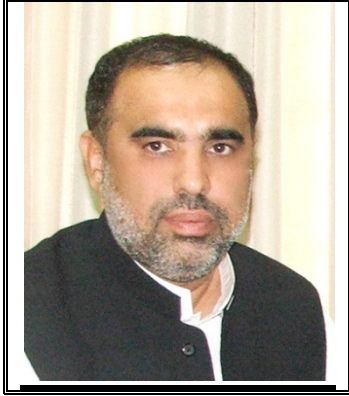


Report of the
Public Account
Committee

[2010-
11]



CHAIRS FOREWORD

The Report of Auditor General of Pakistan for the year 2010-11 was examined by the earlier Public Accounts Committee (PAC) except the Audit Paras pertaining to only two (02) Departments which were examined by the present PAC. I have a high regard for the former PAC which established role model example of the last functional performance for the coming entire Committees. That PAC has obtained the honor to complete examination of eight (08) Audit Reports and also passed it from the House after a detailed professing thinking. The PAC has admired the honor that it found the basic tradition of examining the recent Audit Reports rather the previous ones.

The PAC always felt the need of effective internal audit control system in Government Departments, pleasurable some achievement has come in this regard but a lot of change for more is obviously required. I think if the Secretaries of the Government Departments produce continuity in the economical discipline of the Province by acting upon the decisions of PAC according to its spirit, handsome amount of national wealth will become safe rather flowing in waste cave. I expect the professional manner from all Principal Accounting Officers not to defend their Departments out of way rather to deface the irregularities present in their Department and to get effective and solid measures for their prohibition.

It cannot be avoided to honestly appreciate the efficient performance of the Officers and staff of PAC Cell of Provincial Assembly Secretariat that showed their best functional performance under the leadership of Secretary Assembly Mr. Amanullah.

I hope that the present PAC will follow the tradition of examining recent Audit Reports and shall strengthen the foundations laid down by the previous PAC for effective accountability.

(ASAD QAISAR)
Speaker/Chairman
Public Accounts Committee

P R E F A C E



The Report of the Auditor General of Islamic Republic of Pakistan on the accounts of Government of Khyber Pakhtunkhwa Province for the year 2010-11 received in the Assembly Secretariat on 19-04-2012, was laid before the House on 07-05-2012 in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan and under rule 198 of the Provincial Assembly of Khyber Pakhtunkhwa Procedure and Conduct of Business Rules, 1988 the Report consisted of the Audit Report, Appropriation Accounts, Financial Statements, Audit Report on Revenue Receipts and Audit Report on Public

Sector Enterprises. The Assembly referred it to the Public Accounts Committee for detailed examination on the same day.

The Public Accounts Committee (PAC) examined the Audit Report in series of meetings spanning over Twenty Nine (29) sittings held in the Conference room of Assembly Secretariat, Peshawar and Khyber Pakhtunkhwa House, Abbottabad.

In this Report the Audit Paras/observations pertaining to each Department of the Government of Khyber Pakhtunkhwa are arranged separately. Tables showing details of total Paras and recommendations of PAC thereon have also been added for ready reference.

The drafting and preparation of this report has been made possible due to the concerted efforts of the Hon'ble Speaker, Members of the Committee and officers/staff of the Public Accounts Committee headed by Mr. Amjad Ali, Additional Secretary and under the guidance of Mr. Inamullah Khan, Deputy Secretary. I deeply acknowledge the active collaboration and contribution of the PAC Cell in arranging frequent meetings, facilitating the PAC and timely compilation of this Report. Their sincere and devoted endeavors deserve appreciation, acclaim and commendation. I am confident that this exercise will be a pole star for future inputs of the like nature.

This report of PAC is presented to the Provincial Assembly of Khyber Pakhtunkhwa under Rule 161 of the Provincial Assembly of Khyber Pakhtunkhwa Procedure and Conduct of Business Rules, 1988.

(AMANULLAH)

Secretary,

Provincial Assembly of Khyber Pakhtunkhwa

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INTRODUCTION

In pursuance of Article 171 of the Constitution of Islamic Republic of Pakistan, the annual report of the Auditor General of Pakistan on the Accounts of Government of Khyber Pakhtunkhwa for the year 2010-11, received in the Assembly Secretariat on 19-04-2012, was laid before the House on 07-05-2012 under rule 198 of the Provincial Assembly of Khyber Pakhtunkhwa Procedure and Conduct of Business Rules, 1988. The House referred it to the Public Accounts Committee (PAC) on the same day for detailed examination.

2. The PAC examined the Audit Report for the year 2010-11 being the latest one pending for examination. It conducted a series of meetings spanning over twenty five (25) sittings which commenced from 6th to 16th of July 2012, at the Khyber Pakhtunkhwa House, Abbottabad and 18th to 25th of September, 2012, 2nd to 23rd of October, 2012, 1st to 13th of November, 2012, 28th to 29th of January, 2013 and 5th of March, 2013 in the Conference room of Assembly Secretariat, Peshawar.

AUDIT REPORT

3. The Committee examined the Audit Report for the year 2010-11 consisting of two hundred and ninety one (291) Draft Paras. The Audit covered an expenditure of Rs. 23120.011 million out of total budget of Rs. 249710.723 million, which in terms of percentage is 18.23 of auditable expenditure. The following irregularities were noticed:-

1. Three (03) cases of embezzlement of public money amounting to Rs. 8.137 (M).
2. Fifteen cases of mis-appropriation of public money amounting to Rs. 287.195 (M)
3. Forty (40) cases of non-recovery of government dues amounting to Rs. 8942.292 (M).
4. Fifty two (52) cases of un-authorized expenditure amounting to Rs. 3802.83 (M).
5. Sixty two (62) cases of loss amounting to Rs. 2643.422 (M).
6. Eleven (11) cases of doubtful payment amounting to Rs. 173.827 (M).
7. One (01) case of non-obtaining of security amounting to Rs. 1.8 (M).
8. Two (02) cases of un-due financial aid amounting to Rs. 3369.494 (M).

9. Six (06) cases of un-verified expenditure amounting to Rs. 7867.899 (M).
10. Six (06) cases of un-authentic expenditure amounting to Rs. 1547.988 (M).
11. Twenty (20) cases of over-payment amounting to Rs.1341.399 (M).
12. Eleven (11) cases of wasteful expenditure amounting to Rs. 142.217 (M).
13. Five (05) cases of uneconomical expenditure amounting to Rs. 5321.058 (M).
14. One (01) case of un-justified expenditure amounting to Rs. 5.199 (M).
15. Twenty five (25) cases of irregular expenditure amounting to Rs.4570.182 (M).
16. Three (03) cases of non-accountal of store amounting to Rs.2399.016 (M).
17. Seven (07) cases of excess expenditure amounting to Rs.66.61 (M).
18. One (01) case of non-auction of store amounting to Rs 28.128 (M).
19. Six (06) cases of un-necessary obtaining of loan amounting to Rs.6701.59 (M).
20. One (01) case of double drawl amounting to Rs. 0.737 (M).
21. Two (02) cases of sub-standard work/supply amounting to Rs. 150.975 (M).
22. Two (02) cases of non-supply of store amounting to Rs. 280.077 (M).
23. Two (02) cases of blockage of public money amounting to Rs. 31.841 (M).
24. One (01) case of non-conducting of police training amounting to Rs. 54.333 (M).
25. Two (02) cases of non-submission of adjustment account amounting to Rs. 175.848 (M).
26. Three (03) cases of non-deduction of income tax amounting to Rs. 47.581 (M).
27. One (01) case of improper maintenance of record amounting to Rs. 159.594 (M).
28. One (01) case of extra expenditure on rent of building amounting to Rs. 1.078 (M).

4. The said violations/irregularities indicated that the Principal Accounting Officers did not have the adequate institutional capacity required to address financial management and control issues and the Principal Accounting Officers need to take necessary steps to institute, evaluate and strengthen the management, budgeting and accounting controls to achieve the following objectives that;

- whether the moneys shown as expenditure in the accounts were authorized for the purpose for which they were spent.
- to see that the expenditure incurred was in conformity with the laws, rules and regulations framed to regulate the procedure for expending public money.

- to see that every item of expenditure was done with the approval of the competent authority in the Government for expending the public money.
- to see whether the expenditure was incurred according to wisdom and economy and to bring to light cases of improper expenditure or waste of public money.
- to review, analyze and make recommendations on various policies relating to different sectors.

5. In order to overcome the said objectives and for future guidelines, the following recommendations were made:-

- The compliance with directives of Public Accounts Committee by Principal Accounting Officers was poor and inspite of reminding them time and again, no improvement was made/shown in this regard. All Principal Accounting Officers should give special attention to this issue and develop mechanism to monitor compliance of directives of PAC in their departments.
- Departments need to strictly follow the provisions of GFR while handling public money whether they receive or spend it. They should deposit/retain the public money received by them in the Provincial Consolidated Fund and Public Account instead of depositing into unauthorized accounts in commercial banks.
- Meetings of Departmental Accounts Committee be held regularly.
- Instances of making payments by the department or their autonomous bodies/authorities to employees in contravention of rules and in disregard of the employees entitlement need to be checked by effecting recoveries where due and taking disciplinary action against the official involved in overpayments.
- Departments need to comply with the provisions of Public Procurement Rules 2004 for procurement of goods and services.
- Departments need to strengthen internal controls to ensure that lapses of the kind reported in this report are pre-empted and fair value for money is obtained from public spending
- Reconciliation of expenditure needs to be carried out regularly.
- Unspent balances need to be deposited into government treasury.
- Inquiries need to be held to fix responsibility for losses, fudged payments and wasteful expenditure.

6. The Committee examined the Audit Report in its twenty five (25) sittings and dropped unconditionally seventy five (75) Draft Paras, where the explanation of the Department was found plausible or relevant record was produced and duly verified by the Audit, while in thirty two (32) Draft Paras, where the Government funds were proved to have been mis-appropriated or have been embezzled, it recommended for affecting recovery after fixing responsibility on the culprits in pursuance of the relevant

laws on the subject. Forty two (42) Draft Paras, where record needed to be verified, were dropped conditionally subject to verification of record. Fifty seven (57) Draft Paras were referred for departmental action, fifteen (15) Draft Paras were referred to Inter Departmental Committees (IDCs) and sixty two (62) Draft Paras pertaining to various Departments were kept pending.

7. Sub-Committees were also constituted to probe into the issues mentioned in eight (08) Draft Paras which needed detailed deliberation.

8. The following table shows the detail of total draft paras pertaining to all Administrative Departments and recommendations of PAC thereon:-

Department	Total DPs	Dropped	VOR/Ph. Verification	Recovery	Deptl: Action	Sub-Committee	IDC	Pending
Agriculture	33	09	07	03	14	--	--	--
Irrigation	14	11	01	--	02	--	--	--
Local Govt:	20	--	04	07	06	--	02	01
Information	04	--	02	--	02	--	--	--
Higher Education	29	08	07	03	03	02	--	06
Finance	02	02	--	--	--	--	--	--
Health	19	03	04	03	06	02	01	--
Food	40	07	09	06	11	03	02	02
Home & Tribal Affairs	39	11	--	01	01	08	--	18
C&W	38	17	06	02	05	01	--	7
Environment	22	11	--	02	07	--	--	02
Establishment & Administration	25	07	02	06	--	--	10	--
Elementary & Secondary	04	02	01	01	--	--	--	--

Edu:								
Energy & Power	02	--	--	--	--	--	--	02
Total	291	88	43	34	57	16	15	38

GENERAL OBSERVATIONS

9. During examination of Audit Report for the year 2010-2011, in addition to the observations on each para incorporated in this report, the PAC also made the following General Observations:-

CLUBBING OF AUDIT PARAS PERTAINING TO DIFFERENT ORGANIZATIONS.

10. The Committee observed that contrary to its clear cut instructions to avoid clubbing the Audit Paras pertaining to different organizations into a Draft Para. The advance paras pertaining to different Institutions were clubbed which created confusion and wasted the time of the Committee. The Audit should have made separate audit paras in respect of each transaction to make examination of the accounts simple and to facilitate the job of the members of the Committee. The Members were feeling great trouble while examining different audit objection clubbed in one Para. This practice was strongly objected to by the Members. The Committee showed its displeasure over such non-responsive attitude of the Audit Department. It therefore, directed the Audit Department to stop forthwith such practice and to frame Draft Paras involving single issue pertaining to an organization.

APPRECIATION TO SECRETARY AGRICULTURE.

11. The Public Accounts Committee (PAC) while examining the Audit Paras for the year 2010-11 pertaining to Agriculture Department commended the laudable services of Mr. Muhammad Afsar Khan, Secretary, Agriculture Department, Khyber Pakhtunkhwa who made bold decisions in the Pre-PAC meeting against those involved in the mis-management and mis-appropriation. Despite facing hurdles from his subordinates he managed to decide the issues on merit. During the series of meetings he did not defend the mis-deeds committed by his subordinates and brought the

factual position before the PAC resultantly the PAC was facilitated in discharge of its function.

WIDE PUBLICITY WHILE FLOATING NIT.

12. The PAC noted that most of the Departments while inviting NIT did not mention the specifications of the items and prepare tender documents in a way to extend benefit to certain blue eyed people, resultantly the practice of fair competition was badly suffered. The Committee therefore, directed the Departments to follow the prevailing Procurement and General Financial Rules in its true spirit while making procurements.

POOR WORKING PAPER.

13. The working papers supplied by few Departments were found very poor as it was not on proper format neither properly binded in a book form nor accompanied by supporting documents resultantly most of the time of the PAC was wasted to search out the relevant documents. Most of the documents asked for by the Committee during the meeting were not found available which created embarrassing situation. The Department was therefore, directed to avoid such laxity in future while furnishing working paper to the PAC being the highest forum dealing with the financial oversight of the Government.

POOR FINANCIAL MANAGEMENT AND INTERNAL CONTROL SYSTEM.

14. While examining the accounts of Agriculture Department, PAC observed poor financial management and negligible internal control system in the Agriculture Research Wing, resultantly number of cases of embezzlement, misappropriation, fraud, etc; were reported in the Auditor General's Report, which involved loss of millions of rupees to public ex-chequer. Main reason for such irregularities was the defective and non transparent procedure adopted by the Department contrary to the procurement rules. In most of the cases, the ex-Director General has reportedly shown as the principal accused, who has already been retired from service.

NO RESEARCH IN ANIMALS BREEDING etc.

15. The Committee while examining the Audit Report pertaining to Directorate of Livestock & Dairy Development of Agriculture Department was astonished to know that no new breed of animals have been introduced by the Directorate since its creation. Neither the local breeds of animals have been improved nor was it properly handled the imported breeds despite utilization of funds in millions being allocated in every year's budget. The Committee was of the considered opinion that such laxity of the Directorate towards its job assignment is not tolerable. The Department was therefore, directed to focus on its assigned job so that better results and value for public money could be achieved.

NON-SUBMISSION OF WORKING PAPER IN TIME.

16. Non submission of working paper by the Higher Education Department to the Committee in time was noted with grave concern. The Department was directed to conduct enquiry and initiate action within one month against all those officers who failed to prepare and submit the working to the PAC in time i.e. 10 days before the meeting as instructed by the PAC from time to time and asked for by the PAC Cell of the Provincial Assembly since the Auditor General's Report is laid before the House.

UN-AUTHENTIC WORKING PAPER

17. The PAC noted with grave concern that despite clear-cut instructions from time to time the Health Department failed to submit working paper in time and on proper format. The working paper was neither signed by the Administrative Secretary nor Chief Executive concerned. The text of Draft Para exhibited in the working paper was not in conformity with the Audit Report rather the text of Advance Para instead of Draft Para was reflected in the working paper. The working paper was therefore, termed as faulty. The Members strongly objected to such casual attitude of the Department. The Department was directed to avoid such attitude and to provide working paper on proper format in time to the Assembly Secretariat in future otherwise strict disciplinary action will be recommended against the responsible.

RENTING OUT GOVERNMENT ACCOMMODATIONS.

18. While examining the accounts of Administration Department, the Committee noted that Government accommodations meant to facilitate the Government servants in discharge of their duties were allotted to un-authorized persons on market rates. It therefore, directed the Department to stop forthwith such practice of renting out the Government accommodation to un-authorized person (s) on market rates as the Government was not in the business of real estate.

STEREOTYPE COMMENTS OF FINANCE DEPARTMENT

19. The Committee observed with grave concern that the comments of Finance Department on the working paper were inadequate and could not facilitate the job of PAC. Most of the time was wasted to find out the financial issue involved in the Para. Had the Finance Department gone through all the relevant record and offered realistic comments on the issue(s) involved in each Para, the job of PAC would have been facilitated; therefore, the Finance Department was directed to properly go through all the relevant documents and record realistic comments on the working paper in future and avoid stereotype remarks.

WEAK INTERNAL CONTROL

20. Total (38) Draft Paras were framed against the Home & Tribal Affairs Department out of which 34 Draft Paras were against the Police Department. In all these Paras, two issues that is construction of buildings and purchase of equipments for Police were involved and in all cases it was noticed that the Department had not adopted proper procedure, rules/regulations and failed to fulfill the codal formalities, the Department was found un-aware of mis-deeds till it was pointed out by the Audit Department which clearly indicates the non existence Internal Control System/Weak Financial Management System in the Department.

21. The Department was, therefore, directed to establish Internal Control System with in the Department and to abide by the Financial Rules while spending Government money in future.

POOR WORKING PAPER

22. The working paper furnished by the Home Department was found incomplete as no supporting documents were found attached with it nor it could be produced during the meetings resultantly most of the time of Committee was wasted on non-issues. The Department should inquire into the matter as to whether it was intentional or otherwise and to take appropriate action against the concerned. The Department was further directed to furnish working paper complete in all respect duly supported by documentary proof in future.

Report

INTRODUCTION

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- Unspent balances need to be deposited into government treasury.
- Inquiries need to be held to fix responsibility for losses, fudged payments and wasteful expenditure.

6. The Committee examined the Audit Report in its twenty nine (29) sittings and dropped unconditionally eighty eight (88) Draft Paras, where the explanation of the Department was found plausible or relevant record was produced and duly verified by the Audit, while in thirty four (34) Draft Paras, where the Government funds were proved to have been mis-appropriated or have been embezzled, it recommended for affecting recovery after fixing responsibility on the culprits in pursuance of the relevant laws on the subject. Forty three (43) Draft Paras, where record needed to be verified, were dropped conditionally subject to verification of record. Fifty seven (57) Draft Paras were referred for departmental action, fifteen (15) Draft Paras were referred to Inter Departmental Committees (IDCs) and thirty (38) Draft Paras pertaining to various Departments were kept pending.

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Finance	02	02	--	--	--	--	--	--
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Food	40	07	09	06	11	03	02	02
Home & Tribal Affairs	39	11	--	01	01	08	--	18
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14. The working paper furnished by the Home Department was found incomplete as no supporting documents were found attached with it nor it could be produced during the meetings resultantly most of the time of Committee was wasted on non-issues. The Department should inquire into the matter as to whether it was intentional or otherwise and to take appropriate action against the concerned. The Department was further directed to furnish working paper complete in all respect duly supported by documentary proof in future.

POOR FINANCIAL MANAGEMENT AND INTERNAL CONTROL SYSTEM.

15. While examining the accounts of Agriculture Department, PAC observed poor financial management and negligible internal control system in the Agriculture Research Wing, resultantly number of cases of embezzlement, misappropriation, fraud, etc; were reported in the Auditor General's Report, which involved loss of millions of rupees to public ex-chequer. Main reason for such irregularities was the defective and non transparent procedure adopted by the Department contrary to the procurement rules. In most of the cases, the ex-Director General has reportedly shown as the principal accused, who has already been retired from service.

NO RESEARCH IN ANIMALS BREEDING etc.

16. The Committee while examining the Audit Report pertaining to Directorate of Livestock & Dairy Development of Agriculture Department was astonished to know that no new bread of animals have been introduced by the Directorate since its creation. Neither the local breads of animals have been improved nor was it properly handled the imported breads despite utilization of funds in millions being allocated in every year's budget. The Committee was of the considered opinion that such laxity of the Directorate towards its job assignment is not tolerable. The Department was therefore, directed to focus on its assigned job so that better results and value for public money could be achieved.

NON-SUBMISSION OF WORKING PAPER IN TIME.

17. Non submission of working paper by the Higher Education Department to the Committee in time was noted with grave concern. The Department was directed to conduct enquiry and initiate action within one month against all those officers who failed to prepare and submit the working to the PAC in time i.e. 10 days before the meeting as instructed by the PAC

from time to time and asked for by the PAC Cell of the Provincial Assembly since the Auditor General's Report is laid before the House.

UN-AUTHENTIC WORKING PAPER

18. The PAC noted with grave concern that despite clear-cut instructions from time to time the Health Department failed to submit working paper in time and on proper format. The working paper was neither signed by the Administrative Secretary nor Chief Executive concerned. The text of Draft Para exhibited in the working paper was not in conformity with the Audit Report rather the text of Advance Para instead of Draft Para was reflected in the working paper. The working paper was therefore, termed as faulty. The Members strongly objected to such casual attitude of the Department. The Department was directed to avoid such attitude and to provide working paper on proper format in time to the Assembly Secretariat in future otherwise strict disciplinary action will be recommended against the responsible.

RENTING OUT GOVERNMENT ACCOMMODATIONS.

19. While examining the accounts of Administration Department, the Committee noted that Government accommodations meant to facilitate the Government servants in discharge of their duties were allotted to un-authorized persons on market rates. It therefore, directed the Department to stop forthwith such practice of renting out the Government accommodation to un-authorized person (s) on market rates as the Government was not in the business of real estate.

STEREOTYPE COMMENTS OF FINANCE DEPARTMENT

20. The Committee observed with grave concern that the comments of Finance Department on the working paper were inadequate and could not facilitate the job of PAC. Most of the time was wasted to find out the financial issue involved in the Para. Had the Finance Department gone through all the relevant record and offered realistic comments on the issue(s) involved in each Para, the job of PAC would have been facilitated; therefore, the Finance Department was directed to properly go through all the relevant documents and record realistic comments on the working paper in future and avoid stereotype remarks.

WEAK INTERNAL CONTROL

21. Total thirty nine (39) Draft Paras were framed against the Home & Tribal Affairs Department out of which 34 Draft Paras were against the Police Department. In all these Paras, two issues that is construction of buildings and purchase of equipments for Police were involved and in all cases it was noticed that the Department had not adopted proper procedure, rules/regulations and failed to fulfill the codal formalities, the Department was found un-aware of mis-deeds till it was pointed out by the Audit Department which clearly indicates the non existence Internal Control System/Weak Financial Management System in the Department.

22. The Department was, therefore, directed to establish Internal Control System with in the Department and to abide by the Financial Rules while spending Government money in future.

AGRICULTURE, LIVESTOCK & COOPERATION DEPARTMENT

Thirty three (33) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meetings held on 6th, 9th and 10th of July 2012. The following were present:-

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Kiramatullah Khan, Speaker | Chairman |
| 2. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 3. | Mr. Mukhtiar Ali Khan, MPA | Member |
| 4. | Syed Muhammad Ali Shah Bacha, MPA | Member |
| 5. | Mr. Fazal Shakoor Khan, MPA | Member |
| 6. | Malik Tamash Khan, MPA | Member |
| 7. | Mr. Muhammad Zamin Khan | Member |

Finance Department.

1. Mr. Bashir Khan,
Additional Secretary (Dev).
2. Mr. Saif-Ur-Rehman Usmani,
Director.

Law Department

Mr. Jamshaid Khan Afridi,
Deputy Secretary.

Audit Department.

1. Mr. Sikandar Khan,
Director General.
2. Mr. Lal Muhammad,
Director.
3. Mr. Mutahir Rehman,
Deputy Director.

Anti-Corruption Department.

Syed Fayyaz Ali Shah,
Director.

Agriculture Department.

1. Mr. Muhammad Afsar Khan,
Secretary.
2. Mr. Khan Bahadur,
V.C, Agriculture University, Peshawar.
3. Mr. Ghufranullah
D.G, L&DD (Research).

4. Mr. Malik Ayaz
Director, L&DD (Extension).
5. Dr. Farzand Ali,
Director Finance, Agri: Univ., Peshawar.
6. Dr. Muhammad Ajaz,
Principal Research Officer, VRI.
7. Dr. Muhammad Iqbal,
Principal Research Officer, LR, Dup.
8. Mr. Muhammad Diyar,
Director, Fisheries.
9. Dr. Malilk Ayaz Wazir,
Director Animal Health.
10. Dr. Shermad Wazir,
Director Cattle Breeding.
11. Mr. Gul Nawaz Khattak,
Director General.

Provincial Assembly of Khyber Pakhtunkhwa

1. Mr. Amanullah,
Secretary.
 2. Mr. Amjad Ali,
Additional Secretary.
 3. Mr. Inamullah Khan,
Deputy Secretary
2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

DP. 1.2.1 MIS-APPROPRIATION OF Rs. 1.831 MILLION.

AUDIT VERSION

3. The Audit reported that during the financial year 2009-10, in the offices of Director General Extension & Research and Director General Livestock & Dairy Development Department, Peshawar it was noticed that a sum of Rs.1.831 million on account of medicines and other miscellaneous items were misappropriated through cutting/over writings etc, in record.

4. Audit was of the view that misappropriation was due to weak internal controls. The misappropriation was pointed out in October 2010. The management furnished no reply. In the DAC meeting held on 23.12.2010 the department replied that it was clerical mistake and the required entries could not be made by the staff in time.

5. The Director General (Extension) informed the committee that it was mismanagement on his part. The Director General (Research) informed that preliminary inquiry in the misappropriation of store was carried out, responsibility had been fixed and certain amount recovered from the concerned. The DAC directed that action should be taken against the persons(s) at fault by affecting recovery of the remaining amount. No further progress was intimated till finalization of this report.

6. Audit recommends affecting recovery of full amount from the person(s) at fault along with fixing responsibility.

DEPARTMENTAL VERSION

7. The Department explained that: -

1) **Misappropriation of Rs. 2,40,000/-.**

After a preliminary inquiry carried out by the Director (HQ) of this Department, it was noticed that no misappropriation of the said item had taken place. In fact it was a clerical mistake, which resulted in wrong entries in the stock register. After clarification from other available record of distribution of items e.g. Departmental Receipt Form (DRF), necessary correction has been made in the relevant stock register.

2) **Misappropriation of Rs. 45,360/-.**

It was also a clerical mistake, which resulted in wrong entries in the stock register. After clarification from other available record i.e. Departmental Receipt Form (DRF), necessary correction has been made in the relevant stock register, and can be checked at any time.

No misappropriation has occurred in the purchase/distribution of the medicine Melacom injection etc; hence, the para may be dropped.

3) **Misappropriation of Rs. 16,000/- in the Amoxy Kak Injection.**

After clarification from the available record of distribution of items e.g. DRF, it was found that the oversight by dealing hand had resulted in wrong entries. Necessary correction has been made in the relevant stock register.

As far as the matter of medicines distributed to District Swat is concerned, it is to clarify that the number of veterinary dispensaries opened in that district under the schemes phase-I and phase-IV was more than the other districts. Under normal circumstances, the share of inputs for supply to the office of District Livestock Officer is fixed on the basis of the number of these institutions in the concerned district, however, this criterion does not apply to emergency situations e.g. flood, earthquake or other calamities. Therefore, the share of medicines supplied to these veterinary dispensaries of District Swat was greater than the other districts. The Department further clarified that: -

1) in fact, the medicines were issued to various districts of the province and necessary Departmental Receipt Forms were obtained from the end users. Thereafter, proper entries were made in the relevant stock registers of this office. However, some clerical mistakes occurred in the main stock registers of this

office including the instant case, which have now been corrected and properly attested.

- 2) all corrections made in the main stock register of the office tally with the relevant DRFs and have been countersigned accordingly.
- 3) the difference was made due to clerical mistakes and found correct with DRF, necessary correction/ overwriting/cutting was attested.

