of work costing Rs. 17.482 million, only Rs. 6.132 million work was executed by the contractor and the department diverted the funds to 2nd deposit as savings. Audit contends that instead of completing the leftover work at the risk and cost of contractor, the funds were unauthorisely diverted to 2nd deposit.

Contractor	EC (M)	Rebate	Bid cost (M)	Expenditure Incurred (M)	Work not executed	Remarks
M/S Noor Karim	18.600	50.51%	9.205	2.804	6.401	Ordinary AOM&R for PK-24
M/S Noor Karim	18.600	55.50%	8.277	3.328	4.949	Ordinary AOM&R for PK-23
Total			**17.482**	**6.132**	**11.35**	

The lapse occurred due to weak internal controls.

When pointed out in July 2020, the department stated that detailed reply would be furnished later on.

In the DAC meeting held for on 20-01-2021, it was decided that the Superintending Engineer C&W Division Swat will personally inspect the cited work in the light of audit observations and submit report within 15 days as during the discussion the payment was deemed unauthorized and in case of any shortcomings, responsibility may also be fixed and intimated to audit within 15 days. However, no progress was intimated till finalization of this report.

Audit recommends conducting inquiry and fixing responsibility against the person(s) at fault.

AP No. 542(2018-19)

4.5.27 Un-authorized and excess payment to contractor - Rs.7.271 million

According to Para 228 of the CPWD Code, advances to contractors are as a rule prohibited, and every endeavor should be made to maintain a system under which no payments are made except for work actually done.

During audit of the Executive Engineer C&W Division Dir Lower for the Financial Year 2017-18, it was observed that contract for the "Construction of RCC Bridge at Markhanai Khawar" was awarded to the contractor and was allowed an up-to date payment/work done of Rs. 65.752 million in 13th running bill. Further scrutiny of record revealed that the said contractor had given an

undertaking in writing that he was ready to execute and complete the work within the bid cost of Rs. 58.481 million, so the excess payment over and above the agreed amount was not required to have been made. The contractor was thus overpaid an amount of Rs. 7.271 million (65.752 - 58.481).

When pointed out in April 2019, the department stated that detailed reply would be furnished after verification of record.

In the DAC meeting held on 01-01-2020, it was decided that the Chief Engineer North will conduct a fact finding inquiry. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 252 (2017-18)

Chapter – 5

EDUCATION DEPARTMENT

5.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- University Education.
- College Education.
- Coordination of schemes for higher studies abroad.
- Grants of scholarship.
- Promotion of Scientific Research.
- Promotion of art and literature.
- Production and distribution of educational and scientific material.

Audit Profile of Education Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/ Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	382	37	22530.280	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	03	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	40	25	9080.960	N/A
4	Foreign Aided Projects (FAP)	01	Nil	Nil	N/A

5.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriation of Education Department and expenditure by the department in financial year 2019-20 is given below:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
12-Higher Education Achieves and Libraries	NC21	13,895,001,000	500	13,895,001,500	10,675,108,331	-3,219,893,169
46-Elementary and Secondary Education	NC21	8,007,336,000	220	8,007,336,220	4,005,429,530	-4,001,906,690
Total		**21,902,337,000**	**720**	**21,902,337,720**	**14,680,537,861**	**-7,221,799,859**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
53-University/Colleges	NC12	2,225,679,000	10	1,627,724,265	1,647,484,255	19,759,990
53-University/Colleges	NC22	3,167,229,000	0	2,257,137,497	2,264,921,936	7,784,439
53-Technical/ University/Colleges	NC12	267,103,000	0	254,720,323	254,720,323	0
53-Technical/ University/Colleges	NC22	45,989,000	0	13,457,996	13,457,996	0
53-Archives Library and Museums	NC22	35,000,000	0	7,500,000	7,500,000	0
Total		**5,741,000,000**	**10**	**4,160,540,081**	**4,188,084,510**	**27,544,429**

Overview of expenditure against the final grant;

(Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	21,902.337	14,680.638	-7,221.699	-32.972
Development	4,160.540	4,188.085	27.545	0.662
Total	**26,062.877**	**18,868.723**	**-7,194.154**	**-27.603**

It can be seen from the above variance analysis that the budgets could not be utilized and 27.603 % of the funds have been left unspent. This

indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 2418.997 million were raised in this report during the current audit of Education Department. This amount also includes recoveries of Rs 2030.036 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	3.502
3	Irregularities	-
A	HR/Employees related irregularities	365.264
B	Procurement related irregularities	2.250
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	512.836
5	Others	1535.145

5.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2011-12	Education	13	09	-	04
2.	2012-13	-do-	10	04	-	06
3.	2013-14	-do-	19	09	-	10
4.	2014-15	-do-	31	07	-	24
5.	2015-16	-do-	32	06	-	26

5.4 Issues in Education Department:

During audit of universities across the province, it was observed that several scholars proceeded abroad for PhD studies on Government sponsored scholarships. However, on completion of their studies, they didn't come back to teach in their respective universities, though as allurements they were offered Brain Drain Allowance along with PhD allowance. The universities in consultation with HEC need to devise a strategy to implement the punitive clauses of the contract agreements against the defaulting scholars.

Though, several new universities have been established in different areas of the province, but there is a serious dearth of qualified staff for the administrative as well as academic slots. The academic staff has been assigned administrative responsibilities despite their lack of relevant expertise for efficient discharge of duties.

There is a widespread disparity in the pay & allowances of staff in different universities. The allowances allowed to the staff don't comply with the instructions of the Federal or Provincial Government. But, as the University Act 2016, allows the syndicates discretionary powers therefore every individual university has adopted its own payment mechanism without any regard for uniformity. On the direction of the PAC, a high level committee was constituted to address the issue permanently, but the recommendations of that committee are not acted upon, so far.

Similarly, the Provincial Institute for Teachers Education (PITE) has also dismal performance in terms of its planned training activities vis-à-vis the actual trainings carried for enhancement of teachers' capacities.

AP No. 95, 101, 102, 105, 106, 117, 118, 123, 185, 204, 251, 276 (2019-20)
AP No. 34, 93, 287, 341, 376, 517, 657, 684, 770, 814 & 929 (2018-19)

5.5 Audit Paras

5.5.1 Loss to government due to alleged theft - Rs.2.360 million

According to Para-20 of GFR any loss of public money, departmental revenue or receipts, stamps, opium, stores or other property held by or on behalf of Government, caused by defalcation or otherwise should be inquired and recovery made.

During audit of the University of Engineering and Technology Peshawar for the Financial Year 2019-20, it was observed that an open cheque No. 23058195 dated 28.01.2020 from Misc. Account No. 000244782539 UBL for Rs. 2.765 million was issued to In charge Survey Camp on account of survey camp of the 7th Semester students fall-2019. On scrutiny of record, it was revealed that the cash was kept by the dealing hand with him without sufficient safeguards and the amount was stolen from the room where the cash was kept.

The lapse occurred due to weak financial management.

When pointed out in December 2020, the department replied that the case already reported to Syndicate and its decision will be shared with audit.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends detailed investigation, recovery and fixing the responsibility.

AP No. 260 (2019-20)

5.5.2 Embezzlement of university receipts - Rs.1.142 million

According to Para-20 of GFR any loss of public money, departmental revenue or receipts, stamps, opium, stores or other property held by or on behalf of Government, caused by defalcation or otherwise should be inquired and recovery made.

During audit of the University of Engineering and Technology Peshawar for the Financial Year 2019-20, it was observed that a sum of Rs. 1.142 million was shown deposited in the Recurring Account on account of fee from M.S students. As a test check; 06 cases were selected which revealed that the said amount was neither reflected in the bank statement nor were office copies of deposit slips available in the Finance Section. Thus, the said amount has been embezzled by the dealing hands.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department replied that the committee has already been constituted and its findings will be shared with audit.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends detailed investigation, recovery and fixing the responsibility on the person(s) concerned.

AP No. 259 (2019-20)

5.5.3 Overpayment due to use of below specification steel -Rs.7.996 million

According to required standards as per book of specification of the required gauge of steel for use in column etc the bar bending schedule ¾ dia steel unit weight 1.46 lb/ft while the required standard weight was 1.502 lb/ft.

During audit of the Shaheed Benazir Bhutto University Sheringal Dir Upper for the Financial Year 2017-18, it was observed that work "Development of University of Dir Sheringal" was awarded to a contractor at a cost of Rs. 1709.187 million. The record revealed that the contractor was paid for ¾ dia steel having weight of 1.502 lb/ft. However, the test report from UET revealed that steel of unit weight 1.46 lb/ft was used. This indicated that under gauge steel was used which on one hand resulted into an overpayment of Rs 7.996 million while on the other hand the work remained substandard.

When pointed out in August 2019, the department stated that detailed reply will be furnished after verification of record.

In the DAC meeting held on 18 & 19-06-2020, it was directed that fact finding inquiry committee comprising of Director Works SBBU, Representative of Audit Department and Director Works UET Mardan or Peshawar be constituted to probe the matter and submit report within two months. However, no progress was made till the finalization of this report.

Audit recommends recovery of the differential amount, besides investigating the matter, fixing responsibility and taking action against the person(s) at fault.

AP No. 69 (2017-18)

5.5.4 Non-recovery from the contractors on account of defective work and overpaid amount- Rs. 247.301 million

According to Clause-III of Appendix-A of the contract agreement executed and extended vide AWKUM letter F.No.07/PS/AWKUM/2017/373 dated 10-05-2018, the ACE Limited shall prepare a summary in comparison with the work done and recommend payments to the contractors. In case of defective work or overpayment, the consultant will assist the client to engage the particular contractor to complete the remaining work or to return the overpaid amount to the client. The consultant will assist the client in recovery of all payables to the client in timely manner.

During audit of the Abdul Wali Khan University Mardan for the Financial Year 2019-20, it was observed that the consultant M/S Associated Consulting Engineers (ACE) Limited carried out a complete analysis of the measurement and work done and established an amount of Rs. 128,418,021/- as overpayment and an amount of Rs. 118,883,130/- as defective work done by 11 numbers of different contractors, totaling to Rs. 247,301,151/-. The same was duly communicated to the contractors for recoveries vide different letters in the month of May 2019. However, no progress was made regarding recovery of the said amount from the contractors till date of Audit.

The loss occurred due to weak internal controls.

When pointed out in October 2020, the department replied that the consultant hired by the university has already done a thorough job pertaining to the matter concerned. Recovery will be made from the contractors concerned and a detailed report will be shared with Audit.

The department admitted that recovery will be made from the contractors concerned.

The department was requested for holding of the DAC meeting vide letter dated 19-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery from the contractors at the earliest under intimation to Audit.

AP No. 127 (2019-20)

5.5.5 Loss to the university on account of ill planning of supervisory consultancy and designing phase- Rs. 3.560 million

According to Para 23 of GFR Vol-I, every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During audit of the University of Swat for the Financial Year 2018-19, it was observed that a supervisory contract for Rs. 23.223 million was awarded to MS PEPAC Consultant for the supervision of civil work of "Establishment of the University of Swat" dated April 2014 with a contract period of 48 months i.e. till April 2018. After that the contract period was further extended till April 2019 and payment to the tune of Rs. 19.656 million was made to the consultant till February 2019. However, another contract was awarded to MS Associated Consulting Engineers (ACE) for the supervision of the civil works of the University at a cost of Rs. 23.116 million with contract period of 18 months. Instead of awarding the contract to another contractor at the risk and cost of the

default consultant i.e. for Rs. 3.560 million, a new contract was awarded to the ACE Consultant which inflicted a loss of Rs. 19.550 million (23.116-3.560).

Similarly, a contract for Rs. 5.500 million was awarded to MS In Consult for designing the civil work of the University of Swat dated 05.09.2012 and later on the contract amount was increased to Rs. 9.00 million and a sum of Rs. 7.238 million was paid to the consultant till 02.08.2018.Later on, another contract agreement was made with the Associate Consultant Engineers (ACE) for the same work design at a cost of Rs. 7.503 million. Instead of awarding the contract to another contractor at the risk and cost of the previous contractor i.e. for Rs. 1.762 million (9.000-7.238), a new contract for the same work resulted into a loss of Rs. 5.741 million (7.503-1.762) to the University.

Moreover, neither any penalty was imposed on the defaulter contractors nor the earnest money and security amount forfeited so far.

When pointed out in January 2020, it was stated by the Management that the detailed reply will be furnished to DAC after the scrutiny of record.

In the DAC decision held on 09-06-2020, it was decided that the loss accrued against the contractor was Rs. 3.560 million, and the university inquiry committee has imposed a penalty of Rs. 1.680 million, however, the same was not recovered, rather withheld only. The additional cost was due to enhancement of scope of work and PC-I revision. The Para stands for determination of recovery of Rs. 3.560 million under intimation to Audit. However, no progress was intimated to Audit till the finalization of this report.

Audit recommends implementing the DAC decision.

AP No. 498 & 500 (2018-19)

5.5.6 Loss to the College due to charging of lesser rate of electricity units consumed in the residential colony- Rs. 2.508 million

According to minutes sheet dated 1055/Adm/KSKCCS dated 25.02.2016, subsidy was given by the principal to the residents of the college's colony and per unit rate was fixed @ Rs. 9.50 to be recovered from the residents.

During audit of the Karnal Sher Khan Cadet College Swabi for the Financial Year 2018-19, it was observed that the college was paying Rs.17.5/unit electricity charges to the PESCO, whereas only Rs. 9.5/unit was being recovered from the residents of the colony resulting into a loss of Rs.(17.5-9.5=8) per unit. During the period the residents of colony consumed total 313608 no of units due to which the college sustained a loss of Rs. (8 X 313608)=2,508,864/- It was further noticed that BOG being the apex body has not approved any such rebate in the unit charges for the college residents.

Year	Units consumed
2017-18	133471
2018-19	180137
Total units consumed	**313608**

The lapse occurred due to financial mismanagement.

When pointed out in July 2019, the department stated that reply will be furnished after consulting of original record.

In the DAC meeting held on 19-11-2020, it was decided to stand the Para till recovery of Rs. 2.508 million from the concerned persons. However, no progress was intimated to audit till the finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 895 (2018-19)

5.5.7 Overpayment to consultant - Rs. 12.071 million

According to the Engineering Consultancy Contract Clause-6.3 {i) (Special Conditions of Engineering Consultancy Contract), the Consultant's remuneration for Detailed Design and preparation of Tender Documents shall be at a lump sum rate of 2% of the cost of Works stated in the Letter of Award to the Contractors. Such remuneration shall tentatively amount to Rs. 56.969 million if based on the estimated cost of works referred in Sub-clause SC-6-2(b). However, this tentative amount of Consultants remuneration shall be

finally computed and adjusted @2% of the Contract amount stated in the Client's Letter of Award for respective construction Contract Packages.

During audit of the University of Engineering and Technology Peshawar for the Financial Year 2018-19, it was observed that contract of Rs.2668.728 million was awarded to M/S NESPAK for the project "Jalozai Campus of UET Peshawar". The consultant was entitled to Rs.53.375 million for remuneration of Detailed Design on the prescribed Rates @2% of the total cost of Civil Works, if they had submitted Detailed Design for the whole scope of the project by November 2009, as per Work Schedule of Engineering Consultancy Services Contract signed between UET Peshawar and NESPAK in April 2008. Further scrutiny of record revealed that the Consultant was paid Rs.65.446 million (as per invoice No.73) instead of calculated amount of Rs.53.375 million, as such an overpayment of Rs.12.071 million (65.446-53.375) as the total value of Work Orders/Client Letter of Award for Civil Works/Detailed Design issued till date amounting to Rs. 2,668.728 million and the scope of works has been reduced/abolished in the Revised PC-I. The Consultants failed to submit the Detailed Design and Tender Documents as per obligations of Engineering Consultancy Contract causing irreparable loss to the Project as merely 50% scope of the Civil Works was executed within the approved period till Sep 2014. Detailed Design and Tender Documents were not submitted by the Consultants despite a lapse of extended three years in the Consultancy Contract till Jan 2016. Due to which public interest was badly damaged and the government sustained loss.

The lapse occurred due to financial mismanagement.

When pointed out in June 2020, the department replied that recovery of Rs.12.071 million will be made from the pending invoices of the rendered services by the consultant and will be shared with Audit.

In the DAC meeting held on 20-10-2020, it was decided that complete recovery may be made. However, no progress was intimated to Audit till the finalization of this report.

Audit recommends implementing the DAC decision.

AP No. 927 (2018-19)

5.5.8 Overpayment on account of procurement of UTM Machine - Rs. 1.094 million

According to Treasurer UET Peshawar letter No. 4186/Acc/SR dated 19.5.2020 written to the M/S Electrical Engineer Services (supplier of Universal Testing Machines) that your rates of USD 1,68,000 were approved vide letter 238/Store dated 12.6.2018 and the L.C was required to be matured on 05.3.2020. At time the dollar rate was Rs. 154/- per dollar and thus the university has to pay Rs. 25.872 million. Any amount more than Rs. 25.872 million will be borne by your firm as the delays in LC has been occurred on the part of your firm. The firm admitted that the difference will be bear by the firm vide letter No. EES/UET-PSH/865-03 dated 19.5.2020

During audit of the University of Engineering and Technology Peshawar for the Financial Year 2019-20, it was observed that a sum of Rs. 27.023 million were paid to the firm M/S Electrical Engineer Services through Letter of credit for the procurement of Universal Testing Machine (UTM) for Bannu Campus against the agreed amount of Rs. 25.966 million resulting in an overpayment of Rs. 1.094 million (27.023- 25.966) which was duly admitted by the firm.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department replied that the case has been taken with firm and necessary recovery will be made from the firm.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery under intimation to Audit.

AP No. 264 (2019-20)

5.5.9 Loss to government on account of scholarships - Rs. 1531.027 million

According to the terms and conditions of the scholarship award, the scholar shall be bound to serve the University for a period of five years after his/her

return from abroad on successful completion of study/training and such period shall commence from the date of joining duty in the University, against any suitable post of which the University shall be the sole judge, and upon such terms and conditions as the University may prescribed.

During audit of various universities, it was observed that scholars were awarded scholarship for MS/PhD studies to various foreign countries. They were required to report for duty and serve the university for a period of 05 years after completion of their studies. However, among them several scholars failed and didn't complete their studies while others did not report to the universities after completion of their studies. As per terms and conditions of the scholarship agreements signed with the scholars, the universities couldn't recover the scholarship amount of Rs. 1,531.027 from the defaulting scholars as per details given below.

Rs. In million

S.No	University	FY(s)	Amount	Remarks
01	UET Peshawar	2019-20	372.942	Details in original observation
02	UET Peshawar	2018-19	924.515	Details in original observation
03	AWKUM	2018-19	89.779	Details in original observation
04	UET Peshawar	2017-18	143.791	Details in original observation
		Total	**1531.027**	

The lapse occurred due to poor contract management.

When pointed out in February, June, December 2020 and February 2019 respectively, the universities stated that an FIR lodged with Police, letter sent to F.I.A, case admitted in the Court of Law and also intimated to Ministry of Interior to put their names on ECL, for recovery from Defaulters.

UET Peshawar has been requested for arrangement of the DAC meeting for Financial Year 2019-20 vide letter dated 20-10-2020. However, no DAC meeting has been convened till finalization of this report.

On the other hand for the DAC meetings held on 20-10-202, 29-10-2020 and 19-10-2020 for discussion of audit observations of UET Peshawar and AWKUM, it was directed to recover the amount from the defaulted/failed students. However, no progress was intimated to Audit till the finalization of this report.

Audit recommends that a proper mechanism must be devised to invoke the punitive clauses of the Scholarship Agreement against the defaulters/Guarantors.

AP No. 298 (2017-18)
AP No. 517, 518 & 935 (2018-19)
AP No. 261 & 262 (2019-20)

5.5.10 Unauthorized payment on account of up-gradation of posts and allowing a premature increment- Rs. 225.113 million

According to Section 20(2) (c) of the Khyber Pakhtunkhwa Universities (Amendment) Act 2016, the Senate has the powers to determine the terms and conditions of all the employees of the University.

During audit of the Abdul Wali Khan University Mardan for the Financial Year 2019-20, it was observed that the university administration vide notification dated 28-06-2016 upgraded the posts of non-teaching employees of the university from BPS-01 to 21 on the recommendation of the 17th Syndicate meeting held on 23-06-2016 without obtaining approval of the Senate as required under the rules mentioned above.

This unlawful up-gradation of 893 numbers of employees in different grades resulted into an overall increase in the monthly salaries of Rs. 4,329,100/- (Rs. 22,337,109/- pay per month after up-gradation minus 18,008,009 pay before up-gradation), which further resulted into a total increase of Rs. 225,113,200/- **(**Rs. 4,329,100 per month X 52 months) since July 2016 till the date of Audit. This amount of Rs. 225,113,200/- also included expenditure of Rs. 41,753,140/- on account of one premature increment to the staff of the university newly upgraded.

Furthermore, the university administration upgraded the employees instead of up-grading the posts and approving the same from the competent forum in light of the provincial government rules.

Hence, the payment of Rs. 225,113,200/- on account of the increased rates of salaries to the staff of the university because of up-gradation was held irregular and unauthorized.

The lapse occurred due to violation of rules and regulations.

When pointed out in October 2020, the department replied that the matter is sub-judice; any progress made in this regard will be shared with Audit.

The reply was not convincing, as the Syndicate has no power to change the terms and conditions of posts as stated in the Universities Act.

The department was requested for holding of the DAC meeting vide letter dated 19-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends bringing the posts/ officers back to their original positions/ scales and affecting recovery of the increments and other emoluments at the earliest under intimation to Audit.

AP No. 119 (2019-20)

5.5.11 Non-forfeiture of security and call deposit due to leaving the work incomplete - Rs.2.250 million

According to clause-3(a) of the contract agreement to rescind the contract of (of which rescission notice in writing to the contractor under the hand of the Divisional Officer shall be conclusive evidence) and in which case the security deposit of the contractor shall stand forfeited and the absolutely at the disposal of Government.

During audit of the University of Engineering and Technology Peshawar for the Financial Year 2019-20, it was observed that the work “balance works of

boundary wall “A” (structures), Boundary “B” and Culverts at Jalozai Campus)" was awarded to the contractor with bid cost of Rs. 28.255 million which comes to 4.30% of the estimated cost with completion of 150 days vide work order dated 07.01.2014. The contractor drew 5thIPC in 2017 for Rs. 20.628 million and left the work incomplete, hence the contract was terminated. The bid security and call deposit of the contractor amounting to Rs, 2.250 million(Security Rs. 1.650 million + Rs. 0.600 million call deposit) were required to be forfeited as recommended by the Site Engineer, but no such action has been taken by the local office.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department agreed with the audit contention and stated that recovery will be made from the contractor under intimation to audit.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 267 (2019-20)

5.5.12 Non-recovery of outstanding dues- Rs. 1.610 million

According to Section-II of the Financial Rules of Gomal University D.I. Khan, recovery of any dues under any head or otherwise may be supplied to the collector, who shall proceed upon to recover the sum due as if these were arrears of land revenue.

During audit of the Gomal University D.I Khan for the Financial Year 2017-19, it was observed that Telenor and Ufone were in agreement with the University to utilize the university’s land for mobile towers. However, scrutiny of record showed that a sum of Rs. 1,610,835/- remained outstanding against both the companies for about three years which was required to have been paid in advance for the whole year as per the contract agreement (details below);

Company	Date of last payment	Payment due for	Amount	Remarks
Telenor	Rs. 381,150/- dated 2.06.2017	2.6.2018	419,265	last payment + 10% increase as per agreement
-do-	-	2.6.2019	461,191	last payment + 10% increase as per agreement
-do-	-	August-2016	328,350	Challans not found
Ufone	Rs. 382,885/- dated 27.03.2018	27.3.2019	402,029	last payment + 5% increase as per agreement
Total			1,610,835	

The lapse occurred due to weak financial management.

In the DAC meeting held on 08 & 09-10-2020, it was decided to recover the outstanding amount. However, no progress was intimated to Audit till the finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 794 (2017-19)

5.5.13 Blockage of government money due to non-installation of power house- Rs. 228.633 million

According to the Additional Agenda Item No. 03 of the minutes of the 18th Emergency meeting of the Syndicate held on 05-08-2016, wherein it was decided that a 2.5 Mega Watt Power House will be established to overcome the shortage of electricity, reduce the cost by 50%, and will provide full time backup to the high standard labs and equipment.

According to Section 6 of the Khyber Pakhtunkhwa Universities (Amendment) Act 2016, the university shall have the powers to provide education, scholarships and research opportunities to the society in such branches of knowledge as it may deem fit.

During audit of the Abdul Wali Khan University Mardan for the Financial Year 2019-20, it was observed that an amount of Rs. 228,633,155/- was paid to M/S Industrial Enterprises on account of installation of a power house in the university in the year 2015-16 (details attached in original file). The heavy project involving millions of rupees was started without any feasibility report, proper survey & analysis and engaging technical hands from the concerned departments. Accordingly, heavy machinery and equipment items were purchased and supplied for the said project, which were lying uninstalled in open space; exposed to rain, moist and dust.

The lapse occurred due to ill-planning and mismanagement.

When pointed out in October 2020, the department replied that the matter would be inquired and detailed report would be shared with Audit accordingly.

The department was requested for holding of the DAC meeting vide letter dated 19-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 125 (2019-20)

5.5.14 Wasteful expenditure on account of purchase of various items- Rs. 12.181 million

According to Para 145 of the General Financial Rules Volume-1, purchases must be made in the most economical manner in accordance with the definite requirement of the public services. Care should be taken not to purchase store much in advance of actual requirements, if such purchase is likely to prove unprofitable to Government.