4) **Misappropriation of misc items noticed during physical verification of store and stock (Ap-21).**

All the items purchased during the year 2009-10 are entered in the register and have been distributed amongst the concerned staff of the Department. All the relevant record was produced to audit office on 27/6/2012.

A proper enquiry was conducted first by the Director Headquarters, L&DD (Extension), B-19 officer, and later on after the DAC meeting by a high level committee comprising of B-19 officers i.e. Director, Achai Cattle Conservation & Dev: Program; and Director Planning, L&DD (Extension) with the result that no misappropriation of Government funds was noticed by both the committees. Copies of enquiry reports are appended for ready reference.

PAC OBSERVATIONS

8. The Committee observed that despite clear cut decision in the Pre-PAC regarding verification of record and recovery by 30th June 2012 the department failed to produce any evidence of verification or recovery which indicates laxity on part of the department.

9. The Committee also observed that seven (07) advance paras of different nature pertaining to two (02) different organizations were clubbed together which created confusion and most of its time was wasted by examining the advance paras one by one.

PAC RECOMMENDATIONS

10. The audit para was based on different advance paras. With regard to A.P Nos. 20, 26 & 27 involving the issue of manipulation in stock register, the Committee recommended that the cuttings in the stock register be attested by the Secretary himself and physical verification of stock be carried out by Audit and officers of the PAC Cell. If the stock was verified, then the paras would be considered as settled.

11. Regarding A.P Nos. 21, 37, 39 & 40 involving misappropriation, the Committee upheld the decision of Pre-PAC and recommended that action leading to recovery may be initiated against the responsible (s) with in a month positively. In case of failure the same may be affected from the officer (s) responsible for affecting recovery. Para stands. Progress be reported to PAC.

DP.1.2.2 MIS-APPROPRIATION OF Rs. 0.942 MILLION.

AUDIT VERSION

12. The Audit reported that during the financial year 2009-10, the Director General (Extension).Livestock & Dairy Development, Khyber Pakhtunkhwa Peshawar, purchased 1,795 Melacom injections @ Rs.720 per 100ml costing Rs.1.292 million. The following shortcomings were noticed in the purchase:

- On physical verification of unutilized stock of the injections by audit team it was observed that supply was received in 50ml pack instead of 100 ml.
- The retail price of injection was Rs.195 as recorded on the packing, while payment was made @ Rs.720 per injection. Hence, Rs. 525 per injection for a quantity of 1795 injections was over paid.
- 63 injections were mis-appropriated by short entry in the stock register.
- Out of total injection 962 injections were found expired.
- There were cuttings, over writings and use of fluid in the stock register.

13. Audit held that mis-appropriation was due to weak controls and mis-management in the Department.

14. The mis-appropriation was pointed out in October 2010. The management stated that reply would be given later on.

15. In the DAC meeting held in 24.12.2010 the Department replied that double quantity of 50ml pack injections were supplied instead of 100ml as the 100ml was not available in the market at that time. The Department further admitted that the concerned store keeper could not maintain the stock register properly. The Director General also admitted in the DAC that all short comings were the result of his mismanagement. The DAC was not satisfied with the reply and decided to place the Para before PAC.

16. Audit recommends that investigation in the matter be carried out for fixing responsibility and taking appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

17. The Department explained that the mentioned item was approved and purchased in 2008-09 and relevant financial rules were followed in the purchase process. The ordered quantity of the medicine was supplied but in 50-ml pack instead of 100-ml of approved pack. This happened due to the urgent need of the said item after sudden onset of Foot & Mouth disease and three-day-sickness disease of animals in some of the areas of the province, and at that time 100 ml pack of the said item was neither available with the firm nor in the market, therefore, they supplied 50-ml pack in double quantity although the 50 ml pack is relatively

costly as compared to 100 ml pack. The supply in double quantity of 50 ml pack was properly entered in the stock register.

18. Due to flood situation in the province, all the stock of the said item, purchased by the Department under different schemes was distributed in the flood affected areas. At that difficult time, the concerned firm as well as some other firms provided some quantity of the mentioned item having short expiry, as donation for use in the flood affected areas. Due to no access to some areas like Shangla and Kohistan etc. (Their share of donated medicine that is about 100 bottles). The Department was unable to transport the donated share of Melacom Injection to those areas, hence, the stored medicines got expired (October 2010 the expiry date). At the time of the visit of audit party, these expired donated medicines were lying in the main store of the Department for further disposal which were considered by the audit as the routine supply.

19. In response to the audit observation, the Director (HQ) of this office carried out a short inquiry and found that due to heavy load of work during flood situation. The concerned Store Keeper of this office could not maintain the stock register properly as far as distribution of medicines was concerned. But from the official record, it was evident that the medicines had been distributed in the previous months and no vials of the purchased medicines were kept in the main store before the arrival of audit party. Hence, no irregularity had been committed.

20. The pack mentioned with low price was actually from the stock provided by the firm as donation and not from the stock purchased by this Department during financial year 2008-09, audit of that year had already been carried out satisfactorily. All the stock entries are in order. Keeping in view the technical nature of the purchased items, as well as the workload of the audit team, the audit party has conceived a wrong picture of stores, otherwise the store was kept in very presentable manner.

21. Difference in the balance of the said item occurred due to clerical mistake on part of the Store Keeper at the time of making the calculations, which has now been corrected and verified. During the flood 2010, the following activities were carried out on emergency basis being the responsibility of the Department on humanitarian ground, which was appreciated by all the Government machinery at time of flood situation.

1.	relief camps established	-	76
2.	mobile clinics deputed	-	36
3.	animals vaccinated	-	370000

- | | | | |
|----|-------------------------|---|-------------|
| 4. | animals treated | - | 50000 |
| 5. | technical staff deputed | - | 394 persons |

22. No such expenditure was made during financial year 2009-10 on the purchase of items identified by audit, and these purchases were made during the year 2008-09.

PAC OBSERVATIONS

23. Recovery of Rs.0.942 million within 3 days was ordered in the Pre-PAC whereas during the meeting the Secretary frankly conceded that he was unaware of the factual position and had wrong judgement by ordering recovery in this case as it was not an issue of purchase, rather donation was made, and the medicines were not utilized in full due to its short expiry period.

PAC RECOMMENDATIONS

24. The explanation of the department being plausible was accepted and the Para was recommended to be dropped.

DP.1.2.3 LOSS ON ACCOUNT OF PURCHASE OF FOOD INGREDIENTS Rs.22.64 MILLION.

AUDIT VERSION

25. The Audit reported that during the financial years 2008 & 2009-10, the Director Livestock Research & Development, Khyber Pakhtunkhwa Peshawar sustained a loss of Rs.22.64 million on account of purchase of Food ingredients for preparation of Shandar Vanda in the newly constructed Feed Mill. The relevant record showing sale proceeds of Shandar Vanda was demanded time and again, but could not be produced. The site of the Mill was visited but even then the record was not found available. During the site visit, it was observed that Mill was out of order for the last two years, whereas the ingredients of Rs.11.65 million during 2008-09 and of Rs.10.99 million during 2009-10 were regularly purchased. The ingredients purchased two years back dumped in the Mill hall were expired and had become poisonous which could not be used as feed for animals. In this regard a Departmental enquiry had been conducted which had established that the amount had been misappropriated. Audit held that loss occurred due to mismanagement on the part of Department.

26. The Loss was pointed out in November 2010. The management stated that inquiry had been conducted but responsibility had not yet been fixed.

27. In the DAC meeting held on 23.12.2010, the Department replied that the record was checked but they could not find the required information. Hence, the Para was

communicated to the Director General Research. Ex-Director Livestock and Dairy Development, for appropriate reply. The DAC directed the Department to submit the reply upto 29.12.2010, but no progress was intimated till finalization of this report.

28. Audit recommends that responsibility be fixed against the person(s) at fault and amount of the loss be made good.

DEPARTMENTAL VERSION

29. The Department explained that as per decision of the DAC taken in its meeting held on 23/12/2010, an internal inquiry was conducted in the matter.

30. During the meeting the Secretary explained that the inquiry conducted on the direction of DAC was not upto his satisfaction therefore, the D.G concerned have been directed to conduct fresh enquiry into the case.

PAC OBSERVATIONS

31. The Committee observed that only one officer could not be held responsible and other responsible including the Purchase Committee cannot be absolved of the responsibility.

PAC RECOMMENDATIONS

32. The Committee recommended that a detailed enquiry may be conducted in the entire case and whosoever is involved, may be put to task after fixing responsibility with in a month. Recovery in this case, after fixing responsibility may be initiated immediately. Para stands.

DP.1.2.4 LOSS DUE TO SHORT SUPPLY OF FEED INGREDIENTS- Rs.8.2 MILLION.

AUDIT VERSION

33. The Audit reported that during the financial years 2006-07 & 2007-08, the Director Live Stock Research and Development Khyber Pakhtunkhwa Peshawar in violation of Para 148 of GFR Vol: 1 incurred as expenditure of Rs.8.2 million on the purchase of feed ingredients for feed mills under the scheme "Agriculture Sector Programme Loan II" The Senior Research Officer checked the stock physically on 19.05.2010 and reported that the items received were less than the quantity purchased. Audit was of the view that Government sustained loss due to weak controls in procurement process.

34. The irregularity was pointed out in September 2010. The Department stated that the Para would be communicated to Ex. Director LR&D for proper reply.

35. In the DAC meeting held on 24.12.2010, the Department stated that reply would be furnished after verification of record. The DAC directed to conduct inquiry and submit report. No progress was intimated till finalization of this report.

36. Audit recommends that responsibility be fixed against the person(s) at fault.

DEPARTMENTAL VERSION

37. The Department explained that as per decision of the DAC taken in its meeting held on 24/12/2010, the inquiry was conducted in the matter. The inquiry report had been prepared in the booklet shape containing more than hundreds pages and it is not possible for the Department to attach the complete report with each set of the working paper. The original copies of the inquiry report could be examined by the PAC.

PAC OBSERVATIONS

38. The Committee observed that the earlier enquiry was not final and it was a case of detailed enquiry as number of officer(s) seems to have been involved.

PAC RECOMMENDATIONS

39. The Committee directed that a detailed enquiry may be conducted for fixing responsibility and affecting recovery from the responsible (s) in view of quantum of their responsibility within one month. Para stands. Progress be reported to the PAC Cell.

DP.1.2.5 LOSS TO NON- IMPOSITION OF PENALTY ON LATE- Rs.3.549 MILLION.

AUDIT VERSION

40. The Audit reported that during the financial year 2009-10, the Vice Chancellor Agricultural University Peshawar incurred an expenditure of Rs.35.491 million on the purchase of machinery and equipments. Supply order of machinery was issued to various firms but they failed to supply it within the stipulated period as was required under clause-12 of the contract documents. Neither any extension in the supply time was granted nor penalty @ 10% imposed for late supply, which resulted into a loss of Rs.3.549 million due to negligence on the part of management. The loss was pointed out in December 2010. The management furnished no reply.

41. In the DAC meeting held on 24.01.2011 the Department replied that detail of the voucher number and date had not been mentioned in the Para: therefore, it was difficult to prepare the reply. Audit pointed out that reply of Department was not based on facts as details

had already communicated to the Department and available with them. The DAC decided to place the Para before the PAC.

42. Audit recommends to recover the amount of penalty from supplier and fix responsibility against the officers concerned for not initiating timely action.

DEPARTMENTAL VERSION

43. The Department explained that the equipments were ordered for imports through letter of credit (LC), payments were made through bank to the manufacturer in advance according to rules during 2006-08. The equipments were received within stipulated time, taken in stock and installed by the authorized dealers of the manufacturers in Pakistan. However, the advance paid to the manufacturers were adjusted late vide Voucher No. 165 dated 12/03/2010. The delay was in adjustment and not in the supply.

PAC RECOMMENDATIONS

44. In view of plausible reply of the Department, satisfaction of the Committee and Audit, the Para was recommended to be dropped.

D.P.1.2.6 LOSS DUE TO SUPPLY OF LESS NUMBER OF ANIMALS-RS.3.170 MILLION.

AUDIT VERSION

45. The Audit reported that during the financial years 2006-07 and 2007-08, the Director Livestock Research and Development Khyber Pakhtunkhwa Peshawar incurred an expenditure of Rs.4 million on the purchase of 100 dairy animals (50 buffalos & 50 cows) and Rs.2 million on the purchase of 100 sheep & 100 goats under the scheme "Agriculture Sector Programmed Loan II". The Senior Research Officer on 19.05.2010 carried out physical verification and reported that the buffalos found were 19, cows 31, sheep 15 and goats 68. Thus Para 148 of GFR Vol: 1 was violated and the public exchequer was put to a loss of Rs.3.170 million due to weak control of the management.

46. The irregularity was pointed out in September 2010. The Department stated that the Para would be communicated to Ex. Director LR&D for proper reply.

47. In the DAC meeting held on 24.12.2010, the Department replied that for any lapse, the Farm Manager and Station Director would be proceeded against. The DAC directed the Department to conduct inquiry and submit the report. No Progress was intimated till finalization of this report. Audit recommended to investigate the matter, fix responsibility, and make the loss good through recovery.

DEPARTMENTAL VERSION.

48. The Department explained that it is correct that in PC-I mentioned that the following No. of animals for the Livestock Research & Development Station, D.I.Khan would be purchased: -

1. Buffalos	50 Nos
2. Cow	50 Nos
3. Sheep	100 Nos
4. Goat	100 Nos

49. Due to escalation of rate and tendering process this Department was unable to purchase the above animals with the available/approved budget under the Head of Purchase of animals. However, the following species and strength of animals were purchased: -

1. Buffalos	14
2. Cow	16
3. Sheep	36
4. Goat	97

50. Moreover, an inquiry was conducted and it was noted that 6 No. of Lohani Cows were missing at the station. In addition, the missing of the same animals was also confirmed by the inquiry made by the Anti Corruption Department and it was proved that 6 Nos. of Lohani Cows were missing and the supplier was asked to supply the same. The 6 Nos. of Lohani Cows were supplied to the station, which was duly received by the concerned official of the station.

51. Needless to mention that the payment was made to the supplier by the Ex-Director without getting a certificate from the Purchase Committee.

PAC OBSERVATIONS.

52. The PAC observed that the animals were received short during the year 2007-8. When it was pointed out in September 2010 and case was referred to Anti-Corruption Department, the same was made good by the Contractor during that period. This established the short supply of animals and clearly indicates the weak internal control in the Department. The PAC lamented on the part of the officers dealing with the issue.

53. The procurement process was dubious and derivative aimed at giving benefit to certain individuals.

54. As clarification of the Anti-Corruption Department was required therefore, the Para was deferred till tomorrow for inviting the Director, Anti-Corruption to the meeting.

STATEMENT OF DIRECTOR, ANTI-CORRUPTION.

55. On 10-07-2012, the Director, Anti-Corruption attended the meeting and informed that 5 Nos. Cows and a Bull were found missing which was supplied during the course of their investigation. He further told that numbers of cases have been reported to them against the Ex-D.G which are being scrutinized and a comprehensive FIR will be lodged against him.

PAC RECOMMENDATIONS

56. The Committee directed the Department that in the instant Para details may be provided to Anti-Corruption within 10 days for lodging separate FIR in each case (Para) and initiate further actions.

D.P.1.2.7 LOSS DUE TO NON-SUPPLY OF COMPOSITE FEED RS.2.816 MILLION.

AUDIT VERSION

57. The Audit reported that during the financial year 2009-10, the Director Live Stock Research and Development Khyber Pakhtunkhwa Peshawar issued 4,400 bags (110.000 Kg) composite feed (Shandar Vanda) from Live Stock Research and Development Station Surezai for the animals at Paharpur station D.I. Khan under the scheme "Agriculture Sector Programme Loan II". The Senior Research Officer verified that the feed was issued from Surezai station on 19-05-2010 and reported that the same had not been received in Paharpur station D.I. Khan. Thus the public exchequer was put to a loss of Rs.2.816 million due to weak internal controls of the management.

58. The irregularity was pointed out in September 2010. The department stated that the Para would be communicated to Ex. Director LR&D for proper reply.

59. In the DAC meeting held on 24-12-2010, the Department replied that for any lapse, the Farm Manager and Station Director would be investigated. The DAC directed to conduct an inquiry and submit the report. No progress was intimated till finalization of this report. Audit recommended to investigate the matter, fix responsibility, and make the loss good through recovery.

DEPARTMENTAL VERSION.

60. The Department explained that as per decision of the DAC taken in its meeting held on 24/12/2010, the inquiry was conducted in the matter. The inquiry report has been prepared in the booklet shape containing more than hundreds pages and it was not possible for

the Department to attach complete report with each set of the working paper. The original copies of the inquiry report will be shown during the course of PAC meeting.

PAC OBSERVATIONS.

61. The PAC observed that fraud was established therefore, in the pre-PAC meeting, recovery was ordered.

PAC RECOMMENDATIONS

62. Since it was a clear case of fraud, therefore, the PAC upheld the decision of the Pre-PAC, and directed that recovery may be made within 3 months positively. The Department was also directed to initiate strict departmental action against the officer (s) involved. Para stands. Progress be reported to PAC Cell.

D.P.1.2.8 LOSS TO PUBLIC EXCHEQUER DUE TO CULTIVATION OF FARM LAND BY OFFICE EMPLOYEES-RS.2.789 MILLION.

AUDIT VERSION

63. The Audit reported that in the Cattle Breeding and Dairy Farm Harichand, 660.06 kanal irrigated land and 251.5 kanal non-irrigated land was rented out amongst its employees @ 40 kgs and 20 kgs and per kanal respectively instead of renting it at the prevailing yield production of 187.5 kgs and 93.75 kg per kanal resulting into loss of Rs.2.789 million due to mismanagement on the part of office administration.

64. The loss was pointed out in December 2010. The management stated that the land was less fertile and the employees took great interest in the cultivation of land.

65. In the DAC meeting held on 08.01.2011 the department replied that from the irrigated 660.06 kanal land @ 40 kgs per kanal from the Tip holders and from 251.50 kanal non-irrigated land @ 20 kgs per kanal was received. Bulk of wheat straw was also received from the Tip holders. The DAC did not agree with the contention of the department and decided to place the Para before PAC. Audit recommended to investigate the matter, fix responsibility, and make the loss good through recovery.

DEPARTMENTAL VERSION.

66. The Department explained that the farm land measuring 911.06 kanal was given on tip by director Cattle Breeding & Dairy Farm Harichand to the farm employees. Out of that 660.06 kanal land was irrigated while 251.5 kanal land was unlevelled and rain fed. For that reason, the tip of wheat grain received from irrigated land was 40-kg per kanal whereas in case

of rain fed land it was 20-kg per kanal. Besides this, the entire bulk of wheat straw was also received from the tip holders. The value of 31464-kg wheat grain comes to Rs. 753563/- and 138937/- kg wheat straw was received from the tip holders for the Govt/Farm animals at zero expenditure. As such, no loss to the Government exchequer was sustained.

PAC OBSERVATIONS.

67. The PAC observed that tip rates were at lower side, which needs to be enhanced with a view to make, it at par with market rates. However, good intention of the Department was observed as the department had tried to save the Government land from illegal occupation.

PAC RECOMMENDATIONS

68. With the above observation, the Para was recommended to be dropped.

D.P.1.2.9 LOSS DUE TO ENCROACHMENT OF STATE LAND-RS.2.70 MILLION.

AUDIT VERSION

69. The Audit reported that the Director Livestock Research & Development, Khyber Pakhtunkhwa Peshawar purchased 178 acres of land for farming during 1978, The possession and demarcation were not done in time. As a result, 18 acre land now under dispute and not in possession of the department.

70. One hundred and twenty acres cultivated area of the farm was divided into 50 plots, out of which plot No.1 & 3 were converted into Cattle & Poultry Feed Mill building but the same had not yet been properly operationlized. This resulted in a loss of Rs.2.70 million due to negligence of the management.

71. The loss was pointed out in November, 2010. The management stated that the case was subjudice in the court of Law and it would be hopefully decided in favor of government.

72. In the DAC meeting held in 24.12.2009, the department replied that the case was already in the court and the dispute would hopefully be decided soon. The DAC did not agree as the case was pending for the last 20 to 25 years and decided to vigorously pursue the case. No progress was reported till finalization of this report.

73. Audit recommends that matter needs to be investigated and responsibility be fixed against the officers for not pursuing actively the case in the Court of Law.

DEPARTMENTAL VERSION.

74. The Department explained that for 18 acre land, decision was made by the higher court in favour of this Directorate but the opponent filed appeal in the Supreme Court of Pakistan. Now the case is under trial and the decision in the matter is still awaited.

PAC OBSERVATIONS.

75. The PAC observed that the court had not granted any stay order, therefore the Department should actively work on getting possession of the land urgently in order to keep intact its writ over the land otherwise it will go out of the hands of Government.

PAC RECOMMENDATIONS

76. The PAC recommended that the Department should get possession of the land and pursue the case vigorously in the Court of law so that the land in question may not go out of the hands of Government. Para stands. Progress be reported to PAC Cell.

D.P.1.2.10 LOSS TO PUBLIC EXCHEQUER BY REPLACING QUOTATION RS.2.405 MILLION.

AUDIT VERSION

77. The Audit reported that during the financial year 2009-10, in the office of Director Livestock Research & Development, Khyber Pakhtunkhwa Peshawar, Government was put to a loss of Rs.2.405 million by allowing higher rates in the purchase of ration ingredients in violation of Paras 23, 144 & 145 of GFR Vol: 1 read with Para 29 of the Khyber Pakhtunkhwa Procurement Rules, 2003. According to the NIT, different contractors/suppliers had offered their rates. M/s Ejaz & Co. submitted quotation on 22-07-2009 quoting rates of ration ingredients. The above quotation of lowest bidder i.e. M/S Ejaz & Co, dated 22-07-2009 was replaced with higher rates and got approved. The comparative statement was signed by the members of the purchase Committee on 25.07.2009 connivance of management with the contractor resulted in a loss due to weak supervisory and management controls.

78. The irregularity was pointed out in November 2010. The management stated that proper

79. In the DAC meeting held in December 2009. The department replied that the record was checked but they could not find the required information and the Para was

communicated to the Ex-Director for appropriate reply. The reply was not convincing and the DAC directed to furnish proper reply by 29.12.2010. No progress was intimated till finalization of this report.

80. Audit recommended for holding an inquiry to fix responsibility.

DEPARTMENTAL VERSION.

81. The Department explained that the record of the office showed that all the ingredients purchased were made on the signed comparative statement during the year 2009-10, Moreover, no record regarding the replaced quotation was traceable in the office. In the above circumstances no irregularity has been made.

PAC OBSERVATIONS.

82. It was observed that the decision arrived at Pre PAC meeting was not implemented. The Secretary categorically admitted his fault by not following up his own decision.

PAC RECOMMENDATIONS

83. The PAC commended the courage of Administrative Secretary for accepting his fault and as requested by him, it recommended that enquiry as ordered in the pre-Pac meeting must be finalized within 2 weeks, and responsibility may be fixed and in case charge is established, recovery coupled with stern disciplinary action be initiated against the defaulter (s). Para stands. Progress be reported to PAC.

D.P.1.2.11 LOSS DUE TO NON PURCHASE OF RATION/SEED/FERTILIZER FROM THE LOWEST BIDDER-RS.2.212 MILLION.

AUDIT VERSION

84. The Audit reported that during the financial year 2009-10, in the Cattle & Dairy Farm Harichand. It was noticed that tenders for supply of ration/seed/fertilizer were invited from suppliers. The rates of the lowest bidder Ejaz & Co. Charsadda were ignored and higher rates of other firms were accepted. Moreover, laboratory tests were also not carried out to verify the standard. This resulted in a loss of Rs.2.212 million due to the connivance of management with the contractor.

85. The loss was pointed out in December 2010. The management stated that the rates of Ejaz & Co. were not considered by the Director General as these items were not fit for this Farm.

86. In the DAC meeting held on 08.01.2011 the department replied that the rates offered by the lowest bidder were on very low side. The Purchase Committee did not accept his rates on the basis of market survey and considered that the firm would be unable to supply quality ration on such a lower rate. The DAC did not agree with the plea of the department and decided to place the Para before the PAC.

87. Audit recommended to recover the loss sustained by the Government from the responsible officer (s).

DEPARTMENTAL VERSION.

88. The Department explained that the rate offered by M/s Ijaz & Co Charsadda for supply of ration to the animals of Cattle Breeding & Dairy Farm Harichand for the year 2009-10 was on very lower side. Therefore, the purchase Committee decided to cross check the sale price of ration in the open markets of Peshawar and Charsadda. According to the report of the Purchase Committee the rates of ration which prevailed at that time were on higher side as compared to the rates of M/s Ijaz & Co Charsadda. Hence, it was considered that the firm will not be able to supply quality ration on such low rates. In case substandard and low quality ration was purchased and fed to animals, heavy losses would have been sustained to the farm in the shape of low production of milk and poor health condition of animals. To save the farm from such undesirable situation, the Committee decided to reject the lowest rate of M/s Ijaz & Co Charsadda by using the clause mentioned in the NIT that the Chairman of Purchase Committee will have the right to reject any tender without assigning any reason. The rest of four firms who quoted their rates for the supply of ration were considered for competition as per comparative statement.

PAC OBSERVATIONS.

89. The Committee observed that it was a clear case of recovery as the department has ignored the lowest rates without any genuine grounds. Reasons for rejection of the lowest rate should have been recorded on the comparative statement as it was requirement of General Financial Rules (GFR). Neither proper specification of the ration was mentioned nor have samples been obtained from the suppliers, so it was not clear that on what grounds the lowest rates were rejected. The department should have obtained samples and got it tested in laboratory and if reported substandard, then the department have the authority to reject the

same, but it was regretfully noted that no such procedure was adopted. The comparative statement was not found signed by one of the members of purchase committee, it was undated and was not more than a formality.

PAC RECOMMENDATIONS

90. The PAC recommended for holding inquiry to fix responsibility and initiate action leading to recovery coupled with stern disciplinary action against the defaulter (s) within a month. Para stands. Progress be reported to PAC.

D.P.1.2.12 LOSS DUE TO NON-ACHIEVEMENT OF THE PC-I TARGETS RS. 2 MILLION AUDIT VERSION

91. The Audit reported that in the PC-I of the scheme "Preparation and Evaluation of Trivalent Foot and Mouth Disease Vaccine" it was approved that a quantity of 20,000 doses would be prepared and sold annually. Audit observed that in spite of the availability of all resources, necessary chemicals, ingredients and equipments, only 38 doses were prepared and handed over to sale section of the Director General (Research) Livestock & Dairy Development Khyber Pakhtunkhwa. The available staff, equipments and materials were not fully utilized and remained idle throughout the year. Thus the government sustained a loss of Rs. 2 million on account of non-achievement of sale target of 20,000 doses @ Rs. 100 per dose. Government sustained loss due to inefficient and ineffective use of resources by the management.

92. The irregularity was pointed out in November 2010. The management furnished no reply.

93. In the DAC meeting held on 24.12.2010, the department replied that the FMD Laboratory had not yet been provided with proper electricity and was still with C&W Department. After establishment of the laboratory the vaccine preparation activities would be started. The DAC did not agree with the plea of the department and decided that the department should intimate the final operational status of the laboratory. No progress was reported till finalization of this report.

94. Audit recommended for holding an inquiry to fix responsibility for the loss sustained by the Government.

DEPARTMENTAL VERSION.

95. The Department explained that regarding the observation about production of 38 doses against 20000 doses during the year 2009-10 was not true (38 doses produced was Hyper Immune Serum whereas the 20000 doses target was for vaccine). In this regard it was clarified that as per approved PAC-I the project activities on revenue side were scheduled to be started from (2008-09). Amongst these the two major activities were; i) Production of Hyper Immune Sera (HIS) and ii) Preparation and Evaluation of Trivalent Vaccine against Foot and Mouth Disease. The target for HIS in PC-I was 10500ml. in fiscal year 2008-09 a total of 9350ml (187 vials) of HIS produced while 1900ml (38 vials) produced in 2009-10. thus attaining a total 11220 ml, this was over the project target by 750ml. the market rate was Rs.200/- dose of 50ml instead of Rs.100/- vial as mentioned in para. The expiry of 38 vials out of 225 vials was nominal in a newly introduced product in the market.

96. Regarding development and then production of 20,000 doses of vaccine in 2009-10, it was important to note that Vaccine Development was a very complex, sophisticated and technical mater. It required sophisticated Lab, Equipments, Chemicals, Consumables and Trained Human Resource. It involves a lot research and experimentation works both at lab and field level to develop a safe and potent new vaccine. Absence of any of these key components at a time would render failure with Vaccine Development. These all milestones had to be installed and procured very precisely and as per schedule. Unluckily the C&W Department couldn't hand over the laboratory building in time that leads to inability of this Department to complete vaccine development work in time. However, this Department started experimentation and optimization work which did not require too much sophistication and could be performed in the existing labs, and trainings of staff & creation of links with other institutions were established. It was basically the preparatory work for vaccine development so that a soon as the civil works and power supply of the lab was completed by the C&W Department we may start to work on final production of vaccine without further delay. These unavoidable circumstances couldn't let to prepare 20,000 doses of vaccine in 2009-10, which was beyond the control of any one. Now the civil work has been completed and the project activities were going on in the new laboratory. Regarding the current status of vaccine the trivalent vaccine against FMD has been developed and now the product was passing trough the evaluation phase. After passing all different evaluation tests as per set international standards. the product would be allowed to be used in the field. The laboratory, equipments, chemicals and staff, all have been utilized fully and even beyond their capacity as they have to work on holidays and off hours during experimentation in the project activities including development of the vaccine. Since all the

objectives of the project including the development of HIS as well as that of trivalent vaccine has been achieved.

PAC OBSERVATIONS.

97. The explanation advanced by the Department was convincing however, it observed that the machinery and its performance require physical verification.

PAC RECOMMENDATIONS.

98. The PAC recommended carrying out physical verification of the machinery, its performance and examination of the documents involved in the Para by the Committee on Verification of Record alongwith Mr. Saif-ur-Rehman Usmani, Director, Finance Department. Para stands. Progress be reported to PAC.

D.P.1.2.13 LOSS TO GOVERNMENT DUE TO IGNORING THE LOWEST RATE RS.1.276 MILLION.

AUDIT VERSION

99. The Audit reported that during the financial year 2009-10 in the Office of Director General (Extension) Livestock & Dairy Development Department Peshawar. It was noticed that Government was put to a loss of Rs.1.276 million by ignoring the lowest rate due to the connivance of management with the contractor. The loss was pointed out in October 2010 the management furnished no reply.

100. In the DAC meeting held on 23.12.2010 the department replied that the supplier who quoted the lowest rate did not provide the required registration of medicine duly approved by the Ministry of Health. DAC did not agree and directed to inquiry the matter and submit the report within seven days no progress was intimated till finalization of this report.

101. Audit recommended to hold inquiry and recover the loss sustained by the Government from the responsible person (s) at fault.

DEPARTMENTAL VERSION.

102. The Department explained that approval to purchase of medicine on the basis of per dose cost was technical matter, which was adopted as a routine by the Department every year in the interest of public service. The recommended cost per dose on the basis of composition of a specific product and in the light of the authentic literature quoted by the

manufacture was important for the prior approval of any product. Other criteria like registration of medicine with Ministry of Health were also prerequisite for its purchase, all the codal formalities were followed during the purchase process.

Loss due to ignoring the Lowest Rate.

- a. **Clozacon:** The required specification for supply of the medicines was 3.4% whereas the bid quoted by M/s Haseeb Traders was for supply of the item with 3% concentration, which was not according to our requirements, hence the item was rejected by the technical Committee processing tender document.
- b. **Closetal:** M/s Haseeb Traders did not provide the required registration of the medicine duly approved by the Federal Ministry of Health; hence, not fulfilling the terms and conditions of tenders and being non-registered item the bid was not approved.
- c. **M/s Shahid Traders** did not provide the prescribed/required literature of their quoted medicine which was pre-requisite for its approval in the light of the term and condition for that purpose. Therefore, the quotation of M/s Shahid Traders was rejected and the rate offered by the second lowest bidder M/s Amin Medical Store was approved.

PAC RECOMMENDATIONS

103. The Para was referred to Sub-Committee on Verification of Record for examination of documents and enquiry report relating to the Para. Para stands. Progress be reported to PAC.

D.P.1.2.14 UNAUTHENTIC PURCHASE OF 100 KVA POWER GENERATOR RS.1.978 MILLION.

AUDIT VERSION

104. The Audit reported that during the financial year 2009-10, the Director General (Research), Livestock & Dairy Development Department, Khyber Pakhtunkhwa Peshawar incurred an expenditure of Rs.1.978 million on the purchase of 100 KVA Power Generator out of the PLA in violation of Finance Department letter No. SO(A/Cs)FD/2-8/96 dated 05-01-1997. Audit had the following observations:

- In the advertisement published in the newspaper, specification of 100 KVA Power Generator were not mentioned.
- In the advertisement, the rate of security deduction was not mentioned.
- Out of three suppliers only one, namely Jaffar & Co. submitted the security of Rs.35,500.
- Neither income tax and sales tax were deducted from the supplier on local made accessories nor proof of the imported items produced.
- Bill of entry and its custom clearance documents were not produced.
- This resulted in unauthentic purchase of Rs.1.978 million due to violation of rules.

105. The unauthentic purchase was pointed out in November 2010. The management furnished no reply.

106. In the DAC meeting held on 24.12.2010, the department replied that the said item was properly advertised along with other accessory equipments. However, on verification of the advertisement it was found that there was no mention of specification of generator in the said advertisement. The DAC decided to submit complete justification for the purchase. No progress was intimated till finalization of this report.

107. Audit recommended to investigate the matter and fix responsibility against the person (s) at fault.

DEPARTMENTAL VERSION.

108. The Department explained that Veterinary Research Institute , Peshawar got a 25 KVA Generator through a Dutch donation in 1980. the same was in operation mainly to support those Laboratory Equipments of extremely important nature containing seed culture, harvest, eggs incubator, lab. Incubator etc. with the power short fall. The activities of vaccine production badly suffered. Hence it was felt to acquire new high power generator because the old generator was unable to support the increasing load in successive load shedding. Moreover, it did not support our new Freeze Drying Machine.

109. The tender schedule was finalized and it was properly advertised alongwith other lab. Equipments. The tender was opened by the Departmental Purchase Committee constituted in compliance with Administrative Agriculture Department letter No.SO(L&DD)AD-G-5(283)/2005/Vol-II dated 10/05/2007.

110. Four renowned firms dealing with generator participated in the tender. All the firms submitted call deposits alongwith other relevant documents required as per terms and conditions. The Tender Evaluation Committee (TEC) reviewed the tender in detail and after satisfactory performance approved the comparative statement.

111. 10% tender security undertaking (performance bond) from the lowest approved firms was obtained and supply orders issued accordingly.

112. All the required documents regarding sales tax and income tax were available in record and all the procedures notified by the Government have been followed accordingly.

113. The transparency in the whole case was evident from the fact that Finance Department, Government of Khyber Pakhtunkhwa vide their letter No. BOVII/FD/1-3-BE/2009-10 dated 16/09/2009 approved the purchase of generator.

114. All the codal formalities have been fulfilled and no irregularity has been committed. The generator supplied has been properly installed and was in working condition, properly maintained by electrical section staff of the Institute. The generator alone was sufficient to bear -5.99the load of valuable lab, equipments of Biological Production Centre. The Generator could be inspected any time.

PAC RECOMMENDATIONS

115. The Para was recommended to be dropped with the direction that in future proper specification must be given in the NIT for the purpose of transparency.

D.P.1.2.15 UNAUTHENTIC PURCHASE OF LIQUID NITROGEN CONTAINERS RS.1.69 MILLION.

AUDIT VERSION

116. The Audit reported that during the financial year 2009-10, in the office of Director General (Extension), Livestock & Dairy Development Department Peshawar, it was noticed that a sum of Rs.1.69 million was paid to Kurdson Industries for the supply of liquid nitrogen containers of 2 liters in violation of Paras 148, 149, 151 & 155 of GFR Vol: I.

117. The following short comings were noticed:

- The suppliers quoted the imported quality containers but the import documents demanded for verification were not produced. Therefore, it could not be verified as to whether the items supplied were imported or local made. Inspection report of the Committee was not produced to verify as to whether the imported quality containers were supplied or otherwise.
- Neither the deduction of income tax amounting to Rs.37,338 and sales tax of Rs.32,004 at source was made nor the sales tax paid invoices duly verified by the Sales Tax Department produced.
- Previous stock of liquid nitrogen in the field offices and their present requisition was not produced.
- The items purchased were not checked and taken on stock as required under the rules.

118. This resulted in unauthentic purchase of Rs.1.69 million due to negligence on the part of management.

119. The irregularity was pointed out in October 2010. The management stated that reply would be furnished later on.

120. In the DAC meeting held on 24.12. 2010, the department replied that they had been purchasing the LN2 containers for the last 3 decades and the Technical Committee was competent enough to differentiate between the local made and imported items. The above mentioned items were imported and exempted from income tax. Since the firm had furnished valid sales tax invoices with their bills, therefore, the sales tax was not deducted. The DAC directed to produce import documents of the machinery and detail of sales tax deductions within 15 days. No progress was intimated till finalization of this report.

121. Audit recommended to investigate the matter and fix responsibility against the person (s) at fault.

DEPARTMENTAL VERSION.

122. The Department explained that:-

1. Unauthentic purchase of Liquid nitrogen Container Rs.1.067 million

Purchase of the mentioned item was approved on the basis of the report of the Technical Committee which had found it in accordance with the specification required by the Department. The observation made by the audit party that the LN2 containers purchased might be locally manufactured was incorrect as the Department was involved in purchase of LN2 Containers for the last three decades and the Technical Committee comprising on competent technical offices could easily differentiate between the locally made and imported items. As a matter of fact LN2 containers are manufactured no where in the country.

The firms was a registered importer, adopts all the requirements of import process, and was fully responsible for providing export documentations before importing such items. Secondly the mentioned items were an imported item and were exempted from income tax. The firm was also Sale Tax payer and this Department has deducted one-fifth of the total payable Sales Tax from the bills of the said item.

Attention was also invited to the Government of Pakistan, Revenue Division Central Board of Revenue (Sale Tax Wing). Notification No.C/No-43(47)STB 98-Vol-I dated 10/02/2001 wherein it has been clearly mentioned that in case of established and recognized firms the sale tax invoice furnished by the firms was sufficient proof. Since the firm had furnished valid tax invoices with their bills, therefore, sale tax was deducted from their bills as per rules.

2. Loss of Rs.6,22,800/- by Purchasing Unauthorized Liquid Nitrogen Container.

During financial year 2009-10, tenders were invited for the supply of liquid Nitrogen containers in response M/s Altaf & Co quoted lowest rates for the China made containers. Meanwhile, the bidder approached this office to evaluate the quality of china made containers through the field staff. Therefore, the views of field technical staff were invited in that regard. They reported that the china made LN2 containers were of inferior quality as the risk of LN2 evaporation from these containers was higher and it's life span was very short and with no warranty as compare to the France made LN2 containers which has two years warranty also. The France made LN2 containers were time tested

and have high reputation in the field being used by the Department for the last three decades.

Under the above narrated circumstances, tender for supply of European made LN2 containers were invited by the Director Breed Improvement & Farms as per his field requirements amongst many other items in a joint advertisement. Bids for supply of France made LN2 containers with two years warranty were received and a lowest rate for this item was approved by the Technical Committee. It was worth to mention that the France made LN2 containers were time tested and have high reputation in the field being used by this Department for the last three decades.

PAC RECOMMENDATIONS

123. Subject to verification of documents, the Para was recommended to be dropped.

D.P.1.2.16 WASTEFUL EXPENDITURE RS. 20.471 MILLION.

AUDIT VERSION

124 The Audit reported that during the financial year 2009-10, the Director General (Extension), Livestock & Dairy Development Department, Peshawar incurred an expenditure of Rs.20.471 million on the procurement of medicines, machinery, equipments and instruments. It was observed that the items were taken on stock register but even a single item was not issued to the field offices from the date of purchase till the date of audit i.e.15.10.2010. This resulted in wasteful expenditure due to the violation of Para 145 of GFR Vol: I.

125. The wasteful expenditure was pointed out in October 2010. The management stated that reply would be given later on.

126. In the DAC meeting held on 24.12.2010, the department replied that all the items purchased were taken on stock register. As far as its issuance to the field offices was concerned, it was done on the monthly and quarterly basis according to need previous delay occurred due to emergency arising out of flood in the whole department. The DAC did not agree with the reply of the department and decided that proper justification for not issuing medicines be shown to Audit. No progress was reported till finalization of this report.

127. Audit recommended for holding inquiry to fix responsibility against the officer (s) concerned.

DPARTMENTAL VERSION.

128. The Department explained that all the items purchased were properly taken on stock register. As for as its issuance to the field office was concerned, this Department has evolved a set criteria for timely distribution. Monthly and quarterly meeting of the field staff was held and according to their progress report fresh quota of medicines was issued, hence,

wasteful use of these items was controlled. Accordingly, the distribution of medicines under discussion was also made on monthly and quarterly basis according to the field requirements and their progress of previous months; however, some delay occurred in that process due to the heavy floods and emergency situation across the province.

PAC RECOMMENDATIONS

129. Subject to verification that 100 percent distribution of the medicines was made, the para was recommended to be dropped.

D.P.1.2.17 WASTEFUL EXPENDITURE ON INSTALLATION OF DAIRY PROCESSING UNIT AND MILKING MACHINE RS.7.40 MILLION.

AUDIT VERSION

130. The Audit reported that according to PC-1, provision of Rs.7.400 million was approved for Dairy Processing Unit and milking machine with the following facilities:

- Chilling plant, steam generator, sanitary pump, homogenizer, pasteurizer, packing machine and scale milk, reverse osmosis plant, packing machine and scale for cream separator and air compressor.
- Four docket milking machine.

131. During the financial year 2009-2010, the Vice Chancellor Agricultural University Peshawar incurred an expenditure of Rs.7.400 million on the purchase of the following items:

S.No.	Vr:No. and date	Name of Supplier	Item	Amount(Rs.)
1.	1034 30-09-2009	Technology International Faisal Abad	Dairy Processing Unit having capacity of 1000 Liter Milk	7,000,000
2.	1085 26.02.2009	Tetra Pak Pakistan Ltd Lahore.	Milking Machine 04 Docket Milking system.	400,000
			Total	7,400,000

132. Audit had the following observations:

133. This resulted in wasteful expenditure due to inefficiency on the part of University management.

- The wasteful expenditure was pointed out in December 2010, the management stated that the progress of initiation of educational activities as well as commercial activities would be reported to audit. Dairy processing unit was not connected with milking machine even after the laps of two years.

- The Dairy processing unit had the capacity of 1,000 liter milk while the Dairy Farm in Agricultural University Peshawar had production up to 250 liters per day (average).
- The Dairy processing unit could not be operated due to the unavailability of natural gas in the area.
- 15 KVA Generator on full time basis had not been purchased to operate the machinery, in case of failure of electricity to avoid any damage.
- The costly machine was losing its value with the passage of times; its warranty period had already expired, while 10% security of Rs.700,000 had been released to the firm.

134. In the DAC meeting held on 24.01.2011 the department reiterated its earlier reply. The DAC noticed that an amount of Rs.7 million was the blockage of Government money which was tantamount to wasteful expenditure. No progress was intimated till finalization of this report.

135. Audit recommended to conduct inquiry and fixed responsibility.

DEPARTMENTAL VERSION.

136. The Department explained that:-

- i. The Dairy Processing unit has been connected with milking machine.
- ii. No doubt the processing unit had the capacity of one thousand (1,000) liters. While the dairy farm present production was round about 500 liters per day. This was the smallest unit available in the market. Therefore, the University purchased this unit for students practical and not for commercial use.
- iii. The University was using/operating the dairy processing unit for the students practical as and when required.
- iv. 15 KVA Generator has been purchased and connected with the machinery.
- v. The costly machine was not losing its value and the University students and Faculty were enhancing its skill and education. The Department was focusing on production of qualified and skill main power for the services of the nation.

PAC RECOMMENDATIONS

137. Explanation of the University being plausible was accepted, hence the Para was recommended to be dropped.

D.P.1.2.18 WASTEFUL EXPENDITURE ON THE PURCHASE OF MACHINERY AND EQUIPMENTS-RS. 6 MILLION.

AUDIT VERSION

138. The Audit reported that during the financial years 2005-06 and 2006-07, the Director Live Stock Research and Development Khyber Pakhtunkhwa Peshawar incurred an expenditure of Rs. 6 million on the purchase of Machinery and equipments in D.I. Khan under the scheme "Agriculture Sector Programme Loan-II". On verification by a Senior Research Officer on 19-05-2010, the machinery was found un-installed even after the lapse of five years. This resulted in wasteful expenditure due to violation of Para 145 of GFR Vol-I.

139. The wasteful expenditure was pointed out in September 2010. The Management stated that the Para would be communicated to Ex. Director LR&D for proper reply.

140. In the DAC meeting held on 24.12.2010, the department replied that the Farm/ Mill Manager and Station Director would be proceeded against for the lapse if any. The DAC directed to conduct an inquiry and submit the report. No progress was intimated till finalization of this report.

145. Audit recommended to investigate the matter and fix responsibility against the officer (s) at fault.

DEPARTMENTAL VERSION.

146. The Department explained that as per the decision of the DAC taken in its meeting held on 24/12/2010. The enquiry was conducted in the matter. The enquiry report has been prepared in the booklet shape containing more than hundreds pages and it was not possible for the Department to attached the complete report with each set of the working paper. The original copies of the enquiry report will be shown during the course of PAC meetings.

PAC OBSERVATIONS.

147. The PAC observed that fact finding enquiry has been conducted and now regular enquiry will be required.

PAC RECOMMENDATIONS

148. The PAC directed that detailed inquiry be conducted by the Secretary himself, for initiating action leading to recovery after fixing responsibility. Para stands, progress be reported to PAC.

D.P.1.2.19 WASTEFUL EXPENDITURE-RS. 5.702 MILLION.

AUDIT VERSION

149. The Audit reported that during the financial year 2009-10, the Director General (Research), Livestock & Dairy Development Department, Peshawar incurred an expenditure of Rs. 5.702 million on the purchase of different items like Digital Precise Shaking Water Bath, Gradient PCR Thermal. Analytical Balance Waster Treatment System. Auto Clave, Bio-Hazared Saget, Carbon Dioxide incubator, Jet Flak Maker etc. The expenditure was wasteful because the items could not be operationlized till November 2010. Moreover, other items of different category were also purchased for the FMD Project in 2008-09 and 2009-10, which were lying packed in the store and not yet utilized. The maximum warranty period was one year, which had already expired, after which the suppliers could not be held responsible for any defect in the items. This resulted in wasteful expenditure due to Para 145 of GFR Vol: I by the mismanagement of the officer(s) concerned.

150. The wasteful expenditure was pointed out in November 2010. The management furnished no reply.

151. In the DAC meeting held on 24.12.2010 the department replied that the FMD project was originally approved for three years but unfortunately C&W department could not complete the building in time. The project was further extended for two years but the C&W department again failed to complete the civil work including electric power supply. The DAC did not agree with the reply and expressed grave concerned over the purchase of machinery and chemicals without prior completion of the building and directed the department to investigate the matter. No progress was intimated till finalization of this report.

152. Audit recommended to conduct inquiry and fix responsibility against the officer (s) at fault.

DEPARTMENTAL VERSION.

153. The Department explained that the Project titled "Preparation and Evaluation of Trivalent Foot & Mouth disease Vaccine" was approved in 2007-08 for three years. As per Project PC-I the C&W Department was to complete the civil work in 2008-09 but they couldn't do so the same till last year of the project, therefore, the Project had to be extended till 2011-12 and PC-I revised. But still the C&W Department continued its slow pace of work, hardly partially completed the civil work in the last year (2011-12).

154. As per approved PC-I the project activities on revenue side were scheduled to be started from 2nd year (2008-09) of the project. Amongst these, two major activities were; i)

Production of Hyper Immune Sera (HIS) and ii) Preparation and Evaluation of Trivalent Vaccine against Foot and Mouth Disease (FMD). Although the Civil Work was not completed in time, the laboratory experimentation work was started in an existing laboratory in old VRI Building selected for this purpose and experimentation, evaluation on HIS completed and production of HIS made started. The target for HIS production in PC-I was 10500ml but till 2009-10, 11220ml of HIS was produced and handed over to sale section. It clearly indicates that we had achieved one of major goals of PC-I by 2009-10 and the project activities were going on. The different equipments, consumables, chemicals and staff acquired during fiscal years 2008-09 and 2009-10 were being utilized with optimum capacity. The whole allocation in 2009-10 for revenue side was Rs.5.247 M, how can this Department spends Rs.5.702 million (as per observation in para 1.2.19) on purchase of equipments only during that year? Furthermore as per routine practice the equipments mentioned in the Para were properly demonstrated before payment, therefore, the question of defect does not arise and still all the equipments were in good conditions and were being utilized in the activities of the project. In addition tender security was also in place.

155. Regarding the Vaccine Preparation & Evaluation Activity the Building, Equipments, Chemicals, Consumable and Human Resources were the pivotal inter-linked key points, which were required for a sound and potent vaccine. Absence of any key component at a time would render failure to develop a new vaccine. These all milestones had to be installed and procured very precisely and as per schedule. All related chemicals and Equipments such as Autoclave and CO2 incubator were procured as per approved PC-I for Preparation and Evaluation of Vaccine Activity. But these couldn't start their work immediately because of unavailability of sophisticated laboratory which was still under construction by the C&W Department however, experimentation and optimization work was started. These scenarios lead to on hold for few types of equipment to be utilized immediately. Now these were in full utilization in the project activities.

156. In fact, we would have never been able to achieve the Project Targets in time if we opted to wait for completion of building and further 3-4 year required for all left over purchases of equipments, chemical, consumable etc and other project targets. Furthermore, at the time of purchase of these goods the Dollar Rate was about Rs.50-60/- dollar while today rate of dollar is about Rs.92/- dollar. In these terms we saved time as well as money to Government by procuring different goods in time and as per PC-I Schedule. Currently, we have almost completed the experimentation on vaccine development and now we were at the stage

of production which would have not been possible if the equipments and consumable not purchased in time.

157. As per current status, all equipments were in good condition and running smoothly while different chemicals and consumable purchased in the project were consumed efficiently for achievement of Project Goals.

PAC RECOMMENDATIONS

158. Subject to verification of record and physical verification of machinery as stated to have been functional, the Para was recommended to be dropped.

D.P.1.2.20 WASTEFUL EXPENDITURE-RS. 5.699 MILLION

AUDIT VERSION

159. The Audit reported that during the financial year 2009-10, the Director Livestock Research & Development Peshawar, purchased a Freezing Machine for the preparation of NDV Vaccine in violation of Para 145 of GFR Vol: I. The cost of machine was Rs. 5.699 million. The machine was neither installed nor operationalized. The warranty period had already expired. The non-installation of machine resulted into non-production of vaccine well in time for the cattle.

160. Two Freezing Machines had been installed which were working in the said section, and their utilization was about 30% through out the year. The production capacity of one machine was 2000 dozes of NDV vaccine per day, thus the total production of the two machines was 800,000 dozes per annum (2000+2000=4000x200 days =800,000) and therefore, the purchase of such a heavy machine was the wastage of Government funds.

161. This resulted in wasteful expenditure due to mismanagement and inefficient use of resources. The wasteful expenditure was pointed out in November 2010. The management replied that the present voltage of the electricity was not sufficient for the said machines.

162. In the DAC meeting held on 24.12.2010, the department replied that the Freeze Drying Machine was purchased under the developmental scheme in 2007-08, and the firm was bound to install and operate the machine and train the concerned staff. However, extreme power fluctuation was observed by the engineer, hence could not install the machine within stipulated time. The committee observed that as the local office was well aware of the short fall and the low voltage of electricity in the area: therefore, purchasing a machine, not working on the available voltage, had no justification and decided to place the Para before the PAC.

163. Audit recommended to conduct inquiry and fix responsibility against the officer (s) at concerned.

DEPARTMENTAL VERSION.

164. The Department explained that the Freeze Drying Machine was purchased under developmental scheme in 2007-08 mainly due to the fact that the existing Freeze Drying Machines have performed beyond their capacity and currently their performance was on rapid decline. The maintenance cost was increasing with every production cycle and therefore, it was deemed necessary to purchase latest machines of high production capacity.

165. The Freeze Drying Machine was purchased by Departmental Purchased Committee headed by Additional Secretary, Agriculture Department and under approved terms and conditions. As per the Terms & Conditions, the firm was bound to install, operate and train our concerned staff in routine operation and maintenance. The newly purchased Freeze Drying Machine was installed by the Korean Engineers in June 2008 and run the machine on manual operation. However, extreme power fluctuation was observed by the engineers and hence they suggested for smooth current of electricity prior to operation of the unit on automatic/semi-automatic operation.

166. For supplying required voltage without fluctuation, WAPDA authorities were contacted who visited the site and suggested certain measures, but the fluctuations never rectified. The Korean engineers were still willing to fully operate the unit but the deteriorated security situation was blocking their visit.

167. On many occasions in the past months, the visit was finalized, air tickets confirmed, booking confirmed but the bomb blasts in Peshawar coincided with it and the planned visit cancelled.

168. The local firm has recently re-confirmed for the operation of the unit through Korean engineers as the firm has paid for their travel expenses.

169. Regarding the payment of Rs.61,19,472/-, it was clarified that this bill include the cost of Freeze Drying Machine, extra compressors, oil, Vacuum Pumps, Lab: Autoclave and Air Sampler.

170. The claim of production of 800000 vials per annum was not based on facts, neither the machines daily produce 2000 vials. The audit party has skipped the other processes of eggs setting, fertility, embryo development virus circulation and harvesting which takes

atleast 12 days. The product ready for Freeze Drying Machine was then processed at day 15. Hence the two machines were alternately run on weekly basis. The new machine has the capacity of 4000 vials and this will save the electricity consumption and time as well. Although WAPDA failed to control the fluctuation in the main line but this office has made alternate arrangements for the operation of the machine once.

171. Keeping in view the security situation, the local firms, as per their commitment and TORs to install and operate the machine, arranged software/hardware engineers who recently run the unit on experimental pellet production basis. The process was under way and for orientation of the local lab, staff, the engineers were designing a standard operating procedure (curve) which was expected to be ready by the end of this June. The required six cycle of vaccine batches can then be archived. CDR worth Rs.1,93,000/- and bank guarantee of four lac were still lying with this Department and can be verified.

172. The current status of machine was that it was still not operational. Local engineers of the firms were in continuous efforts to operationalize the machine. We were hopeful that the machine will start functioning shortly.

PAC OBSERVATIONS

173. The PAC observed that there was short fall of electricity, due to which the freezing machine was not installed for longer time of 3 years, why it was purchased. Moreover, if it was made functional through generator after 3 years, why generator was not arranged in time and the machinery was kept idle.

PAC RECOMMENDATIONS

174. The Committee recommended that inquiry may be conducted and responsibility may be fixed against the officer responsible for wasteful expenditure. Para stands progress be reported to PAC.