According to Para 151 of the General Financial Rules Volume-1, the head of an office or any other officer entrusted with stores of any kind should take special care for arranging their safe custody, for keeping them in good and efficient condition and for protecting them from loss, damages or deterioration.

During audit of the Principal Government Post Graduate College Dargai Malakand for the Financial Year 2019-20, it was observed that purchase of furniture, machinery and one Hiace vehicle was made amounting to Rs.12.181 million as detail given in the original Para.

On detail scrutiny it was observed that the purchases were made for Govt. Girls Degree College Sakhakot during 2015-16 but the same college was not yet functional and whereabouts of the assets was not known.

The lapse occurred due to weak internal controls.

When pointed out in October 2020, the department stated that detailed reply will be submitted in due course of time along with relevant documents.

The department was requested for holding of the DAC meeting vide letter dated 18-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends detail inquiry.

AP No. 98 (2018-20)

5.5.15 Loss on account of illegal appointments- Rs. 140.151 million

According to Clause A (a) of the recommendations at Page No. 7 of the inquiry report, employees in different grades were appointed without any justification, sanctioned positions and against the eligibility criteria set forth in the advertisement, therefore, all these surplus/ illegally appointed persons may be terminated from service after following proper procedure of show cause and the subsequent process by the appointing authority.

During audit of the Abdul Wali Khan University Mardan for the Financial Year 2018-19, it was observed that a sum of Rs. 140.151 million was paid to the illegal appointees and the contract employees, which were later on terminated, due to which the University sustained a heavy loss of Rs. 140.15 million in the shape of pay and allowances, as detailed below;

S. No	Description	No. of employees	Gross per month	Per Annum
01	Demonstrator	65	3,145,027	
02	LDC	35	746,179	
03	Office Asst	63	2,050,117	
04	UDC	40	963,693	
05	KPO	41	1,350,445	
06	Lab Asst	28	509,203	
Total		**272**	**8,764,464**	**105,175,968**
01	Contract employees	97	2914613	34,975,356
Grand Total				**140,151,324**

The lapse occurred due to weak Human Resource Management.

When pointed out in February 2020, the department stated that detailed reply will be given in due course of time.

In the DAC meeting held on 28 & 29-10-2020, it was decided that the fate of the Para may be decided by the PAC.

Audit recommends investigating the matter and fixing responsibility.

AP No. 523 (2018-19)

Chapter – 6

ENVIRONMENT DEPARTMENT

6.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- **Forest:**
  - Forest settlement.
  - Afforestation
  - Range management.
  - Erosion.
  - Cooperatives in Guzara Forests.
  - Ecology and Environmental factors.
  - Watershed Management.
  - Applied Research in forestry.
  - Forest Training.
- **Wildlife:**
  - Protection, preservation, conservation and management of wildlife
  - Habitat improvement.
  - Conservation education and training.
  - Applied research on wildlife and its habitat

Audit Profile of Environment Department; (Rs. in millions)

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20	Revenue/Receipts Audited FY 2019-20
1	Formations	63	17	768.345	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

6.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
21- Environment and Forestry	NC21	2,842,982,000	830	2,842,982,830	1,983,623,413	-859,359,417
22- Forestry (Wildlife)	NC21	675,521,000	78,100,000	753,621,000	584,221,699	-169,399,301
Total		**3,518,503,000**	**78,100,830**	**3,596,603,830**	**2,567,845,112**	**-1,028,758,718**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50- Environment	NC22	40,000,000	0	50,686,000	61,115,259	10,429,259
50- Forestry	NC22	4,078,007,000	0	2,889,853,000	2,890,044,228	191,228
50- Forestry	NC12	7,993,000	0	7,993,000	7,993,000	0
Total		**4,126,000,000**	**0**	**2,948,532,000**	**2,959,152,487**	**10,620,487**

Overview of expenditure against the final grant;

(Rs. In millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	3,596.60	2,567.85	-1,028.76	-21.45
Development	2,948.53	2,959.15	10.62	0.25
Total	**6,545.14**	**5,527.00**	**-1,018.14**	**-15.56**

It can be seen from the above variance analysis that the non-developmental budget could not be utilized and 21.45% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 499.916 million were raised in this report during the current audit of Environment Department. This amount also includes recoveries of Rs. 485.018 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	41.327
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	1.05
5	Others	457.539

6.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil Compliance
1.	2011-12	Environment	03	01	-	01
2.	2012-13	-do-	05	01	-	04
3.	2013-14	-do-	14	02	-	12
4.	2014-15	-do-	11	04	-	07
5.	2015-16	-do-	22	09	-	13

6.4 Issues in Environment Department

During audit of Environment Department, it was noticed that in several Forest Divisions, the revenue realized from the imposition of penalty has not been deposited in the Government Treasury on time.

Similarly, after the Billion Tree Afforestation Project, now the Forest Field offices are executing the 10 Billion Tree Afforestation Project. But, as described in details, in the Performance audit report of the former, the same problems of economy, efficiency and effectiveness have been plaguing the latter. The report of this Directorate General, clearly points out the loopholes that need to be plugged for achieving the objectives of 10 Billion Tree Project in effective manner.

In addition, it was noticed that illicit cutting of timber is still going on. But as the pursuance of court cases is slow, the precious timber confiscated from the offenders is going to waste.

AP No. 63, 66, 119, 183, 186, 204, 215, 221 & 186 (2019-20)
AP No. 08, 49, 84, 85 & 103 (2018-19)

6.5 Audit Paras

6.5.1 Loss due to claiming excess block plantation - Rs. 13.765 million

According to Para 23 of the General Financial Rules Volume I, every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

During audit of the Divisional Forest Officer Mardan for the Financial Year 2018-19, it was observed that under Billion Trees Afforestation Project the SDFO Gadoon reported 355.65 hectares block plantation and booked expenditure against the said areas of plantations. During the monitoring of the said areas the monitoring officer reported that physically 138.08 hectares of plantation exist and the remaining 217.57 hectares were missing resulting in a loss of Rs. 13,765,662. Neither amount was recovered nor was disciplinary action taken.

The lapse occurred due to weak internal control.

When pointed out in November 2019, the department stated that detail reply will be given later.

The department was requested for holding of the DAC meeting vide letter dated 24-12-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends fixing responsibility and recovering the amount.

AP No. 36 (2018-19)

6.5.2 Fictitious expenditure on account of plantation of plants– Rs. 12.465 million

According to S. No.6 of the activity plan provided by the local office, plantation season is January to April (spring).

During audit of the Divisional Forest Officer Watershed Shangla at Besham for the Financial Year 2014-19, it was observed that Rs.8.298 million was incurred on plantation of 1053357 plants and Rs 2.652 million under "Billion Tree Afforestation Project" (BTAP). Scrutiny of muster rolls revealed that the works were carried out in November and December 2017, which was not understandable as it was a snowbound area and the months of plantation were contradictory to the weather and activity plan of the department.

Similarly, an amount of Rs.1.515 million was incurred on plantation under "Billion Tree Afforestation Project" in May and June. Audit opines that as per activity plan plantation was not permissible during May and June 2016.

The lapse occurred due to violation of activity plan.

When pointed out in March 2020, the department stated that detailed reply will be given after consultation of original record to audit.

The department was requested for holding of the DAC meeting vide letter dated 15-05-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 125& 128 (2014-19)

6.5.3 Excess payment on account of watch and ward- Rs 2.407 million

According to PC-I of the project, watch and ward will be paid for three years.

During audit of the Divisional Forest Officer, Haripur for the Financial Year 2018-19, it was observed that watch and ward was paid to Chowkidars of departmental plantation out of funds provided under Billion Tree Tsunami Afforestation Project.

On further scrutiny it was observed that in some cases watch and ward was incurred beyond three years and thus an amount of Rs 2,407,750 was paid in excess.

The lapse occurred due to lack of internal control.

When pointed out in June 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 21-07-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 157 (2018-19)

6.5.4 Fictitious drawl on account of utility charges -Rs 1.383 million

Para 10 (i) of GFR Vol-1 provides that every government officer shall exercise the same vigilance in respect of expenditure incurred from public moneys, as a

person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the Divisional Forest Officer Haripur for the financial year 2018-19, it was observed that an amount of Rs 1,842,800/- was drawn on account of utility charges as per detailed below.

S#	Head of Accounts	Budget utilized	Evidences produced	Balance
1.	Electricity Charges	674,800	279,111	395,689
2.	Gas Charges	568,000	163,990	404,010
3.	Water Charges	600,000	16,200	583,800
Total		**1,842,800**	**459,301**	**1,383,499**

Further scrutiny of relevant record revealed that expenditure amounting Rs 459,301/- was paid under the head of Electricity, Gas and water charges and evidences of balance amount of Rs 1,383,499 were not available, therefore, held fictitious.

Moreover all the payments were made in cash instead of cheque/vendor.

The lapse occurred due to lack of internal control.

When pointed out in June 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 21-07-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility on person(s) at fault.

AP No. 163 (2018-19

6.5.5 Loss to government on account of excess area claimed of afforestation activities- Rs. 11.302 million

According to S. No.5 of Para 6.3.21 of the PC-I, the Conservator of Forests of the concerned forest circles will physically monitor and verify the 30% work to satisfy correctness of work in his area of jurisdiction. Further he has to ensure that duties of DFO regarding developmental works are fulfilled, gaps identification and course correction accordingly. As per monitoring report of DFO Watershed Besham conducted by the Project Management Unit (PMU) in March 2019, where 30 sites were selected out of total 99 sites, in which certain serious observations/shortcomings were reported.

During audit of the Divisional Forest Officer Watershed Shangla at Besham for the Financial Year 2014-19, it was observed that a sum of Rs.335.315 million was incurred under "Billion Tree Afforestation Project" on account of Afforestation in 9307.5 hectare at 99 Sites. As per monitoring report conducted in March 2019 through GPS, out of approved 99 sites, 30 (30.30%) sites were monitored which reported that 2223 hectare was claimed in excess by the department, which resulted in excess payment of Rs. 6,698,945/- (196.45x34100). Audit is of the view that loss could be increased if remaining 69 sites were also monitored.

Similarly a sum of Rs.4,603,500/- (135x34100) was claimed in excess due to overlapping 135 (75+60) hectare areas of Phase-II and III which was already taken in GPS coordinates of Phase, I, II and III plantation.

The lapse occurred due to weak internal controls.

When pointed out in March 2020, the department stated that detailed reply will be given after consultation of original record to audit.

The department was requested for holding of the DAC meeting vide letter dated 15-05-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 122& 123 (2014-19)

6.5.6 Loss to Government due to non-recovery of outstanding Government dues from FDC- Rs. 456.249 million

According to quarterly progress report of government outstanding for the quarter ended on 30.06.2019 in respect of Dir Kohistan Forest Division Sheringal an amount of was Rs. 456,249,105/- outstanding against FDC for illegal cutting of forest.

During audit of the Divisional Forest Officer Dir Kohistan at Sheringal for the Financial Year 2017-19, it was observed that an amount of Rs. 456,249,105/- was outstanding as government dues as per progress report for the month of 06/2019. The department imposed fine on FDC for illegal cutting of forest. However, no efforts were made by concerned DFO to recover the outstanding government dues from FDC.

The lapse occurred due to weak internal control.

When pointed out in September 2019, the department stated that detail reply will be given later.

The department was requested for holding of the DAC meeting vide letter dated 25-09-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 01 (2017-19)

6.5.7 Non-deposit of receipts realized on account of compensation cases from forest offenders - Rs.1.238 million

According to Para-7 of Federal Treasury Rules, all money received on account of revenues shall without delay be paid in full into Government Treasury and Receipts should not be utilized towards expenditure.

During audit of the Divisional Forest Officer Kalam for the financial year 2018-19, it was observed that amount Rs 1,238,955/-was recovered from the

forest offenders on account of compensation cases. The same was not deposited into Government Treasury. The detail is given below:

S. No.	Name of SDFO	Amount of CC
1	Behrain South	145,589
2	Behrain North	1,093,366
	Total	**1,238,955**

The lapse occurred due to weak internal control.

When pointed out in December 2019, the department stated that the amount will be deposited into Government Treasury shortly.

The department was requested for holding of the DAC meeting vide letter dated 24-12-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 49 (2018-19)

6.5.8 Irregular expenditure on repair of building-Rs.1.050 million Non-deduction of sales tax on services – Rs 52,500

According to Finance Department letter No.B-I/2-7/96-97/FD Dated 16-10-1997, The Provincial Cabinet in its meeting held on 16-06-1997 decided that all maintenance and repair work in excess of Rs.100,000 shall require preparation of PC-I and its approval from P&D/appropriate forum.

As per Khyber Pakhtunkhwa Revenue Authority Notification No. so (Tax)/E&T/2-7/2014 dated 04-08-2014 construction services including construction of road, building and bridges etc is chargeable to sales tax @5%.

During the audit of Chief Conservator Wildlife Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that an amount of Rs 500,000 and Rs 550,000 was incurred on repair of office and residential building respectively.

Audit observed that:

1 Open tender system was not adopted to achieve economical rates.
2 The payment was made in piecemeal
3 All the payment were made in cash instead of cheque
4 All the vouchers paid could not be differentiated whether expended on office or residential building
5 5% sales tax on construction services which comes to Rs 52,500 was not deducted from the contractors.

The lapse occurred due to weak financial control.

When pointed out in April 2019, the department replied that the condition of PC-I was only for C&W Department.

Reply was not convincing. PC-I/Cost estimate was required to be prepared by a qualified engineer which was not done and the expenditure incurred was therefore, held irregular and unjustified. The same was reported to the Principal Accounting Officer for appropriate action.

In DAC meeting held on 23.12.2019, inquiry was ordered which was conducted by the department and responsibility was fixed against the concerned along with recovery. However, recovery has not been intimated to audit till finalization of this report.

Audit recommends implementation of the inquiry findings.

AP No. 118 (2017-18)

Chapter – 7

FINANCE DEPARTMENT

7.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

1. Management of Public Funds i.e.
   a. Supervision and control of Provincial Finances;
   b. Preparation of Provincial Budget;
   c. Preparation of supplementary estimates and demands for excess grants;
   d. Appropriations and Re-Appropriations; except those relating to development budget which will be sanctioned only with the prior concurrence of Planning and Development Department; and
   e. Ways and Means
2. Public Accounts and Public Accounts Committee.
3. The framing of financial rules for guidance of departments and supervision of maintenance of accounts.
4. To guide autonomous and semi-autonomous bodies, whether aided wholly or partly from provincial revenue in the framing of various financial regulations under the relevant Acts/Ordinances constituting the said body.
5. The framing of Civil Service Rules applicable to all Government servants and interpretation thereof.
6. Floatation and administration of Provincial loans.
7. Examination and advice on matters affecting directly or indirectly the finance of the province.
8. Administration of public revenue saves as otherwise provided.
9. Assets and Liabilities Committee.
10. Communication of financial sanction.
11. Examination of all proposals for the increase or reduction of taxation.
12. Creation of new posts and examination of schemes of new expenditure.
13. Audit of receipts and expenditure.
14. Public Debts.
15. The Local Fund Audit Department.
16. Treasuries and Sub-Treasuries.
17. Electronic Data processing.

Audit Profile of Finance Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	39	02	734.574	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	01	01	42.759	N/A
3	Authorities/Autonomous bodies etc under PAO	02	Nil	N/A	N/A
4	Foreign Aided Projects (FAP)	01	01	115.000	N/A

7.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2019-20 is given below:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
03-Finance, Treasuries and Local Fund Audit	NC21	2,250,483,000	60	2,250,483,060	1,513,745,374	-736,737,686
Total		**2,250,483,000**	**60**	**2,250,483,060**	**1,513,745,374**	**-736,737,686**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
		0	0	0	0	0
Total		**0**	**0**	**0**	**0**	**0**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	2,250.48	1,513.75	-736.74	-32.74
Development	0	0	0	0.0
Total	**2,250.48**	**1,513.75**	**-736.74**	**-32.74**

It can be seen from the above variance analysis that the non-developmental funds have been overspent by 32.74%. This is a serious control lapse on part of SAP system because it has allowed spending over the allocated amount.

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.15.808 million were raised in this report during the current audit of Finance Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S.No	Classification	(Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	15.808
5	Others	-

7.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2004-05	Finance	02	01	-	01
2.	2008-09	-do-	03	01	-	02
3.	2010-11	-do-	02	02	-	-
4.	2013-14	-do-	08	07	-	1
5.	2014-15	-do-	02	01	-	01

7.4 Issues in Finance Department

The Finance Department hired a qualified Certified Financial Analyst (CFA) to streamline the Investment Cell. The CFA pointed out that current investment attitude (fixed investment) of the Department is conservative and needs to be improved in view of the current investment scenarios. His working included that if the investment Rs. 125 billion Pension/ Provident Fund is diversified in real estate, equity and fixed investments then it can return on average an additional 4% per year in comparison to the current average annual return of 10%. Furthermore, if the current 1 year tenor of the investments is reduced to short daily, weekly and monthly etc. tenors then the average return will increase. This was also proven by the fact that for the first time the department invested Rs. 125 billion in shortened tenors as proposed by the CFA, which resulted in additional profit of Rs. 2 billion. All these facts and proposals were included as agenda item in the Board meeting with the proposal to establish a 76 members Fund Management comprising local high skilled human resource to manage the proposed diversified fund. However, no concrete progress has been achieved in this regard so far.

Furthermore, the Electricity Monitoring Unit (EMU) has been unable to timely adjust the PESCO dues and properly adjust the electricity duty with the Federal Government/WAPDA. Due to late adjustment of bills, the 10% surcharge adversely affects the net amount payable to the Province. Furthermore, the EMU does not have any proper reconciliation mechanism with PESCO.

Similarly, as part of the reforms initiative, the Government of Khyber Pakhtunkhwa has established Debt Management Unit (DMU) in Finance Department to assist the department to manage sub-national debt portfolio of the province. However, it was noticed that it has not been made fully operational and its functioning stands compromised.

AP No. 60, 61, 62, 89, 90, 91 & 101 (2019-20)

7.5 Audit Paras

7.5.1 Loss due to non-adjustment of electricity duty

Provincial Government of Khyber Pakhtunkhwa established Electricity Monitoring Unit to monitor 25% at source deduction of federal government as per CCI decision 2014 and to adjust arrear of Khyber Pakhtunkhwa share of electricity duty lying with PESCO.

During audit of the Secretary to Government of Khyber Pakhtunkhwa Finance Department (Electricity Monitoring Unit) for the Financial Year 2019-20, it was observed that an amount of Rs.417.191 million was receivable from PESCO on account of provincial share of electricity duty. On the other hand Rs.1436.742 million was payable to PESCO by the provincial Government on account of electricity dues on which PESCO is charging surcharge @ 10% which is recurring loss to the provincial government.

The lapse occurred due to weak internal controls.

When pointed out in August 2020, department replied efforts are in place to do the needful.

In the DAC meeting held on 24-12-2020, it was stated that matter has been pursued on war footing basis. DAC directed to share the outcome of the actions taken in this matter with audit. However, no progress was intimated to audit till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 89 (2019-20)

7.5.2 Wasteful expenditure on account of hiring and renovation of Bar Council Building - Rs.15.808 million

Para 23 of the General Financial Rules Volume I requires that every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

During audit of the Secretary to Government of Khyber Pakhtunkhwa Finance Department for Financial Year 2019-20 (Khyber Pakhtunkhwa Fund

Management), it was observed that the two floors of KP Bar Council building were hired @ Rs.640,000/- per month by making advance payment Rs Rs.11,520,000/- for 18 months. The purpose of building was to accommodate the newly proposed 33 employees, neither these appointments were made nor the KP Bar council two floors occupied. Similarly, an amount of Rs 4.288 million was also incurred on the repair and maintenance of the building.

The lapse occurred due weak internal controls.

When pointed out in August 2020, department replied that Bar Council Building was hired for the above mentioned purpose.

The reply was not convincing because the building was not utilized for the purpose it was hired.

In the DAC meeting held on 24-12-2020, the department repeated earlier reply. However, audit reiterated its earlier stance and requested to conduct inquiry & fix responsibility. However, no progress was reported till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP 65 & 66 (2019-20)

Chapter – 8

FOOD DEPARTMENT

8.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Food procurement, rationing and distribution.
- Storage of food grain.
- Controls over the price and distribution of sugarcane
- Control over the price and distribution of sugar and other matters under the Sugar Factories Control Act, 1950.
- Implementation of Sugarcane Development Cess Rules, 1964.
- Civil supplies
- Price of food items
- Service matter, except those entrusted to the Establishment and Administration department.

Audit Profile of Food Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	37	11	485.860	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	N/A	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	N/A	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

8.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2019-20 is given below:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
35-Subsidiers	NC-21	3,150,012,000	0	3,150,012,000	2,943,316,944	-206,695,056
49-State Trading In Food Grain And Sugar	NC-11	92,181,942,000	140	92,181,942,140	34,589,391,604	-57,592,550,536
	NC-11	1,100,000,000	0	1,100,000,000	0	-1,100,000,000
Total		**96,431,954,000**	**140**	**96,431,954,140**	**37,532,708,548**	**-58,899,245,592**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
041401-Food (wheat)	NC-12	404,000,000	0	174,369,912	174,369,912	0
Total		**0**	**0**	**0**	**0**	**0**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	96,431.954	37,532.708	-58899.256	61.08
Development	174.370	174.370	0	0.0
Total	**96,606.324**	**37,707.078**	**-58899.256**	**61.08%**

It can be seen from the above variance analysis that the non-developmental funds have been overspent by 61.08 %. This is a serious control lapse on part of SAP system because it has allowed spending over the allocated amount.

8.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.1978.686 million were raised in this report during the current audit of Food Department. This amount also includes recoveries of Rs. 87.256 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S.No	Classification	(Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	1890.363
4	Value for money and service delivery issues	31.820
5	Others	56.503

8.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2010-11	Food	40	-	13	27
2.	2011-12	-do-	12	-	09	03
3.	2012-13	-do-	06	06	-	-
4.	2015-16	-do-	12	08	04	-

8.4 Issues in Food Department

A scheme titled, 'Establishment of District Level Food Department Offices in Merged Areas' was launched to operationalize the offices of DFCs in the merged areas by January 2020. However, scrutiny of record revealed that the Department is lagging behind in achieving the intended project objectives. Similarly, the consultant failed to timely submit the feasibility study report about the 'Establishment of Food grain godowns to ascertain need in the newly merged tribal districts based on demand and supply patterns'. However, the department failed to impose the penalty on the defaulting firm.

Like previous years, the Food Department failed to achieve the wheat procurement targets from the local growers of the province. It was further noticed that available godown storage capacity of the Department is far below the required quantum to cater for the requirements of the growing population.

Furthermore, a general laxity was noticed on part of field staff of the Food Department to accurately deduct the applicable taxes and duties from the suppliers/contractors. The data available with the department for local purchase and total requirement of the province is highly defective that result in shortages of wheat across the province and unnecessary transportation charges from one PR center to another.

AP No. 20, 21, 38, 37, 39, 40, 46, 66, 67, 68, 69 & 70 (2019-20)

8.5 Audit Paras

8.5.1 Non-production of record

According to Para 17 of GFR Vol-I read with Section 14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, to which the Auditor General has a statutory right of access, may be withheld from the Director General Audit.

During audit of the District Food Controller D.I. Khan for the Financial Year 2019-20, it was observed that Mr. Chaudhary Khaliqur Rehman, (AFC) D.I.Khan and Mr. Rashid Sadozai, (AFC) D.I.Khan were suspended for a period of 90 days on the allegation of hoarding of wheat vide Food Department notification dated 04.09.2020.

But no details of the charges were provided to audit nor any detail of enquiry or departmental proceeding furnished in support of the suspension.

The lapse occurred due to non-adherence to rules.

When pointed out in October 2020, the department stated that detailed reply will be submitted within 15 days.

The department was requested for holding of the DAC meeting vide letter dated 08-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 26 (2019-20)

8.5.2 Excess payment on account of transportation charges- Rs. 31.82 million

According to the Clause 3.2 of the effect of change in the POL will be reconsidered on quarterly basis. The increase or decrease in the POL rates will be calculated at the rate of fifty per cent (50%) for the POL. However, the impact below ten per cent (10%) will not be considered.

During audit of the District Food Controller D.I. Khan for the Financial Year 2019-20, it was observed that a sum of Rs. 54,858,062/- was paid to the contractor for the transportation of wheat during the month of March & April 2020. The scrutiny of record revealed that the POL prices during 11/2019 was Rs.119/- per liter when the contract was signed. But the government has reduced the POL prices due to lock down from Rs.119/- to Rs. 75/- during 3/2020 and 4/2020.

Audit pointed out that as per terms and condition of the agreement transportation rate was required to be reduced but the payment was made without reducing the rate which inflicted a loss to the public exchequer.

The loss occurred due to non adherence to the rules and regulations.

When pointed out in October 2020, the department stated that detailed reply will be submitted within 15 days.

The department was requested for holding of the DAC meeting vide letter dated 08-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 23 (2019-20)

8.5.3 Non-deduction of 15% Sales Tax on Services by contractor- Rs. 31.388 million

According to Khyber Pakhtunkhwa Revenue Authority (KPRA) Notification No.KPRA/GN/2019/514-18 Dated: 15-03-2019 the Khyber Pakhtunkhwa Revenue Authority with the prior approval of the Govt. is pleased to grant

exemption from the whole of sales tax leviable there under, to the service providers of the erstwhile Federally or Provincially Administered Tribal Areas (FATA and PATA) subject to the following conditions, namely:-

a. The service providers are the bonafide residents of,
b. Their service providing business are located in, and
c. They are providing services for consumption exclusively within the territory of, the said areas.