D.P.1.2.21 WASTEFUL EXPENDITURE ON THE PURCHASE OF SUBSTANDARD FURNITURE-RS. 2.528 MILLION NON-IMPOSITION OF 10% PENALTY FOR LATE SUPPLY OF FURNITURE.RS. 0.253 MILLION

AUDIT VERSION

175. The Audit reported that during the financial year 2009-2010, the Vice Chancellor Agricultural University of Peshawar incurred an expenditure of Rs. 2.528 million on the purchase of furniture under STRC project.

176. Audit observed that:

- NIT was floated in the newspapers on 30-06-2006. The Vice Chancellor approved the recommendation of purchase committee on 25-11-2006, while 1st supply order was issued after 11 months which was canceled and revised supply order was issued after a lapse of 13 months i.e. on 03.01.2008 of the approval which was against the spirit of procurement rules wherein tender process was required to be completed within fifteen days.
- The supplier was asked to reduce the price who reduced it but at the cost of compromising on the quality of furniture. This resulted into substandard supply of furniture worth Rs. 2.528 million.
- The furniture was supplied on 16.06.2009 i.e. after the lapse of 15 months. The supply took three years from the date of NIT i.e. 30.06.2006.
- 10% penalty equal to Rs. 252, 773 was not imposed on the firm.

177. This resulted in wasteful expenditure due to mismanagement and the violation of Paras 11 & 12 of GFR Vol-I.

178. The wasteful expenditure and non imposition of penalty was pointed out during December 2010. The management stated that the substandard furniture was replaced by the supplier as per the instructions of the University and only the good quality furniture was accepted.

179. In the DAC meeting held on 24.01.2011 the department defeated the same reply. The DAC did not agree with the reply of the department as no substantial evidence was produced to the committee. No progress was reported till finalization of this report.

180. Audit recommended to conduct detailed inquiry besides recovery of the amount of penalty from supplier.

DEPARTMENTAL VERSION.

181. The Department explained that NIT was floated in the newspaper on 30/09/2006 for the first time and not by 30/06/2006 which was followed by short tender notice on 30/10/2006 and that too for the pre-qualification of the firms. The firms were shortlisted and approved by the competent authority on 01/11/2006. After the pre-qualification, firms were issued letter for obtaining the tender documents on or before 10/11/2006. Out of which four firms submitted their sealed tender bids.

182. The sealed tender were approved on 18/11/2006 comparative statement was prepared and got approval of the competent authority on 25/11/2006. First supply order was issued on 30/11/2006.

1. The rates of the furniture's quoted by the firms were too high than the rates approved and notified by HEC at that time. Therefore, the firms were called for negotiations. The

final agreement was reached to concise after several meetings with concerned firms. That resulted delay in placement of supply order.

2. The firms were asked to reduce the price but not at the cost of substandard supply. The firm supplied the furniture according to specification which were thoroughly checked by the technical and project committee. All the defective furniture were retuned and were replaced by the quality furniture still in very good condition and were use by the students and faculty and can be physically checked and verified.
3. Due to frequent long load shedding and flood in July/August, 2008, the industry was mutated by flood. That resulted in extra supply of furniture time in.

183. Penalty was recommended to be waived off by the committee constituted by the Vice Chancellor on the justification provided by the supplier. After thoroughly reviewing the justification of the Committee waived the 10% penalty.

PAC OBSERVATIONS.

184. Abnormal delay in receipt of furniture was noted with grave concern. Enquiry as directed by DAC was not conducted, which is not a fair practices.

PAC RECOMMENDATIONS

185. The decision of pre PAC was endorsed and the Department was directed to conduct enquiry into the case for fixing responsibility against all those involved in the purchase and supervision. Para stands Progress be reported to PAC.

DP.1.2.22 WASTEFUL EXPENDITURE ON FEED INGREDIENTS IN THE ABSENCE OF FEED MILL MACHINERY INSTALLATION AND ELECTRIFICATION-Rs. 0.240 MILLION.

AUDIT VERSION

186. The Audit reported that the Director Live Stock Research and Development Khyber Pakhtunkhwa Peshawar issued 400 bags feed ingredient (Shandar Food) for the animals at Research Station D.I. Khan from Research and Development Station Surezai on 10.02.2009. The supply was verified by the Research officer on 06.07.2010, who reported that 200 bags had been taken on page 57 of the stock register and shown, issued to animals. As the feed mill machinery was not installed till 02.09.2010 (date of audit) therefore, the demand and issue was immaterial and the store valuing Rs. 240,000 was wasted.

187. This resulted in wasteful expenditure of Rs. 240,000 due to negligence and mis-management on the part of officer concerned. The wasteful expenditure was pointed out in September 2010. The department stated that the observation would be communicated to Ex. Director LR&D for appropriate reply.

188. In the DAC meeting held on 24.12.2010, the department replied that for any lapse, the Farm and Station Director would be proceeded against. The DAC directed to conduct an inquiry and submit the report. No progress was intimated till finalization of this report.

189. Audit recommended that the issuance of feed ingredients in the absence of un-installed feed mill is a loss to public exchequer which needs to be recovered along with fixing responsibility.

DEPARTMENTAL VERSION

190. The Department explained that as per decision of the DAC taken in its meeting held on 24/12/2010, the inquiry was conducted in the matter. The inquiry report has been prepared in the booklet shape containing more than hundreds pages and it was not possible for the Department to attach the complete report with each set of the working paper. The original copies would be shown during the course of PAC meeting.

PAC OBSERVATIONS

191. The PAC observed that department particularly the D.G was making different statement at different time. He at one time said that case was reported to Anti-Corruption establishment for lodging FIR which was reportedly not accepted as by the Anti-Corruption. The Director, Anti-Corruption categorically rebutted the statement as no such case was reported to them. The Director General at this stage said that case for FIR will now be moved to the concerned. The attitude of the D.G towards PAC Business was noted with great regret as he was making misleading statement. The Committee regretfully observed very poor and weak financial control in the Department, which needs proper care and attention.

PAC RECOMMENDATIONS

192. After detailed discussion, the PAC was of considered opinion that when the machinery was not installed how feed ingredients were produced and supplied. The expenditure was absolutely wasteful and fraudulently made. The PAC therefore directed the Anti-Corruption Department to take cognizance of the issue and finalize action within one week.

DP.1.2.23 UN-AUTHORIZED EXPENDITURE ON CIVIL WORKS NOT COVERED UNDER PC-I-Rs. 40.831 MILLION.

AUDIT VERSION

193. The Audit reported that during the financial year 2008-09, the Director Livestock & Research Development ASPL-II Peshawar incurred an expenditure of Rs. 40.831 million on civil works, which had no provision in the PC-I approved by ECNEC. The expenditure was therefore unauthorized.

194. Audit held that unauthorized expenditure was incurred due to the violation of Para 12 of GER Vol-I.

195. The irregularity was pointed out in August 2009, The management stated that the project was duly approved along with other projects in a meeting held on 26.12.2003. PC-I was prepared and approved by the competent forum (PDWP) in the light of above decision.

196. In the DAC meeting held on 31-12-2009 the department repeated the previous reply. The DAC did not agree and directed to obtain approval from ECNEC. No progress was intimated till finalization of this report.

197. Audit recommended that directives of the DAC be implemented.

DEPARTMENTAL VERSION

198. The Department explained that the record of the office had shown that the PCI of the project was approved by the PDWP under ASDL-II Programme for 5 years period from 2004-5 to 2008-9.

PAC RECOMMENDATIONS

199. Para stands for verification of PC-I and approval of the competent forum by the Committee constituted for Verification of Record.

DP.1.2.24 UNECONOMICAL EXPENDITURE ON THE PURCHASE OF MACHINERY & EQUIPMENTS-Rs. 2.935 MILLION.

AUDIT VERSION

200. The Audit reported that during the financial year 2008-09, the Director Livestock & Research Development ASPL-II Project incurred an expenditure of Rs. 2.935 million on the purchase of Machinery & Equipments under a scheme "Enhancement of Livestock productivity through improved Research & Development Methodology" in D.I. Khan. The expenditure was found uneconomical on the following grounds:

- The date for opening of NIT was fixed on 20.08.2008 whereas all the participants had submitted their quotations after the due date.

- The rates offered by the dealers, except the successful bidder, were erased & enhanced to pave the way for accepting the higher rates of contractor of choice.

201. Connivance of the management with the contractor of choice resulted in the uneconomical expenditure of Rs. 2.935, million.

202. The uneconomical expenditure was pointed out in August 2009, the management stated that all members of the committee were engaged in other official matters and no tender was received for the purchase of Machinery and Equipments. Therefore, the participants of tender were informed through newspapers about the extension of date i.e. 28.08.2008. In this connection, more tender forms including purchase of Machinery and Equipments were received from different firms up to 28.08.2008 and no erasing and overwriting was done. However, this observation was noted for future guidance.

203. In the DAC meeting held on 31.12.2009 the Department repeated the previous reply. However, the controlling officer added that the Director Livestock and Dairy Development was asked to produce some documentary proof in support of his reply which was not furnished. The DAC therefore directed to fix the responsibility within seven days. No progress was intimated till finalization of this report.

204. Audit recommended that an inquiry be conducted and responsibility be fixed.

DEPARTMENTAL VERSION

205. The Department explained that due to pre-occupation of few members of the committee and an unavoidable engagement of Chairman of the Purchase Committee, it was decided that opening date of the tender would be changed. In this regard, extension of date of opening of tender was sent to the Information Department for publication of the change in daily newspapers. However, the Information Department made observation on the advertisement and sent back to his office. In addition to above, the contractors also informed telephonically regarding change of date of opening of tender. Thus, accordingly tender was opened on schedule date on 28/8/2008.

PAC OBSERVATIONS

206. The PAC observed that fact finding enquiry has been conducted wherein it has been established that Chairman of the Purchase Committee of Directorate Livestock & Dairy Development, Khyber Pakhtunkhwa Peshawar violated the rules whereas responsibility of the Secretary of the Purchase Committee in tempering of the tender documents could not be put off

simply based on his statement, which resulted into loss of Rs.2.935 million which may be recovered from them.

PAC RECOMMENDATIONS

207. In view of the above, the recommendations of the Inquiry Committee were upheld and the Department was directed to recover the loss of Rs. 2.935 million from the defaulters with in a month. Para stands. Progress be reported to PAC Cell.

DP.1.2.25 NON-ADJUSTMENT OF ADVANCES-Rs. 1.624 MILLION.

AUDIT VERSION

208. The Audit reported that during the financial year 2006-07, the Director Agricultural University Peshawar granted advances of Rs. 1.624 million to various employees of the University, but adjustments thereof were not made. This resulted in non-adjustment of advances for Rs.1.624 million due to negligence on the part of management.

209. The irregularity was pointed out in April 2008. The management stated that reply would be given later on.

210. In the DAC meeting held on 04.02.2010 the department replied that the adjustments would be strictly pursued. The DAC directed to show the recovery of all advances to Audit within a month for proper verification. No progress was reported to Audit till finalization of this report.

DEPARTMENTAL VERSION

211. The Department explained that all advances had already been adjusted. Furthermore, the Director General Audit had been requested for verification.

PAC RECOMMENDATIONS

212. In view of the explanation of the department duly endorsed by Audit that record has been verified, the Para was recommended to be dropped.

DP.1.2.26 NON-RECOVERY OF WHEAT GRAINS AND STRAW Rs. 3.883 MILLION.

AUDIT VERSION

213. The Audit reported that in the Cattle Breeding & Dairy Farm Harichand, 40 acres land was temporarily provided to Directorate of Livestock Research & Development, for five years (2004-05 to 2008-09) for running a research project "Research on Fodder & Forage". Though the project period had completed but the land was still in their possession. Neither the land had been handed over back to the Cattle Breeding Farm Harichand nor the wheat grains valuing Rs. 3.059 million and wheat straw valuing Rs. 0.824 million were received as return to the farm management.

214. This resulted in non-recovery of Rs. 3.883 million due to mismanagement and negligence on the part of officer(s) concerned. The non-recovery was pointed out in December 2010. The management stated that fodder had been received from them.

215. In the DAC meeting held on 08.01.2011 the department replied that 40 acres land was temporarily provided for five years (2004-05 to 2008-09) for running a research project. The Project Director had not given the produce from Rabi Crop during 2008-09. Efforts had been made to get the land back from the Live Stock Research and Development. The DAC directed the department to get the land back and recover the cost of wheat grains and straw. No progress was intimated till finalization of this report.

216. Audit recommended to effect recovery of the cost of the yield besides retrieving 40 acres land.

DEPARTMENTAL VERSION

217. The Department explained that the figures shown in the caption of audit para i.e. Rs. 38,83,520/- were based on estimates. Actual production of 40 acres land at Cattle Breeding & Dairy Farm Harichand, was temporarily allotted to the Director, Livestock Research and Dairy Development for five years (2004-05 to 2008-09) for their research project titled "Research of Fodder and Forage", is as under: -

- i. Year 2004-05: because of the shortage of water for irrigation purpose, the land was not sown.
- ii. Year 2005-06: 1750-kg oats and barley straw was purchased.
- iii. Year 2006-07: 2500-kg of maize stover produced on 8-acres of land.
- iv. Year 2007-08: 2720 –kg of Berseem and Luceme as fresh forage produced.
- v. Year 2008-09: nothing had been receiving during Rabbi Crop.

218. Receipts from the above crop were with the Director, Livestock Research & Dairy Development, Khyber Pakhtunkhwa. Possession of the said land has now been taken back in July 2011.

PAC RECOMMENDATIONS

219. In view of plausible explanation of the department, the Para was recommended to be dropped.

DP.1.2.27 NON-DEPOSIT OF INCOME INTO THE GOVERNMENT TREASURY Rs.2 MILLION.

AUDIT VERSION

220. The Audit reported that during the financial year 2009-10, the Director Live Stock Research and Development Khyber Pakhtunkhwa Peshawar incurred an expenditure of Rs.5.530 million on the purchase of food, medicine and pesticides for the buffaloes, cattle and sheep at Live Stock Research and Dairy Development Station Paharpur D.I. Khan under the scheme "Agriculture sector Programme Loan II" besides the use of 21 acres land for the produce of Sadabahar & Giger crops. Neither monthly receipt statements for the income of Rs.2 million from sale of milk, skim etc, were prepared nor money received from sale proceeds of the dairy products deposited in Government treasury. This resulted in non-deposit of Rs. 2.00 million due to violation of rules.

221. The non-deposit of income was pointed out in September 2009. The management stated that the observation would be communicated to Ex-Director LR&D for proper reply.

222. In the DAC meeting held on 24.12.2010, the department replied that the Farm/Mill Manager and Station Director would be proceeded against for the lapse if any. The DAC directed to conduct an inquiry and submit the report. No progress was intimated till finalization of this report.

223. Audit recommended recovery of the non-deposited amount besides initiating disciplinary action.

DEPARTMENTAL VERSION

224. The Department explained that as per decision of the DAC taken in its meeting held on 24/12/2010, the inquiry was conducted in the matter. The inquiry report has been prepared in the booklet shape containing more than hundreds pages and it was not possible for the Department to attach the complete report with each set of the working paper. The original copies of the inquiry report would be shown during the course of PAC meeting. However, an

amount of Rs. 0.027 million in the Head of Milk and Skin were recovered and deposited into Government Treasury.

PAC OBSERVATIONS

225. The PAC observed that main points raised in the Para have not been discussed in the so called enquiry. The Committee cannot reach the conclusion that why lactating cows meant for D.I KHAN were retained in Surizai and dry cows were sent to D.I Khan. When the farm was not completely established than why cows were purchased.

PAC RECOMMENDATIONS

226. The Committee directed that a fair and transparent enquiry may be conducted to know the quantum of actual recovery. Recovery established in the enquiry may be made and action may also be taken against all concerned in view of the observation of the PAC. Para stands. Progress be reported to PAC Cell.

DP.1.2.28 NON-RECOVERY OF RENT AND ELECTRICITY CHARGES—Rs.1.026 MILLION.

AUDIT VERSION

227. The Audit reported that during the financial year 2006-07, the Vice Chancellor Agricultural University Peshawar allowed the management of utility store and Habib Bank Ltd, for their business/activities in the University premises: however, a recovery of Rs. 1.026 million on account of rent and electricity charges was not affected from them. This resulted in non-recovery of Rs.1.026 million due to violation of rules and negligence of management. The irregularity was pointed out in April 2008. The management furnished no reply.

228. In the DAC meeting held on 06-08-2009 the department replied that the practice of recovery of rent, electricity and gas charges was not in vogue in the University of Peshawar. However, case for recovery charges would be forwarded to the competent forum. A sum of Rs. 5,000 per month was being received from the HBL. The DAC directed to start collecting rent and utility charges. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

229. The Department explained that Utility Store authorities had been issued letters and in response, they stated that all the Government Departments were providing free of cost

space for store as well as free utilities because the store was bound to provide efficient and satisfactory provision of goods to the concerned its self Department on priority as compared to general public. Further, Pakistan Forests Institute & University of Peshawar had also provided the space without rent & free electricity.

PAC OBSERVATIONS

230. The PAC observed that in most of the Institutions i.e Peshawar University, Board of Intermediate and Secondary Education, A.G office and Civil Secretariat Peshawar Utility Stores are being operated free of rent which is against the rules.

PAC RECOMMENDATIONS

231. The Committee taking a lenient view waived off the arrears however, for from 1st July 2012, the rates of rent with the utility stores must be negotiated, fixed and recovered so that such objections are not repeated.

232. The Audit Department was directed to verify the statement of the V.C Agriculture University that the above said offices have provided such facilities to the Utility Stores free of cost so that similar instructions could also be issued to them.

DP.1.2.29 NON RECOVERY OF SALE PROCEEDS OF VACCINES-Rs. 1.237 MILLION.

AUDIT VERSION

233. The Audit reported that during the financial year 2009-10, the Director General (Research), Livestock & Dairy Development Department Peshawar, supplied different types of vaccines amounting to Rs.1.237 million to its Laboratories and District Livestock Officers. However, the amount to be received from the aforementioned offices and laboratories was still outstanding. This resulted in non-recovery of Rs.1.237 million due to negligence on the part of management.

234. The non-recovery was pointed out in November 2010. The management stated that reply would be given later on.

235. In the DAC meeting held on 24.12.2010, the department replied that due to non availability of funds with the District Livestock Officer the payments were delayed and were made on receipt of funds. The receipts from regional centers and District Livestock Officer amounting to Rs. 482,305 and Rs.1.172 million had been recovered and deposited into government treasury. The DAC directed to produce the relevant record in support of recovery which was not be produced till finalization of this report.

236. Audit stresses that documentary proof in support of recovered amount be produced to Audit and the said amount be deposited in Government treasury.

DEPARTMENTAL VERSION

237. The Department explained that the outstanding amount noted by the audit party related to vaccines supply to our regional centres for onward issuance to DLOs of respective circles. However, the amount shown by the audit party was not correct. The actual figures were Rs.16,54,001/-, which had already been recovered.

238. Sometimes, due to non availability of funds with the DLO, the payment was delayed, however, as soon as the funds were received, the payment was made. The issuance of vaccine and payment from DLOs either directly or through regional centres, was a regular activity. The record of issue and receipt was property maintained. The present position of the vaccines receipts from Regional Centres was Rs. 482305/- and from DLOs Rs. 1171696/-, which had been duly deposited into Government Treasury.

PAC RECOMMENDATIONS

239. In view of the verification of recovery made by the Audit, the Para was recommended to be dropped.

DP.1.2.30 LOSS DUE TO MISSING WHEAT STRAW-Rs. 7.540 MILLION.

AUDIT VERSION

240. The Audit reported that during the financial year 2009-10, in the Cattle Breeding and Dairy Farm Harichand, wheat was cultivated on 113.88 acres or 911.06 canals land during Rabi Crop Season 2009 (06-06-2009) as was evident from the list of wheat tip holders of Land for 2009-10. An average production of wheat and wheat straw per four canal was 15 mound or 750 Kgs each. Thus the produce of wheat straw from 911.06 canal cultivated lands should be 170,823.75 kgs. However, this straw was missing and not taken on stock. Thus government sustained a loss of Rs.7.540 million. On further scrutiny it was observed that stock register had not been maintained. However, later on a quantity of 138,938 kgs was entered and shown issued in stock register on different dates without any indents with same pen which had further made the issue doubtful. This resulted in a loss occurred due to weak internal controls.

241. The loss was pointed out in December 2010. The management stated that the straw was received and used.

242. In the DAC meeting held on 08.01.2011 the department replied that the farm management had received 138,937 kg wheat straw from tip holders of 911.06 kanal and its entry was made in the stock register. The straw was fed to the farm animals. The DAC did not agree with the reply and decided to place the Para before the PAC.

DEPARTMENTAL VERSION

243. The Department explained that management of Cattle Breeding & Dairy Farm Harichand received 138937-kg wheat straws from the tip holders of 911.06 kanal farm land and proper entries on account thereof were made in the stock register page No. 33. The wheat straw was accordingly fed to the farm animals during the period 11/10/2009 to 26/2/2010. When the stock of that wheat straw exhausted the farm management purchase 81024-kg wheat straw from the approved contractor during the year 2009-10 and necessary entries to that effect were made at page No. 38 & 39 of the stock book. The same wheat straw was fed then to farm animals during the period 01/03/2010 to 17/05/2010. On 17/5/2010, the farm again received 170812-kg wheat straw from the tip holder which was also fed to the farm animals from 17/5/2010 onward.

PAC RECOMMENDATIONS

244. Subject to verification of stock and consumption registers by Audit, the Para was recommended to be dropped.

DP.1.2.31 WASTEFUL EXPENDITURE ON THE INSTALLATION OF FEED MILL-Rs.13.823 MILLION.

NON-RECOVERY OF 10% PENALTY ON LATE COMPLETION-Rs.1.382 MILLION.

AUDIT VERSION

245. The Audit reported that during the financial year 2009-10, the Vice Chancellor Agricultural University Peshawar awarded a contract for the installation of Feed Mill to M/S Rana Tech Gujranwala in March 2008. Its completion date was 05.11.2009 on turn key basis with a total cost of Rs.13.823 million under a Project "Strengthening of Teaching and Research capability".

246. Audit observed that:

- Not a single operation was carried out since the installation of Feed Mill.
- The Mill had the capacity of receiving 5 Ton raw material per hour but there was no source to collect and provide such a huge quantity of raw feed at a time.

- The objective of the project i.e to provide cattle feed and supplement on economical rates to the Livestock of Khyber Pakhtunkhwa and other Provinces including Azad Kashmir, Northern Area, Afghanistan and Central Asia, was not achieved.
- Machine for grinding batching/mixing, compressing air; electrical and automation system; and main scale/weighing bridge for Trucks along with two hand trolleys were lying un-operational.
- The contract was awarded to a firm which was not registered with Income Tax and Sales Tax Department, as no documentary proof was available on record.
- The contract was awarded on the basis of evaluating two quotations basis instead of minimum of three as required under Public Procurement Rules, 2004.
- The firm submitted bid price of Rs.13.440 million without referring GST, but later on, the firm sent another quotation through fax indicating that this rate was without sales tax; so, the bid price was incurred to Rs.15.456 million. The project authorities and University management instead of deducting GST from the bid of the Firm deleted two important components from the supply order to pay GST from the Project fund. Resultantly Rs.1.803 million was deducted and retained in the security accounts of the firm just to compensate the firm illegally.
- Target date of installation of Feed Mill was 05.11.2009 but as per Firm statement the Mill was installed on 31.03.2010. Thus 10% penalty, for late installation, amounting to Rs.1.382 million was not recovered as per clause-3 of the contract agreement.
- Mill operator appointed in BPS-16 was drawing salary without rendering any services.
- It was astonishing to note that when the Auditors of the Regional Tax Office Peshawar visited the Feed Mill on 18.08.2010 they suggested that GST on only electrical items valuing Rs.2.194 million @ 16% (Rs. 350,976) was imposed and the said amount was paid to the Commissioner Sales Tax from the University/Project security account.
- Different parts of the Mill had become rusty due to non-functioning of the Mill.

247. Audit was of the view that the wasteful expenditure and non-recovery of 10% penalty was due to violation of Contract Agreement, Public procurement Rules 2004 and mismanagement on the part of University administration. The wasteful expenditure was pointed out in December 2010, the management stated that reply would be given within a week.

248. In the DAC meeting held on 24.01.2011 the management replied that contents of the Para were correct to the extent of specification. The University would run this Mill for two purposes in future i.e. educational and commercial. For commercial purpose a joint venture of public private partnership had been planned and advertised in the leading newspaper but due to the Law & other situation in the province, no one participated. Therefore, the University was planning to contact NGOs and progressive dairy farmer/poultry farmers for joint activities.

249. As far as the firm registration was concerned, an advertisement had been floated in the newspapers but registered firms from Karachi and Industrial areas did not participate. Therefore, the income tax and sales tax had been deducted at source as per common practice

in the University. The University received three responses out of which two were technically sound; hence, order was placed with one of them. The firm quoted the price of Rs.13.440 million without GST and the University added GST which was clearly mentioned in the comparative statement. Mill operator was fully involved in installation and still performing duties in the University.

250. The correspondence had been made with the GST department and the payable amount had been paid. For the rest of amount HEC had been requested for utilization of balance amount at the University. If authorized by the HEC the University would utilize the balance amount on the purchase of raw materials etc. otherwise the amount would be returned to HEC. The economic life of the Mill was 50 years as per survey in the country and none of the part was rusty and had lost value.

251. The DAC did not agree with the above plea of the department as the objectives of the project had not been achieved. No progress was reported till finalization of this report.

252. Audit recommended to conduct detailed inquiry and fix responsibility for non-achievement of the objectives of the project.

DEPARTMENTAL VERSION

253. The Department explained that: -

- i. It was incorrect that not a single operation was carried out since the installation of feed mill. The contract was awarded on turn key basis. The contractor operated the mill at the time of handing over to the university with raw materials of more than 5 tons. After taking over the mill, the university was grinding and mixing the feed ingredients required for daily farm for more than 100 animals of the university dairy farm. The machine was in proper working condition.
- ii. Although the feed mill had got the capacity of processing 5 tons per hour, but not for feed preparation of the already approved standards. Being Education and Research Institution, a long journey had to be covered to reach this destination by identifying new ingredients and investigating formulations. Efforts were underway with the private sector for joint venture ship. Along with this, competition was involved with the already existing companies in market.
- iii. The observation was not valid. Rome was not built in a day. The quality and economical feed formulation needed different ingredients, its application on the selective animals' research and after positive response of the experimental animal. For the reason the feed prepared would be through different research and nutritional trials before the export and marketing. Export potential of the Units was no doubt an achievable target, but a mechanism had to be made in place for exploring feasibility of the Unit on commercial basis. ICI Pakistan had been engaged for joint production and marketing and this was expected to mature in the near future. Furthermore, the expertise of the Feed Mill was providing consultancy and inputs to R&D D.I.Khan. Experts of the Feed Mill/Faculty

members had facilitated installation and replication of the Feed Mill in private sector (Malik Feed Mill, Khashki).

- iv. All the machinery was operational and functioning properly, which could be monitored, verified on any working day at site if anybody may wish. Feed was being produced for the University Dairy Farm. In addition, the private farmers were being approached under the Dairy Herd Improvement Program of the Veterinary Teaching Hospital for marketing purpose.
- v. It was correct that the firm was not registered with the Sales Tax Department for the reason that Rana Tech was not the manufacturer but the firm was fabricator Contractor. The firm had not supplied the Feed Mill, but constructed on the campus.
- vi. The job was advertised and re-advertised. Four firms participated in the tender process. The contract was awarded after physical verification of the firms manpower, capabilities and visit of the Mills fabricated by the firms. The contract was awarded on the recommendation of the Technical Committee appointed for the purpose. To facilitate the job, a Technical Committee was constituted, which visited the firms in Gujranwala, Faisalabad and Lahore. Recommendations of the Technical Committee were duly considered before making the decision.

PAC OBSERVATIONS

254. The PAC observed that enquiry ordered by the Secretary is still awaited, which needs to be followed up.

PAC RECOMMENDATIONS

255. Para stands for enquiry report as ordered by the Secretary Agriculture Department during Pre-PAC. Action must be taken on receipt of the said report by the Department. Progress be reported to PAC Cell.

DP.1.2.32 IRREGULAR EXPENDITURE IN VIOLATION OF APPROVED PC-I-Rs.1.205 MILLION.

AUDIT VERSION

256. The Audit reported that during the financial year 2009-10 the Vice Chancellor Agricultural University Peshawar incurred an expenditure of Rs.8.599 million on the purchase of following vehicles under STRC project.

1	Mini Bus on 28.03.2005	1,522,456
2	Hino Bus on 28.10.2008	1,988,554
3	Registration etc charges	104,539
4	Three Single Cabin	4,710,000
5	Registration etc charges	273,042

	Total	8,598,591
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257. Out of three single cabin vehicles purchased for transportation of Animals, Feeds and Dairy Technology , three vehicles were converted into double cabin by increasing its seating capacity from two to nine seats by incurring an expenditure of Rs.1.205 million.

258. Audit observed that:

- There was no provision in the PC-I for the conversion of vehicle into double cabin.
- The only saving available was Rs. 501,410 (Rs.9,100,000-8,598,590),while Rs.1.205 million were incurred for the purpose.
- One vehicle was allotted to Director Mardan Campus (BA-4571) and other was with Vice Chancellor (BA-4590) in violation of PC-I provision.
- In the presence of Hino Bus and Mini Bus, the conversion of single Cabin into double Cabin for increasing the seating capacity from two to nine seats was not justified.

259. This resulted in irregular expenditure due to violation of PC-I provision. The irregular expenditure was pointed out in December 2010. The management stated that there was a saving of Rs.2.579 million in PC-1. The Project Director (STRC) desired to utilize the savings. In a meeting the following urgent works were recommended for the consideration of authority.

- Conversion of two single Cabin vehicles into double Cabin
- Re-construction of damaged Compound Wall
- Partitioning & Safety Grills in Academic Building
- Safety Gates in STRC building.
- Installation of mini telephone exchange.

260. The conversion of vehicles from two to nine setters was designed to carry postgraduate students to Farm & Veterinary hospital situated at a distance of three kilometers from the main STRC building.

261. In the DAC meeting held on 24.01.2011 the management repeated the same reply. The DAC did not agree with the reply and recommended to place the Para before PAC. No progress was reported till finalization of this report.

DEPARTMENTAL VERSION

262. The Department explained that University purchased the vehicles to be utilized for field visit of male and female students. The field visit comprised the kacha areas and it made the traveling difficult. Therefore, these vehicles were converted to double cab. Furthermore, the

decision was made to increase the seating capacity and made separation for male and female students during field visits. No doubt these double cabs were used by the University on need basis but the University administration had also provided vehicles for field services i.e. vaccination, free veterinary camps and logistics of animals as well as clinical activities. In University, the vehicles were transferred from one project or faculty to another on need basis because all Departments and faculties were inter-related and based on main campus as well as Amir Muhammad Khan Campus Mardan.

PAC RECOMMENDATIONS

263. In view of the explanation advanced by the Department, the Para was recommended to be dropped.

DP.1.2.33 OVERPAYMENT ON ACCOUNT OF HOUSE RENT ALLOWANCE-Rs.0.661 MILLION.

AUDIT VERSION

264. The Audit reported that during the financial year 2009-10, the Vice Chancellor Agricultural University Peshawar incurred an expenditure of Rs. 660,697 on account of house rent allowance for himself, though a designated accommodation for the Vice Chancellor was available in the premises of the University. Moreover, 5% maintenance charges were required under rules to be deducted from the Vice Chancellor which were also not done. Thus the payment of inadmissible house rent allowance resulted into an overpayment of Rs.6,60,696/-.

265. This resulted in overpayment due to the violation of rules. The overpayment was pointed out in December 2010. The management stated that Audit had not clearly mentioned the period regarding overpayment. The Syndicate in its 60th meeting held on 09-08-2001 & 11-08-2001 had approved the following facilities for the Vice Chancellor of the University.

- Free official accommodation
- Free residential utilities.

266. In the DAC meeting held on 24.01.2011 the department repeated the same reply. The DAC did not agree with the reply and decided to place the Para before the PAC.

DEPARTMENTAL VERSION

267. The Department explained that: -

1. The Vice Chancellor opted for MP-2 as per HEC letter and had been paid pay & allowances admissible under MP-2 provision. However, he kept University House (which was under his occupation as Professor) and as per University approved rules Rs.

24,350/- (i.e. Rs. 20,235/- amount the equal entitlement rental ceiling of BS-22 plus the difference between the rental ceiling of BS 21 & 22 i.e. Rs. 4,115/- p.m.) has been retrenched from his salary package.

2. According to Agricultural University Accommodation Allocation Rules 2006 chapter viii Clause – 14(4) reproduced below:
 - a. “Transferred to non-Government Department or Organization, he/she shall retain the University accommodation on payment of normal rent upto six months. After the expiry of six months, he/she may retain it on commercial rent for a period not exceeding three years.
 - b. Transferred to non-Government Department or Organization, he shall pay one step above house requisition for a period not exceeding three years from the date of his transfer or the date of his permanent absorption in the new department, whichever is earlier.

268. As such there is no loss to university.

PAC OBSERVATIONS

269. The PAC observed that the officer availed dual facility i.e. drawal of House Rent Allowance and also occupying Government residence which is against the provisions of rule 45 of Fundamental Rules read with Government instructions in this regard.

PAC RECOMMENDATIONS

270. The PAC recommended that the entire amount be calculated properly and the amount should be recovered from the occupant within three months. Para stands. Progress be reported to PAC Cell.

APPEAL OF PROF: (R) SAID KHAN KHALIL, FORMER V.C AGRICULTURE UNIVERSITY, PESHAWAR.

INTRODUCTION.

271. The PAC in its meeting held on 10-07-2012 while examining the accounts of Government of Khyber Pakhtunkhwa for the year 2010-11 pertaining to Agriculture Department observed in Draft Para No. 1.2.33 that the officer availed dual facility i.e drawal of House Rent Allowance and also occupied Government residence which was against the provisions of rule 45 of Fundamental Rules read with Government Instructions in this regard hence recommended that the entire amount be calculated properly and make recovery from the occupant within three months.

272. In this regard, the said Professor has lodged an appeal to the former Chairman, PAC which was accepted and was placed on the agenda of PAC meeting scheduled for 8th

March 2013 but the said meeting could not take place and as such the appeal was not examined.

273. Now the Professor has lodged fresh review appeal to the Chairman PAC which was admitted on 12-03-2014 on the grounds that he was condemned unheard and the same was decided to be placed before the PAC in its meeting scheduled for 02/04/2014.

PROCEEDINGS.

274 The Secretary to the Committee appraised the Committee about the history of the case and final recommendation of PAC made in this regard.

275. Representative of the Law Department pointed out that the Committee has no power to hear the review petitions. The Committee contended that the relevant report of PAC has not yet been placed before the House moreover, rule 241 of the Provincial Assembly of Khyber Pakhtunkhwa Procedure and Conduct of Business Rules, 1988 are very much clear in this regard which provides that “ ***Any matter arising in connection with the business of the Assembly and its Committees, for which no specific provision exists in these rules, shall be decided by the Speaker and his decision shall be final and all questions relating to the detailed working of these rules shall be regulated in such manner, as the Speaker may, from time to time, direct***”. Further more, Article 69 of the Constitution of the Islamic Republic of Pakistan is also very much clear in this regard. Hence, the point of view of Law Department was found invalid.

276. Prof: (R) Said Khan Khalil, ex-Vice Chancellor, Agriculture University Peshawar explained that he did not avail dual facility and as such no designated house of V.C was available in the Agriculture University Peshawar as the same is being used by the Agriculture University Public School since 1988. In the year 2003, a house was allotted to him in the capacity of Professor and not in the capacity of V.C which he occupied till his retirement. Regular House Rent Allowance amounting to Rs. 9, 62, 918/- was deducted from his salary w.e.f 11-04-2007 to 06-05-2010, amount equal to entitlement of rental ceiling of BPS-22 officer plus the difference between the rental ceiling of BPS-21 and 22. He further submitted that the salary of MP-II was approved by the University Syndicate on 04-10-2007 duly authorized by the Local Fund Audit Department and subsequently authenticated by Higher Education Commission (HEC). He produced documentary proofs in support of his contentions which were examined by the Committee.

COMMITTEE OBSERVATION.

277. The Committee observed that the Professor was not condemned directly rather he was affected in light of earlier recommendations of PAC. The submission of the Professor that he was condemned unheard, was accepted reluctantly due to the said reason. Moreover, the Committee was of the view that after retirement of one year, no proceeding could be initiated against any Government employee as well as his pension could not be withheld in any case as per Pension rules and Court decision.

COMMITTEE RECOMMENDATIONS.

278. The appeal of Prof: (R) Said Khan Khalil, ex-Vice Chancellor, Agriculture University Peshawar was accepted unanimously in view of rule 8 (2) (b) of the Khyber Pakhtunkhwa Civil Servants Pension Rules and as per decision of Peshawar High Court, Peshawar given in writ petition No. 181 of 2006. Hence, after detailed consideration and keeping in view all the existing circumstance the Committee recommended that all actions and proceedings etc pending against the Professor may be withdrawn forthwith.

IRRIGATION DEPARTMENT

Fourteen (14) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meeting held on 11th of July 2012. The following were present:-

Public Accounts Committee

- | | | |
|----|------------------------------------|-----------------|
| 1. | Mr. Mukhtiar Ali, MPA | Acting Chairman |
| 2. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 3. | Mr. Muhammad Zamin Khan, MPA | Member |
| 4. | Mr. Fazal-e-Shakoor Khan, MPA | Member |
| 5. | Malik Tamash Khan, MPA | Member |

Finance Department

Mr. Nadir Khan,
Deputy Secretary.

Law Department

Mr. Jamshaid Khan Afridi,
Deputy Secretary.

Audit Department

1. Mr. Sikandar Khan,
Director General.
2. Mr. Lal Muhammad,
Director.
3. Mr. Mutahir Rehman,
Deputy Director.

Irrigation Department

1. Mr. Khalid Pervez,
Secretary.
2. Mr. Alam Zeb,
Chief Engineer (North).
3. Mr. Riaz Ahmad,
Chief Engineer (South).
4. Mr. Shafiq-ur-Rehman,
Superintending Engineer (SIC).
5. Sahibzada Shabir,
Superintending Engineer, Peshawar. .

Provincial Assembly of Khyber Pakhtunkhwa

1. Mr. Amanullah,
Secretary.
2. Mr. Amjad Ali,
Additional Secretary.
3. Mr. Inamullah Khan,
Deputy Secretary

2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

DP.12.2.1 MIS-APPROPRIATION DUE TO NON-EXECUTION OF WORKS Rs.11.535 MILLION.

AUDIT VERSION

3. The Audit reported that during the financial year 2006-07, in the Office of Executive Engineer, Irrigation Division Swat, tenders for the execution of various repair & restoration works were called through press with opening date as on 21-06-2007 and completion date of the works was 30-06-2007. However, payment of Rs.11.535 million was released to the contractors before 20-06-2007, prior to the finalization of contractual process, award of work to contractors, issue of work order and execution of contract agreement which indicated that the Government funds were drawn on fictitious documents and had been mis-appropriated.

4. Audit was of the view that the mis-appropriation occurred because payments were made to the contractor before completion of codal formalities and actual works done in violation of rules.

5. The mis-appropriation was pointed out in August 2007. No. reply was furnished by the Department.

6. In the DAC meeting held on 24-12-2009, the Department replied that the works, had actually been executed at sites and the payment was made to avoid lapse of funds. The DAC did not agree and directed to conduct inquiry and fix responsibility. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

7. The Department explained that the works had been executed, measured after date of commencement/fulfillment of other formalities. However, it had been found during detail probe that the back dating on the cheques/MB had been made by the SDA for its clearance from the District Accounts Officer as per his office instruction for submission of cheques earlier to his office. The irregularity had been made to clear the cheques within the financial year and to save funds from lapses without malafide intention.

PAC OBSERVATIONS

8. The Secretary of the Department admitted the irregularities pointed out in the Draft Para. He also confessed that the Department has showed absolute negligence by not conducting enquiry on the direction of the DAC. It clearly shows that the Departmental officer responsible to follow up the direction of DAC was intentionally trying to hush up the issue making delay. It was also a case of further enquiry as to how within a short period of 9 days, million of rupees were expended. The enquiry has now been ordered on 28th June, 2012 i.e. after announcing meetings' schedule of the PAC. Had the schedule not issued, the Department would not have ordered enquiry, the members remarked.

PAC RECOMMENDATIONS

9. The Committee directed that stern action may be taken against all those who have not followed/implemented the decision of the DAC. Moreover, enquiry ordered may be finalized within 45 days and action may be taken in view of the enquiry when finalized. Para stands. Progress be reported to PAC Cell.

DP.12.2.2 NON-IMPOSITION OF PENALTY ON DELAY OF WORK- Rs.18.981 (M).

AUDIT VERSION

10. The Audit reported that the Executive Engineer, Tube Well Irrigation Division Peshawar, entered into contract for completion of the following various works within the stipulated period noted against each. The contractors at S/No. (1-4) delayed the civil work completion, transformer installation at S.No.05, onwards commissioning of machinery at S.No.07 and the management was required to effect recovery from them for delaying the work but no recovery was made, which resulted in overpayment of Rs.18.981 million as compared below:-

S/	Vr No & Date	Name of Work	Name of Contract:	Agr: No.	Est Cost	Stipulate d Period	DOS/D	Penalty Due
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No							OC	in Rs.
1	203-P 22.06.1 0	Augon:TW RD-121500 (cw)	Sitar Eng:	53/9-10	2.538.222	45 days	31-12- 09 16-03- 10	25,38,22 2
2	315-P 25-6-10	-do-zakhi (cw)	M.Iqbal	30-09-10	1.508.504	45 days	24-02- 10 In progress	15,08,50 4
3	02-P 10-5-10	-do-RD- 38250 Kurvi	Khan Manzoor	28-9-10	1.434.603	45 days	13-2-10 In progress	14,34,60 3
4	12-P 22-6-10	-do-RD Hazar Khan (cw)	Sitar Eng:	27-9-10	1.821.428	45 days	8-3-10 In progress	18,21,42 8
5	96+97- P 22-6-10	Rehabilitati on of 12 TW Transforme rs	Sitar Eng:	103/9-10	4.361.500	07 days	7-5-10 No commis sion	43,61,50 0
6	64-P 22-6-10	Machinery for GWP TW	KSB	88/9-10	910.000	15 days	24-4-10 NYC	9,10,000
7	04-P 22-6-10	Civil Work Rehabilitati on AK-4	M.Nawaz	39/9-10	1.932.193		15-02- 10 NYC	19,32,19 3
8	02-P 22-6-10	-do-100 TW PF-10 Mama Khail	Madood Shah	09/9-10	581.000	90 days	15-02- 10 NYC	5,81,000
9	02-P 22-6-10	-do-100 Tw PF-7 Gul abad	Khan Manzoor	11/9-10	1.947.264	30 days	19-10- 09 NYC	19,47,26 4
10	4-P 22-6-10	-do-100 TW PF-09 Pokto Doman	Sarwar Jan	13/9-10	1.947.264		12-11- 09 NYC	19,47,26 4
							Total	1,89,81,9 78

11. Audit was of the view that negligence and extension of undue favour to the contractors on the part of management, was the cause of non-imposition of penalty.

12. The irregularity was pointed out in August, 2010. The Executive Engineer, Tube Well Irrigation Division, Peshawar, replied that work delayed due to stay order in the court, law & order situation in Nowshera District and PESCO energization problem.

13. In the DAC meeting held on 06-01-2011, the Department replied that in case of S/No. 1&2, the works were delayed due to stay order/writ petition in the court, S/No.3 to 7 completed in time and S/No.8-10, delayed due to paucity of funds. DAC did not agree and directed to impose penalty upon the contractors or obtain time extension sanction from the competent authority, as the machinery supplied by the contractor, were lying in the sub-divisional store indicating non-completion of the work. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

14. The Department gave serial wise reply to the Para as under : -

- 1) delay was not on the part of contractor but it was due to case in the Court of Ms Munira Abbasi, Additional District Judge VII Peshawar by Rehman Sher etc; against Secretary Irrigation, Chief Engineer Irrigation and all other officers concerned during the period of delay/dispute among the beneficiaries and department.
- 2) delay was not on the part of contractor but work was delayed due to writ petition by Sirajulhaq S/o Shamsulhaq etc; and all residents of Mohallah Saidan, Akbarpura, Tehsil and District Nowshera against Government of Khyber Pakhtunkhwa. Chief Engineer Irrigation Department, Superintending Engineer CIC, Executive Engineer and officers concerned. In this connection District Police authorities of District Nowshera informed that due to law and order situation, they were helpless to clear the site for work. In this connection, numerous communications were made among the different officers and authorities.
- 3) work started on 13/2/10 and completed on 22/3/10 according to page 73-82 of MB No. 595.
- 4) work started on 18/3/10 and completed on 9/4/10 according to page No. 152-161 of MB No. 59.
- 5) supply of transformers did not involve extension on the part of contractor. Work order issued by SDA T/wells Irrigation S/d Peshawar on 30/4/10 and work completed 05/5/10 vide page No. 72-73 of MB No. 587 while SDO T/wells Irrigation S/d Pabbi issued work order on 4/5/10 and had completed the work on 12/5/10 vide page No. 172-173 of MB No. 576.
- 6) T/well at the present was in running condition. After supply of pumping unit within stipulated period (from 23/4/10 to 29/4/10) payment was made during 2009-10 vide page No. 163-165 of MB No. 576. Installation testing charges were not made to the firm in advance but kept in deposit-3, which were supposed to be released after installation/testing.
- 7) according to MB No. 593, 594 vide page No. 9, 10, 22, 25, 27, 29, 31 & 32, work started on 15/2/10 and completed on 20/3/10,8, 9, 10) the work could not be completed due to lack of fund

15. Accordingly, all the relevant record had been verified by the Audit. It further explained that amount of penalty had been wrongly calculated by the Audit as the total

estimated cost for all works was Rs.18.981 million under the same amount shown by Audit as a penalty.

PAC OBSERVATIONS

16. The PAC observed that the Department was trying to mislead the forum as in its reply, it has given an impression that the relevant record was verified, which was strongly rebutted by the Audit. This state of affairs was noted by the Committee with grave concern. Such attitude should be avoided in future. The Committee said.

PAC RECOMMENDATIONS

17. Explanation with regard to item at S.No.1,2,3 was accepted. However, with regard to rest of the projects, the record should be produced to Audit for verification within one month. Para stands for verification of record by verification of record Committee. Progress be reported to PAC.

DP.12.2.3 OVERPAYMENT DUE TO NON-APPLICATION OF DE-ESCALATION CLAUSE-Rs.13.352 MILLION.

AUDIT VERSION

18. The Audit reported that according to Secretary Works & Services Department Notification No.SOG/W&S/11-129/2005 dated 30-06-2005, the competent authority approved the addition of clause 5A (escalation/de-escalation) in the standard contract agreement for procurement of works. The said clause is effective on all works, which are tendered on or after 01-07-2005. Similarly the Finance Department approved the Composite Schedule of Rates-2009 w.e.f. 01-04-2009 vide No.BO-1/FD/1-7/2008-09/CSR dated 30-03-2009 in the province observing the following criteria:-

1. The PC-1s of schemes approved but not tendered shall be updated for cost estimates in line with CSR-2009.
2. The PC-1s of the schemes which have been approved on CSR-2008 which tenders have been approved will be subject to the de-escalation clause to rationalize of the cost of the schemes.

19. The Executive Engineer, Peshawar Canal Division, Peshawar and Warsak Canals Division, Peshawar, approved the PC-1s of the schemes on the basis of CSR-2008. Tenders were floated, approved and contract agreements were executed with the contractors but in contravention of the Finance Department Notification mentioned above, the de-escalation clause was not applied to rationalize the cost of the schemes with the CSR-2009 which caused an overpayment of Rs.13.352 million.

20. Audit held that the cause of overpayment was negligence on the part of management to comply with the Government orders.

21. The overpayment was pointed out in October, 2009. The management furnished no reply.

22. In the DAC meeting held on 15-01-2010, the Department replied that payment had been made to the contractors according to the contract agreements, which were executed prior to the notification issued by the Finance Department and as such the de-escalation clause was not included in the contract agreement. The DAC did not agree and directed that clarification in this regard may be obtained from the Finance Department within a week.

23. Finance Department vide letter No.BO-I/FD/1-7 dated 06/2010 clarified, that the de-escalation clause can not be applied to those agreements, which were executed prior to the notification of 2009 and it remains to be verified by Audit.

DEPARTMENTAL VERSION

24. The Department explained that an amount of Rs. 13.352 million held under objection by the audit in shape of DP No. 12-2-3 wherein an amount of Rs. 11.852 million related to this Division. As per record of this Division, PC-1s of all the works were approved on CSR-2008 and tender for the works were also floated on CSR 2008. The rates were accepted prior to the notification issued by Finance Department. The contractors had completed all the works prior to the notification No. BO-I/FD/1-7/2008 dated 30/3/2009 as per detail given below: -

Advance Para. No.	Voucher No.	Completion date
A.P. No. 50	14/KRC dt: 30/10/2008	31/10/2008
-do-	15/KRC dt: 30/10/2008	29/10/2008
A.P. No. 55	103/KRC dt: 14/3/2009	28/2/2009
A.P. No. 58	2/CC dt: 17/7/2009	22/2/2009
-do-	3/CC dt: 17/4/2009	22/2/2009
-do-	14/CC dt: 17/4/2009	22/2/2009

25. Advance Paras No. 50, 55 and 58 were also discussed in DAC meeting held on 15/1/2010 wherein it was directed that clarification in this regard may be obtained from Finance Department within a week. The Finance Department was approached and they had clarified that clause referred to in the notification dated 30/3/2009 could not be applied to contracts completed prior to the notification of 30/3/2009. Moreover, an order usually takes effect from the date of its issue and cannot be implemented retrospectively.

PAC RECOMMENDATIONS

26. In view of plausible explanation duly supported by documentary evidence, the para was recommended to be dropped.

DP.12.2.4 UN-AUTHORIZED EXPENDITURE WITHOUT PROVISION IN THE PC-1 Rs.271.247 MILLION.

AUDIT VERSION

27. The Audit reported that during the financial year 2008-09, in the office of Executive Engineer, Irrigation Division Swat, Umbrella PC-1/Administrative approval having estimated cost of Rs.2,535.300 million for execution of lining works in Government Canals in Khyber Pakhtunkhwa was approved by ECNEC in February, 2004. However expenditure of Rs.221.158 million was incurred on execution of lining works in Civil Channels without any provision in the PC-1/Administrative Approval, lining work for 42,100 RFT was to be executed whereas it was executed upto 89,170 RFT resulting into excess expenditure on lining of 47,070 RFT for Rs.50.089 million. The expenditure of Rs.272.247 million was therefore un-authorized.

28. Audit held that violation of PC-1 and negligence of the management caused un-authorized/excess expenditure.

29. The irregularities were pointed out in May, 2009. The management stated that reply would be given after verification of record.

30. In the DAC meeting held in October 2010, the Department replied that revised PC-1 had been submitted to ECNEC for approval. The DAC directed that approval of the ECNEC be obtained. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

31. The Department explained that a high level enquiry had been conducted in the matter wherein no irregularity had been pointed out. The findings of the enquiry and Revised PC-1 had been cleared by the CDWP and placed before the ECNEC for final approval. The Revised PC-1 would be presented to the audit in due course of time.

PAC RECOMMENDATIONS

32. In view of plausible explanation of the Department that Revised PC-I had been cleared by the CDWP and placed before the ECNEC, the para was recommended to be dropped.

DP.12.2.5 UN-AUTHORIZED APPROVAL OF TENDERS FOR WORKS WITHOUT PROVISION IN PC-1 & ADMINISTRATIVE APPROVAL - Rs.114.471 MILLION.

AUDIT VERSION

33. The Audit reported that during the financial year 2007-08, the Superintending Engineer, Malakand Irrigation Circle, Swat, approved tenders for Rs.114.471 million for execution of lining works of various civil channels having no provision in the PC-1 and administrative approval which was un-authorized.

34. Audit was of the view that the approval of tenders was un-authorized because of negligence on the part of management and violation of PC-1.

35. The irregularity was pointed out in April, 2009. The management furnished no reply.

36. In the DAC meeting held on 21-09-2010, the Department replied that to regularize the matter, revised PC-1 recommended by the CDWP, had been submitted for approval to the ECNEC. The DAC directed that approval of the ECNEC may be obtained and evidence in support of reply may also be provided. The verification of record revealed that CDWP directed the Additional Chief Secretary, Government of Khyber Pakhtunkhwa to conduct an inquiry and submit the inquiry report to the Planning Commission including issues of (a) administrative action against un-authorized/illegal expenditure and (b) verification of actual physical work done with respect to quantity/ quality and need. However, no inquiry report was provided.

DEPARTMENTAL VERSION

37. The Department explained that the Revised PC-1 had been cleared by the PDWP and CDWP and now placed before the ECNEC for issuance of approval. The enquiry had also been conducted according to the TOR's (a) and (b) as mentioned by the DAC wherein no irregularity had been pointed out and execution of physical work also certified.

PAC RECOMMENDATIONS

38. In view of plausible explanation of the Department that Revised PC-I had been cleared by the CDWP and placed before the ECNEC, the para was recommended to be dropped.

DP.12.2.6 UN-AUTHORIZED EXPENDITURE OVER AND ABOVE THE PROVISION IN PC-1 & ADMINISTRATIVE APPROVAL-Rs.21.518 MILLION.

AUDIT VERSION

39. The Audit reported that during the financial year 2007-08, the Executive Engineer, Irrigation Division, Chitral, incurred an excess expenditure of Rs.21.518 million over and above the provision in the PC-1 and Administrative Approval which was un-authorized.

40. Audit was of the view that the incurrence of expenditure was because of negligence on the part of management and violation of PC-1.

41. The irregularity was pointed out in April, 2009. The management furnished no reply.

42. In the DAC meeting held on 21-09-2010, the Department replied that to regularize the matter, revised PC-1 recommended by the CDWP had been submitted for approval to the ECNEC. The DAC directed that approval of the ECNEC may be obtained and evidence in support of reply may also be provided. The verification of record revealed that CDWP directed the Additional Chief Secretary, Government of Khyber Pakhtunkhwa to conduct an inquiry and submit the inquiry report to the Planning Commission including issues of (a) administrative action against un-authorized/illegal expenditure and (b) verification of actual physical work done with respect to quantity/ quality and need. However, no inquiry report was provided till finalization of this report.

DEPARTMENTAL VERSION

43. The Department explained that the Revised PC-1 had been cleared by the PDWP and CDWP and now placed before the ECNEC for according approval. The enquiry had also been conducted according to the TOR's (a) and (b) as per CDWP direction wherein no irregularity had been identified.

PAC RECOMMENDATIONS

44. In view of plausible explanation of the Department that Revised PC-I had been cleared by the CDWP and placed before the ECNEC, the para was recommended to be dropped.

DP.12.2.7 UN-AUTHORIZED EXPENDITURE ON ITEMS OF WORK WITHOUT PROVISION IN PC-1 - Rs.14.775 MILLION.

AUDIT VERSION

45. The Audit reported that in the Office of Executive Engineer, Irrigation Division, Mardan, an expenditure of Rs.14.465 million was incurred on items of work having no provision in the PC-1 of the work "lining of Irrigation channels in KP Phase-I" approved by the ECNEC. Similarly, expenditure of Rs.3,09,933/- was incurred on steel railing in Irrigation House without provision in BOQ and PC-1 of the work "construction of Irrigation House and reconstruction of Superintendent Engineer Residence in Mardan". The expenditure of Rs.14.775 million was therefore, un-authorized.