During audit of the District Food Controller Swat for the Financial Year 2018-20, it was observed that a sum of Rs. 31,387,555/- was recoverable from the carriage contractors as Khyber Pakhtunkhwa Sales Tax on Services. Verification of record revealed that 15% sales tax on services was not deducted, resulting into loss to Government as detail given in original Para.

The lapse occurred due to non-adherence to rules.

When pointed out in November 2020, the department stated that detailed reply will be submitted after checking/consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 39 (2018-20)

8.5.4 Less deduction of KP Sales Tax on Services- Rs. 24.048million

According to Government of Khyber Pakhtunkhwa, Revenue Authority (KPRA), Notification No.KPRA/Withholding –Regulation/DC/2020/2105 dated 06-10-2020, it is the responsibility of the Government Department to withhold 100% sales tax on service from the payment made to the service providers, irrespective of the fact that whether such service provider is registered with KPRA or not in respect of service mentioned in the second schedule to KP Finance Act, 2013 and deposit it in the Government Account under the Head B-02386 in terms of para 5 of the aforesaid regulation.

During audit of the District Food Controllers Mardan, D.I.Khan and Swat for the Financial Year 2019-20, it was observed that a sum of Rs.24.048 (15.769 + 6.583+1.696) million was recoverable from Carriage Contractor as 4/5thon account of Khyber Pakhtunkhwa Sales Tax on Services. Verification of record revealed that 1/5th Sales Tax on Services was deducted, resulting into less deduction by 12% amounting to Rs. 24.048 million.

The lapse occurred due to weak internal controls.

When pointed out in January 2021, October 2020 and November 2020, the departments replied that the remaining 4/5th of KPRA Sales Tax will be confirmed from the Carriage Contractor and reported to Audit.

The department was requested for holding of the DAC meeting vide letters dated 27.01.2021 and 28.12.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 79, 20 & 38 (2019-20)

8.5.5 Non auction of empty gunny bags – Rs. 1.067 million

According to Para- 151 GFR-Vol- 1, head of the office is responsible to take care of all store on his disposal, he should take proper arrangement to keep the store in safe custody and protect it from damages and deterioration or deposal them through procedure

During audit of the District Food Controller D.I. Khan for the Financial Year 2019-20, it was observed that there was a balance of 10467 empty gunny bags as per FG-13 Register lying un-auctioned till the date of audit i-e 10/2020 and were losing their value with the passage of time and deteriorating in the store.

The lapse occurred due to weak internal control

When pointed out in October 2020, the department stated that detailed reply will be submitted within 15 days.

The department was requested for holding of the DAC meeting vide letter dated 08-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 25 (2019-20)

8.5.6 Non-refund of loan to Bank of Khyber- Rs. 1890.363 million

According to the agreement of Food Department with the Bank of Khyber, an interest bearing loan will be paid to the grower on behalf of the food department for procuring wheat from the local growers.

During audit of the District Food Controller D.I. Khan for the Financial Year 2019-20, it was observed that a sum of Rs.1890.363 million was paid by Bank of Khyber as interest bearing loan for the purchase of wheat from the local growers. However, details about the repayment of the principal amount and interest thereon could not be found on record.

The loss occurred due to weak internal controls.

When pointed out in October 2020, the department stated that detailed reply will be submitted within 15 days.

The department was requested for holding of the DAC meeting vide letter dated 08-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 24 (2019-20)

Chapter – 9

HEALTH DEPARTMENT

9.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Regulation of medical and other professional qualification and standards;
- ❖ Medical Registration including Medical Council;
- ❖ Indigenous system of medicines;
- ❖ Medical attendance of Government servants; and
- ❖ Levy of fees by Medical Officers.
- ❖ Medical and Nursing Council.
- ❖ Medical education including medical schools and colleges, and institution for dentistry.
- ❖ Control of Medical drugs, poisons and dangerous drugs (Drug Act and Rules)

Audit Profile of Health Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	124	45	36154.770	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	06	03	459.514	N/A
3	Authorities/Autonomous bodies etc under PAO	19	12	18400.520	N/A
4	Foreign Aided Projects (FAP)	04	04	1601.786	N/A

9.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
13-Health	NC21	54,973,178,000	830	54,973,178,830	43,890,997,699	-11,082,181,131
Total		**54,973,178,000**	**830**	**54,973,178,830**	**43,890,997,699**	**-11,082,181,131**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
54-General Hospitals	NC-22	1,297,768,000	0	193,365,702	227,928,144	34,562,442
54-General Hospitals	NC-12	1,558,442,000	0	1,741,833,092	2,591,294,839	849,461,747
54-DHQs	NC-22	20,000,000	0	22,175,210	0	-22,175,210
54-DHQs	NC-12	255,000,000	0	317,150,000	45,000,000	-272,150,000
54-Mother & Child Health	NC-12	197,574,000	0	193,552,828	0	-193,552,828
54-Professional/ Technical/ University/ Colleges	NC-22	462,968,000	0	754,254,746	754,911,746	657,000
54-Professional/ Technical/ University/ Colleges	NC-12	1,127,987,000	0	1,415,856,242	1,415,856,242	0
Total		**4,919,739,000**	**0**	**4,638,187,820**	**5,034,990,971**	**396,803,151**

Overview of expenditure against the final grant; **(Rs. in millions)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	54,973.18	43,891.00	-11,082.18	-20.16
Development	4,638.19	5,034.99	396.80	8.56
Total	**59,611.37**	**48,925.99**	**-10,685.38**	**-17.93**

It can be seen from the above variance analysis that the budgets could not be utilized and 17.93% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

9.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 5072.924 million were raised in this report during the current audit of Health Department. This amount also includes recoveries of Rs. 410.168 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S.No	Classification	(Rs.)
1	Non production of record	23.877
2	Reported cases of fraud, embezzlement and misappropriation	132.921
3	Irregularities	-
A	HR/Employees related irregularities	6.877
B	Procurement related irregularities	2611.322
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	1934.067
5	Others	363.860

9.3 Brief comments on the status of compliance with PAC directives:-

S.No.	Audit Year	Name of Department	Total No. of actionable points	Full Compliance	Partial compliance	Nil compliance
1.	2011-12	Health	33	18	-	15
2.	2012-13	-do-	14	09	-	05
3.	2013-14	-do-	46	23	-	23
4.	2014-15	-do	27	14	-	13
5.	2015-16	-do-	39	12	-	27

9.4 Issues in Health Department

Audit of DG Health Services, Khyber Pakhtunkhwa revealed that up gradation of health facilities from RHCs to DHQs and Category D to Category C hospitals was carried out without proper need assessment and evaluation. Huge expenditure was incurred on purchase of equipment for these health facilities but instead of being used for patients care they were found in the warehouses of these facilities.

Similarly for Covid-19 pandemic, medicines, machines and PPEs were procured without need and availability assessment resulting in unnecessary blockage of Government funds.

All across the province it is a perennial issue that the receipts realized from various diagnostic and therapeutic procedures are not promptly deposited in Government Treasury in violation of Financial Rules. Similarly, the receipts realized from the fitness certificates were considerably higher than the actual receipts deposited in the Government Treasury.

AP No. 105, 187, 203, 353, 373, 384, 409, 424, 434, 473 & 505 (2019-20)
AP No. 159, 468, 481 & 498 (2018-19)

9.5 Audit Paras

9.5.1 Non-production of record of ICRC patients' transportation charges- Rs. 23.877 million

According to Section 14 (2) of the AGP Ordinance 2001, the officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that transportation charges amounting to Rs.23,877,408/- were shown paid in cash to the ICRC patients and reimbursed from ICRC. However, detailed record of the expenditure incurred on transportation of patients was not provided to Audit.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and production of record for audit.

AP No. 848 (2018-20)

9.5.2 Misappropriation of stock - Rs. 51.305 million

According to Para 148 & 149 of General Financial Rules Volume-I, all material received should be examined, counted, measured or weighed as the case may be and should be taken in charge by a responsible officer who should see that the quantities are correct and their quality good, and record a certificate to the effect that materials are actually received and recorded in appropriate stock register.

During audit of the District Coordinator Peshawar under the Provincial Coordinator National Program for Family Planning and Primary Health Care Khyber Pakhtunkhwa for Financial Year 2017-18, it was observed that stock was issued to the District Coordinator Peshawar vide acknowledgement dated 04-08-2015. On further scrutiny at District Coordinator Office Peshawar, it was observed that accessories amounting to Rs. 51,305,000/- were neither taken on stock nor physically available.

The lapse occurred due to weak internal controls.

When pointed out in December 2018, it was replied that enquiry has been initiated by the DHO Peshawar on the request of the District Coordinator LHWs Programme Peshawar and the progress will be submitted as and when completed. However, no progress was intimated to audit till finalization of this report.

The department was requested for holding of the DAC meeting vide letter dated 04-01-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry.

AP No. 432 (2017-18)

9.5.3 Doubtful expenditure on different heads of accounts- Rs. 33.971 million

According to Para 10 of GFR Vol-1, every public servant is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his

own money. Moreover, the expenditure should not be prima-facie more than the occasion demands.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that an expenditure of Rs. 33,971,052/- was shown made on Administrative charges, Conveyance/Taxi charges, Purchase of Material/Tools, Repair/Maintenance, Entertainment and Utilities charges. However, it was observed that expenditure on these heads in different months remained the same. Audit noticed that one and the same Proforma was used for drawing funds from the main Receipt Account without supporting vouchers.

Lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 839 (2018-19)

9.5.4 Fictitious drawl on account of Running Cost, Students Stipend and Students Chairs- Rs. 23.787 million

According to Para 10 of General Financial Rules Volume-1, every public servant is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money. Moreover, the expenditure should not be prima-facie more than the occasion demands.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that running cost amounting to Rs. 19,880,000/- was drawn twice for few months. According to the procedure, the PIPOS management will draw a certain amount from its main Receipt Account for expected expenditure for a month. But contrarily, running cost for the months of August 2013, December 2013 and October 2015 was drawn twice. Similarly, the USAID Students'

Stipend and Diploma Students Stipend amounting to Rs. 1,202,000/- was also drawn twice for the months of March 2014 and May 2014. Furthermore, funds to the tune of Rs. 2,705,000/- for the Students' Chairs were drawn from bank for various months.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 835, 836 & 837 (2018-19)

9.5.5 Double invoicing of ICRC patients' bills- Rs. 13.857 million

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

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that double invoices of PIPOS Rehabilitation Services Program (PRSP) Peshawar and PRSP Centers at Districts were made and claimed from ICRC on account of ICRC referred patient's rehabilitation services, food charges and transportation charges. However, on further checking of record it was revealed that Journal Vouchers (JVs) through which the invoices were claimed had different entries from the bills which were attached to the JVs. Hence double invoicing amounting to Rs. 13,857,600/- was made.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 847 (2018-19)

9.5.6 Fictitious drawl on account of cost of OPD chits medicines – Rs.2.477 million

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

During audit of the Medical Superintendent Services Hospital Peshawar for the Financial Years 2018-20, it was observed that a sum of Rs.2,476,818/- (net amount) was drawn vide cheque No.1758857 on account of local purchase of OPD medicines and paid to MS Medica Pharma accordingly. The drawl on this account was suspicious on the following grounds:

1. The OPD chits enclosed with LP contractor invoice No.445 dated 05.04.2019 for Rs. 132,483/- were found on exorbitant rates which was neither prescribed by any doctor & signed it nor any history of patients clinical examination etc were available on these OPD chits, which clearly indicates that the OPD chits were merely filled for the drawl of costly medicines only.
2. OPD chit No.14856-19 dated 02.02.2019 attached to the invoice No. 766 dated 05.04.2019 was for Rs.70,630/- wherein the prescription does not show any strength/ mg of the medicines so prescribed and the LP contractor was at liberty to charge the maximum strength of each medicine cost.
3. Most of the OPD chits cost were ranging between 30,000/- to 70,000/- with the prescription of one and the same costly medicines i.e. injc: Aclasta, Tab: Myfortic, Tab: Tacavir, Tab: Elixa, Inj: Callcept, Inj: Intaglobolineetc, without patient's disease history and

compatibility of medicines as prescribed. Moreover, the alternate medicines were required to have been prescribed by the physician keeping in view its cost impact.

4. Most of the costly OPD chits were shown drawn using the names of the departments i.e. DGHS, Finance etc but no designation of the individual concerned affixed for genuineness & authentication which was in contradiction of the Medical Allowance and MRC claims by the concerned officers/ officials from the respective departments.
5. Neither the OPD chits drawn were signed/ checked for medicine strength, mg, dosage, make, type & market retail price etc before referral to LP contractor nor LP book was maintained for authentication.
6. Overwriting/ tempering were made in the prescribed medicines by the LP contractor as the tablets were converted to costly injections, capsules & vice versa.

Hence, the drawl of Rs. 2,476,820/- as summarized below stands fictitious:

S. No	Token No.	Gross amount after deduction of 13% rebate	Net amount (Rs.)
1	70964	289,145	273,242
2	70965	413,014	390,298
3	70966	381,235	360,272
4	70967	338,244	319,640
5	70968	378,296	357,490
6	70969	133,026	125,709
7	70970	301,661	285,070
8	70971	386,348	365,099
	Total	**2,620,969**	**2,476,820**

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the management did not furnish reply.

The Department was requested for holding of the DAC meeting vide letter dated 15.10.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 474 (2018-20)

9.5.7 Loss due to purchase of machinery on higher rates - Rs. 31.768 million

According to the Selection & Rate Contracting Committee List circulated vide DGHS letter dated 13-05-2019 and the Medicine Coordination Cell List, all the hospital items and medicines shall be purchased by the hospitals and other health institutions in the province from the suppliers (and at the rates) selected and mentioned therein.

During audit of the MTI DHQ D.I. Khan for the Financial Years 2018-20, it was observed that a sum of Rs. 78,890,000/- was paid to different suppliers on account of purchase of Bio-Medical Equipments. Further Scrutiny of record revealed that those Bio-Medical Equipments were purchased at much higher rates as compared with MCC approved rates, which resulted into loss of Rs. 31,768,000/-.

The lapse occurred due to weak internal controls.

When pointed out in August-2020, the department stated that reply will be given after consulting the record.

The department was requested for holding DAC meeting vide letter dated 08-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 426 (2019-20)

9.5.8 Loss on account of non-imposition of penalty on late supply - Rs. 25.240 million

According to Clause-7 of the DGHS Peshawar letter No. 8110-60/Proc. Cell dated 21-07-2017 and Clause 18 (I &II) of the Rate Contract Agreements, the bidder shall complete the supply of the ordered goods under this agreement within the stipulated period of time as laid down in the SBDs. In case of delay

in supplies for a period of 01-to-15 days, penalty @03% of the total bid price of the items supplied late shall be levied. Similarly, in case of delay in supplies for a period of 16-to-30 days, penalty@ 07% of the total bid price of the items supplied late shall be levied.

During visit to various health facilities while auditing the accounts record of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that the items purchased were not supplied within the due course of time, and penalties at the prescribed rate of 03% (for late supply for a period of 01-to-15 days) amounting to Rs. 22,749,000/- were not imposed.

Similarly various suppliers of the Director General Health Integrated Health Project (IHP) supplied different items after the 30 days' period. However, penalty at the prescribed rate was not imposed, which resulted into a loss of Rs. 2,491,544/- to the government.

The lapse occurred due to weak internal controls.

When pointed out in September 2020, the department stated that detailed reply will be furnished after response is received from the districts.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends imposition of penalty and recovery.

AP No. 507 & 553 (2018-20)

9.5.9 Loss due to purchase of disposable items on higher rates - Rs. 11.399 Million

According to the Selection & Rate Contracting Committee List circulated vide DGHS letter dated 13-05-2019 and the Medicine Coordination Cell List, all the hospital items and medicines shall be purchased by the hospitals and other health institutions in the province from the suppliers (and at the rates) selected and mentioned therein.

During audit of District Head Quarter Hospital MTI D.I.Khan for the Financial Years 2018-20, it was observed that disposable items were purchased from

various suppliers on higher rates than the approved MCC rates. Thus the loss of Rs. 7,305,500/- was sustained by Government.

The lapse occurred due to weak internal controls.

When pointed out in August-2020, the department stated that reply will be given after consulting the record.

The department was requested for holding DAC meeting vide letter dated 08-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 446 (2019-20)

9.5.10 Loss due to non-recovery of electricity charges - Rs. 5.605 million

According to F.R. 45-B (I), the tenant will also be required to pay the cost of the water, electric energy etc. consumed.

During audit of the Hospital Director Khalifa Gul Nawaz Medical Teaching Institute Bannu for the Financial Year 2019-20, revealed that doctors, paramedics' staff and house officers were provided residential accommodation within the hospital. However, electricity charges were not recovered from the staff.

S. No.	Name of Hostel	Total Rooms	Per Month Charges	Total	Total Per Annum
1	Doctor Hostel	48	5000	240,000	240000 x 12 = 2,880,000
2	Paramedics Hostel	28	5000	140,000	140,000 x 12 = 1,680,000
3	House Officers Hotel	14	5000	70,000	70000 x 12 = 840,000
04	Flat # 01	01	Since 2014		205,442
Total					**5,605,442**

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the department replied that a committee has been nominated for this purpose and outcome will be intimated soon.

In the DAC meeting held on 17.12.2020, it was decided that electricity charges may be recovered from the persons concerned. However, no progress was intimated till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 331 (2019-20)

9.5.11 Non-recovery of outstanding Affiliation Retention Fees and penalty - Rs. 114.862 million

According to Sub-clause 7.2 of the Statutes of KMU Peshawar, the Annual Affiliation Retention Fee, as prescribed by the Syndicate, must be deposited by each affiliated college/ institute by 31st December each year. Read with Sub-clause 7.3 of the said Statutes, for any delay in depositing the Annual Affiliation Retention Fee by an institution/college by 31st December of the year, penalties as prescribed in the statute should be levied on the defaulted institutes.

During audit of the Khyber Medical University Peshawar for the Financial Year 2019-20, it was observed that an amount of Rs. 111,194,300/- was outstanding against various affiliated institutes on account of annual retention fee. Furthermore, the university administration has not imposed the required penalty of Rs. 3,668,490/- (@ 1% per day up-to one-month period) on the outstanding amount which resulted into non-recovery of the University funds amounting to Rs. 114,862,790/-.

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-09-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery of outstanding amount.

AP No. 210 & 211 (2019-20)

9.5.12 Non- imposition of penalty on late supply - Rs.1.487 million

According to MCC rates agreement deed clause 18 Sub- Clause –a (i) a lump-sum penalty amounting to three percent upon delay in supply from 31 to 45 days and 7% penalty upon delay from 46 to 60 days shall be imposed on the supplier.

During audit of Mufti Mehmood Memorial Teaching Hospital MTI D.I.Khan for the Financial Year 2019-20, it was observed that various medicines, chemicals & disposable items were purchased from various suppliers. However, these items were not supplied within stipulated time period. Thus, penalty of Rs. 1,487,647 should have been imposed.

The lapse occurred due to weak internal controls.

When pointed out in August-2020, the department stated that reply will be given after consulting the record.

The department was requested for holding of the DAC meeting vide letter dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 635 (2019-20)

9.5.13 Excess payment to the contractor on account of Service & Maintenance of CT Scan Machine- Rs. 5.110 million

According to Clause 7 of the contract, On-Mark Technologies shall visit the CT scan machine twice a month and repair the machine within 24 hours after receiving the complaint. A penalty of Rs. 10,000/- per day shall be imposed after three days (72 hours) under clause-08 of the contract.

During audit of the Hospital Director Khalifa Gul Nawaz Medical Teaching Institute Bannu for the Financial Year 2019-20, it was observed that the contract for the service and maintenance of CT scan was awarded on 13.5.2019

to M/S On-Mark Technologies Sales & Services for a period of one year @ Rs. 500,000/- per month.

The verification of record i.e. logbook/activity register revealed that during the whole year, the firm's team visited only twice in the whole contract period instead of twice regular visit per month.

The Incharge CT Scan reported on 01.06.2020 that the CT Scan Printer is not working. To this, the firm's team visited on 13.06.2020 instead of within the 24 hours' time period, therefore, penalty of RS. 10,000/- per day may be imposed for 11 days amounting to Rs.110,000/- as required under Clause-8, which the hospital authorities failed to recover till date of Audit.

Thus excess payment of Rs. 5,110,000/- may be recovered from the contractor as detail below;

Total amount paid to Firm	=	6,000,000
Payment required to be paid for 2 visits	=	1,000,000
Excess Paid	**=**	**5,000,000**
Add Penalty	=	110,000
Total:	**=**	**5,110,000**

The laps occurred due to weak internal controls.

When pointed out in August 2020, the department stated that detailed reply will be furnished after scrutiny of the record.

In the DAC meeting held on 17.12.2020, it was decided that the case may be inquired jointly by the representatives of Health Department, Director Works, and NGNHS and Audit not below the rank of DS & Deputy Director Audit respectively, to probe and submit their report within two months.

Audit recommends implementation of DAC decision.

AP No. 327 (2019-20)

9.5.14 Loss to Government due to non-recovery of HPA & C.A during leave- Rs. 3.144 million

According to F.D. regulation wing notification No. FD (SQSR-II)8-18/2016 dated 07-01-2016, HPA will not be admissible during earned leave, study leave, extra ordinary leave read with FR 84 & Appendix 9 of Vol-II,

During audit of the Govt. Naseerullah Khan Baber Memorial Hospital Peshawar for the Financial Year 2018-20, it was observed that various doctors, nurses and paramedical staff had availed different kinds of leave during the period as noted against each, but they were also allowed Health Professional Allowance (HPA) and Conveyance Allowance (C.A) at the prescribed rate for which they were not entitled to draw during the leave. This resulted into non-deduction of Rs.3.144 million.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department stated that detailed reply will be furnished later on.

The Department was requested for holding of the DAC meeting vide letter dated 08-09-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 194, 196, 197 & 205 (2018-20)

9.5.15 Overpayment on account of Adhoc Relief Allowances - Rs 2.004 million

According to Part-II (Allowances) of Government of Khyber Pakhtunkhwa Finance Department (Regulation Wing) Notification No.FD (PRC) 1-1/2016 dated 19-07-2016, the Adhoc Relief Allowances of 2013, 2014 and 2015 have been merged in basic pay scale 2016 and shall cease to exist w.e.f 01-07-2016.

During audit of the Hospital Director MTIs Mardan Medical Complex Mardan and Qazi Hussain Ahmad Medical Complex Nowshera for the Financial Year 2019-2020, it was observed that Adhoc Relief Allowances of 2013, 2014 and 2015 were paid to the newly appointed employees which was unauthorized. Thus an overpayment of Rs 3,733,850 was made.

The lapse occurred due to weak internal controls.

When pointed out in August and October 2020 respectively, the management of MTI Mardan Medical Complex stated that recovery has been started from the concerned employees and the progress will be shared with audit. Similarly when pointed out in August 2020, the management of MTI Qazi Hussain Ahmad Complex stated that recovery will be made and intimated to audit. However, no progress was shared with audit till finalization of this report

The departments were requested for holding of DAC meeting vide letters dated 01-10-2020 & 21-12-2020 respectively. However, no DAC was convened till finalization of this report.

Audit recommends recovery of overpaid amount.

AP No. 376 & 608 (2019-2020)

9.5.16 Un-authorized drawl of doctors' share - Rs. 1.991 million

According to the Health Department Notification No.SO (B)/Health/10-12/03-04/user charges dated 13-04-2005, the Medical Superintendent is only entitled to 2% administrative share out of hospital's receipts (User charges). The 25 % doctor share of X-Ray, Laboratory and Cardiology Departments will be equally distributed amongst the consultant's i.e. Professor, Associate Professor and Assistant Professor.

During audit of the Medical Superintendent District Headquarter Hospital Haripur, for the Financial Year 2019-20, it was observed that 25% share of Pathologist, Radiologist and Cardiologist was drawn by Medical Superintendents, for which they were not entitled.

The lapse occurred due weak internal controls.

When pointed out in September 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding DAC meeting vide letter dated 06-10-2020. However, no DAC meeting was convened till the finalization of the report.

Audit recommends recovery of unauthorized amount paid to Medical superintendent.

AP No. 401 (2019-20)

9.5.17 Non-deposit of Warehouse cost of material to main Receipt Account of PIPOS- Rs. 182.304 million

According to Para 15 of the PIPOS Act 1999, receipts of the institute fund shall consist of the following;

a. Grant-in-aid made by Government including the Federal Government;

b. Funds generated from fees to be charged from the students being taught by the Institute;

c. Sale proceeds from the rehabilitation services provided to the patients by the care centers maintained by the Institute; and

d. Donations received from any source, including charitable institutions, philanthropists and international donor organizations.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that the Incharge PIPOS Warehouse issued local material of Rs. 52,719,898/-, imported material of Rs. 113,850,798/-, local tools of Rs. 1,285,474/-, imported tool of Rs. 2,380,394/- and imported MEQs of Rs. 11,648,275/- to PRSP Peshawar, PIPOS Training & Education Peshawar, PRSP Buner, PRSP Swat, PRSP Timergara, PRSP D.I. Khan and PRSP Bannu. However, only Rs. 4,377,766 has been received from the PRSP centers.

The management was asked to produce evidence of the collection and deposit of the remaining cost of material issued from the PIPOS warehouse during the last ten years. But no documentary proof was produced. Collection of all the cost of material issued from PIPOS warehouse to PRSP centers was the responsibility of the management.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility along with recovery, if it was involved.