46. Audit was of the view that the expenditure was un-authorized due to violation of Government rules and approved PC-1.

47. The irregularity was pointed out in March, 2010. The management stated that the items had been included in the revised PC-1 and would be regularized after approval of revised PC-1.

48. In the DAC meeting held on 19-10-2010, the Department repeated the previous reply. The DAC did not agree and directed that revised PC-1, be approved from ECNEC. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

49. The Department clarified that original PC-1 was prepared as per site and put for tender but there were some unavoidable items, which were utmost necessary to be executed and it was carried out. As the original PC-1 was approved for Rs. 2535.50 million on 7/12/2004, but due to inclusion of unforeseen items, the PC-1 was revised for a cost of Rs. 5861.00 million showing an increase of 31% against the original cost. Reason for revision of PC-1 was due to: -

- i) change in the scope of work;
- ii) enhanced premium authorized by the Provincial Government on CSR 1999;
- iii) adoption of parabolic section of the channels with discharge capacity less than 10 cusecs;
- iv) additional items as 200 million for cost project Directorate.

50. As this umbrella scheme and revision process were completed after sharing of all Districts, the higher ups had been approached by this office vide letter No. 1551/7-A(i)DP dated 18/6/2010 for taking up the issue and accord revised approval. As and when revised

Administrative Approval received, would be communicated to the PAC. However, the item executed had properly been sanctioned in the technical estimate duly accorded by the competent forum.

51. In this connection it was further clarified that the work in question had been completed within approved PC-1. The total approved cost of PC-1 was Rs. 39.455 million by adding 10% permissible limit it came to Rs. 43.40 million while the completion cost of the work was Rs. 43.30 million. The execution of these items of work not included in the PC-1 was unavoidable and utmost necessary for the reason, for which these items had been included in the Technical Sanction estimate.

PAC RECOMMENDATIONS

52. In view of plausible explanation of the Department that Revised PC-I had been cleared by the CDWP and placed before the ECNEC, the para was recommended to be dropped.

DP.12.2.8 UN-AUTHORIZED EXPENDITURE ON PURCHASE OF MACHINERY WITHOUT COMPETITIVE RATE - Rs.12.079 MILLION.

AUDIT VERSION

53. The Audit reported that the Executive Engineer, Tube Well Irrigation Division, Peshawar, incurred an expenditure of Rs.12.079 million on the purchase of submersible pumping machinery for various tube wells on the basis of inviting rates from pre-qualified firms, once under the scheme hundred tube wells and then 20+20=40 tube wells through the daily Mashriq dated 16-11-2009 and dated 01-04-2010 respectively. The process was not authentic as neither the contractors were pre-qualified nor prequalification documents were available. The comparative statements were also not vetted by all officers/officials concerned. All the process of tender, from opening of bids to preparation of comparative statement, was done by the Sub-Divisional Officer and accepted by the Executive Engineer. Thus, the expenditure was un-authorized and un-authentic.

54. Audit held that the un-authorized and un-authentic expenditure was incurred due to weak internal control and violation of Public Procurement Rules 2004.

55. The irregularity was pointed out in August, 2010. The management stated that the pumping machinery had been purchased after wide publicity through information Department, Government of Khyber Pakhtunkhwa from those firms who had been pre qualified.

56. In the DAC meeting held on 06-01-2011, the Department replied that the Department was bound to send all the advertisements of works exceeding limited tender system to Information Department for publication in the newspapers. The works had been sent to the Information Department and the pumping machinery had been procured from the firms/manufactures whose products had been standardized by the Works Department vide order dated 14-02-2008. The DAC did not agree and directed to regularize the expenditure as the orders produced before the Committee were for the period up to 30-06-2008. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

57. The Department explained that Irrigation Department was bound to sell all the works exceeding limited tender system to Information Department, Government of Khyber Pakhtunkhwa for circulation in the media according to policy approved by the Government. The works under question had already been sent to Information Department vide referred letters in the para for wide publicity. After wide publication through Information Department, Government of Khyber Pakhtunkhwa, pumping machinery had been procured from those firms/manufacturers whose products had been standardized by the Government vide order No. SO(T)W&S/3-23/2007/2008 and had been endorsed vide No. SO(T)W&S/3-23/2007-08 dated 14/2/2008. It was essential to state that the procedure adopted by T/wells Irrigation Division was in practice in all the Divisions of Irrigation Department, Government of Khyber Pakhtunkhwa since long. For maintaining the quality and efficiency, we could not let the common/general contractors to participate for the procurement of pumping machinery. Besides, the existing practice involved benefit to avert the third party profit in public and Government interest. All the works had been technically sanctioned from the competent authority as per rules.

PAC RECOMMENDATIONS

58. The explanation of the Department based on letter issued by Planning & Development Department, being plausible was accepted, hence the para was recommended to be dropped. However, pre-qualification should be made regularly on yearly basis.

DP.12.2.9 UN-AUTHORIZED PAYMENT ON ACCOUNT OF ESCALATION - Rs.11.938 MILLION.

AUDIT VERSION

59. The Audit reported that during the financial year 2007-08, in the Office of Executive Engineer, Irrigation Division Swat, escalation of Rs.11.938 million was paid to

contractor for the work "Construction of Gravity Canal from Right Side of Punjkora River". However, as per contract agreement executed with the contractor, there was no provision for the payment of escalation. The expenditure was therefore, un-authorized.

60. Audit was of the view that the un-authorized payment was due to the negligence and undue favour extended by management to the contractor.

61. The irregularity was pointed out in May, 2009. The management stated that reply would be given after verification of record.

62. In the DAC meeting held on 19-10-2010, the Department replied that the work alongwith all relevant record had been transferred to Flood and Drainage Division Timergara. The DAC did not agree and directed to place the para before PAC.

DEPARTMENTAL VERSION

63. The Department explained that record had been perused wherein it had been found that escalation had duly been allowed by the Provincial Government.

PAC RECOMMENDATIONS

64. In view of notification produced by the Department that escalation was allowed on all ongoing projects, the para was recommended to be dropped.

DP 12.2.10 EXCESS PAYMENT DUE TO DEVIATION FROM THE CONTRACT AGREEMENT - Rs.0.248 MILLION.

AUDIT VERSION

65. The Audit reported that during the financial year 2006-07, the Executive Engineer, Flood & Drainage Division, Peshawar, awarded different works. According to the contract agreement, the contractor shall be paid for the supply of 17412 PM³ earth from borrow pit excavation 50 M lead in ordinary soil @ Rs.62.52 PM³ and 5062 PM³ earth from borrow pit excavation 50M lead in hard soil with an extra lead upto 1 K.M @ Rs.167.94 PM³. However, the contractor was paid for the supply of 13986.343 M³ instead of 17412 M³ earth for ordinary soil @ Rs.62.52 PM³ and 6267.95 M³ instead of 5062 M³ earth in hard soil with an extra lead upto 1 K.M @ Rs.167.94 PM³ causing excess payment of Rs.247.885 which was in excess of the BOQ/contract agreement.

66. Audit held that the excess payment was made due to negligence and weak control on the part of management.

67. The excess payment was pointed out in June, 2008. The management stated that the work had been carried out as per site requirement.

68. In the DAC meeting held on 06-08-2009, the Department repeated the previous reply. The DAC did not agree and directed to conduct joint inquiry and fix responsibility. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

69. The Department explained that: -

1. in light of Departmental Accounts Committee meeting held from 06/08/2009, the decision taken in the context of instant para was to hold joint enquiry in the matter.
2. in compliance, Secretary to Government of Khyber Pakhtunkhwa, Irrigation Department, Peshawar nominated Enquiry Officer Sahibzada Muhammad Shabir, the then Executive Engineer, Hazara Irrigation Division, Abbottabad vide his letter No. 465/35-B/DAC dated 23/01/2010 and the Director General Audit (Provincial) nominated Mr. Shad Muhammad Khan, Audit Officer as Enquiry Officer vide his letter No. Audit/DAC-Irrigation/2008-09/3879-80 dated 04/03/2010.
3. Joint Enquiry Officer Sahibzada Muhammad Shabir, accordingly, submitted his unilateral report, according to which recommendation for the Advance Para to be dropped/settled was made.
4. Joint Enquiry Officer Mr. shad Muhammad Khan, Audit Office refused to carry enquiry/investigations and record remarks "the paras have been converted into Draft Paras and included in the Audit Report for 2009-10 already submitted to Auditor General of Pakistan, Islamabad for final approval. The paras will be discussed in PAC meeting if and when convened.
5. the para was of technical nature and the enquiry officer had validated the justification on the part of executing formation.

PAC OBSERVATIONS

70. The Committee noted with very heavy heart that the Audit Officer nominated by Director General Audit as co enquiry officer, did not join the enquiry and instead added that as the Para has been converted into Draft Para, therefore the Para will be discussed in the PAC meeting. This attitude of the Audit Officer was condemned. The Audit Officer should have conducted enquiry and placed it before the PAC for facilitating its job.

PAC RECOMMENDATIONS

71. In view of enquiry conducted by the Department, the Para was recommended to be dropped.

DP.12.2.11 DOUBTFUL PAYMENT PRIOR TO THE EXECUTION AND MEASUREMENT OF WORK - Rs.10.395 MILLION.

AUDIT VERSION

72. The Audit reported that during the financial year 2006-07, in the office of Executive Engineer, Irrigation Division, Swat, a work "Restoration of Flood Protection work at Fishing Hut Chakdara" was put to tender with opening date on 04-06-2007. The work was started by the contractor as per work order dated 09-06-2007. The contractor was paid Rs.5.501 million vide voucher No.54-D dated 12-06-2007, Rs.1.694 million vide voucher No.105-D dated 15-06-2007 and Rs.3.200 million vide voucher No.50-D dated 05-06-2007. However, measurement was recorded in the MB No. 733 Page No.8-10 on 16-06-2007 and 27-06-2007 as such payments were made before the measurement recorded by the Sub Engineer i.e. prior to the execution of work. Moreover, the payment was also made without technical sanction. The expenditure of Rs.10.395 million was therefore doubtful.

73. Audit held that negligence and weak internal control on the part of management was the cause of doubtful expenditure.

74. The doubtful payment was pointed out in August, 2007. The management furnished no reply.

75. In the DAC meeting held on 24-12-2009, the Department replied that the work had actually been executed at sites and the payment was made to avoid lapse of funds. The DAC did not agree and directed to conduct inquiry and fix responsibility. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

76. The Department explained that the audit para actually related to two different MBs while the audit quoted one MB, detail of which is as under: -

S.No.	Detail of Voucher & MB	Cost M(Rs)	Date of opening of tender	Date of commencement	Date of Measurement by S.Engineer
1	Voucher No. 54-D dated 12/6/2007, MB No. 733, page 8-10	5.500	4/6/2007	9/6/2007	16/6/2007
2	Voucher No. 105-D dated 15/6/2007, MB No. 733, page 24-27	1.694	4/6/2007	9/6/2007	27/6/2007
3	Voucher No. 50-D dated 5/6/2007, MB No. 630, page 146-149	3.200	7/10/2006	16/12/2006	7/5/2007

77. The above detail revealed that irregularity existed in vouchers reflected at Serial No. 1 & 2 above. The matter was probed into, wherein it had been found that the concerned District Accounts Office had intimated to the SDA of Irrigation Department to present the cheques upto 20/6/2007 (the cut-off date) for clearance from treasury. As a result, the concerned SDA carried out overwriting in the Sub Engineer MB and changed the date of measurement from 27/6/2007 to 15/6/2007 in his own hand writing without consulting the Incharge Sub Engineer. The action was not based on malafide intention and in the interest of work.

PAC RECOMMENDATIONS

78. The Committee directed that stern action may be taken against all those who have not followed/implemented the decision of the DAC. Moreover, enquiry ordered may be finalized within 45 days and action may be taken in view of the enquiry when finalized. Para stands. Progress be reported to PAC Cell.

DP.12.2.12 LOSS BY REPLACEMENT OF 17 TRANSFORMERS WITHOUT RECOVERY OF THE REPLACED TRANSFORMERS - Rs.4.358 MILLION.

AUDIT VERSION

79. The Audit reported that during the financial year 2009-10, the Executive Engineer, Tube Well Irrigation Division, Peshawar, incurred an expenditure of Rs.4.358 million on the purchase of 17 transformers from M/s Sitara Engineering Contractor for various tube wells vide voucher Nos.96 and 87 dated 07-06-2010 without registration of FIR for recovery of missing transformers which resulted in loss to the public exchequer.

80. Audit held that the loss occurred due to negligence and mis-management on the part of the officer (s) concerned.

81. The loss was pointed out in August, 2010. The management stated that they had 35 years old transformers in which some had been stolen and FIR of them had been lodged with Police authority, some had been shifted to other tube wells for utilization of abandoned tube-wells transformers and other are still on the record.

82. In the DAC meeting held on 06-01-2011, the Department replied that detailed background of 17 transformers was that FIRs for 3 transformers had been lodged with police authority and 14 transformers in which some were unserviceable while others could be used for short term emergency. These transformers were kept in store and had been properly taken on stock register. The reply was not satisfactory as the purchase was un-necessary while the

available transformers were in workable condition. The DAC directed to pursue the case of missing transformers and the remaining be taken on T&P register. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

83. The Department explained detail background of 17 No. (25 to 35 years old) transformers as under: -

- (a) For 3 No. stolen transformers, the concerned SDO approached the Police Force for lodging FIR.
- (b) 14 No. transformers in which some were unserviceable while others could be used for short term emergency basis. All these transformers were kept in the stores and had been property taken on stock register.

1.	T/Well No. MPA-2	The new transformer installed on tubewell which was in running condition while transformer had been taken on stock register.
2.	Tubewell No. GWP-1	- do -
3.	Tubewell No. Army-2	- do -
4.	Tubewell No. PB-16	- do -
5.	Tubewell No. PB-17	The SDO T/Well Irr: Sub Divn: Pabbi approached the Police Force for lodging FIR for stolen of transformer vide letter No. 565/11-A(i) dated 18/6/2008.
6.	T/Well No. PB-20	Old transformer was issued to T/Well No. GWP-21. The SDO T/Well Irr: Sub Divn: Pabbi approached the Police Force for lodging FIR vide SDO Pabbi letter No. 665/11-A(I) dated 21/5/2007 for the stolen transformer of GWP-21.
7.	Tubewell No. PB-24	The new transformer installed on tubewell which was in running condition while old transformer had been taken on stock register.
8.	Tubewell No. PB-27	The new transformer installed on tubewell which was in running condition while old transformer had been taken on stock register.
9.	Tubewell No. KRC-3	- do -
10.	Tubewell No. KRC-4	- do -
11.	Tubewell No. KRC-8/A	- do -
12.	Tubewell No. GWP-10	- do -
13.	Tubewell No. NP-6	Old transformer was issued to tubewell No. PSJ-2. The SDO T/Well Irr: Sub Divn: Pabbi approached the Police Force for lodging FIR vide letter No. 609/11-A(i) dated 21/5/2007 for stolen transformer of PSJ-2.
14.	Tubewell No. NP-4	The old transformer was taken on stock register.
15.	Tubewell No. AKA-4	- do -
16.	Tubewell No. GWP-15	- do -
17.	Tubewell No. AK-6	- do -

PAC OBSERVATIONS

84. The Committee observed that the Department has purchased new transformers, and subsequently it was realized by the Department that some of the old transformers should be made functional, if possible. A strategy was evolved and the old rusted transformers were dismantled and by dismantling of 14 transformers, only 8 transforms were completed and made functional. This trend of the Department was appreciated.

PAC RECOMMENDATIONS

85. In view of plausible explanation of the Department, the Para was recommended to be dropped.

DP.12.2.13 LOSS TO THE PUBLIC EXCHEQUER DUE TO ENCROACHMENT ON GOVERNMENT LAND - Rs.7.272 MILLION.

AUDIT VERSION

86. The Audit reported that the Executive Engineer Tube Well Irrigation Division, Peshawar, did not maintain Immovable Property Register of its about 280 tube wells, land in District Peshawar, Nowshera and Charsadda. However, the perusal of encroachment of Government land file No.L-4L revealed that the following six tube wells had been dismantled by the encroachers noted against each, its machinery dumped in store and its twelve operators and Chowkidars became idle resulting in estimated loss of Rs.7.272 million to the public exchequer:-

S/No	Date	Dug Well No	Location	Area of Land	Est: Cost of Land	Est; Cost of Machinery	Name encroacher	Total Rs.
1	20-4-09	1	Dalazak Road Pes: City	0.26 Marla	3,00,000	4,00,000	Edu: Deptt:	7,00,000
2	20-4-09	2	-do-	0.26 Marla	3,00,000	4,00,000	Edu: Deptt;	7,00,000
3	23-1-08	3	-do-	0.26 Marla	3,00,000	4,00,000	Not Known	7,00,000
4	17-4-09	29	Gul Bahar Colony Pesh:	0.26 Marla	5,00,000	4,00,000	Converted into shop by residents	9,00,000
5	17-4-09	41	Badshah Khan Chowk animal Husbandry	0.26 Marla	7,00,000	4,00,000	C&W Deptt:	11,00,000
6	17-4-09	58	Shami Road	0.26 Marla	9,00,000	4,00,000	Khyber Lamps	13,00,000

							Total	54,00,000
							Add Pay of 12 Nos Staff	18,72,000
							G/Total	72,72,000

87. Audit was of view that the mis-management and weak control on the part of management was the cause of loss.

88. The loss was pointed out in August, 2010. The management stated that the case was under process with the quarter concerned.

89. In the DAC meeting held on 06-01-2011, the Department replied that in case of dug wells No.1,2 & 5, the Education Department had already been asked for indicating the authority under which they had encroached. In case of S/No.3 & 4, the Police authorities had been approached for action and in case of S/No.6, the Police Department would be approached for counter measures. The DAC directed that efforts be made to resolve the issue and also lodge FIR against the private persons. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

90. The Department explained that action against the encroachers was being under process in each case as per detail below: -

1. Dugwell No. 1 and Dugwell No. 2. Education Department, Government of Khyber Pakhtunkhwa had already been asked for indicating the authority under which they had encroached vide Executive Engineer, T/Well letter No. 4-7/19-A(i) dated 24/2010 to Principal Govt. High School, Dalazak Road, Peshawar (ii) SDO letter No. 2371/14-M dated 25/3/2010 to Principal Govt. High School, Dalazad road, Peshawar in sequel to all preceding communications to Education Department. Secretary Education was being requested to justify the position on behalf of concerned authorities.
2. Dugwell No. 3. Final notice had been issued. Letter Nos. to SHO Faqirabad Peshawar from SDO/Xen are (i) SDO letter No. 680/14-M dated 23/1/2008 (ii) SDO letter No. 810/14-M dated 20/5/2008 (iii) SDO letter No. 191/14-M dated 16/8/2008 (iv) Executive Engineer T/Wells Irrigation letter No. 408/19-A(i) dated 24/2/2010 (v) letter No. 2370/14-M dated 25/3/2010. In this context, higher up of Police authorities would be approached for appropriate necessary action.
3. Dugwell No. 29. Notices had been issued vide this office letter No. 410/19-A(i) dated 24/2/2010 and letter No. 2366/14-M dated 25/3/2010. Due to no response of the encroachers, police authorities had been approached for action (5) Dugwell No. 41 C&W Department, Government of Khyber Pakhtunkhwa had already been asked for indicating the authority under which they had encroached the dugwell. In this connection (i) a letter No. (i) 413/19-A (i) and letter No. 2368/14-M dated 25/3/2010 had been sent to Executive Engineer Division No. 3 C&W Department Peshawar with a copy to SE CIC. In sequel to all preceding communications to Education Department Secretary Education was being approached to justify the position on behalf of concerned education authorities.

4. Dugwell No. 58: the owner of Khyber lamps had been finally approached vide this Executive Engineer, T/wells No. 411/19-A(i) dated 24/2/2010 (ii) SDO letter No. 2367/14-M dated 25/3/2010. After issuing another notice, Police Department would be approached for counteractive measures.

PAC RECOMMENDATIONS

91. In view of plausible explanation advanced by the Department, the para was recommended to be dropped.

DP.12.2.14 UN-NECESSARY BLOCKAGE OF PUBLIC MONEY- Rs.40.761 MILLION.

AUDIT VERSION

92. The Audit reported that during the financial year 2009-10, the Executive Engineer, Tube Well Irrigation Division, Peshawar, incurred an expenditure of Rs.40.761 million on the supply of automatic stare delta submersible pumping machinery and transformers for various tube-wells. The expenditure was required to have been incurred after supply/installation and commissioning of pumping machinery and transformers but instead the money was drawn only on supply of the machinery and transformers and was stored in the Sub-Divisional Office at Pabbi, District Nowshera.

93. Audit was of the view that negligence and non-observance of financial property was the cause of un-necessary blockage of money.

94. The irregularity was pointed out in August, 2010. The management stated that the amount for commissioning and installation had not been paid to contractor but kept in deposit and payment to the contractor had been made after supply of pumping machinery and transformers which had been properly taken on stock register.

95. In the DAC meeting held on 06-01-2011, the Department replied that the contractor/firm supplied the pumping machinery/transformers to sites of tube wells and amounts of installation charges were kept in deposit to safeguard the public and the Government interest. Except major involvement of PESCO in extension of power line and energization of augmentation of tube wells, all other tube wells had been brought into running condition. The DAC did not agree and directed to provide evidences within two days that all the tube wells were in running condition. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

96. The Department explained that the contractor/firm supplied the pumping machinery/transformers to sites of T/wells under ADP schemes of Augmentation, rehabilitation

and 100 No. t/wells under umbrella PC-1, for which they were required to be paid in full but due to coherent reasons of security problems/non availability of staff and non energization of t/wells by PESCO the same were properly taken on stock register and kept in store at Pabbi Sub Division in safe custody to provide right protection. In this regard, Finance Department had already been approached for arrangement of staff. Due to the mentioned reasons, the installation of pumping machinery at site without watch and guard was not in the public interest, therefore, only installation charges were kept in deposit (to avoid advance payment to contractor/manufacturer) to safeguard the public and Government interest. Except major involvement of PESCO in extension of power line and energization of GT/wells all the other T/wells had become in running condition.

97. Out of 49 Nos. T/Wells/LIS for which the machinery/transformer amounting to Rs. 40.761(M) had been purchased. 35 No. T/Wells had been commissioned and the remaining 15 Nos. were not commissioned due to non installation of power line and power meters. Efforts were being made and the PESCO authorities were regularly requested for early energization.

PAC RECOMMENDATIONS

98. In view of plausible explanation advanced by the Department, the para was recommended to be dropped.

LOCAL GOVERNMENT, RURAL DEVELOPMENT DEPARTMENT.

Twenty (20) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meeting held on 12th of July 2012. The following were present:-

Public Accounts Committee

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Kiramatullah Khan, Speaker | Chairman |
| 2. | Mr. Mukhtiar Ali, MPA | Member |
| 3. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 4. | Mufti Syed Janan, MPA | Member |

Finance Department

Mr. Saif-Ur-Rehman Usmani,
Director.

Law Department

Mr. Umar Ali,
Deputy legal Drafter.

Audit Department

1. Mr. Sikandar Khan,
Director General.
2. Mr. Lal Muhammad,
Director.
3. Mr. Mutahir Rehman,
Deputy Director.
4. Mr. Jan Israr,
Deputy Director.

Local Government, Rural Development Department

1. Mr. Atta-ul-Haq,
Secretary Local Council Board.
2. Mr. Khalid Khan,
Section Officer (Budget).

Provincial Assembly of Khyber Pakhtunkhwa

1. Mr. Amanullah,
Secretary.

2. Mr. Amjad Ali,
Additional Secretary.
3. Mr. Inamullah Khan,
Deputy Secretary

2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para.

DP.13.2.1 MIS-APPROPRIATION OF VALUABLE ASSETS Rs. 17.64 MILLION.

AUDIT VERSION

3. The Audit reported that during the financial year 2008-09, the Director General, Community Infrastructure Project-II, Peshawar incurred an expenditure of Rs.17.640 million on the purchase of various items. Stock register showing dates and prices of purchase were not maintained. Physical verification carried out by the Assistant Director, Community Infrastructure Project-II revealed that a number of valuable assets were not available and had been misappropriated.

4. Audit held that misappropriation was due to weak internal controls and negligence on the part of management.

5. The misappropriation was pointed out in August 2009, the management furnished no reply.

6. In the DAC meeting held on 12/04/2010 the Department replied that proper stock register was maintained and all the items were entered in the register. The DAC directed to produce record for verification. The record would be investigated in case items were found missing. Neither stock register/record was produced to the verification team nor the missing items investigated till finalization of this report.

DEPARTMENTAL VERSION

7. The Department explained that the stock register has been maintained and it was true that the purchase price and date were not available on the record. But it was not true that these items were physically not available. All the items were available and could be verified any time.

8. As there was neither embezzlement involved nor any thing was lying hidden and no loss was sustained to the Government Ex-chequer.

PAC OBSERVATION

9. The PAC observed that entries have not been made in the stock register at the time of audit, and till DAC meeting held on 12th April 2010 and even upto the pre-PAC meeting. It is quite strange that the misappropriation was pointed out in August, 2009, and the Department was required to have taken action immediately but it was regretfully observed that no practical steps have been taken so far.

PAC RECOMMENDATION

10. The PAC recommended that joint physical verification by the Audit, Finance and PAC Cell may be carried out on 25th July, 2012 positively and if it was found that the items were missing, recovery of the missing items alongwith appropriate disciplinary action must be initiated against the responsible officer(s). Para stands. Progress be reported to PAC Cell.

DP.13.2.2 NON-PRODUCTION OF RECORD Rs. 15.780 MILLION.

AUDIT VERSION

11. The Audit reported that during the financial year 2007-08, the Director General, Community Infrastructure Project-II, Peshawar incurred an expenditure of Rs.13.184 million on the purchase of store items and Rs. 2.596 million was paid on accounts of work-charge salaries. Supporting record of the expenditure was not shown to Audit. Therefore, the expenditure could not be verified.

12. Audit held that the record was not produced due to concealing the expenditure and misappropriation of said amount could not be rule out.

13. The irregularity was pointed out in August 2008, the management furnished no reply.

14. In the DAC meeting held on 28/05/2009, the Department replied that the record pertaining to the Para was lying with NAB in another inquiry. The DAC directed to conduct an inquiry into the matter. The Committee recommended to keep the inquiry pending till the record is received from the NAB. Another DAC meeting was held on 24-10-2009 but no record was produced.

DEPARTMENT VERSION

15. The Department explained that a committee has already been constituted vide No.SO.Budget (L.G/5-4/2001/Vol-III dated 20/07/2009 to probe into the matter. The record was with the NAB and the Committee has not proceeded further. When the enquiry of the NAB was

completed and record will be returned to the office then the Committee will enquire the matter and the recommendation of the Committee will be shown to the PAC.

PAC OBSERVATION

16. The PAC observed that Department has not retained photo copy of the record before handing it over to NAB. No efforts have been made as yet by the Department for getting such record from NAB even after the finalization of NAB enquiry. It seems that Department is not serious to respond to the issue pending with it. Such practice clearly indicates the casual attitude of the Department towards the PAC business and weak internal control.

PAC RECOMMENDATION

17. The Committee directed the Department that NAB may be approached to get record and in case of failure, PAC Cell may be approached for assistance. Detailed audit in this Para may be conducted by Audit. Action may also be taken against those officers, who have not retained the record resultantly not produced to Audit. As such practice of the Departmental officers facilitate the embezzlement of Government money easily, therefore, they need to be put task. Para stands. Progress be reported to PAC Cell.

DP.13.2.3 UN-AUTHORIZED EXPENDITURE DUE TO NON-PRODUCTION OF RECORD Rs. 11.758 MILLION.

AUDIT VERSION

18. The Audit reported that during the financial year 2008-09, the Director General, Community Infrastructure Project-II, Peshawar made advance payment of Rs.34.578 million to TMA Town-I, Peshawar. However, the relevant record was not provided for verification and scrutiny.

19. Audit held that record was not produced due to concealing the expenditure and mis-appropriation of the said amount can not be rule out.

20. The un-verified expenditure was pointed out in July 2009. The management furnished no reply.

21. In the DAC meeting held on 12/04/2010, the Department replied that the relevant record was available. An Audit Team was deputed on 29/04/2010 for verification of record and it was noticed that advance payment of Rs. 11.758 million (Rs.2.554 million against 10 CCBs and Rs. 9.194 against 14 CCBs) to TMA Town-I needed recovery from various Community

Originations as they did not execute the civil works. The DAC directed to produce the relevant record but no record was furnished till finalization of this report.

DEPARTMENTAL VERSION

22. The Department explained that the TMAs were informed through letters to produce such record to the CIP office for Audit, however, this letter has not been received by the TMA. It was pointed out that the TMA Town-I has not submitted the record for Audit. The matter was discussed with the audit team and they were agreed to visit the TMA office for Audit of their record. The record has been shown to the Audit team. However, if they have any other query, the team may Audit the record of the Town-I.

PAC OBSERVATION

23. Non production of record worth Rs.11.758 million was noted by the Committee with heavy heart. If record is not produced than how audit would be conducted. This is a real offence, and culprits needs to be put to task.

PAC RECOMMENDATION

24. The Committee recommended to carry out joint physical verification of schemes by the Audit, PAC Cell, Department and Finance followed by conducting detailed audit by the Audit. Moreover action may also be taken against the officer who failed to produce record to Audit. Para stands. Progress be reported to PAC.

DP.13.2.4 NON-RECOVERY OF LIQUIDATION CHARGES Rs. 248.192 MILLION.

AUDIT VERSION

25. The Audit reported that during the financial year 2008-09, in the office of Secretary to Government of Khyber Pakhtunkhwa, Local Government & Rural Development Department, Peshawar, Rs. 594.444 million was paid to a contractor for the execution of work against the total cost of Rs. 2481.920 million. The contractor failed to complete the work in the stipulated time period upto 30/09/2008. Extension in time was not accorded by the competent authority; therefore, liquidation cost of the work amounting to Rs.248.192 million was required to the recovered which was not affected.

26. Audit held that no recovery of liquidation charges was due to negligence of the part of management.

27. The non recovery was pointed out in September 2009, the management furnished no reply.

28. In the DAC meeting held on 29/02/2010, the Department replied that the issue of penalizing the contractor was under consideration in the Federal Steering Committee of the Project whose decision was yet awaited. The DAC directed to conduct inquiry and submit the report within a month. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

29. The Department explained that the Project completion period had been extended by the Steering Committee headed by the Additional Chief Secretary, P&D Department Government of Khyber Pakhtunkhwa till June 2015. The contractor has produced a fresh Bank Guarantee which was valid till December, 2013. Hence, no loss to the Government was involved.

PAC OBSERVATION

30. The Committee observed that how the said funds were disbursed through the Local Government Department as the PHE Department having the expertise in the field and also established for such purpose would have effectively carried out these projects. Had it been carried out through PHE Department the Government would not have sustained the administrative costs. Moreover, most of the schemes were not operational hence, the public was not facilitated and the Government money wasted.

PAC RECOMMENDATION

31. The Para was kept pending for production of lists that shows the total number of schemes and also indicating the status of schemes whether operational or non operational. Moreover, the concerned persons were also required to be present.

DP.13.2.5 NON-DEDUCTION OF INCOME TAX Rs. 35.667 MILLION.

AUDIT VERSION

32. The Audit reported that during the financial year 2007-08, in the office of Secretary to Government of Khyber Pakhtunkhwa, Local Government & Rural Development, Peshawar, Rs. 594.444 million was paid to a contractor for the execution of work. However, income tax of Rs. 35.667 million was not deducted from the contractor bills.

33. Audit held that non-deduction of income tax was due to negligence on the part of management.

34. The non-deduction was pointed out in September 2009. The management furnished no reply.

35. In the DAC meeting held on 29/04/2010 the Department replied that initially income tax was not deducted because the contractor informed the Department that his firm was exempt from deduction of income tax at source. However, later on deductions were made from him. The DAC directed to produce relevant record within fifteen days. No record was produced till finalization of the report.

DEPARTMENTAL VERSION

36. The Department explained that initially the Income tax was not deducted as the contractor verbally informed that his firm was exempted from at source deduction of Income Tax etc. however, upon his failure to produce documentary proof the income tax was deducted out of his due outstanding payments and deposited to Income Tax Department vide cheque No.848881 dated 04/03/2009 accordingly.

PAC OBSERVATION

37. The Committee was astonished to know that the Department has not deducted income tax from the contractor on his verbal statement that he was exempted. Had the loss not been pointed out by the audit, the amount would not have been deducted.

PAC RECOMMENDATION

38. Since the income tax had now been deducted, therefore, the Para was recommended to be dropped, subject to verification by Audit.

DP.13.2.6 NON-RECOVERY OF Rs. 0.992 MILLION.

AUDIT VERSION

39. The Audit reported that Director General, Community Infrastructure Project-II released Rs.6.563 million to TMA Hangu, which were further released to various CCBs upto 30/06/2009. A sum of Rs.4,55,853 shown adjusted and the balance of Rs.2.005 million was outstanding against the CCBs.

40. Audit held that the non-recovery was due to negligence on the part of management.

41. The non-recovery was pointed out in August 2009. The management stated that due to law and order situation, the works were not completed in time and extension in time was accorded by the competent authority.

42. In the DAC meeting held on 12/04/2010, the Department replied that the balance amount of Rs. 2.005 million could not be incurred due to sectarian crises and talibanization in District Hangu. The DAC directed to produce the relevant record of verification within two days. A report shown to Audit stated that an FIR was lodged against the defaulters but the copy of FIR was not produced. Moreover, it also showed Rs.9,22,611/- as recoverable.

DEPARTMENTAL VERSION

43. The Department explained that according to the LGO 2001 financial procedure adopted for CCB scheme funding advance payment was necessary for individual schemes of CCB as all CCB, had to contribute to the cost of scheme to ascertain percentage of cost. Both the contribution of Government and CCB had to be clubbed into one account operated by CCB.

44. In the instant case TMA Hangu has followed the prescribed procedure for recovery of the unspent balance from concerned CCB, therefore, no irregularity has taken place and there was no need for any enquiry. However, the TMA concerned will be directed to confirm the recovery.

PAC RECOMMENDATION

45. The request of the Department that it would affect recovery from the responsible(s) was accepted by the Committee and recommended to affect recovery from the officer who made payment to CCBs. Compliance be reported to PAC Cell within 15 days. Para stands.

DP.13.2.7 NON-RECOVERY OF INCOME TAX Rs. 0.514 MILLION.

AUDIT VERSION

46. The Audit reported that Director General, Community Infrastructure Project-II, Peshawar paid a sum of Rs. 8.510 million to Social Organization and Consultants. However, 6% income tax amounting to Rs. 514.255 was not recovered from them in violation of the contract agreement.

47. Audit was of the view that the cause of non recovery was negligence on the part of management and undue favour extended to the consultants.

48. The non recovery was pointed out in July, 2009. The management furnished no reply.

49. In the DAC meeting held on 12/04/2010, the Department replied that 6% income tax had been deducted from the consultants. The DAC directed to produce the evidence in

support of recovery. An Audit Team was deputed on 29/04/2010 for verification of record. However, no record was produced thereby meaning that no recovery had been made.

DEPARTMENTAL VERSION

50. The Department explained that the Social Organizers and consultants of CIP-II were actually employees of the project on fix pay and were not the kind of consultants which were hired from market under the prescribed procedure for selection of consultants. The designation apparently mentioned them as consultant, however, their status was of project employees and their salary was not subject to deduction of 6% income tax. The taxes deducted from their salary was deposited to the income tax authority collectively with tax deductions from other employees of the project.

PAC RECOMMENDATION

51. The request of the Department that it would affect recovery from the responsible(s) was accepted by the Committee and recommended to affect recovery from the officer who made payment to CCBs. Compliance be reported to PAC Cell within 15 days. Para stands.

DP.13.2.8 IRREGULAR AND UN-ECONOMICAL EXPENDITURE Rs.594.444 MILLION.

AUDIT VERSION

52. The Audit reported that during the financial year 2007-08, in the office of Secretary to Government of Khyber Pakhtunkhwa, Local Government & Rural Development Department, Peshawar, Rs. 594.444 million was paid to a contractor on account of clean drinking water for all. The expenditure was found irregular because administrative approval and technical sanction was not found available on record. Bidding documents, both for the pre and post qualifications, were not provided to Audit. The lowest rate was approved but on evaluation of two participants, which was against the provision of para 42 (B-III) of the Procurement Rules, 2004 as 3rd minimum quotation of 3rd contractor was not opened by Committee without recording any reason.

53. Audit was of the view that the cause of irregular and uneconomical expenditure was negligence on the part of management and weak internal control

54. The irregularity was pointed out in September 2009. The management furnished no reply.

55. In the DAC meeting held on 29/02/2010, the Department replied that all the codal formalities had been completed and record was available. The DAC directed to produce complete record within one month. No record was produced till finalization of the report.

DEPARTMENTAL VERSION

56. The Department explained that:-

- i. Administrative approval was already issued by the Federal Government.
- ii. The award process was carried out by the Federal Government through Project Steering Committee which was a competent forum.
- iii. The verification of the Engineer was required once the work was carried out in the instant case the 1st 15% payment was related to Advance only in the absence of any physical work, therefore, no certification was needed. The 2nd advance of 15% contain activities like hiring of offices, hiring of staff, ware houses etc required to be established. The payment to the contractor was released as per clause 33.1 of the Contract Agreement.
- iv. The beneficiary of the Bank Guarantee was the Project director, Federal PMU, CDWA who has been timely informed about the expiry of Bank Guarantee. Now the contractor has provided fresh Bank Guarantee amounting to Rs.594.000 million which was valid.

PAC OBSERVATION

57. It was observed that DAC was just taken as a formality. Its decision was not followed by the Department. Negligence on the part of the Departmental officer was very much clear. PAC lamented this state of affairs with grave concern.

PAC RECOMMENDATION

58. In view of the above observation, the PAC directed that stern action may be initiated against the officer who failed to produce record to Audit. Moreover, record must be submitted to Audit within 3 days to carry out re-audit of the record pertaining to the Para. Para stands. Progress be reported to PAC Cell.

DP.13.2.9 UN-DUE BENEFIT TO THE CONTRACTOR Rs. 297.009 MILLION.

AUDIT VERSION

59. The Audit reported that during the financial year 2007-08, in the office of Secretary to Government of Khyber Pakhtunkhwa, Local Government & Rural Development Department, Peshawar, Rs. 297.009 million was paid to a contractor as 2nd advance on account of clean drinking water for all. However, cheques were not routed through guarantor bank (BOP) and cashed in Habib Metro Politan Bank Ltd, Lahore. The same payment should have been transferred through guarantor in the contractor account i.e. CD 0050936008 as mentioned in

clause 33.1 of the contract agreement. Moreover, bank guarantees had also expired in September 2008 which was to be re-validated.

60. Audit held that the undue benefit to the contractor was extended due to weak internal control and negligence on the part of management.

61. The irregularity was pointed out in September 2009. The management furnished no reply.

62. In the DAC meeting held on 29/02/2010, the Department replied that the issue to penalize the contractor was under consideration in the Federal Steering Committee of the project whose decision was awaited. DAC directed to conduct inquiry and submit the report to Audit. No progress was intimated till finalization of the report.

DEPARTMENTAL VERSION

63. The Department explained that the project completion period has been extended by the Steering Committee headed by Additional Chief Secretary, P&D Department, Government of Khyber Pakhtunkhwa till June, 2015 and so the agreement with the figure was also extended accordingly. The contractor has produced a fresh Bank Guarantee which was valid till December, 2013. Since the Government did not sustain any loss.

PAC OBSERVATION

64. The Committee lamented on the part of Departmental officer that decision made by the DAC to conduct enquiry, was not implemented, which is really inefficiency on the part of the Department. Such practice leads to linger on the issue so that it is not resolved. This concept of dealing with Government business is regretful.

PAC RECOMMENDATION

65. The Committee recommended that enquiry ordered by the DAC must be conducted immediately and who so ever is held responsible may be proceeded against under E&D Rules. Moreover action may also be taken against the officer who has not implemented the decision of the DAC. Para stands. Progress be reported to PAC Cell.

DP.13.2.10 IRREGULAR/UN-AUTHORIZED PAYMENT TO INCOME TAX DEPARTMENT Rs. 37.947 MILLION.

AUDIT VERSION

66. The Audit reported that in the office of Secretary to Government of Khyber Pakhtunkhwa, Local Government & Rural Development Department, Peshawar, Rs.39.943

million was paid to Income Tax Department on account of income tax deducted from the budget released to the Project Director, Clean Drinking Water for all, in lump sum instead of deducting it from the contractors bills on the execution of work, which rendered the expenditure as irregular and unauthorized.

67. Audit was of the view that the income tax was deducted and paid in lump sum in violation of rules.

68. The irregularity was pointed out in September 2009. The management furnished no reply.

69. In the DAC meeting held on 29-04-2010, the Department replied that initially income tax was not deducted because the contractor informed the Department that his firm was exempt from deduction of income tax at source. Later on, deductions were made from him. The DAC directed to produce the relevant record within fifteen days. No record was produced till finalization of the report.

DEPARTMENTAL VERSION

70. The Department explained that initially the Income tax was not deducted as the contractor verbally informed that his firm was exempted from at source deduction of Income Tax etc. however, upon his failure to produce documentary proof the income tax was deducted out his due outstanding payments and deposited to Income Tax Department vide cheque No.848881 dated 04/03/2009 accordingly.

PAC OBSERVATION

71. It was observed that income tax was not deducted from the Contractor; rather it was deducted in lump sum from Government Budget. It was a very serious irregularity on the part of Department.

PAC RECOMMENDATION

72. The Committee recommended that recovery must be made from the contractor within one month. Moreover, Inter Departmental Enquiry Committee consisting of Audit, Finance, Department and officer of PAC Cell was directed to conduct inquiry within a month time for non deduction of income tax from the contractor, who has authorized payment of income tax from Government Budget. Progress be reported to PAC. Para stands.

DP.13.2.11 NON-ADJUSTMENT OF ADVANCE ON ACCOUNT OF NON-EXECUTION OF SCHEMES IN TIME Rs. 174.224 MILLION.

AUDIT VERSION

73. The Audit reported that the Director General, Community Infrastructure Project (CIP-II) made advance payment of Rs. 174.224 million to various TMAs for execution of community schemes. Neither the schemes were executed by the community nor adjustment of the accounts communicated to the Project Director.

74. Audit observed that the funds amounting to Rs. 174.224 million were drawn just to avoid lapse of funds, furthermore, the project was going to be closed on 30-06-2009 and there seemed no chances of incurrance of expenditure by the TMAs and submission of adjustment accounts. The mis-appropriation of said amounts cannot be ruled out.

75. Audit was of the view that the cause of non adjustment of advance was negligence and weak controls on the part of management..

76. The irregularity was pointed out in August 2009, the management furnished no reply.

77. In the DAC meeting held on 12/04/2010, the Department replied that the funds have been released to various TMAs according to the strength of the TMAs/ No. of CCBs. In the TMA and funds have been released to any TMA on political grounds and upto 31-03-2010 the total funds released to TMAs was Rs. 1,911.966 million i.e. the closing date of project. The DAC did not accept the reply and directed to produce relevant record regarding adjustment for verification. No progress was intimated will finalization of the report.

DEPARTMENTAL VERSION

78. The Department explained that the Project Management has released the funds to the TMAs against the due share of CCBs. In the first instance, 1/3rd of the total amount was required to be released to the TMAs against CCBs. The 2nd installment was released subject to the adjustments of first advance. Therefore, final releases were made in 2009 and these adjustments were awaited during the course of Audit. However, these advances stand adjusted and only Rs.12.635 million was outstanding against the TMAs. However, the progress will be intimated as soon as possible.

PAC RECOMMENDATION

79. The Committee recommended to affect recovery of outstanding amount of Rs.12.635 million and the already recovered amount of Rs.161 million may be got verified from

Audit. Random Physical verification of these schemes may also be carried out. Para stands. Progress be reported to PAC within 15 days.

DP.13.2.12 EXCESS PAYMENT ON EXECUTION OF VARIOUS COMMUNITY SCHEMES
Rs. 5.74 MILLION.

AUDIT VERSION

80. The Audit reported that during the financial year 2008-09, the Tehsil Municipal Officers of various TMAs paid a sum of Rs. 278.446 million out of the funds of DG CIP-II but 13% deduction was made instead of 15% which resulted into an overpayment/excess payment of 2% amounting to Rs. 5.74 million.

81. Audit was of the view that the cause of excess payment was undue favour extended to the contractors.

82. The excess payment was pointed out in July 2009. The Department replied that recovery would be made.

83. In the DAC meeting held on 12/04/2010, the Department replied that all deductions were made according to the formula i.e. principal amount x 15/115 which comes to about 13% on the principal amount. So no undue favour was extended to TMA Town-III Peshawar. The DAC directed to produce the proof of the deduction of 13% from project document and other rules in vogue. A verification team was deputed to the local office on 19/04/2010. The department did not produce any documents to the verification team of Audit.

DEPARTMENTAL VERSION

84. The Department explained that Formula of principal amount x 15/115 has been applied in almost all the TMAs. As there was no other formula to extract the inbuilt contractor profit from the rate, just for example:-

- a. 50,000/-
- b. 15%=7,500/-
- c. (a+b)=57,500/- (rate inclusive contractor profit)

85. The Audit was of the opinion that if 15% was deducted from 57,500/- it against the norms of the accounts rules as 15% on 57,500/- comes to Rs.8,625/- but actually we have add 15% as Rs.7,500/-. To extract Rs.7,500/- from 57,500/- we have to use $P \times 15/115$ it comes to Rs.7,500/- which was correct. As this was only the arithmetical calculation based on actually and facts and no undue favour was extended to any TMA.

PAC RECOMMENDATION

86. The Committee directed the Inter Departmental Committee consisting of the Department, Audit and Finance to sit together and come up with agreed upon formula of income tax deduction and accordingly make deduction within 15 days. Para stands. Progress be reported to PAC.

DP.13.2.13 UN-AUTHORIZED DRAWL OF ARREARS OF PAY Rs.2.673 MILLION.

AUDIT VERSION

87. The Audit reported that the Director General, Community Infrastructure Project-II drew a sum of Rs. 2.673 million and showed it paid as arrears of pay for the period from 01-07-2008 to 10-10-2008. The drawl was made in response to Notification No. SOR/VI/E&AD/1-25/2007 dated 17-10-2008 of Establishment and Administration Department.

88. Audit opined that the effect of the pay was required to have been given from 17-10-2008 while the pay and allowances were allowed for the period from 01-07-2008 to 16-10-2008. Therefore, the payment of arrears was held unauthorized.

89. Audit held that the unauthorized payment was made due to negligence and undue favour given to employees in violation of rules.

90. The irregularity was pointed on August 2009. The management stated that the subject project policy was introduced on 02-07-2008 which was amended on 17-10-2008 due to which the payment of revised salary as per project policy was allowed w.e.f. 02-07-2008.

91. In the DAC meeting held on 12-04-2010, the Department repeated the previous reply. The DAC did not accept the reply and directed to obtain advice from the Finance Department immediately. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

92. The Department explained that according to the advice of the DAC issued in its meetings held on 12/04/2010 the Finance Department has been requested vide letter No.SO(B)LG/1-89/2010 dated 20/06/2010 for a clarification in the matter, however, the clarification was still awaited.

PAC RECOMMENDATION

93. As the Finance Department has not given ex-post facto sanction, therefore, the Committee recommended for immediate recovery of outstanding dues within two weeks. Para stands. Progress be reported to PAC Cell.

DP.13.2.14 UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF EID PACKAGE Rs. 1.110 MILLION.

AUDIT VERSION

94. The Audit reported that during the financial year 2008-09, the Director General, Community Infrastructure Project-II, Peshawar paid Rs. 1.110 million on account of Eid Package to the Project Employees without the approval of Finance Department and provision in the PC-I. The expenditure was, therefore, held unauthorized.

95. The Audit held that unauthorized payment was made due to negligence and undue favour extended to the employees in violation of rules.

96. The irregularity was pointed out in August 2009. The management stated that sanction of the competent authority would be obtained.

97. In the DAC meeting held on 12-04-2010, the Department replied that all Project Directors/Head of the Project had been delegated to exercise the powers equivalent to the Administrative Secretary. The DAC directed to provide approval of the competent authority. No progress was intimated till finalization of the report.

DEPARTMENTAL VERSION

98. The Department explained the it was submitted that he project has paid honoraria in shape of Eid package to those employees whose performance was good and have performed extra duty and all the Project Directors have been delegated the powers equivalent to the Administrative Secretaries.

PAC RECOMMENDATION

99. The PAC upheld the recommendation of pre-PAC that sanction of condonation for the amount of Rs.1.110 million may be obtained from the Finance Department for regularization of expenditure. In case condonation was not accorded by the Finance Department, then recovery be affected from the Project Director within f5 days. Para stands. Progress be reported to PAC Cell.

DP.13.2.15 UN-AUTHORIZED DRAWL ON ACCOUNT OF HOUSE RENT/SUBSIDY Rs. 0.707 MILLION.

AUDIT VERSION

100. The Audit reported that the Director General Community Infrastructure Project-II drew a sum of Rs. 707,400 on account of pay and allowances including house subsidy as per detail given below:-

S.No.	Name of employees	Fixed pay (Rs.)	House Rent/Subsidy p.m. (Rs.)	Total amount (Rs.)
1	Tariq Mehmmod AD (M&D)	45,000	8,950	322,200
2	Humayun (Assistant)	15,000	5,350	192,600
3	Sajjad Haider (Assistant)	15,000	5,350	192,600
Total				707,400

101. According to project employee's appointment policy they were appointed on lump sum pay basis, however, cheque drawing authority was misused and the employees were paid on the graded pay basis i.e. pay and house rent allowance etc. The payment to the project employees on graded pay basis was unauthorized.

102. The Audit held that unauthorized payment was made due to negligence and undue favour extended to the employees in violation of rules.

103. The irregularity was pointed out in August 2009. The Management stated that the employees in question were transferred and adjusted in CIP-I from Provincial Urban Development Board (PUDB). All of them were regular employees of the Board entitled for the House Subsidy as per the PUDBs by laws. After transfer of the employees to CIP, they were issued LPCs by the PUDB and the CIP authority was bound to allow payment according to LPC. However, after the introduction of project policy during 2008, the House Subsidy was withdrawn accordingly.

104. In the DAC meeting held on 12-04-2010, the Department repeated the previous reply. The DAC did not accept the reply and directed to produce appointment order, contract agreement, relevant rules, PUDB by laws regarding admissibility of House Subsidy for verification. No progress was intimated till finalization of the report.

DEPARTMENTAL VERSION

105. The Department showed copy of the appointment order/agreement and service rules of PUCB.

PAC RECOMMENDATION

106. The Committee accepting the assurance of the Department that it will affect recovery within 15 days recommended that recovery may be made from the officer who

authorized payment to the concerned within 15 days. Para stands. Progress be reported to PAC Cell.

DP.13.2.16 UN-AUTHORIZED EXPENDITURE ON THE PURCHASE OF PRINTERS Rs. 0.420 MILLION.

AUDIT VERSION

107. The Audit reported that the Director General, Community Infrastructure Project-II incurred an expenditure of Rs. 420,000 on the purchase of four latest Digital Copy Printers without provision in the Annual Work Plan, PC-I entry in the stock register and wide publicity. Actual payee's receipts were also not available on record. Moreover, neither Sales Tax amounting to Rs. 54,783 was deducted nor Sales Tax Invoice was available on record. The expenditure was, therefore, unauthorized.

108. The Audit held the expenditure was unauthorized because it was against the Government Rules.

109. The irregularity was pointed out in December 2007. The management furnished no reply.

110. In the DAC meeting held on 28-05-2005, the Department replied that the purchase was made within the provision of Annual Work Plan and necessary re-appropriation was approved by the PRB. The DAC did not agree and directed to conduct inquiry in the matter. The inquiry committee recommended that due to mis-management and improper maintenance of record, disciplinary action should be taken against the responsible officers/officials. Another DAC meeting was convened on 24/10/2009 to discuss/consider the inquiry report but no progress achieved so far.

DEPARTMENTAL VERSION

111. The Department explained that as committee has already been constituted vide No.SO.Budget(LG)5-4/2001/vol-VII dated 20/07/2009 to probe into the matter. As the record was with the NAB, the Committee has not proceeded further. When the enquiry of the NAB was completed and record was returned to LG&RDD then the Committee will enquire the matter and the recommendation of the Committee will be shown to PAC.

PAC OBSERVATION

112. The PAC observed that Department has not retained photo copy of the record before awarding it to NAB. No efforts have been made as yet by the Department for getting

such record from NAB. It seems that Department is not serious to respond to the issue pending with it. Such thing is not in favour of the Department.

PAC RECOMMENDATION

113. The Committee directed the Department that NAB may be approached to get record and in case of failure, PAC Cell may be approached for assistance. Detailed audit in this Para may be conducted by Audit. Action may also be taken against those officers, who have not retained the record resultantly not produced to Audit. Such practice of the Departmental officers help to embezzle Government money easily, therefore, they need to be put task. Para stands. Progress be reported to PAC Cell.

DP.13.2.17 UN-AUTHORIZED EXPENDITURE ON THE REPAIR OF VEHICLES Rs. 0.407 MILLION

AUDIT VERSION

114. The Audit reported that during the year 2006-07, the Director General, Community Infrastructure Project-II Khyber Pakhtunkhwa, Peshawar incurred an expenditure of Rs.407,072 on repair of three vehicles which was held unauthorized on the following ground:

- There was no provision in the PC-I/Work Plan.
- Vehicle No. X-7802 was damaged during accident. No FIR was lodged and dealer's bills were not available on the record.
- Dates and vehicles Nos. were not recorded on the quotations.
- Actual payee's receipts were not available on the record.
- Entries were not made in the log books.
- The work was carried out without observing codal formalities and sanction of the competent authority was also not obtained.

115. Audit held that the unauthorized expenditure was due to negligence and weak internal controls on the part of management.

116. The irregularity was pointed out in December, 2007. The management furnished no reply.

117. In the DAC meeting held on 28-05-2009, the Department replied that allocation was already approved by the Competent Forum in Annual Work Plan. The DAC did not agree and directed to conduct inquiry. The inquiry committee recommended that recovery should be made from the then Administration Officer and initiating Clerk and disciplinary action be taken against them.

DEPARTMENTAL VERSION

118. The Department explained that proceeding on the recommendation of Enquiry Committee were in progress. The Administration Department has not agreed with the recommendations of the Enquiry Committee and had directed for approaching the Audit for condonation of he proceeds irregularity.

PAC RECOMMENDATION

119. The Committee accepting the assurance of the Department that it will affect recovery within 15 days recommended that recovery may be made from the officer who authorized payment to the concerned within 15 days. Para stands. Progress be reported to PAC Cell.

DP.13.2.18 UN-AUTHORIZED DRAWL OF CONVEYANCE CHARGES Rs. 0.209 MILLION.

AUDIT VERSION

120. The Audit reported that the Director General, Community Infrastructure Project-II paid Rs.209,280 to the project staff members who were allotted/provided vehicles in contravention of rules.