AP No. 840 (2018-19)

9.5.18 Non-Recovery of ICRC Patients Receivables- Rs. 13.296 million

According to Para 15 of the PIPOS Act 1999, c the institute fund shall consist of the following;

a. Grant-in-aid made by Government including the Federal Government;
b. Funds generated from fees to be charged from the students being taught by the Institute;
c. Sale proceeds from the rehabilitation services provided to the patients by the care centers maintained by the Institute; and
d. Donations received from any source, including charitable institutions, philanthropists and international donor organizations.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that two claims/bills for an amount of Rs. 13,296,670/- were issued to ICRC of account of expenditure incurred on Rehabilitation of patients referred by ICRC. Account record revealed that the amount was outstanding against the ICRC since 2015.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends recovery of outstanding amount from ICRC.

AP No. 842 (2018-19)

9.5.19 Less Receipt of Patients Receivables from ICRC - Rs. 10.150 million

According to Para 15 of the PIPOS Act 1999, receipts of the institute fund shall consist of the following;

a. Grant-in-aid made by Government including the Federal Government;

b. Funds generated from fees to be charged from the students being taught by the Institute;

c. Sale proceeds from the rehabilitation services provided to the patients by the care centers maintained by the Institute; and

d. Donations received from any source, including charitable institutions, philanthropists and international donor organizations.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that an amount of Rs. 9,119,540/- was less received from the ICRC on account of services provided to the patients referred by ICRC to PRSP Peshawar and PRSP Centers at Districts.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 841 (2018-19)

9.5.20 Non-deposit on account of health and age certificates - Rs. 5.262 million

According to Health department notification No.SOB-1/HD/1-27/provincial receipt, dated 18.6.2016, health and age medical examination of gazetted and

non-gazetted employees are being carried out at hospital level at the prescribed rates.

During audit of the District Head Quarters Hospital Lower Dir (Timergara) and Medical Superintendent Services Hospital Peshawar for the Financial Year 2018-20, it was observed that 3,006 number of medical fitness certificates and 7,101 age certificates were issued by DHQ Lower Dir @ Rs. 400 each, amounting to Rs. 4,042,800/- which was not deposited into the government treasury.

Similarly 12546 certificates were issued by Services Hospital, however, fee receipt of 2440 certificates amounting to Rs, 1,220,000/- was not deposited into the government treasury.

When pointed out in August 2020, the department stated that detailed reply will be furnished after consultation of the record.

The department was requested for holding DAC meeting vide letters dated 28-09-2020 and 15-10-2020 respectively. However, no DAC meeting was convened till the finalization of this report.

Audit recommends deposit of government fee.

AP No. 342 & 484 (2019-20)

9.5.21 Less receipt of WHO Patients Fee - Rs. 2.238 million

According to Para 15 of the PIPOS Act 1999, receipts of the institute fund shall consist of the following;

a. Grant-in-aid made by Government including the Federal Government;

b. Funds generated from fees to be charged from the students being taught by the Institute;

c. Sale proceeds from the rehabilitation services provided to the patients by the care centers maintained by the Institute; and

d. Donations received from any source, including charitable institutions, philanthropists and international donor organizations.

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that JV No. 28 dated 30.10.2014 amounting to Rs. 2,238,636/- was issued to WHO under letter dated 23.10.2014 for payment against WHO patients treated at PIPOS. However, the amount was neither received nor reflected in the receivable accounts of the institute.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends recovery.

AP No. 843 (2018-19)

9.5.22 Wasteful expenditure without need assessment - Rs. 1028.235 million

According to the project document "Purchases of Equipment in respect of Health Facilities of Khyber Pakhtunkhwa" the provincial government has taken keen interest in improving the health infrastructure across the Khyber Pakhtunkhwa province. To take forward the reforms agenda, and to achieve the set targets/milestones, many initiatives have been executed. The underlined objectives of the said project are to improve the Health Infrastructure and to ensure provision of optimal services delivery to the general public at their door step.

During audit of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that an amount of Rs. 1028.235 million was spent on the purchase of machinery and equipment for

the newly upgraded hospitals. However, the machinery and equipment items purchased were lying dumped in the hospital stores, without being utilized, due to lack of staff and minimum turn-out of patients. The said facilities were upgraded without any need assessment as evident from the fact that the same were running on "zero bed occupancy" as observed upon physical inspection of Category-D Hospital Yar Hussain (Swabi), BHU Shewa (Swabi), THQ Hospital Kalu Khan, Category-D Hospital Topi (Swabi) and Category-D Hospital Ziarat Kaka Sahib (Nowshera).

The lapse occurred due to lack of proper need assessment.

When pointed out in September 2020, the department stated that detailed reply will be furnished after response is received from the districts.

The department was requested for holding of DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 505 (2018-20)

9.5.23 Irregular expenditure on account of purchase of Air Purification System- Rs. 667.400 million

According to the Selection and Rate Contracting Committee List for the Financial Year 2017-18 circulated vide DGHS Peshawar letter No. 8110-60/Proc. Cell dated 21-07-2017, M/S Novatek Pakistan was selected to supply the Air Purification Systems at the rate of Rs. 1,175,000/- per unit.

According to the company profile of the Air Purification Systems, the subject product is best suited for indoor spaces; not larger than 2,000 cubic feet & needed VOC, and removal of particular matter caused by people, pets, food and other organics (multiple units can be used to cover larger spaces).

During audit of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that an amount of Rs. 667,400,000/- was paid to M/S Novatek Pakistan on account of supply of 568 Air Purification Systems to various hospitals in the province @ Rs. 1,175,000/- per unit without considering the basic requirements before their installation.

Audit selected 05 districts as a sample for physical verification of machinery and equipment, wherein 18 facilities were visited. Audit has the following observations;

- No demand of the equipment purchased from health facility was found on record.
- Neither the machine was found installed in the indoor spaces nor was the 2000 cubic feet condition met as shown by the manufacturer's specifications.
- The second condition of company is "Up to 2,000 Cubic Feet Coverage per Unit (250 Square Feet x 8 Foot Ceiling) only 1 Air Change per Hour was needed, not complied with.
- Majority of the said machines were found installed in the Operation Theaters of various hospitals, which were not even operational till date of Audit.

The loss occurred due to weak internal controls.

When pointed out in September 2020, the department stated that detailed reply will be furnished after response is received from the districts.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 509 (2018-20)

9.5.24 Loss to government due to ineffective execution of project- Rs. 135.155 million

According to the budgetary provision of PC-I, an amount of Rs. 298.543 million was allocated for the civil work component of "Establishment of Research Institute of Hepatology, Hepatobiliary Pancreatic Surgery and Transplantation (RIHEHP), Research Institute of Dialectology, Endocrinology and NCDs (RIDENC) at 91228 sqft area under the project "Strengthening of Khyber Medical University Peshawar", the work awarded to the contractor on

14-12-2016 at the cost of Rs.258.148 million with completion period of three years.

During audit of the Khyber Medical University Peshawar for the Financial Year 2019-20, it was observed that an amount of Rs. 15,119,116/- was paid to the contractor M/S Akhunzada Fazal Jamil & Co. up to 17th running bill in the financial year 2019-20 under the head civil work and total payment made was Rs. 191,547,675/-.

Audit found the following shortcomings and observations;

- The original date of civil work completion was December 2019, followed by 6-months extension up to June 2020, granted by HEC Islamabad. However, till date of audit, the work was not yet completed.
- The necessary approval for the scope of work by expending the area from 91228 Sqft to 104580 sqft, and its design from five stories to seven stories, was not obtained from the competent forum, which resulted in cost escalation.
- The revised technical sanction was also not approved from the competent forum.
- The contractor was paid for 60 grade steel of quantity of 782 tons against the original and revised BOQ of 555 tons.
- A quantity of 10.3719 tons @103529/- totaling to 1,073,802/- was shown used vide MB page number 184 which was later on deleted vide MB No. 3-page number 56. The same quantity was again taken/ utilized vide MB No. 3-page number 144.
- The consultant fee was not frozen as required under his contract agreement resulting into an overpayment of Rs. 1,117,629.
- The pay and allowances of the project staff amounting to Rs. 1,992,578/- were paid from the recurring budget of the university instead of project fund, during the extended period of time, continued till date of Audit.
- These shortcomings noticed during the audit are also validated by the report of inquiry committee duly constituted to investigate the deviation in the project execution.

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-09-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends implementing the recommendations of the inquiry committee.

AP No. 229 (2019-20)

9.5.25 Loss on account of penalty payment to PM&DC- Rs. 35.000 million

According to the PM&DC letter dated 26-01-2009, the KIMS Kohat was allowed to register 50 students of MBBS only and to shift its affiliation from KUST Kohat to KMU Peshawar.

During audit of the Khyber Medical University Peshawar for the Financial Year 2019-20, it was observed that an amount of Rs. 30,000,000/- was paid to PM&DC (in six equal installments) on account of penalty charges for registering 50 numbers of MBBS students over-&-above the approved strength at KIMS Kohat, for the session 2012-13 and 2013-14. Similarly, an amount of Rs. 5,000,000/- was also paid to PM&DC on account of penalty charges for registering BDS students in KIDS Kohat, since 2011-12 without the same being registered with PM&DC Islamabad.

The loss occurred due to weak Human Resource Management.

When pointed out in August 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-09-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 213 (2019-20)

9.5.26 Wasteful expenditure on account of purchase of generators - Rs. 20.00 million

According to the DGHS Peshawar letter No. 8110-60/Proc: Cell dated 21-07-2017 addressed to all DHOs/ MS-DHQs, the offices/ hospitals shall ensure, before purchase of machinery & equipment, the availability of human resources, electricity, infrastructure, and that there will be no dumping of the said equipment.

During audit of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that an amount of Rs. 20,000,000/- million was spent on the purchase of 04, 40 KVA Generators, for the newly upgraded hospitals at District Swabi and Nowshera, at the rate of Rs. 5,000,000/- per unit. However, during visit of the hospitals in the selected districts at Yar Hussain, Shewa, Topi and Dag Ismail Khel, for physical verification of machinery and equipment, it was observed that the generators purchased in the year 2017-18 were installed in the concerned hospitals, but were not operational till the date of inspection.

The lapse occurred due to lack of proper need assessment.

When pointed out in September 2020, the department stated that detailed reply will be furnished after response is received from the districts.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 506 (2018-20)

9.5.27 Un-authorized expenditure on local purchase of medicines exceeding the prescribed limit - Rs 13.148 million

According to the health department notification No.SO(D) Health2-43/2003, dated 19.9.2006, local purchases shall be made up to 10/% of the allocated budget.

During audit of the Medical Superintendent Services Hospital Peshawar for the Financial Years 2018-20, it was observed that an expenditure of Rs.40.572

million was incurred under object-AO3927 purchase of drugs during 2019-20. Furthermore, it was noticed that out of the allocated budget a sum of Rs.17.205 million was incurred on local purchase of medicines for OPD patients which is 42.40% (17205324x100/40572770) of the total budget against the admissible limit of Rs. 4.057 million (10% of the budget) resulting into un-authorized expenditure of Rs.13.148 (M) (17.205 (-) 4.057).

It is further added that:

1. There was no LP book maintained as required by the authorized person/store keeper to check and verify it against the indented brand (s), strength (s) dosage, and quantity/quality of each medicine purchased from LP contractor.

2. The maximum outflow of MCC medicines so acquired was also to the OPD patients through hospital pharmacy as compared to the nominal admission in respective units of hospital, which is against the approved guidelines.

3. There was no record in shape of hard copies produced on monthly/yearly basis within the pharmacy showing the detail of drugs received from main store, issue to ward and OPD patients.

Audit is of the view that not only the prescribed limit was violated in both years, but on the other hand, no record was maintained for comparison and authentication of the medicines acquired through LP contractor and as well as through MCC.

The lapse occurred due to non-observance of rules/procedure by the management.

When pointed out in August 2020, the management stated that:

1. This hospital has been exempted from LP SOPs vide Health Department Notification dated 13.10.2006.
2. As per above said exemption, the budget could be utilized through LP, however, all the available medicines in MCC approved list are purchased from respective firms on subsidized rates.

3. The observation has been noted for future compliance. The software will be upgraded for monthly/ yearly reports & reconciliation of stock.

Audit held the view that the exemption of Services Hospital from LP SOP was doubtful as the SOP for LP was notified by Health Department of Khyber Pakhtunkhwa on 16.09.2006 while the exemption refers to SOP issued in November 2006. Furthermore, exemption of only one hospital from LP SOP was unjustified and no alternate SOP has been devised since 2006 to administer the Local Purchase of medicines.

The Department was requested for holding of the DAC meeting vide letter dated 15.10.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 473 (2018-20)

9.5.28 Supply of sub-standard medicine - Rs. 7.748 million

According to the Department of Anesthesiology and General Intensive Care of PGMI-LRH Peshawar letter No.167/Anesthesia dated 23.6.2020, the anesthesia medication provided was substandard and not effective in the surgical anesthesia patients, and that the medicine shall be replaced with standard quality medicine in the best public interest.

During audit of the Hospital Director Lady Reading Hospital Peshawar for the Financial Year 2019-20, it was observed that an amount of Rs. 7.748 million was drawn from the hospital fund on account of purchase of medicine and paid to the supplier.

It was further noticed that the medicines/items were declared sub-standard and non-effective in surgical anesthesia patients by chairperson of Anesthesia Department.

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the department stated that a detailed reply will be submitted later on.

The department was requested for holding of the DAC meeting vide letter dated 29-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 866 (2019-20)

9.5.29 Doubtful payment on account of LP medicines – Rs. 5.533 million

According to SOP regarding LP medicines duly endorsed by Health Department Khyber Pakhtunkhwa vide Notification No. SO (D)/Health/2-43/2003 dated 19.09.2006, Para-6 provides that "Head of health institution has to constitute a sub-committee or authorize a person to receive the LP supplies and to check and verify it against indented brand(s), strength(s) and quantity and with the Cash Memo, which is to be provided on daily basis by the LP contractor. The stock is to be recorded in the LP register".

During audit of the Medical Superintendent Services Hospital Peshawar for the Financial Years 2018-20, it was observed that a sum of Rs. 5,532,873/- was drawn vide cheque No. 1758837 dated 16-04-2019 was paid to MS Medica Pharma (LP contractor).

On further verification and comparison of record invoices and OPD chits, it was observed that:

1. The amount of Rs.5,532,873/- was drawn on one token No.70332 as shown in the cash book page-198, while the amount was drawn on 16 numbers different abstract contingent bills as was evident from the face of these bills (copies enclosed).
2. The invoices attached to the contingent bills were without machine number & date and seems to have been drawn at once with same hand writing which also created doubts.
3. All the OPD chits were carbonized copies and most of chits were written in haphazardly manner in the month of February 2019 which is also doubtful.

4. The other OPD chits were also either on printed single pads and carbonized simultaneously within the same months which further strengthen the audit contention.
5. The LP register was not maintained for the confirmation of received medicines, strength, dosage, quantity, quality and brand etc along-with acknowledgement of the user.

Keeping in view the drawl of huge amount of Rs. 5,532,873/- under the above cheque was thus held suspicious.

The lapse occurred due to weak internal controls.

When pointed out in August 2020, the management did not furnish reply.

The Department was requested for holding of the DAC meeting vide letter dated 15.10.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 482 (2018-20)

9.5.30 Loss to government due to purchase of medicines at higher rates- Rs 4.254 million

According to Director General Health Services Khyber Pakhtunkhwa Peshawar Letter No 1805-1900/DD (Preq/Reg/Drugs) dated 11.09.2018, the approved rates at MCC formula No. 189, 54, 239, 459, 178, 954, 955 and 956 for Ceftriaxone Sodium, Paracetamol Infusion 1000mg/100ml, Meropenem Injection 500mg/vial and Hydrocortisone Injection 250mg/vial, Cefeperazone + Salbuctum Injection 1g, for IV Cannula 20G, 22G and 24G were Rs 33.97, 53.90, Rs 390, Rs 58, Rs 42.97, 37.50, 37.50 and 39.90 respectively.

During audit of the MTI Ayub Teaching Hospital Abbottabad for the Financial Year 2018-19, it was observed that a sum of Rs. 7,266,657/- were paid to various suppliers on account of purchase of medicines, as detailed below:

S#	Suppliers	Medicines	Payment made to supplier	Payment to be made as per MCC rate	Overpayment / Loss
1.	M/S Fazal Surgical	Ceftriaxone Injection 1g/vial	1,835,752	339,700	1,496,052
2.		Paracetamol Infusion 1000mg/100ml	357,418	269,500	87,918
3.		Meropenem Injection 500mg/vial	1,672,083	780,000	892,083
4.		Hydrocortisone Injection 250mg/vial	94,662	58,000	36,662
5.		Cefeperazone +Salbuctum Injection 1g	1,127,992	214,850	913,142
6.	M/S Braun Pharma	IV Cannula 20G, 22G & 24 G	2,178,750	1,350,675	828,075
Total			**7,266,657**	**3,012,725**	**4,253,932**

Audit observed that the medicines were purchased either from LP contractor or from other suppliers, despite the fact that MCC rates and suppliers were available, which resulted into loss of Rs. 4,253,932/-.

The lapse occurred due to weak internal control and non adherence to MCC rates.

When pointed out in March 2020, it was stated that detail reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-05-2020 followed by subsequent reminder dated 06-08-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 346, 347, 348 & 349 (2018-19)

9.5.31 Irregular purchase of equipment of Rs. 6.995 million and non-imposition of penalty - Rs. 0.687 million

According to the Selection and Rate Contracting Committee List for the Financial Year 2017-18 circulated vide DGHS Peshawar letter No. 8110-60/Proc. Cell dated 21-07-2017, M/S Matora Engineering was selected to supply the Mobile C-Arm Image Intensifier at the rate of Rs. 9,828,000/- per unit.

According to Clause-7 of the DGHS Peshawar letter No. 8110-60/Proc. Cell dated 21-07-2017, in case of delay in supplies for a period of 16-to-30 days, penalty @ 07% of the total bid price must be imposed.

During audit of the Director General Health Services KP for the Financial Years 2018-19 and 2019-20, it was observed on physical verification of the equipment in BKMC Swabi, that supply order to M/S Matora Engineering Corporation Peshawar was issued on 02.12.2017 followed by repeated reminders. However, the supplier failed to supply the said item and the supply order was cancelled vide letter dated 18-06-2019, without imposition of penalty @ 7% amounting to Rs 687,960/- and proceeding for blacklisting of the firm was not initiated as the same supplier also failed to supply the same item to DHO Nowshera.

Later on, the management of BKMC Swabi purchased the item with different specifications from M/S Medco vide supply order dated 29-06-2019 at the rate of **Rs. 6,995,500/-** per unit, without obtaining prior approval from the DGHS Peshawar, for the change in the specifications and supplier.
The lapse occurred due to weak internal controls.

When pointed out in September 2020, the department stated that detailed reply will be furnished after consultation of original record.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and recovery of penalty from the defaulted supplier.

AP No. 515 (2018-20)

9.5.32 Irregular procurement of machinery and equipment- Rs. 2557.431 million

According to the project document, "Purchases of Equipment in respect of Health Facilities of Khyber Pakhtunkhwa" the Director Procurement DGHS Peshawar was directed to frame the facility-wise list of the deficient equipment on need basis in consultation with all stakeholders.

During audit of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that an amount of Rs. 2,557,431,783/- was spent on purchase of machineries and equipment for various health facilities of the province. However, during physical verification of the machinery and equipment items purchased for the hospitals/ facilities in the selected sample (five districts and eighteen health facilities), the following shortcomings were observed;

- The items were not operationalized.
- The PC-I was not prepared.
- No need assessment was conducted, hence 500 MA X-Ray Machine and Mobile C-Arm Image Intensifier were not supplied to DHQ Hospital Kohat, ordered to be supplied vide letter dated 29-06-2018. Likewise, in RHC Jamalabad Charsadda, an Anesthesia Machine valuing Rs. 2,250,000/- was provided to the facility, in addition to the already available one, where no minor operation/ surgery was carried out for the last two years, as evident from the certificate provided by the MS concerned.
- The end user driven demand was not obtained from the facilities concerned nor was the same properly consulted with them, as evident from the list prepared at DHQ Hospital Charsadda wherein the 24 Hours ABPM were not required/ demanded, but still purchased. Likewise, in DHQ Hospital Kohat, no 24 Hours Ambulatory Blood Pressure Monitor was required, but 24 machines were purchased by the hospital.

- The major value items like Air Purification System, 24 Hours Ambulatory Blood Pressure Monitors, X-Ray Plants and Mobile C-Arm Machines etc. were found non-operational, stocked and dumped in the facilities visited during physical verification, since their date of purchase as evident from the stock registers of the facilities.
- As the machinery and equipment is lying unutilized, their warranty period has expired and the 8% performance guarantee/ security withheld as per DGHS Peshawar letter dated 21-11-2017, has already been released to the contractors concerned, putting the government kitty at risk of a suspected loss.
- M/S Friends Traders failed to supply the complete set of items to some districts as evident from the DGHS Peshawar letter dated 19-07-2018. However, no action was taken against the defaulting supplier.
- The staff of the facilities where the Air Purification Systems were installed neither replaced the reaction chambers once a year nor were they aware of this fact, as was required for proper operation of the machinery.
- An amount of Rs. 1364.104 Million was spent on the purchase of four (major) items i.e. Air Purification System, 24 Hours Ambulatory Blood Pressure Monitors, X-Ray Plants and Mobile C-Arms, which were not even required in the districts.

Audit held that the government fund was utilized on machinery and equipment which were not even required in the hospitals concerned.

The lapse occurred due to weak internal controls and improper utilization of government funds.

When pointed out in September 2020, the department stated that detailed reply will be furnished after consultation with all the stakeholders like the Planning Cell, the districts and procurement officer etc.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 504 (2018-20)

9.5.33 Irregular purchase of GAIT Analysis Lab- Rs. 9.867 million

According to rules 06 of the Khyber Pakhtunkhwa Public Procurement Regulatory Authority Act, 2012, save as otherwise provided hereinafter and subject to the provisions of rule 10, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 100,000 (rupees one hundred thousand).

During audit of the PIPOS for the Financial Years 2009-10 to 2018-19, it was observed that equipment for GAIT Analysis Lab. were purchased from SIMI Reality Motion System on the basis of selection of supplier online without adopting government prescribed tendering procedure. The bill of Rs. 9,867,141/- also included installation and training cost to the employees of PIPOS for running the lab. 10% security money was not retained from the payment as agreed with the donor for the establishment of this GAIT Analysis Lab. However, SIMI Reality motion System sent the equipment but did not come for its installation and training of PIPOS personnel.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished later on.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting has been convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 849 (2018-20)

9.5.34 Non-supply of the C/ARM imaging machine – Rs.9.628 million

According to supply order No. 3711-18 dated 28.12.2017, two items including C/ARM imaging machine @ Rs.9,828,000/- was ordered to MS Matora Engineering Corporation, Peshawar.

During audit of the Medical Superintendent Services Hospital Peshawar for the Financial Years 2018-20, it was observed that Mobile C/ARM imaging intensifier machine (GEMSS Korea) was ordered to MS Matora Engineering Corporation, Peshawar vide supply order No.3711-18 dated 28.12.2017, at the cost of Rs.9,828,000/- out of the funds provided by the DGHS under ADP for 2017-18.

Scrutiny of the record revealed that imaging machine duly ordered on 28.12.2017 was not supplied till 25.07.2020 i.e. after lapse of more than two and half years. The hospital management neither took the issue with the supplier nor reported to DGHS / quarter concerned for taking action against the supplier for not supplying the required machine.

The lapse occurred due to weak management and supervision of the procurement activities.

When pointed out in August 2020, the management stated that the rates contract was made by DGHS. The payment was made for the supplied item only instead of two items. All the relevant supporting documents will be communicated to Audit and detail report will be submitted. The same will be taken up with DGHS as well.

The Department was requested for holding of the DAC meeting vide letter dated 15.10.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 478 (2018-20)

9.5.35 Loss to government due to irregular award of contract - Rs 2.251 million

According to Clause # 1.12 of the Repair and Maintenance contract agreement of Angiography between Hospital Director, Ayub Teaching Hospital Abbottabad and M/S Zelin Medical System Private Limited executed on 09.10.2017 for the period of 09.10.2017 to 08.10.2022, the maintenance contract for the first year with effect from 10.10.2017 is Rs. 1,875,786/- and

thereafter the rate will be increased by 10% yearly for the next 04 years upon satisfactory performance certification by the Head of Cardiology Department or his representative.

During audit of the MTI Ayub Teaching Hospital Abbottabad for the Financial Year 2018-19, it was observed that a sum of Rs 3,282,394/- was paid to M/S Zelin Medical System Private Limited vide cheque # A-543834 dated 24.06.2019 on account of repair and maintenance contract charges of Angiography for the period of 06.12.2018 to 05.06.2019.

Audit held that Ayub Teaching Hospital Abbottabad could have extended their contract with M/S Zelin Medical System Private Limited on the terms and conditions mentioned above. However, it was re-awarded to the same contractor on 27.02.2019 for the period of 06.12.2018 to 05.12.2019 with a contract price of Rs 6,564,786/- per annum.

Maint. charges of old contract upto 09.10.2018	**Annual Increase@10%**	**06 months maint. Charges Of old agreement**	**06 months maint charges of new agreement**	**Difference**
1,875,786	1,875,786*110/100 = 2,063,365	2,063,365/2 =1,031,682	3,282,394	2,250,712

Therefore, Rs 2,250,712 were overpaid to M/S Zelin Medical System Private Limited, and the same will be accrued throughout the period of contract.

The lapse occurred due to weak internal controls.

When pointed out in March 2020, it was stated that detail reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 08-05-2020 followed by subsequent reminder dated 06-08-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 356 (2018-19)

9.5.36 Less deduction of DPR Charges- Rs. 2.728 million

According to the Directorate of Social Welfare & Women Empowerment Department KP Peshawar letter No.DPR/Pub/PCRDP/559-63 dated 18-05-2012, the deduction of DPR Fund for rehabilitation of disable persons from the bills/ payments should be Rs. 2,000/- per one million and be deposited in the Head No. G-12218 “Fund for Rehabilitation of Disabled Persons".

During audit of the Director General Health Services KP Peshawar for the Financial Years 2018-19 and 2019-20, it was observed that an amount of Rs. 1364.104 Million was paid to various contractors on account of supply of four (major) items i.e. Air Purification System, 24 Hours Ambulatory Blood Pressure Monitors, X-Ray Plants and Mobile C-Arms to various facilities/ hospitals (lists attached). However, the DPR charges were deducted at the rate of Rs. 2000/- per contractor bill rather than the prescribed rate of Rs. 2,000/- per one million rupees, resulting into a less deduction of DPR charges amounting to Rs. 2,728,000/- (Rs. 2000 X 1364 Million).

The lapse occurred due to weak internal controls.

When pointed out in September 2020, the department stated that detailed reply will be furnished after response is received from all the stakeholders.

The department was requested for holding of the DAC meeting vide letter dated 04-11-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 517 (2018-20)

Chapter –10

HOME & TRIBAL AFFAIRS DEPARTMENTS

10.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Public Order and internal security.
- Political intelligence and censorship.
- Administration of Justice, constitution and organization of courts except the High Court.
- Criminal Law and Criminal
- Arms, ammunition and military stores.
- Crime report.
- Prisons, reformatories and similar institutions, classification and transfer of prisoners, state, political prisoners, Good Conduct Prisoners and Probationer Release Act.
- Extradition and Deportation.
- Question of domicile and application for Nationality certificates
- Registration of aliens.

Audit Profile of Home & Tribal Affairs Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/ Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	245	25	12,143.980	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	05	02	107.091	N/A
3	Authorities/Autonomous bodies etc under PAO	01	01	1170.789	N/A
4	Foreign Aided Projects (FAP)	N/A	N/A	N/A	N/A

10.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
08-Home and TA	NC21	1,778,000,000	180	1,778,000,180	1,316,446,472	-461,553,708
09-Jails and Convict's Settlement	NC21	2,800,000,000	254021000	3,054,021,000	2,624,144,433	-429,876,567
10-Police	NC21	47,975,000,000	2343122000	50,318,122,000	42,783,981,351	-7,534,140,649
Total		**52,553,000,000**	**2,597,143,180**	**55,150,143,180**	**46,724,572,256**	**-8,425,570,924**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Home & TA	NC22	274,776,000	0	85,548,451	95,532,004	9,983,553
Home & TA	NC12	1,597,224,000	0	1,437,612,887	1,437,612,887	0
Total		**1,872,000,000**	**0**	**1,523,161,338**	**1,533,144,891**	**9,983,553**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	55,150.14	46,724.57	-8,425.57	-15.28
Development	1,523.16	1,533.15	9.98	0.66
Total	**56,673.30**	**48,257.72**	**-8,415.59**	**-14.85**

It can be seen from the above variance analysis that the budgets could not be utilized and 14.85% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

10.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 199.953 million were raised in this report during the current audit of Home & Tribal Affairs Department. This amount also includes recoveries of Rs. 194.500 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in millions

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	8.453
3	Irregularities	-
A	HR/Employees related irregularities	2.242
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	2.175
5	Others	187.083

10.3 Brief comments on the status of compliance with PAC directives: -

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
10	2011-12	Home & TA	27	15	-	12
11	2012-13	-do-	12	06	-	06
12	2013-14	-do-	19	08	-	11
13	2014-15	-do-	18	09	-	09
14	2015-16	-do-	21	14	-	07

10.4 Issues in Home & Tribal Affairs Department:

It was observed during the audit of various District Police Offices that the receipts realized from fines & fees are not timely deposited into the Government Treasury according to the Treasury Rules. Similarly, the funds are withdrawn and then withheld in designated accounts without being utilized for the purposes, they are earmarked for. It has also become a routine practice in various offices of Home Department to withdraw pay and allowances through DDOs instead of being directly credited to the bank accounts of the concerned officials. It further paves the way for misappropriation and embezzlement.

Furthermore, petty/special repairs in police stations are carried out without preparation of PC-I. All these issues reflect badly on the financial management of the law enforcement agencies.

AP No. 14, 15, 20, 28, 31, 74, 76, 80, 91, 94, 101, 106, 123, 132 (2019-20)
AP No. 143, 154, 175, 188, 189, 206, 218 & 220 (2018-19)

10.5 Audit Paras

10.5.1 Fraudulent drawl due to marking advance entries in the log books- Rs. 5.453 million

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

During audit of the District Police Officer Abbottabad for the Financial Year 2018-19, it was observed that a sum of Rs. 5,453,600/- was misappropriated by the dealing hands due to marking advance entries of POL in the log books. Verification of the log books of only three vehicles (the rest not provided to audit) revealed that advance entries of 384960 KMs were in the log books against actual meter reading (certificate attached) resulting in misappropriation of Rs. 5,453,600/- as detailed below;

S. No.	Vehicle No	Log books reading May 2020	Physical reading June 2020	Difference
1	A-5756	303058	244086	58972
2	A-1393	168406	157305	11101
3	A-4487	462585	147698	314887
Total				**384960 KMs**

It is pertinent to mention here that physical verification of meter reading was made in presence of the Pay Officer and MTC Police Line Abbottabad, signed physical report attached.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 24-12.2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 187 (2018-19)

10.5.2 Fraudulent drawl from the BISP - Rs.3.00 million

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

During audit of the Additional Inspector General of Police Special Branch Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that 15 officials/their spouses received benefits from Benazir Income Support Program, which were not admissible to them being government servants.

The lapse occurred due to weak internal controls.

When pointed out in May 2019, the department stated that detailed reply will be furnished after verification of record.

The Department was requested for holding of the DAC meeting vide letter dated 29.10.2020. However, no DAC meeting was convened till the finalization of this report

Audit recommends recovery.

AP No. 215 (2018-19)

10.5.3 Non recovery of outstanding government dues - Rs 181.558 million

According to District Police Officer letter No. 4036/A dated: 15-04-2019 and letter No. 4039/A dated: 15-04-2019. Read with Para 26 of GFR Vol-1, that it is the duty of the Controlling officer to see that sums due to government are regularly and promptly assessed realized and credited into government treasury.

According to IGP Khyber Pakhtunkhwa Letter No. 8184-214/B-II, dated 10.07.2018, the costs of agreements done of the previous financial year from hiring party may please be charged up to 30.06.2018 .

During audit of the accounts record of District Police Officer, Nowshera and Kohat for the Financial Year 2018-19, it was noticed that the police guard/force were deployed in different offices for security purpose and payment of Rs. 181,558,141/- was not made on account of their salary (pay and allowances) from Government exchequer, instead of being paid by the hiring office.

The lapse occurred due to weak internal control system.

When pointed out in October 2019, it was stated that reply will be given in due course of time.

In the DAC meetings held on dated 10-12-2020 and 09-12-2020, it was decided that recovery will be made for the concerned officers. However, no recovery has been intimated to audit till finalization of this report.

Audit recommends implementation of DAC decisions.

AP No. 32& 45 (2018-19)

10.5.4 Non-deposit of receipts into government treasury- Rs. 5.525 million

According to Para-7 of Federal Treasury Rules, all money received on account of revenues shall without delay be paid in full into Government Treasury and Receipts should not be utilized towards expenditure.

During audit of the District Police Officer D.I. Khan for the Financial Year 2019-20, it was observed that a sum of Rs. 5,524,780/- was realized from the rent of shops, wheel carts and service stations but the same was distributed among the PPO, RPO and DPO with the ratio of 25%, 20% and 55% respectively, instead of depositing into government treasury.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department stated that detailed reply will be furnished after consulting the record.

The department was requested for holding DAC meeting vide letter dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends depositing of the amount into government treasury.

AP No. 115 (2019-20)

10.5.5 Unauthorized drawl of Executive Allowance- Rs. 2.242 million

According to the Finance Department (Regulation Wing) Notification No.FD(SOSR-II)8-7/2016-17 dated 2.2.2018, Executive Allowance @150% of the initial basic pay per month was allowed to the PAS/ PCS and PMS officers working against the scheduled posts of the Establishment and Administration Department at the prescribed rates.

During audit of the Commandant Police Training College Hangu for the Financial Year 2019-20, it was observed that a sum Rs.2.242 million (1,366,500 + 876000) was drawn under head Executive Allowance by the officers of the local office in violation of government orders.

The lapse occurred due to non-adherence to rules.

When pointed out in October 2020, the department stated that detailed reply will be given after consulting the original record.

The department was requested for holding of the DAC meeting vide letter dated 30-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 65 & 68 (2019-20)

10.5.6 Non recovery of penalty on late supply of traffic items - Rs.1.087 million

According to contract agreement clause No .4.2 & 4.7, that completion of the delivery will be within 90 days from the date of signing of the contract. In case of delayed supply the government will be at liberty to impose liquidated damages @ 2% per month maximum up to 5% for the total contract price.

During audit of the Inspector General of Police Khyber Pakhtunkhwa Peshawar for the Financial Year 2019-20, it was observed that contract was made with M/S Asian Contractor & Builders (Pvt) Ltd for supply of 2000 quantity of traffic small cone size @ 3400 for a total of Rs. 6800,000 and paid vide cheque no. 33126288 dated 23.07.2019. The contract was signed on 15.03.2018 and the supply should have been completed within 90 days as per condition of the contract which was 14-06-2018. But the supply was made on 20.06.2019 and was delayed for more than a year but penalty amounting to Rs. 340,000/- (Rs. 6,800,000 X 5%) was imposed on the contractor.

Similarly, contract agreement for supply of 500 customized Lamination Roll @ 29,900 total amounting to Rs 14,950,000/-was made with M/S Orbit Technology on 13.03.2019 to be supplied within 90 days i.e. by 12.06.2019. But the supplies were made on 29.07.2019 i.e. after the due date but penalty

amounting to Rs. 747,500/- (Rs. 14,950,000 X 5%) was not imposed on the contractor.

The lapse occurred due to giving undue favor to the contractors.

When reported to the management it was stated that penalty was imposed for Rs.68,000 on late supply of traffic cones and no penalty was imposed on late supply of lamination roll due to reason of less than one month delay.

The department was requested for holding of the DAC meeting vide letter dated 05-01.2021. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 196 (2019-20)

10.5.7 Non recovery of penalty on late supply of electronic boards- Rs. 1.088 million

According 10 contract agreement clause no.4.2 & 4.7, that completion of the delivery will be within 120 days from the date of signing of the contract. In case of delayed supply the government will be at liberty 10 impose liquidated damages @.2% per month maximum up to 5% for the total contract price.

During audit of the Inspector General of Police Khyber Pakhtunkhwa Peshawar for the Financial Year 2019-20, it was observed that contract was made with M/S Asian Contractor & Builders (Pvt) Ltd for supply of 15 Electronic Boards @ 1,450,000/- total amounting to Rs. 21,750,000/- The contract was signed on 17.05.2018 and the supply should have been completed within 90 days as per condition of the contract. But the supply was made on 28.10.2019 which was delayed by more than a year but penalty amounting to Rs. 1,087,500/- (Rs. 21,750,000 X 5%) was not imposed on the contractor.

The lapse occurred due to giving undue favor to the contractor.

When reported to the management it was stated that the matter is under consideration of TEDPC and decision will be intimated to Audit in due course of time.

The department was requested for holding of the DAC meeting vide letter dated 05-01.2021

Audit recommends recovery of the penalty amount under intimation to audit.

AP No. 193 (2019-20)

Chapter – 11

INDUSTRIES, COMMERCE AND TECHNICAL EDUCATION

11.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Planning development and control of industries, including cottage industries.
- Industrial Research
- Industrial training (including training of demonstration parties).
- Industrial exhibition within the country.
- Survey of industries.
- Trade and commerce, within the Province, including Government commercial undertakings, Merchandise Marks Act, railway freight, import and export, trade control, capital issue, Insurance Act, Registration of Accountants, Auditors Certificate Rules, Partnership Act, trade condition reports, trade enquiries and agreements.
- All cases relating to Boilers Act, Patent and Designs Act, Explosive Act and Companies Act.
- Registration of Joint Stock Companies, Firms, Societies.
- Store Purchase Department, purchase of stores and capital goods including stores for Government Presses and Public Works Department.
- The Provincial Advisory Panels for Industries and Minerals.
- Chambers and Associations of Commerce and Industry.

Audit Profile of Industries Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	44	01	427.00	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	04	N/A	N/A	N/A
3	Authorities/Autonomous bodies etc under PAO	08	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	1016.50	N/A

11.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2019-20 is given below:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
25-Industries	NC21	601,113,000	40	601,113,040	408,650,919	-192,462,121
29-Techincal Education and Man-power training	NC21	2,439,957,000	140	2,439,957,140	1,784,877,165	-655,079,975
Total		**3,041,070,000**	**180**	**3,041,070,180**	**2,193,528,084**	**-847,542,096**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Industries	NC22	555,995,000	0	369,894,000	369,779,034	-114,966
Industries	NC12	922,005,000	0	522,804,000	516,599,000	-6,205,000
Total		**1,478,000,000**	**0**	**892,698,000**	**886,378,034**	**-6,319,966**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	3,041.07	2,193.53	-847.54	-20.28
Development	892.698	886.378	-6.32	0.17
Total	**3,933.77**	**3,079.91**	**-853.86**	**-21.71**

It can be seen from the above variance analysis that the budgets could not be utilized and 21.71% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

11.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 377.740 million were raised in this report during the current audit of Industries Department. This amount also includes recoveries of Rs.88.554 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in millions

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	293.989
B	Procurement related irregularities	1.186
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	82.000
5	Others	0.565

11.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2001-02	Industries	08	06	-	02
2	2003-04	-do-	01	01	-	-
3	2009-10	-do-	04	01	-	03
4	2014-15	-do-	07	05	-	02

11.4 Issues in Industries, Commerce and Technical Education Department

During audit of Industries, Commerce and Technical Education department, it was noticed that receipts from registration and renewal fees are realized by the Directorate of Industries, but they are not timely and promptly deposited into the Government Treasury in contravention of the Treasury Rules. Furthermore, though the Department is entrusted with the registration of civil society organizations, Non-Governmental Organizations and Religious Seminaries, but the record of all the registered entities are not properly maintained. In turn, the collection of renewal fees becomes problematic as well. The Industrial Policy of 2016 envisaged establishing 18 Special Economic Zones and 09 industrial estates, but the progress on ground is abysmally slow and lukewarm. The University of Technical Education at Nowshera is still housed in a rented building with high cost of rent and repair. Instead of rented building, if efforts would have been made for land acquisition, a considerable amount would have been saved and utilized for construction of the subject building.

AP No 194, 195, 668, 669, 670, 672 & 687 (2017-18)

11.5 Audit Paras

11.5.1 Loss on account of purchase of laptops - Rs. 1.186 million Non-deduction of Stamp Duty, DPR Charges and Income Tax- Rs. 0.565 million

According to Para 6 (3-iv) of Chapter II of the Khyber Pakhtunkhwa Procurement Rules 2014, "the lowest offer from the qualified bidder shall be accepted for award of the contract and will be the best evaluated bid".

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company for the Financial Year 2017-18, it was observed that expenditure of Rs.9,930,160/- was paid to M/S Kontinental Establishment for supply of laptops. The verification of record revealed that the purchases were not made within the bid validity period of 30 days from the lowest bidder M/S Analytical Solution. The management failed to execute the contract agreement with the lowest bidder within the bid validity period of 30 days. The lowest

bidder did not agree for extension of bid validity period beyond 30 days and resultantly, the purchases were made from the higher bidder, which resulted into loss of Rs.1,186,000/-.

Furthermore, the Stamp Duty, DPR fund and Income Tax amounting to Rs. 565,000/-, were not deducted.

The loss occurred due to weak internal controls.

When pointed out in June 2019, it was stated that proper reply will be given after consulting the concerned section of the company.

In the DAC meeting held on 19-08-2020, it was decided that the Para stands for recovery.

Audit recommends implementation of the DAC decision.

AP No. 687 (2017-18)

11.5.2 Non-recovery of repair charges - Rs. 82.00 million

According to Para-03 of Government of Khyber Pakhtunkhwa Finance Department letter No.SO (DEV-IV/FD/28-63/2014-2015 dated 18-03-2015, the amount of Rs. 99.500 million proposed to be incurred on the repair of rented building shall be recovered/ recouped from the monthly rent of the owner.

During audit of the Vice Chancellor Shuhada-E-APS University of Technology Nowshera for the Financial Year 2018-19, it was observed that an expenditure of Rs. 82.00 million was incurred on repair and maintenance of rented building and rent of Rs 34,970,000 were paid till date of audit. However, no recovery had been made so far. This resulted in violation of the Finance department letter quoted above.

The lapse occurred due to weak internal controls.

When pointed out in February 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding DAC meeting vide letter dated 04-06-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 687 (2018-19)

11.5.3 Overpayment on account of pay and allowances to the Vice Chancellor – Rs. 4.561 million

According to Higher Education Commission (HEC) letter No.1-11/HEC/A&C/2014/6431 dated 13-11-2015, the revised salary of vice chancellors appointed through Search Committee Mechanism will be as follows:

Minimum	Increment	Maximum	20% vice Chancellor Allowance on basic pay
292,500	14,300	507,000	58,500

During audit of the Vice Chancellor Shuhada-E-APS University of Technology Nowshera for the financial year 2016-19, it was noticed that Mr. Qamar Ul Wahab was appointed as Vice Chancellor vide Higher Education, Archives and Libraries Department notification No. So (U-II)HE/3-4/2016/6922-30 dated 08-06-2017 and he took over the charge of his post on 09-06-2017 (F.N). As per standard pay package the Vice Chancellor was entitled to a maximum salary of Rs. 351,000/- per month. On further perusal of monthly payroll it was observed that an amount of Rs. 507,000/- (maximum of MP-II) was paid to Vice Chancellor on account of salary. Thus an amount of Rs. 4,561,440/- was overpaid to Qamar Ul Wahab on account of pay and allowances as per detail given below:

Monthly Pay Drawn	Monthly Pay Admissible	Difference	(Period) From	Period To	Total Months	Overpayment
507,000	292500x20 %= 351000	156,000	01-07-17	30-11-18	17	2,652,000
507,000	292500+143 00=306800x 20%=36816 0	138,840	1-12-18	30-11-19	12	1,666,080
507,000	321100x20 %= 385320	121,680	1-12-19	02-02-20	02	243,360
Total						**4,561,440**

The lapse occurred due to weak internal controls.

When pointed out in February 2020, the department stated that detailed reply will be furnished after consulting the relevant record.

The department was requested for holding DAC meeting vide letter dated 04-06-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 684 (2018-19)

11.5.4 Overpayment on account of salary of the Chief Executive Officer- Rs. 1.428 million

According to the Agenda Item No. 2(a), the Board of Directors unanimously endorsed recommendations of the HR Committee and approval of appointing Mr. Saeed Ahmad with a salary of Rs. 1 million exclusive of taxes plus other benefits as per the Company's Policy.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company for the Financial Year 2017-18, it was observed that

Mr. Saeed Ahmad was appointed as Chief Executive Officer on 26-02-2018, with a salary of Rs. 1 million per month, exclusive of all taxes and other benefits, but verification of payroll for the month of April 2018 revealed that the CEO was paid a net monthly salary of Rs. 1,095,219/- after deduction of taxes, which resulted into overpayment of Rs. 95,219/- per month. The total overpayment since March 2018 to May 2019 was Rs. 1,428,285/- (Rs. 95,219 X 15 months).

Furthermore, the concerned staff was repeatedly asked through written and verbal requests for production of the personal file of the CEO, which was not produced. So, the terms & conditions of his appointment could not be verified.

The overpayment occurred due to non-observance of directives of the BOD and weak internal controls.

When pointed out in June 2019, it was stated that proper reply will be given after consulting the concerned section of the company.

In the DAC meeting held on 19-08-2020, it was decided that the Para stands for recovery of Rs. 1.428 million or any justification duly endorsed by the Finance Department KP.

Audit recommends implementation of the DAC decision.

AP No. 696 (2017-18)

11.5.5 Irregular payment on account of staff salaries- Rs. 288.000 million

According to Para 1.7 of the HR Policy Manual, the aptitude test will be conducted for the hiring of Executives and Officers in order to test the intellectual abilities of the applicants. The test will be conducted in-house or by testing agencies such as NTS, ETEA, PTS etc. as approved by the Competent Authority, in a time restricted environment either at the Company premises or at any testing center. Read with article 62 (ii) of the Memorandum of Association, the CEO shall be responsible to prescribe duties of all employees and staff of the Company.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company the Financial Year 2017-18, it was observed that 327 different categories of posts were filled by the company management from open market in the last three years, for which the company is paying a monthly salary upto Rs 24 million. Audit observed the following shortcomings;

- Approval for the creation of posts and terms & conditions of services from the BOD was not obtained.
- No aptitude test by testing agencies such as NTS, ETEA, PTS etc. was conducted for hiring of the Executives and Officers.

The lapse occurred due to weak internal controls.

When pointed out in June 2019, it was stated that proper reply would be given after consulting the concerned section of the company.

In the DAC meeting held on 19-08-2020, it was decided that the Para stands for PAC.

Audit recommends inquiry and fixing responsibility.

AP No. 686 (2017-18)

Chapter – 12

INFORMATION AND PUBLIC RELATIONS DEPARTMENT

12.1 A) Introduction

Under the Government of Khyber Pakhtunkhwa Rule of Business the department has been assigned the business of:

- ❖ Policy relating to internal publicity on provincial matters
- ❖ Broadcasting
- ❖ Press releases of the provincial government

Audit Profile of Information and Public Relations Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	03	01	181.740	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	36	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

12.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; (Rs.) in million

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
31-Information and PR	NC21	553,309,000	30	553,309,030	353,885,391	-199,423,639
Total		**553,309,000**	**30**	**553,309,030**	**353,885,391**	**-199,423,639**

Development; (Rs.) in million

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Information and PR	**NC22**	75,285,000	0	113970	113970	**0**
50-Information and PR	NC12	80,715,000	0	2,537,825	2,537,825	0
Total		**156,000,000**	**0**	**2,651,795**	**2,651,795**	**0**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)	Variance %
Non-Development	553.309	353.885	-199.423	-36.04
Development	2.651	2.651	0	0
Total	**555.96**	**356.54**	**-199.42**	**-35.87**

It can be seen from the above variance analysis that the budgets could not be utilized and 35.87 % of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public

interest and hence many of the planned activities could not have been achieved.

12.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 21.310 million were raised in this report during the current audit of Information Department. This amount also includes recoveries of Rs. 21.310 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in millions

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	21.310

12.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
01	Nil	Information	-	-	-	-

12.4 Issues in Information and Public Relations Department

It was observed during audit of the DG Information and Public Relations that a huge sum in lieu of advertisement charges is outstanding against various departments of KP government. As prescribed by KP advertisement policy 2018, no concrete steps were taken to recover the outstanding dues from various departments in order to be paid to the concerned newspapers. The department also does not regularly carry out reconciliation with AG KP.

12.5 Audit Paras

12.5.1 Loss due to non-deduction of Sales Tax on Services from newspapers & advertising agencies -Rs. 21.310 million

According Sr. No. 6 of the Second Schedule of Finance Act 2013, as amended vides KP Finance Act 2019; Sales Tax on Advertisement on TV, Radio etc. is chargeable at the rate of 10%. In case of advertisement on or through print media of all types and forms, tax shall be charged at the rate of five percent (5%), without any input tax adjustment.

During audit of the Director General Information & Public Relations KP Peshawar for the Financial Year 2019-20, it was observed that payments on account of advertisement charges were made to various newspapers and advertising agencies. However, Sales Tax on Services (in most of the cases) amounting to Rs. 21,310,513/- was not deducted. It is pertinent to mention here that the Khyber Pakhtunkhwa Revenue Authority, in reply to a letter of the Information Directorate, clarified vide letter No. 7(2)/KPRA/Clarification/ 2019/7015-18 dated 25-07-2019 that Sales Tax on Advertisement from newspapers and advertising agencies is recoverable at the rate of 5% and 10% respectively. However, despite this clarification, Sales Tax was not deducted from the newspapers and advertising agencies.

The loss occurred due to non-observance of rules and regulations.

When pointed out in August 2020, the department did not furnish properly reply.

In the DAC meeting held on 16-11-2020, it was decided that complete recovery of Sales Tax on Services amounting to **Rs. 21,310,513/-** should be made from the concerned newspapers.

Audit recommends complete recovery from the newspapers concerned**.**

AP No. 10 (2019-20)

Chapter – 13

IRRIGATION DEPARTMENT

13.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Implementation of irrigation policies
- ❖ Maintenance of irrigation channels
- ❖ Construction of small dams
- ❖ Maintenance of small dams

Audit Profile of Irrigation Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	41	11	5807.700	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	N/A	Nil
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	3048.130	N/A

13.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
24-Irrigation	NC21	4,599,518,000	378,267,000	4,977,785,000	4,335,851,353	-641,933,647
Total		**4,599,518,000**	**378,267,000**	**4,977,785,000**	**4,335,851,353**	**-641,933,647**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
55-Construction of irrigation works	NC12 & 22	10,350,000,000	1,884,858,000	11,295,515,000	11,289,692,001	-5,822,999
Total		**10,350,000,000**	**1,884,858,000**	**11,295,515,000**	**11,289,692,001**	**-5,822,999**

Overview of expenditure against the final grant; **(Rs. in millions)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)	Variance %
Non-Development	4,977.79	4,335.85	-641.93	-12.90
Development	11,295.52	11,289.69	-5.82	-0.05
Total	**16,273.30**	**15,625.54**	**-647.76**	**-3.98**

It can be seen from the above variance analysis that the budgets could not be utilized and 3.98% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

13.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 3815.605 million were raised in this report during the current audit of Irrigation Department. This amount also includes recoveries of Rs. 32.114 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	3434.535
2	Reported cases of fraud, embezzlement and misappropriation	3.000
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	13.323
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	241.568
5	Others	123.179

13.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2011-12	Irrigation	18	06	-	12
2.	2012-13	-do-	10	07	-	03
3.	2013-14	-do-	14	10	-	04
4.	2014-15	-do-	07	03	-	04
5.	2015-16	-do-	23	16	-	07

13.4 Issues in Irrigation Department:

During audit it was observed that the canal command area and the accompanying revenue of the Department have been on a downward trajectory despite massive spending on development projects. The department also does not comply with the basic rules of the contract award. As a consequence of poor contract management, there has been considerable cost and time over run in different development schemes across the province. Again like C&W, the Technical Sanctions for development schemes are prepared at belated stage to cover up the variations in cost, specifications and estimates. As a matter of policy, the Technical Sanctions must be awarded before the commencement of work.

AP No. 09, 12, 14 & 20 (2019-20)
AP No. 69, 94, 101, 114, 119, 132, 139, 142, 161, 165 & 174 (2018-19)

13.5 Audit Paras

13.5.1 Non production of record of completed/ ongoing schemes- Rs. 3434.535 Million

According to Para-17 of GFR Vol.I read with Section-14 of the Auditor-General's Ordinance-2001, all the auditable record should be produced to audit. No such information nor any books or other documents to which the audit has a statutory right of access, may be withheld from the Director General audit.

During audit of the Chief Executive FATA Development Authority Hayatabad Peshawar for the Financial Year 2018-20, it was observed that the auditable record relating to completed/ongoing schemes of various Distt:/Sub-Divisions of merged area were demanded by audit through requisition dated 5.8.20 followed by specific detail requisition dated 25.8.20 addressed to the Project Director Small Dam Irrigation Deptt: which was endorsed to the concerned staff for production of requisitioned record, but after a lapse of considerable time period, the record of the completed/ongoing schemes with a total worth of Rs.3434.535 million was not produced.

The lapse occurred due to weak internal controls.

When pointed in September 2020, the department replied that the audit observations were sent to Small Dam Sector for preliminary replies vide letter dated 16.09.2020, but no reply was given.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 35 (2018-20)

13.5.2 Wastage of funds on uncompleted scheme – Rs.16.916 million

According to clause 7.1 & 12.1 of the contract agreement for the "Restoration of collapsed irrigation system in Yousaf Khel Area in PK-10", "The contractor shall commence the works on the commencement date and shall proceed expeditiously and without delay and shall complete the works within the stipulated time.

During audit of the Executive Engineer Warsak Canal Irrigation Division Peshawar for Financial Year 2018-2019, it was observed that the contract for the restoration of collapsed irrigation system in Yousaf Khel Area PK-10 was awarded to the contractor on 18-01-2017. An upto date payment of Rs.16,915,704/- has been made to the contractor. In this regard, the following observations have been raised:

1 After the lapse of 2 years and 5 months, the contractor executed only one item of work and eight items of works were not yet taken up.
2 The contractor executed abnormal quantity 63389.25 M3 of the single executed item i.e. earthwork by mechanical means in drains and irrigation channels in dry soil, against the estimates/BOQ provision of 26054.47 M3.
3 The total cost of the scheme inclusive of the nine (09) items of work was Rs.19,433,700/- while the contractor has been paid Rs.17,086,570/- for executing a single item of work. The total BOQ provision for earthwork was Rs.7,022,982/- whereas Rs.17,086,570/- was paid to contractor which resulted in excess payment of Rs.10,063,588/-

The lapse occurred due to weak internal controls.

When pointed out, the department stated that the detailed reply will be submitted after verification of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 07-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 86 (2018-19)

13.5.3 Non-recovery of liquidated damages from the contractors- Rs. 17.006 million

According to S.No.6(a) of Appendix-A to Bid (Special Stipulations) Condition of Contract, Rs.0.05 million for each day of delay in completion of the works subject to a maximum of 10% of contract price should be deducted.

During audit of the Chief Executive FATA Development Authority Hayatabad Peshawar for the Financial Year 2018-20, it was observed that the construction works of various irrigation and Water Supply Schemes were awarded to the contractors to be completed within the stipulated time period as provided in the relevant work orders. However, no penalty as per contract agreement was imposed despite the failure of contractor to complete the work in the given time, which resulted into non recovery of liquidated damages of Rs.17.006 million.

The lapse occurred due to weak internal controls.

When pointed in September 2020, the department replied that the audit observations were sent to Small Dam Sector for preliminary replies vide letter dated 16.09.2020, but no reply was given till the last date of audit.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 23, 27, 30 & 31 (2018-20)

13.5.4 Overpayment to consultants – Rs.19.624 million

According to the contract agreement executed with MS Engineering Consultancy Services for the consultancy supervision cost of the scheme construction of six (06) number sub-works clause 2.7-Force Majeure read with 6.1-cost estimates, ceiling amount, 6.4 (b), 4.3-approval of personnel “Payment under this contract shall not exceed the ceiling in Appendix-E i.e. Rs.38.00

million. Force majeure shall not include insufficiency of funds or failure to make any payment required hereunder. The remuneration/ indirect salary costs shall be payable on submission of monthly invoices reflecting the presence of key personal/ other staff. The key personnel and sub consultants listed by title as well as by name in Appendix C are deemed to be approved by the client. No change shall be made in key personnel"

During audit of the Executive Engineer Warsak Canal Irrigation Division Peshawar for Financial Year 2018-2019, it was observed that the consultancy contract for the design & construction supervision of six (06) sub-works was awarded to MS Engineering Consultancy Services at the bid cost of Rs.34,200,002/- The consultants have been paid an amount of Rs.53,232,322/- till 63rd invoice till the month of June 2019 resulting in overpayment of Rs.19,047,320/- over the contractual cost. Furthermore, assets worth Rs.577,525/- (329525+248000) provided to the consultants during the Design phase, were not recovered from the consultants but despite the completion of supervision phase, they have not yet been recovered.

The lapse occurred due to violation of contract agreement.

When pointed out, the department stated by the management that the detailed reply will be submitted after verification of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 07-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 83 (2018-19)

13.5.5 Overpayment on account of Escalation due to non-freezing of current rates– Rs.10.04 million

According to the Standard Procedure and formula for price adjustment March 2009 edition of Pakistan Engineering Council, "The Price adjustment shall be applicable as payable in full for the original scheduled completion period. In

the event the completion of contract exceeds the original scheduled period, in case of default on the part of the contractor causing delay in original scheduled completion, the rate of price adjustment will be frozen at the original scheduled date of completion.

During audit of the Executive Engineer Warsak Canal Irrigation Division Peshawar for Financial Year 2018-2019, it was observed that the contract for the construction of canal patrol road along Warsak Gravity Canal on the right side from ring road to Kohat road was awarded to contractor at the bid cost of Rs.172,539,084/- with the contract period of 18 months which was extended till 30-06-2018. The final bill includes escalation payment of Rs.2,848,989/-, however, rates of price adjustment were not frozen neither at the expiry of the original scheduled date of completion i.e. 20.09.2016 nor at the expiry of the approved extended period i.e. 30-06-2018. This resulted in overpayment of Rs.10,044,118.

The lapse occurred due to violation of rules.

When pointed out, the department stated that the detailed reply will be submitted after verification of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 07-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 85 (2018-19)

13.5.6 Overpayment to contractor on account of Geo Technical investigation – Rs.1.00 million

According to clause 5.1 and 36.3 of the contract agreement executed with the contractors "The cost of making any test shall be borne by the contractor if such test is clearly intended by or provided for in the contract or particularized in the contract (in cases only for a test under load or of a test to ascertain whether the design of any finished or partially finished work is appropriate for

the purposes which it was intended to fulfill) in sufficient detail to enable the contractor to price or allow for the same in his tender. The bidders shall bear all costs associated with the preparation and submission of their respective bids and the employer will in no case be responsible or liable for those costs regardless of the conduct or outcome of the bidding process"

During audit of the Executive Engineer Irrigation Division Charsadda, for Financial Year 2018-2019, it was observed that the contract for the construction of bridge on Jindi River, Hameed Mian Dheri Turangzai was awarded to the contractor. Scrutiny of the 6th running bill revealed that Rs.500,000/- was paid on account of Geo Technical investigation, design and preparation of construction design etc. The payment was not admissible in light of the above quoted clause of contract agreement.

Similarly, Rs.500,000/- was paid to MS J&B construction company on account GEO technical investigation under the scheme construction of bridge on Nawa Dand Khawar on main lower Swat canal, which was not admissible to the contractor.

Hence, an amount of Rs.1,000,000 (500000 + 500000) was overpaid.
The lapse occurred due to weak internal controls.

When pointed out in December 2019, the department stated that the detailed reply will be submitted after scrutiny of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 04-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 60 (2018-19)

13.5.7 Unauthorized enhancement of consultancy - Rs.1.957 million Non imposition of penalty –Rs 0.279 million

According to the Technical Sanction of the work improvement of canal patrol road in Gujjar Garhi Sari Behlol, provision for the consultancy of Design,

Review and Construction Supervision was Rs.2,810,000/- i.e. 3% of the project cost (Fixed cost consultancy).

During audit of the Executive Engineer Mardan Irrigation Division Mardan for Financial Year 2018-2019, it was observed that the consultancy contract for Design, Review and Construction supervision of the canal patrol road in Gujjar Garhi Sari Behlol was awarded to MS SAK Consultants Peshawar. An upto date payment of Rs.2,531,855/- has been made to the consultant. Scrutiny of the contract agreement, Technical Sanction and other relevant documents revealed the following:

1 The provision for consultancy charges was fixed for Rs.2,794,000/- i.e. @ 3% of the contract cost as per Technical Sanction. The consultancy contract was revised from Rs.2,794,000/- to Rs.4,751,300/- by changing its status from fixed consultancy to man-month consultancy, which was in violation of Technical Sanction.

2 The work order to contractor MS Bacha Wali was issued on 08.02.2016. While work order to consultant for Design, Review and Construction Supervision was issued on 11.08.2017. Design and review activities are initiated prior to construction work, while in the instant case, design & review activities were assigned to consultants one and half year after commencement of civil work by the contractor.

3 The work to contractor was assigned at the contract cost of Rs.140,301,349/- and was due for completion till June 2017. The contractor executed the work done of Rs.94,520,991/- till 13th running bill paid vide voucher No. 61M/23.04.2019 without change in the scope of work. The cost of contract for consultancy was enhanced by Rs.4,751,300/-

4 The scheme which was due for completion till June 2017 could not be completed till June 2019. The consultants could not ensure completion within stipulated time nor communicated any reasons for such abnormal delay. However, a penalty of Rs 279,000 was not imposed on the firm.

The lapse occurred due to extending favor towards the consultants.

When pointed out in January 2020, the department stated that payments to the consultant were made according to the TORs.

The reply of the management was not convincing, as the change of fixed consultancy to man month was unauthorized.

Audit requested the department for holding the DAC meeting vide letter dated 10-03-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility.

AP No. 106 (2018-19)

13.5.8 Less deduction of Income Tax-Rs.6.386 million

According to Income Tax Ordinance, 2001, income Tax @ Rs.7.50% shall be deducted from the suppliers/contractors at the time of payment.

During audit of the Executive Engineer Warsak Canal Irrigation Division Peshawar, for Financial Year 2018-2019, it was observed that an expenditure of Rs. 409,075,648/- on (ADP schemes) and Rs.30,000,000/- on (M&R) schemes totaling to Rs.439,075,648/- were incurred during Financial Year 2018-19 (Detail attached).

Income Tax @7.5% amounting to Rs.32,930,974/- (Rs.439,075,648 x 7.5%) was required to have been deposited into government treasury however, Rs.26,544,529/- was shown deducted from the bills of the contractors/consultants as evident from Form-46 for the month of June 2019. This resulted in less deduction of Rs.6,386,145/-

The lapse occurred due to violation of provision of Income Tax ordinance, 2001.

When pointed out, the department stated that the detailed reply will be submitted after verification of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 07-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery of income tax amount.

AP No. 96 (2018-19)

13.5.9 Non-obtaining Performance securities-Rs.5.955 million Non-forfeiture of bid security-Rs.1.488 million

According to clause 32.1 read with 32.2 of the standard Bidding documents/contract agreement, the successful bidder shall furnish to the Procuring Entity a Performance Security in the form and the amount stipulated in the Bidding Data and the Conditions of Contract plus additional security for unbalanced bids in accordance with Clause IB.28.4 within a period of 28 days after the receipt of Letter of Acceptance and failure of the successful bidder to comply with the requirements of Sub Clause IB.32.1 or Clauses IB.33 or IB.35 shall constitute sufficient grounds for the annulment of the award and forfeiture of the Bid Security. As per clause 10.1 ibid, the Performance Security shall be of an amount equal to 10% of the Contract Price stated in the Letter of Acceptance.

During audit of the Executive Engineer Warsak Canal Irrigation Division Peshawar, for Financial Year 2018-2019, it was observed that performance securities valuing Rs.5.955 million were not received from contractors of various works.

Audit held that non-obtaining of the performance securities before signing the contract agreement would put government's interests at stake at the event of default of the contractor. Hence, bid securities of Rs 1.4888 million were required to have been forfeited.

The lapse occurred due to violation of provisions of contract agreement.

When pointed out, the department stated that the detailed reply will be submitted after verification of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 07-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 95 (2018-19)

13.5.10 Loss to government due to manipulation in contractor's BOQ - Rs. 3.00 million.

According to Para-209 (d) of CPWA Code, all payments for work or supplies are based on the quantities recorded in the measurement book; it is incumbent upon the person taking the measurement to record the quantities clearly and accurately.

During audit of the Chief Executive FATA Development Authority Hayatabad Peshawar for the Financial Years 2018-20, it was observed that the construction of Shakas Irrigation & Water Supply Scheme, Bajaur Agency was awarded to M/s Mehboob Khan Wazir Govt. Contractor under "Small Dam" Sector at item rate basis at a cost of Rs.53.0478 million, vide work order No.410-415/Small Irrigation Scheme, Shakas (SD) FDA, dated 20.4.2017 and paid Rs.57, 663,468/- vide cheque No.2002756, dated 22.6.20 (final bill).

On further verification the BOQ of M/s Muhammad Riaz& Brothers was manipulated from actual quoted rate of Rs.50,047,800/- to Rs5,3047,800 resulting into a loss of Rs 3.00 million.

The lapse occurred due to weak internal controls.

When pointed in September 2020, the department replied that the audit observations were sent to Small Dam Sector for preliminary replies vide letter dated 16.09.2020, but no reply was given.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing reasonability.

AP No. 25 (2018-20)

13.5.11 Wasteful expenditure on un-feasible weir and irrigation channel - Rs. 107.431 million

According to Para-209 (d) of CPWA Code, all payments for work or supplies are based on the quantities recorded in the measurement book; it is incumbent upon the person taking the measurement to record the quantities clearly and accurately.

During audit of the Chief Executive FATA Development Authority Hayatabad Peshawar for the Financial Years 2018-20, it was observed that the construction of Haji Dhand, Weir &Irrigation channel, Khyber Agency was awarded to M/S Ittehad& Co Government Contractor under "Small Dam" Sector at item rate basis at a cost of Rs.117.849 (M) vide work order No.1389-94/Haji-Dhand (SD) FDA, dated 2.9.2016 and paidRs.107, 431,212/- vide cheque No.357556, dated 26.6.18 (up to 7th R/ bill).

The TS of the above Scheme was 1st revised at a cost of Rs.128.973 (M), 2nd revised at a cost of Rs.129.298 million, but again 3rd time revised (Reduced the TS cost) up to 119.876 (M) just to cover up the actual work done of the contractor and the work was closed at the present status. Time extension was granted only for the clearance of contractor's liability duly approved on 13.06.19 (copies of note-part enclosed for ready reference) but no penalty was imposed.

The above scheme was physically got verified on 12.9.2020 and the following short-comings were noticed:-

1. The weir and irrigation channel was constructed far-deep on un-feasible site due to which not a single piece of land was irrigated till date from the scheme as physically got verified.
2. The protection walls both back side were eroded due to usage of sub-standard material (Picture enclosed).

3. The consumption of 71.526 ton steel grade-60 was not got confirmed as per record entries at page-99 to 102 of MB No.80 at site.
4. The water channel on both sides downstream was filled from silt, blocked and even broken at various RDs (Picture enclosed).
5. The stone filling in G.I wire in G.I wire netting was also broken and loose stones were dumped (Pictures enclosed).

The lapse occurred due to weak internal controls.

When pointed in September 2020, the department replied that the audit observations were sent to Small Dam Sector for preliminary replies vide letter dated 16.09.2020, but no reply was given.

The department was requested for holding of the DAC meeting vide letter dated 20-10-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends a high level inquiry by deputing an impartial technical team for detail investigation of all irrigation schemes executed by defunct FDA.

AP No. 20 (2018-20)

13.5.12 Non-imposition of liquidated damages on incomplete scheme – Rs.7.405 million

According to the terms & condition No. H (5)-Contract Data of the contract agreements "The condition of contract contain no overall limit on the contractor's liability. The amount of liquidated damages per day of delay shall be entered by the Engineer/ Procuring entity.

During audit of the Executive Engineer Mardan Irrigation Division Mardan for Financial Year 2018-2019, it was observed that the following works were awarded to various contractors. The contractors could not complete the works within the stipulated period. However, the department did not impose penalty. This resulted in non-recovery of the liquidated damages Rs.7,405,300/- as tabulated below:

Scheme	Contractor	Work order date	E/Cost/ Bid cost	Vr. No. & Date	Penalty @10%
Improvement of road along Murdara drain on the L/S U/S of Mardan road crossing	Sher Ali	16.11.15	14,120,000	87M/ 26.06.19	1,412,000
Imp: / Lining of Rashakai minor RD 10000 to tail etc	Waheed Khan	09.01.17	25,775,000	10M/ 10.01.19	2,577,500
Imp:/ Lining of Rashakai minor head to RD 10000 etc	Sahibzada Engineer	09.01.17	34,158,000	8M/ 10.01.19	3,415,800
Total					**7,405,300**

The lapse occurred due to non-enforcement of the contract agreement provision.

When pointed out in January 2020, the department stated that the work was taken in hand by the contractors after completing the codal formalities and completed the work well in time but due to financial constraint, the accrued liabilities could not be liquidated.

Reply of the department is not correct as documentary evidence in support of the reply was not produced.

Audit requested the department for holding of the DAC meeting vide letter dated 10-03-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends imposition of liquidated damages on the delayed schemes.

AP No. 97 (2018-19)

13.5.13 Unauthorized subletting of contract by a contractor – Rs.13.323 million

According to the contract agreement executed with MS Gulzar Ali for the up-gradation/ rehabilitation of canal patrol road along Nowshera minor (Nazir

Khan killi) to M1 Motorway, clause 4.3 provides "The contractor shall not subcontract the whole of the works. The contractor shall not subcontract any part of the works without the consent of the procuring entity"

During audit of the Executive Engineer Mardan Irrigation Division Mardan for Financial Year 2018-2019, it was observed that the contract for the up-gradation/ rehabilitation of canal patrol road along Nowshera minor (Nazir Khan killi) to M1 Motorway was awarded to MS Gulzar Ali at the bid cost of Rs.13,323,000. Scrutiny of the record revealed that upto date payment of Rs.7,151,996/- has been made to the MS Nauman Mustafa instead of MS Gulzar Ali, till 6th running bill vide voucher 22M/08.04.2019, which shows that the contractor subleted the work without the consent of the department. Hence, the payment of Rs.7,151,996/- due to subletting of the work was unauthorized.

The lapse occurred due to violation of contract agreement.

When pointed out in January 2020, the department stated that the contractor MS Gulzar Ali had issued attorney in the name of Numan Mustafa in the said work and was also approved by the Executive Engineer.

Reply of the department was not correct as in case of issuing attorney by a contractor to another contractor, the attorney holder contractor is authorized to represent the original contractor by submitting his bills/claims and collect cheques from the department on his behalf. While in the instant case, even cheques have been issued in the name of MS Nauman Mustafa instead of Gulzar Ali.

Audit requested the department for holding of the DAC meeting vide letter dated 10-03-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 100 (2018-19)

13.5.14 Unjustified award of contract due to non-retendering of the additional work – Rs.170.113 million

According to the KPPPRA Rules 2014, clause 18 (c) (v) provide that "subject to the conditions of contract, a procuring entity may insure a variation order to a contractor to include works which were outside the original scope of works to ensure interest of government and for reasons of economy, compatibility and efficiency provided that the value of the variation order is not more than fifteen percent of the original contract"

During audit of the Executive Engineer Irrigation Division Charsadda, for Financial Year 2018-2019, it was noticed that the contract for the construction of road on right side along distry No. 6 from Charsadda Takht Bhai road crossing to motorway interchange was awarded to the contractor at the bid cost of Rs.211,247,542/- the scope of work was enhanced to Rs.381,759,542/- (81% i.e. Rs 170,512,000). But the scheme was not retendered which was 81% above the original contract.

The lapse occurred due to violation of the rules/ regulations.

When pointed out in December 2019, the department stated that the detailed reply will be submitted after scrutiny of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 04-02-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter for fixing responsibility.

AP No. 59 (2018-19)

Chapter -14

LOCAL GOVERNMENT ELECTION & RURAL DEVELOPMENT DEPARTMENT

14.1A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Promotion of local government institutions
- Planning and coordination amongst district governments, TMAs and Union Councils
- Liaison with community development organizations
- Supervision of Rural development program

Audit Profile of Local Govt. Election & Rural Dev: Department

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	03	02	10679.250	N/A
2	• Assignment Account • SDA • Etc	04	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	01	3549.000	N/A
4	Foreign Aided Projects (FAP)	01	Nil	Non production	N/A

14.1B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
17-Local Government	NC21	5,051,991,000	859566000	5,911,557,000	4,543,674,275	-1,367,882,725
Total		**5,051,991,000**	**859,566,000**	**5,911,557,000**	**4,543,674,275**	**-1,367,882,725**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Local Government	NC22	182,360,000	0	93,184,000	93,372,528	188528
Total		**182,360,000**	**0**	**93,184,000**	**93,372,528**	**188,528**

Overview of expenditure against the final grant (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	5911.557	4543.674	-1367.883	-23.139
Development	93.184	93.373	0.189	0.202
Total	**6,004.74**	**4,637.05**	**-1,367.69**	**-22.78**

It can be seen from the above variance analysis that the budgets could not be utilized and 22.78 % of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

14.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 58.364 million were raised in this report during the current audit of Local Government Department. This amount also includes recoveries of Rs. 45.993 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	6.371
C	Management of Accounts with Commercial Banks	3.200
4	Value for money and service delivery issues	17.398
5	Others	31.395

14.3 Brief comments on the status of compliance with PAC directives:-

S No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2008-09	Local Government	4	1	-	3
2.	2009-10	-do-	2	1	-	1
3.	2010-11	-do-	20	2	-	18
4.	2011-12	-do-	9	2	-	7
5.	2012-13	-do-	6	1	-	5

14.4 Issues in Local Government, Election and Rural Development Department

During Audit of DG Peshawar Development Authority, it was observed that an expenditure of Rs.2,347,360,449/- was incurred against the actual receipts of Rs.2,180,458,506/- but till date no annual statement of account, profit and loss, and audited balance sheet was prepared by the authority as required under Section 29 of PDA Act -2017. Therefore, the expenditure including opening balance, receipts and expenditure along with closing balance remained unverified and unauthentic.

The Accounting Manual of Peshawar Development Authority is obsolete which has certain loopholes. It results in non-transparent and incorrect reflection of accounting figures. Therefore, it is recommended that the Authority has to formulate new Accounting Rules for their accounting procedures and get it vetted from the provincial government as well as Controller General of Accounts.

As per requirement of the Local Government Act 2013,it was required that Local Government Department should have operationalized Tehsil Accounts Offices and accounts of councils and TMAs submitted on monthly basis to Government but it was not operationalized and the accounts were not submitted to AG KP and Government of KP.

It was also observed that despite the availability of funds, 43 projects were not completed. Furthermore, no appropriation work register for each sub-work carried out under the projects, ADPs and Self Finance Schemes was maintained so as to ascertain the actual allocated budget and expenditure thereto during the previous as well current financial year.

The physical and financial positions of each sub-work as shown in the progress report did not match with the actual progress and expenditure.

Audit Objectives (2019-20)

14.5 Audit Paras

14.5.1 Loss due to missing of plants- Rs. 2.803 million

According to the Deputy Director Horticulture (PDA) letter No. 245-247 dated 17-10-2019, the contractor was intimated to provide the missing plants.

During audit of the DG Peshawar Development Authority for the Financial Year 2018-19, it was observed that the work "beautification and uplift of municipal area from Pabbi to Jehangira" was awarded to M/S Haji Fida Muhammad. However, upon inspection by the Horticulture Cell PDA, it was revealed that plants valuing Rs. 2,803,345/- were found missing.

The lapse occurred due to weak internal controls.

When pointed out in January 2020, no reply was furnished.

In the DAC meeting held on 19.01.2021, the management replied that the contractor has brought the missing plants to the site, but audit stressed on detail

verification of missing plants. However, no such verification was provided to audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No.143 (2018-19)

14.5.2 Non-recovery of outstanding dues on account of rent & surcharge- Rs. 17.634 million

According to Section-6(q) Chapter-III Power & Function of the PDA Act-2017, that to recover all arrears of taxes, rents and other moneys, within the authority area, claimable by it as arrears of land revenue.

During audit of the Director General Peshawar Development Authority Peshawar for the Financial Year 2019-20, it was observed that various shops were rented out for 10 and 33 years, but on verification of record, it was disclosed that a sum of Rs. 17,963,468/- was still outstanding on account of rent and surcharge.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department furnished no reply.

In the DAC meeting held on 19.01.2021, the management replied that there are some issues in the recovery of rent and surcharge and it will be recovered. DAC observed that no strenuous efforts were made for the recovery of government money and directed to recover the amount immediately. However, no recovery was reported till finalization of this report.

Audit recommends implementation of DAC decision

AP No. 147 (2019-20)

14.5.3 Non-recovery of advances from the community based organizations - Rs. 17.398 million

According to Section 1.2 of the Contract Agreement signed between the Community Based Organizations (CBO) and DC Dir Lower, the CBO will complete the scheme within 18 months. In case the CBO is not operating to complete the scheme, the Govt. will take action for recovery of the paid amount vide Section-4 sub section (h).

During audit of the Community Driven Local Development Timergara for the Financial Year 2018-19, it was observed that 22 CBOs were granted advance payment of Rs. 15,987,542/- for various schemes/ projects. They failed to complete these schemes in time. A number of letters were issued to them for completion of their schemes, but they did not respond. Similarly, the advance payment of Rs. 1,409,874/- was made to those CBOs but despite their failure recovery of the advance payment was not made.

The lapse occurred due to violation of contract agreement.

When pointed out in December 2019, the department stated that the observation will be responded after receipt of reply from the concerned staff.

In the DAC meeting held on 19.01.2021, the management replied for AP No. 87 that 22 schemes were suspended due to technical issues. Now the schemes have been closed, hence, the Para is marked for verification of record. As for as AP No 88 is concerned, the department assured that the progress of recovery will be intimated to audit. However, no recovery has been intimated till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 87& 88 (2018-19)

14.5.4 Non-recovery of outstanding dues on account of water charges - Rs. 7.888 million

According to Para 08 of GFR Vol-I, it is the duty of administrative officer to see that the dues of government are correctly and promptly assessed, collected and paid into the treasury.

During audit of the DG Peshawar Development Authority for the Financial Year 2018-19, it was observed that Rs. 7,888,159/- were outstanding against the consumers of Hayatabad Township on account of water charges.

The lapse occurred due to weak internal controls.

When pointed out in January 2020, no reply was furnished.

In the DAC meeting held on 19.01.2021, the management replied that efforts will be made for recovery of outstanding dues by issuing notices and disconnection of services. However, no progress was intimated till finalization of this report.

Audit recommends implementation of DAC decision.

AP No.164 (2018-19)

14.5.5 Non-recovery of outstanding dues along with fine on rent from the tenants – Rs. 3.070 million

According to Section 7 of the PDA Act 2017, the authority shall collect fines and fees for the penalty it imposes or the services it provides. The Authority may, subject to prior publication in the official Gazette, collect a user charge or a fee or payment in respect of services or facilities extended or made available by the Authority to the public, including fee or charges on account of conservancy, maintenance of public parks, green belts and green areas or facilities within the Authority areas.

During audit of the DG Peshawar Development Authority for the Financial Year 2018-19, it was observed that Rs. 3,070,000/- were outstanding against

the tenants of shops, but neither the monthly rent nor the penalty was recovered.

The lapse occurred due to weak internal controls.

When pointed out in January 2020, no reply was furnished.

In the DAC meeting held on 19.01.2021, the management requested to provide break up of outstanding amount pointed out by audit, which was provided. However, no recovery has been intimated till finalization of this report.

Audit recommends recovery.

AP No. 165 (2018-19)

14.5.6 Loss to government due to non-transparent award of contract - Rs. 38.664 million resulting into loss of - Rs. 3.651 million

According to KPPPRA 6 (2, b) and 6 (3,IV);

1. Single stage, two envelops procedure. --this method shall be used where bids are to be evaluated on technical and financial grounds and price is taken into account after technical evaluation. Bid shall comprise a single package containing separate envelopes. Each envelope shall contain separately the financial proposal and technical proposal;
2. The lowest offer from the qualified bidder shall be accepted for award of the contract and will be the best evaluated bid.

During audit of the DG Peshawar Development Authority for the Financial Year 2018-19, it was observed two firms submitted technical and financial bid for the work "Rehabilitation/Improvement of Roads in PK-05". However, the rate offered by M/S Nasr Ullah Jan Inam Ullah Khan & Co. Pvt. Ltd (NIC) at 10% below was rejected on the plea that overwriting was done in BOQ. Audit further observed that the overwriting and signature recorded in the BOQ do not match with the signature of the contractor. Thus, award of contract to M/S Probuilt Construction Company at 02% above resulted into a loss of Rs. 3,651,292/- on one hand and cost apprehension on the tendering process on the other.

The lapse occurred due to weak internal controls.

When pointed out in January 2020, no reply was furnished.

In the DAC meeting held on 19.01.2021, the management replied that over writing on the BOQ/ tender form has been done by the contractor and the overwriting was attested. Moreover, the contractor voluntarily reduced the rate from 02 % above to 01% below on their office letter dated 20.09.2017. However, audit did not agree with the justification provided by the department and the forum directed the Authority to investigate the matter through a fact finding inquiry. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC decision

AP No.125 (2018-19)

14.5.7 Loss to the Authority due non-investing of funds in the high profit bank - Rs. 3.200 million

According to the proposals submitted by different banks for TDR investment, Habib Bank Limited offered the highest rate of 7.20%.

During audit of the DG Peshawar Development Authority for the Financial Year 2018-19, it was observed that in contrary to above an amount of Rs 800 million was invested @ 6.80% at National Bank of Pakistan, resulting into a loss of Rs. 3,200,000/- (7.20-6.80= 0.40/100 x 800) by ignoring the higher interest rate of Habib Bank Limited.

The loss occurred due to violation of rules and regulations.

When pointed out in January 2020, no reply was furnished.

In the DAC meeting held on 19.01.2021, the management replied that the interest rate offered by Habib Bank Limited was valid for only five days. Therefore, the Authority invested the fund at 2nd highest rate offered by

National Bank of Pakistan. However, audit did not agree with the Authority justification and the forum directed the Authority to investigate the matter through a fact finding inquiry and fixing responsibility. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC decision

AP No. 113 (2018-19)

14.5.8 Irregular extension in contract agreement of engineers - Rs. 2.720 million

According to minutes of the Policy Coordination and Review Committee meeting held 23-10-2017 circulated vide Govt. of KP Local Govt.& Rural Development Department No.PIU-CDLD/LGE&RDD/2019/269 dated 29.04.2019, annual performance review of the pool of engineers working in the district under CDLD should made before granting extension in their contract agreement.

During audit of the Community Driven Local Development Timergara for the Financial Year 2018-19, it was observed that contract agreement of the pool of engineers was expired on 31st March 2019. As annual performance review of the staff was mandatory therefore all members of the committee were invited for the meeting on 23rd April 2019. The Committee reviewed performance of the pool of engineers working under the CDLD Timergara under a pre set criteria circulated by the Secretary Local Govt.& RDD. Performance of various engineers was found unsatisfactory and did not meet the expectations hence the committee unanimously rejected extension in their contract agreement. Despite that, they were retained in service and payment of Rs. 2,270,000/- was made to them till 11/2019.

The lapse occurred due to weak internal controls.

When pointed out in December 2019, the department stated that the observation will be responded after receipt of reply from the concerned staff.

In the DAC meeting held on 19.01.2021, the management replied that extension in the contract agreement of engineers was given by the Deputy Commissioner, through the recommendation of another committee. They believed that non extension in the contract agreement would have resulted into loss to the project. However, audit did not agree with the justification provided by the department and recommended inquiry into the matter.

Audit recommends inquiry and fixing responsibility.

AP No. 90 (2018-19)

Chapter -15

MINES & MINERAL DEVELOPMENT DEPARTMENT

15.1A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Geological Survey
- ❖ Development of Mineral resources and regulation of mines
- ❖ Mineral Rules
- ❖ Grant and transfer of prospecting licenses and mining leases
- ❖ Import, purchase, distribution and price fixation of coal and coke.

Audit Profile of Mines & Minerals Development Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	36	05	498.070	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	04	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

15.1B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; (Rs.) in million

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
26-Mineral Development	NC21	994,396,000	140	994,396,140	417,192,530	-577,203,610
Total		**994,396,000**	**140**	**994,396,140**	**417,192,530**	**-577,203,610**

Development; **(Rs.) in million**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Mines and Minerals	NC22	350,000,000	0	115,390,000	119,211,807	3,821,807
Total		**350,000,000**	**0**	**115,390,000**	**119,211,807**	**3,821,807**

Overview of expenditure against the final grant (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	994.40	417.19	-577.20	-58.05
Development	115.39	119.21	3.82	3.31
Total	**1,109.79**	**536.40**	**-573.38**	**-51.67**

It can be seen from the above variance analysis that the budgets could not be utilized and 51.67 % of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

15.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 6778.886 million were raised in this report during the current audit of Mines and Minerals Development Department. This amount also includes recoveries of Rs. 6769.178 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	9.708
5	Others	6769.178

15.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
Nil	Nil	Mines & Minerals	Nil	Nil	Nil	Nil

15.4 Issues in Mines and Minerals Development Department

While conducting audit of the office of the Secretary Mines and Minerals, it was found that government has allocated Rs. 397 million for strengthening and geological mapping for the improvement of mineral resources through improved exploration, utilization of mines & minerals resources and environmentally sound manners for supporting and contributing the provincial exchequer and national economy and also sustaining the development of minerals. However, the amount of Rs. 9.7 million was spent on TA/DA, POL and Pay and Allowances. No tangible project objectives were achieved as the department failed to provide record to ascertain the actual progress made so far.

Furthermore, long outstanding dues of lease and rent amount due against various lessees has been not recovered, so far. It was further observed that the department did not take any steps to recover the outstanding government dues. Moreover, no punitive action was taken against these lessees to either recover the amount or cancel their lease agreements forthwith, to safeguard government interest.

AP No. 162 (2019-20)
AP No. 01, 10 & 13 (2018-19)

15.5 Audit Paras

15.5.1 Short-realization of royalty – Rs. 6729.328 million

According to Division-wise Production reports duly signed by the Assistant Director (Royalty) of the Director General Mines and Mineral Development Department Khyber Pakhtunkhwa, an amount of Rs. 8592.731 million was required to be recovered on account of Royalty for the financial year 2018-19.

During audit of the Director General Mines and Minerals Development Department Khyber Pakhtunkhwa Peshawar for the Financial Year 2018-19, it was observed that Rs. 8592.731 million was required to be realized as royalty from contractors of different mines' lease holders during the year 2018-19, as revealed from the Districts and Divisions wise production statements. However, it was confirmed from the reconciled statement of the Accountant General Office that only Rs. 1,863.403/- were deposited leaving a balance of Rs. 6729.328 million un-recovered.

The lapse occurred due to weak internal controls.

When pointed out in March 2020, the department stated that detailed reply would be given after consultation of original record.

The department was requested for convening of the DAC meeting vide letter dated 21-09-2020, followed by a reminder dated 16-12-2020. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 38 (2018-19)

15.5.2 Loss to the government due to non-recovery of auction money from the lessees-Rs.30.308 million

According to the clause 02 of the right of the excise duty collection agreement, the lessee was bound to deposit the remaining 75% of the auction money in 07 equal installments as per schedule given in clause.

During audit of the Chief Commissioner Mines Labour Welfare Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that an agreement for award of right for collection of Excise Duty on Minerals in Peshawar Division was executed with Mr. Khan Pervez, amounting to Rs.40.570 million. However, the lessee only deposited 25 % advance auction money and 02 installments and failed to deposit a sum of Rs. 21,733,928/- in the government treasury.

Similarly, agreement for award of right for collection of excise duty on minerals in D.I.Khan Division was executed with Mr. Mushtaq Khan, amounting to Rs.14.700 million. However, the lessee only deposited 25 % advance auction money and 02 installments and failed to deposit a sum of Rs.8,575,000/- in the govt. treasury.

The lapse occurred due to poor contract management.

When pointed out in December. 2019, the department stated that 10% bid security amount was forfeited in favor of government and case for recovery of outstanding balance has been sent to the Director Collector Nowshera and D.I.Khan and will be shared with Audit.

The department was requested for holding DAC meeting vide letter dated 22-01-2020. However, no DAC meeting was convened till the finalization of the report.

Audit recommends recovery.

AP No.10&13 (2018-19)

15.5.3 Loss to the government due to non-recovery of advance income tax and professional tax from the lessee- Rs. 5.582 million

According to the provisional work orders addressed to the lessee Mr. Khan Pervez and Mr. Mushtaq Khan for award of right for collection of excise duty on minerals in Peshawar and in D.I.Khan Divisions respectively, read with clause 04 of the agreement to deposit a sum of Rs. 4,057,000 and Rs.1,470,000/- @ 10% of the bid money as advance withholding tax

immediately. Moreover, Rs.30, 000 and 25000 shall be deposited as professional tax of the total bid money.

During audit of the Chief Commissioner Mines Labour Welfare Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that an advance income tax of Rs. 5,527,000/- and professional tax of Rs. 55,000/- was not recovered from the above-mentioned lease holders despite the lapse of considerable time period.

The lapse occurred due to weak internal controls.

When pointed out in December 2019, the department stated that District Collector Nowshera and D.I.Khan have been requested to recover the income tax and professional tax.

The department was requested for holding DAC meeting vide letter dated 22-01-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

APNo.11& 15(2018-19)

15.5.4 Non-recovery of annual rent from lease holders- Rs.3.96 Million

According to Government of Khyber Pakhtunkhwa Mineral Development Department Notification No. So-Admn (M&M)31-148/09 dated 07-11-2009, annual rent for mining lease (Small Scale) were fixed Rs.60 per acre per annum for initial period of ten years and Rs.200 per acre per annum for the extended period.

During audit of the Assistant Director Mineral Development Department Abbottabad for the Financial Year 2018-2019, it was observed that an amount of Rs. 3,967,680/- was outstanding against various lease holders on account of annual rent till date of audit.

The lapse occurred due to weak internal controls.

When pointed out in November 2019, the department stated that efforts are being made to recover the outstanding dues.

The department was requested for convening of the DAC meeting vide letter dated 24-12-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No.01 (2018-19)

15.5.5 Non achievement of target and unjustified expenditure - Rs. 9.708 Million

According to PC-I of the Project (Strengthening and Geological Mapping), Rs. 397.404 million was earmarked for the development of mineral resources through improved exploration, utilization of Mines and Minerals resources in protected and environmentally sound manners for supporting and contributing to the provincial exchequer and national economy and also sustaining the development of minerals and highlighting the rock units and geological structures across the region through various mapping. The objectives of the project were to acquire complete surface and scale knowledge.

During audit of the Secretary Mines and Mineral Development Department for the financial year 2019-20, it was observed that a sum of Rs. 9.708 million was expended up-to 30-06-2020. But a single penny was not spent on the purpose of the project. The whole amount was spent on account of TA/DA, POL charges pay & allowances etc. Audit held that neither a detailed geological map for whole province facilitation was prepared nor any mechanism for exploration of mines, Geochemistry, Geophysics, Geo statistics and planning was made during the period. Audit could not ascertain that;

1. How much revenue of the province increased?
2. How much new potential sites for mining were identified?
3. How much opportunities of employment were generated?

4. How much private sector/investors were united?
5. Why the project was delayed and not achieved the targets?
6. How much investors were facilitated?
7. How much top sheets were proposed and prepared by the Geological survey of Pakistan?
8. How much Geological maps were compiled by the Geological survey of Pakistan (GSP)?

Audit held that incurrence of a huge expenditure on account of POL, TA/DA and medical charges etc. was unjustified against nil achievement/target.

The lapse occurred due to weak internal controls.

When pointed out in December 2020, the department stated that detailed reply will be furnished later.

The department was requested for convening of the DAC meeting vide letter dated 05-01-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 162 (2019-20)

Chapter – 16

SOCIAL WELFARE, WOMEN EMPOWERMENT & ZAKAT & USHER DEPARTMENT

16.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Provision of Social Services to the various educational institutions meant for special persons.
- ❖ Collection of Zakat and Usher and its fair distribution amongst the deserving community
- ❖ Establishment of Zakat Committees

Audit Profile of Social Welfare Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	03	01	59.050	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	N/A	N/A	N/A	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

16.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2019-20 is given below:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
32-Social Welfare	NC21	857,229,000	110	857,229,110	387,874,181	-469,354,929
33-Zakat and Usher	NC21	277,123,000	20	277,123,020	207,771,912	-69,351,108
Total		**1,134,352,000**	**130**	**1,134,352,130**	**595,646,093**	**-538,706,037**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Social Welfare	NC22	236,000,000	0	135,407,000	141,144,861	5,737,861
Social Welfare	NC12	152,000,000	0	107,107,000	104,026,848	-3,080,152
Total		**388,000,000**	**0**	**242,514,000**	**245,171,709**	**2,657,709**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1134.35213	595.646	-538.706	-47.490
Development	242.514	245.172	2.658	1.096
Total	**1,376.87**	**840.82**	**-536.05**	**-38.93**

It can be seen from the above variance analysis that the budgets could not be utilized and 38.93 % of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

16.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 484.646 million were raised in this report during the current audit of Social Welfare Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	28.000
2	Reported cases of fraud, embezzlement and misappropriation	4.647
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	451.999

16.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable point	Full compliance	Partial compliance	Nil compliance
1.	-	Social Welfare	-	-	-	-

16.4 Issues in Social Welfare, Women Empowerment & Zakat & Usher Department

Audit observed in the Directorate of Social Welfare and Women Empowerment Peshawar that a sum Rs. 354.492 million was lying in the DPR Account maintained by the Accountant General Khyber Pakhtunkhwa and Rs. 97.507 million in the Bank of Khyber directly transferred by the provincial departments. The amount was not expended on the intended objectives and the balance has been accumulating since the Year 2007-08. The funds are utilized for payment of staff salaries rather than on the objectives for which they are meant.

Similarly, an amount of Rs. 10.00 million was released by the Finance Department as one time Grant-in-Aid to the Senior Citizen Council. However, no expenditure could be incurred from the amount released which shows that the Senior Citizen Act 2014 has not been implemented in letter and spirit and the government funds have been blocked unnecessarily.

Audit also observed in the Lissail-e-Wal Mahroom Foundation of the Social Welfare Department Peshawar that the Tanzim Lissail-e-Wal Mahroom was merged into/ with the Lissail-e-Wal Mahroom Foundation, through the KP LSWM Act 2015, and all of its assets & liabilities were transferred to the said Foundation. However, the Foundation failed to produce the record of the assets so transferred from the defunct Tanzim Lissail-e-WalMahroom. Furthermore, an amount of Rs. 11,646,000/- was lying in the bank account of the Tanzim, but whereabouts of the same could not be authenticated as to whether the same was transferred to the designated bank account of the Foundation or otherwise.

AP No. 180 &187 (2018-19)
AP No. 168, 181, 188 & 189 (2017-19)

16.5 Audit Paras

16.5.1 Fictitious procurement of sewing machines and training material - Rs. 4.647 million

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

During audit of the Khyber Pakhtunkhwa Lissail-e-Wal-Mahroom Foundation (LSWMF), Social Welfare Department Peshawar for the Financial Years 2017-19, it was observed that a sum of Rs. 4,647,800/- was paid to the contractor for supply of 680 sewing machines @ 6835 each. However, the contractor failed to supply the machines according to the approved specifications as pointed out by the inspection officer Mr. Shabbir Hussain, Senior Instructor (Technical Expert) vide his report dated 11.02.2019. Resultantly, the supply order was cancelled vide order dated 19.02.2019 and re-tendered. The supplier approached KPPRA for grievance redressal, which nominated Chief Drug Inspector o/o the DG Health Services, having no experience in the relevant field, as a Technical Assistant to probe the matter. The supplier's grievance was addressed and he supplied the sewing machines and the supply was accepted without waiting for the completion of the re-tendering process.

The lapse occurred due to violation of rules and regulations.

When pointed out in June 2020, the department stated that the observation will be communicated to the office concerned and reply will be submitted in due course of time.

The department was requested for holding of the DAC meeting vide letter dated 11-01-2021. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 171(2017-19)

16.5.2 Doubtful expenditure due to non-production of auditable record- Rs. 28.00 million

According to Section 14 (2) of the AGP Ordinance 2001, the officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

During audit of the Director Social Welfare and Women Empowerment Peshawar for the Financial Year 2017-19, it was observed that an amount of Rs.28.00 million was drawn out of the grant-in-aid fund and paid to various private organizations. However, the department failed to devise any policy or criteria for the recipients of grant-in-aid, under which they would have spent the public funds, as directed by the Finance Department vide letters referred to above. Furthermore, no documented account of funds was prepared/provided for scrutiny to ensure its proper utilization, being public money.

In absence of approved policy/criteria and complete accounts record of fund, audit could not authenticate the expenditure so incurred by the private organizations, hence was remained un-verified.

The lapse occurred due to weak internal controls.

When pointed out in June 2020, the department stated that the observation will be communicated to the office concerned and reply will be submitted in due course of time.

The department was requested for holding of the DAC meeting vide letter dated 11-01-2021.However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 176 (2017-19)

16.5.3 Non-utilization/ transfer of DPR Fund - Rs. 451.999 million

According to Directorate of Social Welfare & Special Education, Disabled Persons (Employment and Rehabilitation) Rules-1991, notified vide No.(SW)/1-47/91, dated.11.01.1992 the DPR fund is to be expended upon the objectives made for rehabilitation of the indigent employees as per rules framed under ordinance 1981 duly amended in 2012.

During audit of the Director Social Welfare and Women Empowerment Peshawar for the Financial Years 2017-19, it was observed that the Accountant General KP is being deducting at source 0.2% DPR charges (i.e. 2000/- per one million) from the contractor's bills of different establishment/offices in terms of Section-II of the Disabled Persons (Employment and Rehabilitation) Ordinance 1981 and Rules 1991 made there under, and accumulated a sum of Rs.354.492 million up to 30.06.2019 duly notified by the AG KP Peshawar vide letter No.Book-1/General/2019-20/1434dated 18.09.2019.

It was further observed that no accounting procedure in consultation with Finance Department duly vetted by the Controller General of Accounts was evolved till date, for transfer of fund in the authorized bank account and its subsequent utilization on the objectives/aims are elaborated in Clauses 21 to 29 of the Employment and Rehabilitation Rules1991 and PCRDP (Provincial

Council for Rehabilitation of Disabled Persons) was constituted vide notification No.SO-III(SWD)/4-2/2010/7178-7228dated 20.12.2010.

Furthermore, DPR charges amounting to Rs. 97.507 million were received from various offices/organizations directly to the Directorate of Social Welfare Department and were deposited into the designated bank Account No.PLS-12988 BOK, w.e.f 31.05.2016. However, further scrutiny of record revealed that:

1. The amount was accumulated in the bank account of DPR Fund without its proper utilization in terms of the rules already framed.
2. The objectives of the Provincial Council for Rehabilitation of Disabled Persons (PCRDP) as notified in the aforementioned rules were never achieved to minimize the inferiority complex of the disabled persons.
3. The bank statement of designated account of DPR fund shows debits entries for withdrawal of salaries of the staff which is illegitimate as the Govt. has already provided GIA for operational activities being operated in a separate bank account No.12987 in BOK. Hence the drawl of salaries out of DPR fund account is held irregular and un-authorized.
4. The amount of profit accrued thereon was also credited to the same account instead have been drawn and credited into Govt. treasury in terms of FD letter No.2/3-(F/L)FD/2007-08/Vol-IX, dated.10.2.2014, state that the profit earned on designated bank accounts be deposited into Govt. treasury under the relevant head of account immediately but not later than a week when declared by the bank.
5. It was further noticed that the DPR remittances have also been deposited into the GIA Bank Account No.12987 in BOK instead of designated DPR bank account which is irregular and needs justification.

Audit is of the view that the amount so accumulated since long should have been expended upon the objectives framed under the rules, which was not done. This resulted into non-implementation of rules and non-achievements of objectives framed for the rehabilitation of disabled persons.

The lapse occurred due to weak internal controls and non-adherence to the prescribed rules.

When pointed out in June 2020, the department stated that the observation will be communicated to the office concerned and reply will be submitted in due course of time.

The department was requested for holding of the DAC meeting vide letter dated 11-01-2021. However, no DAC meeting was convened till the finalization of this report.

Audit recommends inquiry and fixing responsibility.

AP No. 180 & 187 (2017-19)

Chapter – 17

TRANSPORT DEPARTMENT

17.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Administration of provincial transport authority and regional transport authorities.
- ❖ Administration of the West Pakistan Motor Vehicles Ordinance, 1965 except enforcement of the provision of the Ordinance relating to control of traffic and inspection and checking of motor vehicles for the purposes of traffic control.
- ❖ Services matters except those entrusted to E&AD.

Audit Profile of Transport Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2019-20 (Rs in Millions)	Revenue/Receipts Audited FY 2019-20 (Rs in Millions)
1	Formations	10	01	1955.052	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	03	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	03	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	02	02	11639.797	N/A

17.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development; (Rs.) in million

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
45-Transport	NC21	340,362,000	390	141,362,390	95,205,980	(46,156,410)
Total		**340,362,000**	**390**	**141,362,390**	**95,205,980**	**(46,156,410)**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Transport	NC22	114,468,000	0	97,365,000	98,327,276	20,710,557
50-Transport	NC12	7,000,532,000	0	7,000,526,000	7,000,526,000	-
Total		**7,115,000,000**	**0**	**7,097,891,000**	**7,098,853,276**	**20,710,557**

Overview of expenditure against the final grant; (Rs. in millions)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	141.362	95.205	(46.156)	(32.58)
Development	7,097.891	7,098.853	0.962	0.013
Total	**7,239.253**	**7,194.058**	**(45.195)**	**(32.56)**

It can be seen from the above variance analysis that the budgets could not be utilized and 32.56% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

17.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 4966.105 million were raised in this report during the current audit of Transport Department. This amount also includes recoveries of Rs. 595.933 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	(Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	912.303
5	Others	4,053.802

17.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil Compliance
1	2014-15	Transport	02	02	-	-

17.4 Issues in Transport and Mass Transit Department

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor Project, it was observed that performance securities/ guarantees amounting to Rs. 3,489,152,373/- were released to the contractors.

Audit observed that the original performance guarantees obtained were required to have not been released before the completion of the project on time. Furthermore, the new performance guarantees obtained were from an un-reputable bank of West Indies which were not verified from the concerned local bank.

Moreover, an amount of Rs. 636,675,514/- (USD 6,034,839 X 105.50) was paid to M/S MM Pakistan on account of pay and allowances during the Financial Year 2019-20. However, the project could not be completed within the stipulated period of time due to failure of both the consultant and the contractors, for which the same should have been held responsible by imposing penalties at proper rates but it was not done.

It was further observed that the contract of detailed engineering design was awarded to M/S MM Pakistan and M/S Mott Mac Donald. However, the consultant failed to finalize the detailed engineering design, as evident from

the reasons for revision of the PC-I, wherein it has been clearly stated that the same was revised because the approved PC-I was based on tentative quantum of work. This weak contract management not only resulted in time overrun but also abnormal cost overrun.

The Project Management and the contractors should have restricted to the approved estimates in the PC-I of the project but in disregard to the revised PC-I provisions the contractor executed extra work of Rs 4,845,088,479/-

Similarly, it was also observed that an amount of Rs. 881,020,008/- was paid to contractors on account of installation of Elevators, Escalators and Steel Structure for Cycle Track. However, during physical verification it was observed that the said Elevators, Escalators and the Cycle Track could not be operationalized till the time of audit.

AP No. 196, 198, 213 & 215 (2019-20)

17.5 Audit Paras

17.5.1 Non-deduction of General Sales Tax- Rs. 564.650 million

According to the Project Management Construction Supervision consultants (PMCSC) letter No;PMCSC/PDA/R2/BRTC/09 dated 19-04-2018 address to DG Peshawar regarding rate analysis wherein it was stated that the rate for the 10m single arm and double arm electric poles comes to Rs. 67750/ each and Rs. 70630/ respectively inclusive of contractor claimed 19% GST, with the condition that the contractor will furnish original sales tax invoice & GST registered firm certification at the time of Interim Payment Application (copy attached in original file).

According to Clause 14.1 (b) of the general conditions of contract agreement, the contractor shall pay all taxes, duties and fees required to be paid by him under the contract and the contract price shall not be adjusted for any of these costs (copy attached in original file).

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor Project for the Financial Year 2019-20, it was observed that the project management

paid a sum of Rs. 3,321,473,356/- to various contractors up to 06/2020 on account of different electric works/ poles, and general items/ bus stations. As per the above consultant's letter and rate analysis of other similar BOQ and Non-BOQ items, 17% General Sales Tax was included in the rate analysis. However, the 17% General Sales Tax amounting to Rs. 564,650,471/- was neither deducted at the time of payment nor were any original sales tax invoices along with the monthly returns submitted by the contractors.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department stated that a detailed reply will be submitted later on.

In the DAC meeting held on 13-01-2021, it was decided that recovery will be made from the contractors or original sales tax invoices showing the deposit of sales tax will be produced to Audit.

Audit recommends implementing the DAC decision.

AP No. 202 (2019-20)

17.5.2 Unauthorized/ over payment to the consultant on account of direct cost- Rs. 31.283 million

According to Clause 42.1 of the Consultant Agreement executed between PDA and MM Pakistan Limited in association with Mott MacDonald Limited on 04-11-2017, the client shall pay to the consultant the remuneration that shall be determined on the basis of time actually spent by each expert in the performance of the services after the date of commencing of services, for 54 international/ national and 144 key experts, along-with 1704 technical/ support staff (non-key staff).

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor Project for the Financial Year 2019-20, it was observed that the project management paid an amount of Rs. 27,083,668/- to M/S MM Pakistan under the head of account "Direct Cost- Non Technical Staff", in contrary to the above. The payment of direct cost for non-technical staff was not required to have been

made as the aforementioned staff was already included and paid as indirect cost of remuneration to various key and non-key (support) staff.

Similarly, an amount of Rs. 4,200,000/- was also paid to the consultant under the head of account "Head Office Support" on monthly lump sum basis at the rate of Rs. 300,000/- per month for a period of 14 months, in addition to the payment of Rs. 6,216,866/- on account of Lahore Office Staff, which was held unauthorized and overpayment.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department stated that the reply will be submitted after verification of record.

In the DAC meeting held on 13-01-2021, it was decided that recovery may be made from the consultant or from the persons at fault.

Audit recommends implementing the DAC decision.

AP No. 199 (2019-20)

17.5.3 Wasteful expenditure on account of Elevators & Escalators and Cycle Track- Rs. 881.020 million

According to Para 56 of CPWD Code, the proposals in the estimates should be structurally sound and that the estimates are accurately calculated and based on adequate data.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor Project for the Financial Year 2019-20, it was observed that the project management paid an amount of Rs. 147,600,000/- to contractor on account of installation of 12.3 Elevators at the rate of Rs. 12,000,000/- and Rs. 85,500,000/- on account of 9.50 Escalators at the rate of 9,000,000/- in various bus stations up to IPC 18 reach III, during the Financial Year 2019-20. Similarly, an amount of Rs. 647,920,008/- was paid to the contractor M/S CR21G-Maqbool-Calsons JV on account of Steel Structure for Cycle Track up to IPC No. 14 Reach-II.

Audit observed during physical verification of the site that the said Elevators & Escalators and the Cycle Track could not be operationalized since its installation till the date of Audit i.e. November 2020, hence incurrence of the expenditure totaling to Rs. 881,020,008/- was held wasteful.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department replied that the project was approved with the condition that it should be universally accessible for which necessary provision of ramps was made but where there were constraints of space, then escalators and elevators were provided. Necessary operationalization of the same will be carried out by the Trans Peshawar after awarding the contract for maintenance etc. of the escalators and elevators.

The reply was not satisfactory. If the elevators and escalators were the requirements of the project, the same should have been operationalized at the start of the project with the initiation of the BRT services. The same could not be operationalized till date of Audit i.e. November 2020 and as per the visit of the BRT Bus Stations on 24-11-2020; the same cannot be operationalized in the near future even.

In the DAC meeting held on 13-01-2021, it was decided that the Para stands till operationalization of the said items and imposition of penalty upon the contractors/ suppliers.

Audit recommends implementing the DAC decision.

AP No. 213 (2019-20)

17.5.4 Unauthorized and premature release of performance guarantees to the contractors- Rs. 3489.152 million

According to Clause 4.2 of the Contract Agreement Volume-I executed between PDA Peshawar and the joint venture of three contractors Messer CR21G, Maqbool & Calsons, the performance guarantee shall be issued either by a reputable scheduled bank located in the country or by a reputable foreign bank selected by the contractor and acceptable to the empployer. If the bank

issuing the performance security furnished by the contractor is outside the country, the issuer shall have a correspondent bank in the country to make it enforceable in the country.

According to Clause 16.4 of the general conditions of contract, after a notice of termination has taken effect, the employer shall return the performance security to the contractors.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor Project for the Financial Year 2019-20, it was observed that the Project Management released the performance securities/ guarantees amounting to Rs. 3,489,152,373/- to the contractors, upon their requests, during the Financial Year 2019-20.

Audit observed that the original performance guarantees obtained were required to have not been released before the completion of the project on time. Furthermore, the new performance guarantees obtained were from an un-reputable bank of West Indies which were not verified from the concerned bank.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, the department replied that the performance guarantees have been verified by the correspondent bank and the verification documents provided to Audit accordingly.

There was no clause available in the contract agreement for the replacement of the performance guarantees before the completion of the project. The same should have not been replaced before the said completion.

In the DAC meeting held on 13-01-2021, it was decided that the performance guarantees were released upon the request of the contractors on their plea of facing financial constraints and that the same are now expired as well.

Audit recommends inquiry and fixing responsibility.

AP No. 215 (2019-20)

Annexure-I

MFDAC

S#	AP No.	FY	Department	Amount	Para
1.	143	2019-20	C&W Swabi	15.918	Non-deduction of general sales tax on account of solarization of mosque in UC Taraka & Dagai
2.	250	2017-18	C&W Dir (L)	0.348	Loss to Govt due to allowing undue favor to the contractor
3.	147	2017-18	C&W Haripur	21.34	Wasteful expenditure on account of feasibility study design and supervision
4.	518, 547, 553 & 560	2017-19	C&W Shangla	3.73	Non-recovery of interest on the advance payment made to contractor
5.	528	2017-19	C&W Shangla	1.718	Fictitious execution of AOM&R work
6.	540	2017-19	C&W Shangla	8.129	Unauthorized accord of technical sanction relating to emergency nature work (AOM&R) by the executive engineer
7.	571	2017-19	C&W Shangla	212.635	Misreporting of ADP's Funds utilization to Administrative Department
8.	578	2017-19	C&W Shangla	32.803	Irregular and unauthentic award of contract due to fake and fictitious tendering process
9.	587	2017-19	C&W Shangla	32.803	Irregular and unauthentic award of contract due to fake and fictitious tendering process
10.	234	2019-20	C&W Dir (L)	8.474	Unauthorized change in key personnel by M/S Global Consultant
	234	2019-20	C&W Dir (L)	0.353	Overpayment due to allowing payment in

					excess of contract agreement provision
11.	181	2018-19	C&W H/W Peshawar	43.849	Non-imposition of penalty on contractors for in-completed schemes
12.	371	2017-18	C&W Mardan	15.557	Unauthorized payment of secured advance on account of M Steel work
	371	2017-18	C&W Mardan	0.207	Non-recovery of interest
13.	335	2017-18	C&W Chitral	4.601	Overpayment to contractor due to non utilization of available earth
14.	415	2017-18	PBC Div-II	1.383	Loss to government due to extension of undue benefit to the contractor
15.	424	2017-18	PBC Div-II	0.255	Overpayment due to application of incorrect rate
16.	425	2017-18	PBC Div-II	0.100	Overpayment due to application of incorrect rate
17.	519	2018-19	AWKUM	125.541	Loss due to defective work
18.	520	2018-19	AWKUM	68.706	Overpayment to the Contractors
19.	526	2018-19	AWKUM	14.255	Non-recovery from defaulter PhD scholars and Illegal deputation
20.	532	2018-19	AWKUM	1.876	Illegal appointment as Supervisor work, as Asstt. Director Works and Deputation to Health Department
21.	878	2018-19	Uo Lakki	1.822	Unauthorized payment on account of House Rent Allowance
22.	881	2018-19	Uo Lakki	1.523	Unauthorized payment on account of Project Allowance
23.	889	2018-19	Uo Lakki	3.691	Irregular payment on account of salary of the Project Director
24.	53	2017-18	SBBWU Dir	3.782	Irregular payment on illegal appointment of Project Director worth
25.	61	2017-18	SBBWU Dir	10.46	Irregular purchase of

					computers hardware from unauthorized dealer
	61	2017-18	SBBWU Dir	1.76	Non-deduction of sales tax
26.	65	2017-18	SBBWU Dir	7.567	Fraudulent drawl on account of execution of RRM and plump concrete
27.	66	2017-18	SBBWU Dir	18.058	Loss to Government due to excess quantity of PCC over and above approved design
28.	95	2019-20	GPGC Dargai	7.154	Less deposit on account of private fund
29.	101	2019-20	GPGC Dargai	3.134	Loss to govt: due to non investment of govt: money
30.	102	2019-20	GPGC Dargai	6.864	Unauthorized expenditure on appointments from private fund
31.	105	2019-20	GPGC Dargai	1.8	Non-return of loans
32.	106	2019-20	GPGC Dargai	24.482	Unauthorized operation of current bank accounts
33.	112	2019-20	GPGC Dargai	0.392	Loss to government due to less deposit of govt
34.	115	2019-20	GPGC Dargai	0.565	Loss to government due to less deposit of gov
35.	784	2017-19	Gomal Uni	49.298	Non recovery from the consultant
36.	321	2014-17	Captain Sher Khan	1.22	Unjustified expenditure on account of payments for borrowed pit excavation and transportation of earth
37.	263	2019-20	UET Peshawar	2.642	Non deposit of various taxes
38.	271	2019-20	UET Peshawar	13.861	Illegal re-instatement and non-recovery of expenses including leave salary
39.	337	2019-20	KGN Bannu	11.906	Unauthorized payment of Sale Tax in Electricity Bills
40.	48	2019-20	SHPI FAP	2.94	Non-deduction of Income Tax
41.	789	2019-20	BMC Bannu	-	Weak performance of BMC on the quality of education and facilities offered to students
42.	510	2019-20	DGHS	377.645	Wasteful expenditure on

					account of purchase of 24 Hours Ambulatory Blood Pressure Monitors
43.	511	2019-20	DGHS	220.779	Doubtful expenditure on account of purchase of X-Ray Machines
44.	519	2019-20	DGHS	442.568	Non-surrender of savings
45.	542	2019-20	DGHS	29.625	Wasteful expenditure on account of purchase of items/ machinery
46.	217	2019-20	KMU	6.088	Loss due to hiring of Security Services at higher rates
47.	290	2019-20	KTH	33.495	Loss to government due to non-deposit of 50% of the hospital receipts fund account for repair of machinery & equipment
48.	379	2019-20	MMC Mardan	1.382	Unauthorized Payment of shares from private room Rent
49.	612	2019-20	Qazi Complex	1.346	Non recovery on account of OPD receipts
50.	429	2019-20	DHQ D.I.K	1.071	Un-authorized / forceful occupation of private rooms
51.	626	2019-20	MMTH D.I.K	6.236	Fraudulent drawl due to non-receipt of medicine, chemical & disposable Items
52.	636	2019-20	MMTH D.I.K	1.049	Fraudulent/Irregular drawl of Pay & Allowances
53.	199	2019-20	NKBH Pesh	2.667	Loss to Government on account of opening of non-interest bearing accounts
54.	193	2019-20	NKBH Pesh	2.912	Loss to Government on account of non-realization of capitation fee
	193	2019-20	NKBH Pesh	0.291	Loss to govt. Due to non-recovery of interest on capitation fee
55.	268	2018-19	HMC	2.548	Non deposit of income tax and stamp duty by fair price pharmacy
56.	271	2018-19	HMC	3.062	Loss to government due to purchase of cardiac

					monitors on higher rate
57.	851	2019-20	LRH	17.521	Misappropriation due to less deposit of admission & OT receipts
58.	855	2019-20	LRH	7.499	Misappropriation in the hospital receipt
59.	862	2019-20	LRH	1.4	Loss due to non-recovery of outstanding dues from the contractors
60.	863	2019-20	LRH	1.024	Misappropriation due to less deposit of OPD receipts
61.	882	2019-20	LRH	18.119	Non supply of medicine & disposable by the firm
62.	431	2017-18	NPFPHC	101.14	Loss on account
63.	860	2019-20	LRH	3.771	Misappropriation of Hospital Radiology and other receipts
64.	869	2019-20	LRH	27.404	Blockade of public money due to unnecessary purchase of disposable
65.	838	2009-19	PIPOS	33.687	Irregular expenditure on account of purchase of Raw Material/Components and Durable Goods
66.	845	2009-19	PIPOS	47.908	Unjustified transfer of money from Main Receipt Account
67.	846	2009-19	PIPOS	56.911	Irregular purchase of imported material without open bidding from the supplier of choice
68.	120	2018-19	XEN Irrigation ATD	3.367	Loss to Govt. due to execution of excess quantities of length of apron over and above approved design
69.	123	2018-19	XEN Irrigation ATD	2.583	Wasteful expenditure on account of PCC 1:2:4
70.	110	2018-19	XEN Irrigation Mardan	10.967	Unauthentic payment of Non-Scheduled Items without rate analysis
	110	2018-19	XEN Irrigation Mardan	0.944	Loss to government due to splitting of contracts of the similar works at different

					rebate/ premium
	110	2018-19	XEN Irrigation Mardan	0.071	Non-deduction of Income Tax
71.	111	2018-19	XEN Irrigation Mardan	1.192	Loss due to non-utilization of available earth
72.	112	2018-19	XEN Irrigation Mardan	1.61	Unauthorized payment to MS NESPAK Consultants due to change of Key Personnel
73.	115	2018-19	XEN Irrigation Mardan	1.887	Non-recovery of outstanding dues in time
74.	56	2018-19	XEN Irrigation Charsadda	33.226	Award of contract to the ineligible contractor
75.	57	2018-19	DG PFI	50	Loss of millions of rupees due to retention of student fund in PLS account instead of other higher rates profitable schemes
76.	3	2017-19	DFO Sheringal	30	Negahbans
77.	4	2017-19	DFO Sheringal	136.4	Court penalties
78.	5	2017-19	DFO Sheringal	5.83	Unauthentic wages
79.	12	2017-19	DFO Sheringal	141.009	royalty holders
80.	15	2017-19	DFO Sheringal	643.432	Non pursuance of prosecution cases
81.	141	2018-19	DFO Chitral	3.644	Wasteful expenditure on account of afforestation activities on harchain area
82.	91	2018-19	DFO Bannu	14.404	Misappropriation on account of fake drawl on plantations and huge failure
83.	35	2018-19	DFO Mardan	1.262	Non Recovery from Private Nursery Growers
84.	130	2014-19	DFO Besham	4.084	unjustified expenditure on transpiration of plant Rs.4.084
85.	131	2014-19	DFO Besham	2.021	irregular expenditure on

					outsourced plantation Rs.2.021
86.	132	2014-19	DFO Besham	88.468	unauthentic payment on account of watch anad ward Rs.88.468
87.	9	2019-20	DPO Mansehra	3.838	Irregular/fictitious expenditure on account of feeding charges
88.	10	2019-20	DPO Mansehra	2.83	Loss due non-deduction of income tax
89.	12	2019-20	DPO Mansehra	67.172	Illegal involvement of JS Bank in causing delay government receipts in to government treasury
90.	162	2018-19	DPO Mansehra	7.166	Non Deduction of Income Tax
91.	127,128	2018-19	SSP Traffic Pesh	132.480	Non Deposit of Govt Revenue and unauthorized expenditure
92.	184	2018-19	DPO Chitral	3.360	Blockade of public fund due to unnecessary purchase of arms and ammunitions
93.	176	2018-19	DPO Chitral	1.853	Non recovery of outstanding govt dues
94.	66	2018-19	DPO Charsadda	1.102	Loss due to ignoring lowest rates on account of feeding charges
95.	84	2019-20	Administration	19.644	Less-credit of interest on cash balance
96.	87	2019-20	Administration	1.515	Un-authentic and unjustified collection of Chief Minister Relief Fund for flood
97.	89	2019-20	Administration	6.613	Non-recovery of room rent from the illegal occupant in KP House Islamabad
98.	123	2019-20	Administration	-	Non-transparent and out of turn allotment in violation of accommodation rules as well as High Court orders
99.	125	2019-20	Administration	-	Non-transparent and irregular allotment of residential accommodation
100.	29	2019-20	FDA	1.041	Loss to government due to award of contract on item

					rate basis instead of MRS 2016
101.	33	2019-20	FDA	6.3	Irregular and unauthorized appointment of contract employee involving pay
102.	37	2019-20	FDA	1.17	Overpayment due to unauthorized promotion of contract employees
103.	129	2019-20	PDA	69.349	Unauthorized drawl of Technical Allowance
104.	136	2019-20	PDA	197.193	Loss to government due to non-investment of surplus funds
105.	141	2019-20	PDA	166.9	Excess expenditure over and above the budgetary provision
106.	146	2019-20	PDA	2.742	Recurring loss due to unauthorized allotment of vehicles to non-entitled personnel
107.	108	2018-19	PDA	2896.418	Blockage of funds
108.	109	2018-19	PDA	280.31	Loss due to non-leasing out of flats
109.	110	2018-19	PDA	10.72	Loss to PDA due to non-auction of plot
110.	114	2018-19	PDA	14.517	Irregular retention of interest
111.	115	2018-19	PDA	12.137	Uneconomical expenditure on the purchase of fork lift truck & other heavy machinery
	115	2018-19	PDA	0.601	Not withholding sales Tax
112.	116	2018-19	PDA	11.4	Uneconomical expenditure on purchase of water bowser machines
113.	126	2018-19	PDA	35.21	Non-transparent award of tender
114.	120	2018-19	PDA	1.98	Irregular purchase of fumigation machines/ thermal fog generator costing
115.	138	2018-19	PDA	10.491	Doubtful expenditure on asphalt wearing course
116.	142	2018-19	PDA	2.228	Overpayment due to making payment at

					incorrect rates
117.	147	2018-19	PDA	1.000	Non-forfeiture of call deposit due to failure to take possession of the halls
118.	150	2018-19	PDA	1.19	Loss due to recovery of income tax at lesser rates
119.	157	2018-19	PDA	1.335	Unauthorized expenditure on clearing & grubbing
120.	30	2019-20	DG Livestock Research	2.75	Loss to the Government due to selling of Shandar Vanda at subsidized rates
121.	16	2018-19	Chief Commissioner Mines	3.038	Loss to Government due to non-collection of excise duty on mineral
122.	169	2019-20	Social Welfare Department	1.506	Loss due to non-deduction of income tax from the contractor's FMT & LP bills
123.	168	2019-20	Social Welfare Department	1.311	Loss due to non-recovery of outstanding dues from the occupants of working women hostel
124.	170	2019-20	Social Welfare Department	3.166	Loss due to irregular drawl of executive allowance
125.	59	2019-20	Finance	2144.291	Loss due to investment in U-Microfinance Bank
126.	71	2019-20	Finance	0.512	Fictitious expenditure on Purchase of Hardware items
127.	72	2019-20	Finance	0.446	Irregular expenditure on printing of stationary through private contractor
128.	78	2019-20	Finance	6377.700	Unauthorized investment of Funds in Bank of Khyber
129.	83	2019-20	Finance	65.622	Non-reflection of electricity duty in accounts
130.	92	2019-20	Finance	3.145	Double adjustment of electricity dues

Annexure-II

Detail of works and the payments mentioned in DP No. 4.5.2

Rs in million

S.No	Division	Work/Scheme	Amount	Remarks
01	C&W Bajaur	Supply and fixing aluminum bronze/ black premium 4" sliding window in construction of office for Executive Engineer, Highway Division Bajaur	1.053	This item was not executed
02	C&W Bajaur	First class deodar wood joinery in doors & windows complete in all respect in construction of Rescue-1122 station at Bajaur Khar	1.107	This item was not executed
03	C&W Bajaur	MS Flat Grill in windows of approved design in construction of Rescue-1122 station at Bajaur Khar	0.239	This item was not executed
04	C&W Bajaur	Supply & fixing aluminum bronze/ black premium sliding window in construction of Rescue-1122 station at Bajaur Khar	0.531	This item was not executed
05	C&W Dir (U)	AOM&R All Roads	8.686	Only WBM was carried out for 1800 meters
06	C&W Dir (U)	AOM&R All Roads	38.019	Not executed
07	C&W Dir (U)	RCC Bridge at Kass Dir town	2.098	Not executed
Total			**51.735**	

Annexure-III

Detail of works and the payments mentioned in DP No. 4.5.2

Rs in million

S.No	Work/Scheme	Voucher No./Date	Amount
01	F/S Design & Rehabilitation of Road Matong to Dedal 6 Km	32-R/ 17-06-2019	12.150
02	F/S Design & Rehabilitation of Pishlor Road	35-R/ 17-06-2019	8.000
03	Construction & Rehabilitation of Geer Chargharzae Road	36-R/ 17-06-2019	12.272
04	Construction & Rehabilitation of Geer Mandoria Road	37-R/ 17-06-2019	4.500
05	Repair & Rehabilitation of Karora to Ajmir Road P-I (5 Km)	47-R/ 17-06-2019	2.000
06	Repair & Rehabilitation of Karora to Ajmir Road P-I (5 Km)	47-R/ 17-06-2019	2.000
07	Repair & Rehabilitation of Karora to Ajmir Road P-II (7 Km)	48-R/ 17-06-2019	6.000
Total			**46.922**

Annexure-IV

Detail of works and the payments mentioned in DP No. 4.5.4

Rs in million

S.No	Work/Scheme	Voucher No./Date	Amount
01	F/S Design & Rehabilitation of Road Martong to Dedal 6 Km	32-R/ 17-06-2019	12.150
02	F/S Design & Rehabilitation of Pishlor Road	35-R/ 17-06-2019	8.000
03	Construction & Rehabilitation of Geer Chargharzae Road	36-R/ 17-06-2019	12.272
04	Construction & Rehabilitation of Geer Mandoria Road	37-R/ 17-06-2019	4.500
05	Repair & Rehabilitation of Karora to Ajmir Road P-I (5 Km)	47-R/ 17-06-2019	14.100
06	Repair & Rehabilitation of Karora to Ajmir Road P-I (5 Km)	47-R/ 17-06-2019	14.100
07	Martong Almi Banda Road	53-R/ 17-06-2019	10.280
08	Repair & Rehabilitation of Karora to Ajmir Road P-II (7 Km)	48-R/ 17-06-2019	22.854
09	Kiari to Mole Sar 4 Km	38-R/ 30-05-2019	3.762
Total			**102.018**