121. Audit held that the unauthorized payment was made due to negligence and undue favour extended to the employees in violation of rules.

122. The irregularity was pointed out in August 2009, the management in the preliminary discussion on report agreed to recover the amount.

123. In the DAC meeting held on 12-04-2010, the Department was directed for recovery of Rs.2,09,280/-. No progress was intimated till finalization the report.

DEPARTMENTAL VERSION

124. The Department explained that notices for recovery of the excess conveyance allowance had issued to the concerned employees.

PAC RECOMMENDATION

125. The Committee recommended to affect recovery within 15 days as assured by the Department. It also directed the controlling officer of the Department to pursue the cases personally and to initiate action against those who allowed unauthorized Payment. Para stands. Progress be reported to PAC Cell,

DP.13.2.19 UN-AUTHORIZED PAYMENT OF Rs. 0.158 MILLION.

AUDIT VERSION

126. The Audit reported that during the year 2006-07, the Director General, Community Infrastructure Project-II, Peshawar released Rs. 189.025 to Tehsil Municipal Officer (TMO) Paharpur DIKhan for the construction of black topping of road at village Rangpur Union Council Lar which was unauthorized on the following grounds:

- Work orders, drawing and designs, actual payee's receipt and BOQ were not available on record.
- Expenditure of Rs. 157.709 was incurred on the items of work which were not included in the comparative statement.

127. Audit held that the expenditure was unauthorized due to weak internal controls and negligence on the part of management.

128. The irregularity was pointed out in December, 2007. The management furnished no reply.

129. In the DAC meeting held in May 2009, the Department replied that relevant record was available. The DAC did not agree and directed to conduct inquiry in the matter. The Inquiry Committee recommended that the record could not be produced before the Committee. Therefore, recovery amounting to Rs.157,709 be made from the then Administration Officer and concerned Clerk of CIP.

DEPARTMENTAL VERSION

130. The Department explained that as the CCB in question was approved for an amount of Rs.3.600 million including primary work of Construction of road costing Rs.11,01,809/-. An amount of Rs.1,99,025/- was released as 2nd installment and was paid to the contractor as per PC-I duly approved by the competent forum the payment was released against the approved PC-I all the drawings/Design PC-I and others documents were available and no embezzlement was involved in the instant case.

PAC OBSERVATION

131. The PAC observed that with heavy heart the casual attitude of the Department that irregularity pointed out in 2007 was not taken seriously, neither decision of DAC nor of pre-PAC was implemented

PAC RECOMMENDATION

132. The Committee recommended to initiate action against the responsible who failed to produced record before the inquiry committee despite clear cut direction of DAC and pre-PAC. Moreover, inquiry as ordered by pre-PAC may be completed with regard to Draft Para within a month. Para stands. Progress be reported to PAC Cell.

DP.13.2.20 WASTEFUL EXPENDITURE ON ACCOUNT OF MANAGEMENT INFORMATION SYSTEM Rs.0.975 MILLION.

AUDIT VERSION

133. The Audit reported that the Director General, Community Infrastructure Project-II made advance payment of Rs. 975,450 to M/S DOTCOM for the development of MIS Software for CIP-II and TMA. According to the contract agreement the firm was bound to complete the task within five months i.e.21-11-2007 but the firm failed to complete the assignment and did not refund the amount so far.

134. Audit held that expenditure was wasteful due to negligence and mismanagement on the part of the officer(s) concerned.

135. The wasteful expenditure was pointed out in August 2009, the management replied that the contract of the firm had been cancelled and notice had been issued for recovery.

136. In the DAC meeting held on 12-04-2010, the Department stated that the case of recovery was under process. The DAC directed that recovery from the firm be made. No progress was intimated till finalization of the report.

DEPARTMENTAL VERSION

137. The Department explained that notices had been issued to the concerned firms for early recovery vides No.DG/CIP-II/Admn/18361 dated 13/04/2010. But unfortunately Mr. Ali Hadi, Managing Partner DotCom, Peshawar was abroad and the case was still under process. On his return, recovery will be ensured and will be show to Audit

PAC RECOMMENDATION

138. The Committee upheld the recommendations of DAC and pre-PAC and directed to recover the amount within three weeks from the concerned officer who made unauthorized payment to the firm. Para stands. Progress be reported to PAC Cell.

INFORMATION DEPARTMENT.

Four (04) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meeting held on 16th of July 2012. The following were present:-

Public Accounts Committee

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Kiramatullah Khan, Speaker | Chairman |
| 2. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 3. | Mr. Fazal Shakoor Khan, MPA | Member |
| 4. | Malik Tamash Khan, MPA | Member |

Finance Department.

Mr. Nazir Awan,
Additional Secretary.

Law Department

Mr. Umar Ali,
Deputy legal Drafter.

Audit Department.

1. Mr. Sikandar Khan,
Director General.
2. Mr. Lal Muhammad,
Director.
3. Mr. Mutahir Rehman,
Deputy Director.
4. Mr. Jan Israr,
Deputy Director.

Higher Education, Archives & Library Department.

1. Mst. Farah Hamid Khan,
Secretary.
2. Dr. Qibla Ayaz ,
Vice Chancellor, University of Peshawar.
3. Mr. Imtiaz Galani,
Vice Chancellor.
4. Mr. Asmatullah,
Vice Chancellor.
5. Mr. Sakhawat Shah,
Vice Chancellor, University of Hazara.

6. Mst. Farhana Jahangir,
Vice Chancellor.
7. Mr. Sarwar Khan,
Director Finance.
8. Mr. Iftikhar Khan,
Treasurer.

Information & Public Relation Department.

1. Mr. Azmat Hanif,
Secretary.
2. Mr. Shuaib-ud-Din,
Director.
3. Mr. Salim Khan,
Assistant Director.

Provincial Assembly of Khyber Pakhtunkhwa

1. Mr. Amanullah,
Secretary.
 2. Mr. Amjad Ali,
Additional Secretary.
 3. Mr. Inamullah Khan,
Deputy Secretary
2. The meeting commenced with recitation of a few verses from the Holy Qura'n.

DP.11.2.1 IMPROPER MAINTENANCE OF RECORD IN SUPPORT OF PAYMENT Rs. 79.797 MILLION.

AUDIT VERSION.

3. The Audit reported that the Secretary Information allowed payment of Rs.79.797 million to various newspapers as advertisement charges from the PLA account G-1217 against the receipt of Rs. 72.059 million.
4. While comparing the cheque passed by the A.G, Khyber Pakhtunkhwa in respect of various Government Departments, it was noted that a sum of Rs. 45.989 million was drawn and subsequently paid to Director Information Department. Audit observed that the record of the PLA was not properly maintained. A ledger was maintained in which all the advertisements were recorded date-wise/serial-wise and on receipt of the payment from the Government Departments, the concerned advertisement No./serial No. was struck off by crossing it, however, the total outstanding payment and total receipt from the Departments was not mentioned.

5. Audit held that the cause of improper maintenance of record was negligence and weak internal controls and violation of Para 10 of GFR Vol: I on the part of management.

6. The irregularity was pointed out in June 2010. The management furnished no reply.

7. In the DAC meeting held on 18/10/2010, the Department replied that amount received from various Departments was kept in non-lapsable PLA for subsequent payment to Newspaper Agencies. This money was utilized subsequently in 2009-10. The DAC directed that the complete record be got verified from Audit. No progress was intimated till finalization of the report.

DEPARTMENTAL VERSION.

8. The Department explained that figures with regard to receipts/payments made to various newspapers on account of advertisement charges during the financial year 2008-09 as mentioned in the Audit Para did not tally with the PLA record of the Director Information as well as Secretary Information. The factual position was as under:

➤ **PLA OF DIRECTOR INFORMATION**

Opening balance 01/07/2008	Rs. 42,608,738/-
Receipts 2008-09	<u>Rs. 72,045,362/-</u>
Total	Rs.114,654,100/-
Payment	<u>Rs. 75,134,018/-</u>
Closing balance 30/06/2009	Rs. 39,520,082/-

➤ **PLA OF SECRETARY INFORMATION**

Opening balance 01/07/2008	Rs. 2,996,258/-
Receipts 2008-09	<u>Rs. 75,134,018/-</u>
Total	Rs.78,130,276/-
Payment	<u>Rs. 77,596,453/-</u>
Closing balance 30/06/2009	Rs. 533,823/-

9. As per practice major chunk of the amounts on account of advertisement charges were received from various Government Departments/Organizations during the closing month of each financial year i.e. June, therefore, it was not possible to disburse the same within that financial year due to want of fulfilling requirements within the available shortest time. It was a continuous process and payments were made from time to time on receipt of advertisement dues from the sponsoring/client Departments and thus the balance of PLA hardly became nil. The difference between the receipts and payments was also due to the said reason.

Furthermore, the record with regard to advertisement charges had not been maintained haphazardly as mentioned in the Audit Para. Rather it had been maintained properly and even that record was then under the process of computerization to exclude the chances of any error/miscalculation. The audit could inspect the same any time.

PAC OBSERVATIONS.

10. Non submission of working paper by the Department to the Committee in time and non production of record to Audit as directed by DAC and Pre-PAC was noted with grave concern that needs to be discouraged in all respect.

11. It was pointed out by the Department that the issue of lapsable and non lapsable of PLA accounts being maintained in the Department was involved and the Department is already working on suggesting some modalities for maintaining PLA accounts.

PAC RECOMMENDATIONS.

12. The Department was directed to conduct enquiry and initiate action against all those officers who failed to prepare and submit the working to the PAC in time i.e 10 days before the meeting as instructed by the PAC Cell of the Provincial Assembly from time to time.

13. The Department, Audit and Finance were directed to sit together under the Chairmanship of Secretary Information Department to evolve mechanism and suggest modalities for maintaining PLA accounts so that like wise Paras may not be repeated every year. Moreover, the Department was directed to produce record to Audit for verification. Para stands. Progress be reported to PAC Cell within two weeks.

DP.11.2.2 UN-AUTHORIZED RETENTION OF PUBLIC FUNDS Rs.37.945 MILLION.

AUDIT VERSION.

14. The Audit reported that the Secretary and Director Information maintained two separate PLAs which revealed that both had closing balance of public funds worth Rs.37.945 million accumulated in PLA which was required to be paid to the concerned newspapers/advertising agencies. Moreover, it is also pointed the cheques received from AG Office under the object head (03907) do not include the cost of those advertisements which were directly advertised by the various Government Departments, Autonomous Bodies, District Governments etc.

15. Audit was of the view that the retention was unauthorized because of weak financial controls of management and violation of Paras 7 & 28 of GFR Vol: I.

16. The irregularity was pointed out in June 2010. The management stated that reply will be furnished in due course of time.

17. In the DAC meeting held on 18/10/2010, the Department replied that both the PLAs had been declared non-lapsable. The DAC did not agree and directed that the details of Department-wise closing balance be got verified from Audit. No progress was intimated till finalization of the report.

DEPARTMENTAL VERSION.

18. The Department explained that figures with regard to closing balance of PLA of the Director Information and Secretary Information during the financial year 2008-09 did not match with the figures mentioned in the Audit Para. After going through record of PLA of the Director Information, the closing balance on 30/06/2009 had been found as Rs. 39,520,082/- while of the Secretary Information stood as Rs. 533,823/-. The sum of both the PLAs' worked out to be Rs. 40,053,905/-.

19. It had been observed that bulk of the amounts on account of advertisement charges were mostly received just before the end of June every year and it was humanly not possible to fulfill the required formalities and disburse the same among the newspapers during the said month. In such circumstances, the payment automatically went to the next month/financial year. Furthermore, the PLA of Director Information as well as Secretary Information was non-lapsable and there were no chances of the lapse of funds.

20. As per policy, all Government/semi-Government Department/ Organizations were required to float their advertisements to the newspapers through Information Department. However, those Departments/Organizations that released their advertisements directly to the media were violating the policy of the Government receives/disburse advertisement charges for only those advertisements that were floated through that Department and had no concern with the cost of those advertisements that were released directly in violation of the policy.

21. The advertisement charges in respect of various Government Departments/Organizations were worked out/updated from time to time by the Information Department and could be verified by the Audit any time.

PAC RECOMMENDATIONS.

22. Same as per DP No.11.2.1.

DP.11.2.3 IRREGULAR EXPENDITURE ON POLITICAL ADVERTISEMENTS Rs. 15.012 MILLION

AUDIT VERSION.

23. The Audit reported that the Director Information incurred an expenditure of Rs. 2.257 million on political advertisements. Similarly, the following Departments also incurred an expenditure of Rs. 12.755 million on the political advertisement:-

S.No.	Name of Department	Amount (Rs. In million)	Objective of advertisement
1	Health	5.559	Advertisement on 4 years performance of MMA Government published in 48 newspapers including large pictures of the leaders, hepatitis and polio campaign of self-projection of political leaders of ruling party
2	SHYDO	3.141	Mass publicity of the political leadership on the occasion of inauguration ceremony of the Malakand-III Hydle Project.
3	Education	2.674	Advertisement including large pictures of political leaders showing performance their government for five years with purpose of self-popularity
4	Social Welfare	0.477	Advertisement on un-relating event such Welcome to Shandoor Mela, 6 th September, 14 th August to Chief Minister.
5	Environment	0.445	Advertisement on occasion of tree plantation and 14 th August merely for political display of the Ministers.
6	I.T Board. Law, Social Security Institute	0.449	Political advertisement
Total		12.755	

24. Audit observed that almost all the advertisements were made to highlight the performance of the Government and the expenditure so incurred is held irregular.

25. Audit of the view, that the expenditure was irregular due to violation of financial propriety.

26. The irregularity was pointed out in June 2010. The management furnished no reply.

27. In the DAC meeting held on 18/10/2010, the Department replied that Information Department is basically a service provider to all Government Departments as per prescribed policy; various departments send their advertisements which are issued to different newspapers as per guidelines and advertisement policy.

DEPARTMENTAL VERSION.

28. The Department explained that expenditures of more than rupees 22 lac incurred by the Director Information had not been spent on political advertisements as stated in the Audit Para rather the same had been spent on the approval of the Provincial Government on the campaigns launched to create public awareness against the scourge of militancy in the province as well as to raise funds for the internally displaced persons of Swat, Buner and Dir, the areas that were hard hit by militancy. The menace of militancy had paralyzed daily life in various parts of the province and molding public opinion against the staggering nuisance through launching such advertisement campaigns was need of the hour.

29. As far as release of advertisements of Health, SHYDO, Education, Social Welfare, Environment, Law, I.T. Board and Employees Social Security Institute was concerned, it was submitted that Information Department was basically performing the role of a facilitator/service provider to all Government Departments/Organizations and released their advertisements to the media as per policy on the request of the client Departments/Organizations. The expenditures incurred in that regard were then borne by the sponsoring Departments/Organizations and payment was made/routed through the Information Department to the media concerned. The concerned sponsoring Departments/Organizations were in better position to justify their expenditures.

PAC OBSERVATIONS.

30. The inquiry conducted on the direction of DAC and Pre-PAC produced before the Committee was found unsatisfactory as neither responsibility was fixed nor any action was recommended by the inquiry officer therein.

31. It was observed that Information Department is only a service provider to other Department and as such no fault lies on the part of Information Department rather the Para needs to be taken against the Administrative Departments concerned and not against the Information Department.

PAC RECOMMENDATIONS.

32. The Committee directed the Finance and Audit Departments to conduct a joint enquiry in respect of the said advertisements relating to other Departments involved in the Para. Para stands. Progress be reported to PAC Cell with in one week.

DP.11.2.4 UN-AUTHORISED EXPENDITURE ON ACCOUNT OF POL AND REPAIR OF VEHICLES Rs. 0.242 MILLION

AUDIT VERSION.

33. The Audit reported that during the financial year 2007-08, in the office of Director Information Peshawar, two vehicles A-0284 NWFP and A-0278 NWFP which were on the strength of local office were in use of Minister Information and PRO to Chief Minister, but expenditure on account of POL and repair of the said two vehicles was borne by the Director Information which was un-authorized. Besides, POL 921 liters worth Rs. 51,870 for a distance of 5297 km were used in excess leading to a loss to the Government exchequer.

34. Audit was of the view that mismanagement and weak internal controls led to unauthorized expenditure.

35. The irregularity was pointed out in December 2008, the management stated that reply would be given after consulting the original record.

36. In the DAC meeting held in April, 2010, the Department replied that “the vehicle provided to his PRO is an effort to insure appropriate and publicity. The vehicles A-0284 NWFP & A-0278 NWFP were deputed for the Minister for Information, being the spokesman of the Government” Audit disagree with the plea of Information Department as the Minister for Information has already been provide with a separate vehicles by the S&GAD. The DAC, therefore, directed to provide evidence of proper transfer of vehicles by the competent authority. No evidence as directed was provided till finalization of the report.

DEPARTMENTAL VERSION.

37. The Department explained that Directorate of Information under the Rules of Business 1985 held the onus responsibility to give proper projection/publicity to the Provincial Government/Cabinet members. The vehicles bearing temporary registration No. 0284 and No. 0278 NWFP as mentioned in the Audit Para had been placed at the disposal of Minister Information’s office and PRO to Chief Minister respectively under the said rules to ensure proper media coverage/projection of the official activities of the spokesman to the Provincial

Government (Minister Information) as well as Chief Executive of the province (CM). The expenditures of Rs. 190,318/- thus incurred on the media projection of both the Government functionaries could not be declared as unauthorized. Furthermore, the PRO to Chief Minister was not someone outsider rather he was the staff member of Directorate of Information. However, when the matter was objected to by the Audit, it was taken up with the Chief Minister's Secretariat and after approval of the competent authority, the vehicle No. 0278 NWFP had been taken on the strength of the Chief Minister's Secretariat making them responsible for onward POL and maintenance expenditures of the vehicle.

38. As far as matter with regard to misuse of POL provided to vehicle No. 8900 amounting to Rs. 51,870/- was concerned, an enquiry had already been conducted wherein it had been established that meter of the vehicle was defective at that time. The logbook was maintained properly on the basis of actual journey performed and thus the expenditures were justified.

PAC OBSERVATIONS.

39. The Committee observed mis-use of Government vehicle by the Minister which should have been avoided and not repeated in future.

PAC RECOMMENDATIONS.

40. The Department was directed to stop forthwith such practice and to approach the Finance Department for regularization of the expenditures incurred on the use of said vehicle by the Minister. Para stands till regularization of Finance Department.

41. The Department vide covering letter No. SO (B&A) INF/1-10/2012-13 dated 30-01-2013 furnished the concurrence letter No. BOVIII/FD/1-101/ 2012-2013/KC dated 27-11-2012 of Finance Department about the regularization of fund of Rs. 69,960/- therefore, the Para was decided as settled.

HIGHER EDUCATION, ARCHIVES & LIBRARY DEPARTMENT

Twenty nine (29) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meetings held on 16th of July and 24th & 25th of September 2012, The following were present:-

Public Accounts Committee

- | | | |
|----|--------------------------------|-----------|
| 1. | Mr. Kiramatullah Khan, Speaker | Chairman. |
| 2. | Mr. Abdul Akbar Khan, MPA | Member. |

- | | | |
|----|------------------------------------|--------|
| 3. | Mr. Mukhtiar Ali, MPA | Member |
| 4. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 5. | Mr. Fazal Shakoor Khan, MPA | Member |
| 6. | Malik Tamash Khan, MPA | Member |
| 7. | Mr. Muhammad Zamin Khan, MPA | Member |
| 8. | Mufti Syed Janan, MPA | Member |

Finance Department.

1. Mr. Nazir Awan,
Additional Secretary.
2. Mr. Nadir Khan,
Deputy Secretary.
3. Mr. Abdul Samad,
Deputy Secretary

Law Department

1. Mr. Jamshaid Khan Afridi,
Deputy Secretary.
2. Mr. Umar Ali,
Deputy legal Drafter.

Audit Department.

1. Mr. Sikandar Khan,
Director General.
2. Mr. Lal Muhammad,
Director.
3. Mr. Mutahir Rehman,
Deputy Director.
4. Mr. Jan Israr,
Deputy Director.
5. Syed Bilal Ahmad Shah,
Deputy Director

Higher Education, Archives & Library Department.

1. Mst. Farah Hamid Khan,
Secretary.
2. Dr. Qibla Ayaz ,
Vice Chancellor, University of Peshawar.
3. Mst. Farhana Jahangir,
Vice Chancellor.

4. Mr. Mansoor Akbar Kundi,
Vice Chancellor, Gomal University.
5. Mr. Imtiaz Gilani,
Vice-Chancellor, University of Engineering & Technology,
Peshawar.
6. Mr. Nek Muhammad,
Director (Finance), University of Engineering & Technology,
Peshawar.
7. Dr. S.Sakhwat Shah,
Vice-Chancellor, Hazara University.
8. Mr. Ihsan Ali,
Vice-Chancellor, Abdul Wali Khan University.
9. Mr. Asmatullah,
Vice-Chancellor, University of Science & Technology, Bannu.
10. Mr. Kabir Afridi,
Deputy Secretary (Admn:).
11. Mr. Iftikhar Hussain,
Treasurer, University of Peshawar.
12. Mr. Akbar Khan,
Treasurer, Hazara University
13. Mr. Shafeequllah,
Treasurer, Abdul Wali Khan University.

Provincial Assembly of Khyber Pakhtunkhwa

1. Mr. Amanullah,
Secretary.
2. Mr. Amjad Ali,
Additional Secretary.
3. Mr. Inamullah Khan,
Deputy Secretary
4. Mr. Ashtimand,
Deputy Secretary.

2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

DP. 3.2.1 EMBEZZLEMENT OF Rs. 1.193 MILLION.

AUDIT VERSION.

3. The Audit reported that during the financial year 2007-08, the Principal Government Degree College (F), Nowshera realized a sum of Rs. 1.193 million on account of private funds received from the students of the college. However, it was noticed that the said

amount was embezzled by a Junior Clerk of the college rather than utilizing the fund on the purpose for which it was received from the students. The record revealed that Rs. 557,240 was recovered from the dealing hands whereas a balance of Rs.635, 985 was still outstanding against the person at fault. The matter was not brought into the notice of Director General Audit, Khyber Pakhtunkhwa as required under the rules.

4. The cause of embezzlement was negligence on the part of concerned officer.

5. The embezzlement was pointed out in January 2009. The management furnished no reply.

6. In the DAC meeting held in October 2009, the Department replied that out of embezzled amount of Rs. 1.193 million, an amount of Rs. 0.557 million was recovered whereas the accused has now been absconder. The Principal/DDO was equally responsible due to her negligence. The DAC directed the principal to produce the record of latest proceedings regarding the criminal case registered against the accused. She was required to produce order of the court declaring the accused as absconder and also the order to the effect of attaching the property of accused for auction. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION.

7. The Department explained that during checking of the college fund in July 2006, Internal Audit Team had unearthed an embezzlement of Rs. 687200/- committed by Junior clerk Amir Bashar. After that Mr. Amir Bashar confessed the commission of his crime and deposited Rs. 557240/- with college administration. On the request of Principal Internal Audit Team again investigated the accounts and pointed out that total amount of Rs. 1.193 million was missing. After that Mr. Bashar willfully remained absent from college without any intimation. The Director Higher Education removed him from service on 29/3/2008. An FIR also lodged with the Nowshera Police Station. The police tried to arrest him but he went into hiding. Later on, accused was declared absconder. In the light of DAC decision, the Principal approached to the Senior Civil Judge and DPO Nowshera for auction the property of accused Amir Bashar, Ex-Junior Clerk.

PAC OBSERVATIONS.

8. The Committee observed that only Junior Clerk cannot be held responsible. What was the role of the Principles sitting at the helm of affairs? The role of Principle and Bursars cannot be over looked. The present enquiry was not fair.

PAC RECOMMENDATIONS.

9. The Committee directed that fair enquiry may be conducted not later than one month against the Principals, Bursars and all other involved in chain and initiate action leading to recovery alongwith stern Departmental action against the responsible according to quantum of their responsibility. Para stands. Progress be reported to PAC Cell.

DP.3.2.2 LOSS ON ACCOUNT OF PAYMENT OF ELECTRICITY BILLS OF THE STAFF RESIDING IN THE UNIVERSITY OF PESHAWAR RESIDNCES Rs. 38.730 MILLION.

AUDIT VERSION.

10. The Audit reported that during the financial year 2007-08, the Vice Chancellor University of Peshawar paid Rs. 53.049 million to PESCO for the electricity bills of the employees residing in accommodations provided by the University of Peshawar. A sum of Rs. 14.319 million was realized from the employees of the University electricity charges also included receipts from the Stalls, Canteens, Shops and Markets. The receipt of Rs. 14.319 million against the payment of Rs. 53.049 million resulted into a loss of Rs. 38.730 million to the University, which needs recovery from the defaulters.

11. Audit was of the view that the cause of loss was negligence on the part of management and weak financial control.

12. The over-payment was pointed out in October, 2008. The Department replied that the electricity charges were being recovered from the occupants fixed monthly rates.

13. In the DAC meeting held on 18/08/2009, the Department repeated the same reply. The DAC decided that detailed break-up of Rs. 38.730 million should be worked out to point out the defaulters. However, no progress was intimated till finalization of this report.

DEPARTMENTAL VERSION.

14. The Department explained that the amount paid to PESCO was actually Rs. 37.681 million and not Rs. 53.049 million as reported by Audit and detailed breakup of the transformer wise bills and recoveries made against the annual bill amounting to Rs. 37.681 million could be shown to Audit for verification.

PAC OBSERVATIONS.

15. The Committee observed that the University authorities have not made efforts to settle the issue with audit after holding meeting of DAC. Had the University provided details of

Rs. 37.681 million to Audit, the issue would have been resolved long ago. The Committee lamented on the lukewarm attitude of the University authorities.

PAC RECOMMENDATIONS.

16. It directed that detail of record as referred to in the PAC observation and also in DAC meeting, may be provided to audit within one week and Audit should make verification within a week after receipt of the documents. Physical Verification of independent meters installed in each residence may also be carried out by the Audit with in 15 days. Para stands. Progress be reported to PAC Cell.

17. Record was produced to Audit by the Department which was verified and on the recommendation of Audit vide letter No. PAC/DP 3.2.2/2010-11/93-94 dated 11-09-2013, therefore, the para was settled.

DP.3.2.3 OVER-PAYMENT IN ALLOWANCES Rs. 10.315 MILLION.

AUDIT VERSION.

18. The Audit reported that during the financial year 2007-08, the Vice Chancellor of University of Science & Technology, Bannu, incurred an expenditure of Rs. 10.315 million as Conveyance Allowance, Un-attractive Area Allowance, House Rent and Medical Allowance as per following detail.

(Rs. In million)

Conveyance Allowance	2.146
Un-attractive Areas Allowance	1.55
House Rent Allowance	5.403
Medical Allowance	1.216
Total	10.315

19. The allowances were not admissible to the employees as per rules.

20. Audit held that the cause of overpayment was the violation of HEC and Finance Department orders.

21. The over-payment was pointed out in April 2010. The Department stated that detailed reply would be submitted after consultation of record.

22. In the DAC meeting held on 21/09/2010, the Department replied that the said allowances were admissible in other Universities of the Province as well. The DAC did not agree with the reply of the Department and decided to place the Para before the PAC.

DEPARTMENTAL VERSION.

23. The Department explained as under: -

i) Overpayment of Rs. 2.146 Million on account of Conveyance Allowance

The University of Science & Technology, Bannu on the analogy of other public sector universities in the region i.e. Kohat University of Science & Technology, Kohat and Gomal University, D.I.Khan had sanctioned conveyance allowance to its employees as per Govt. approved rates. The above mentioned allowance had been duly approved by the august bodies of the University and assented to by the Chancellor in the Senate meeting held on 12/05/2009. Thus the expenditure incurred in this regard was authenticated. It was reiterated that the conveyance allowance and other allowances mentioned under AP 383, 384, 385 and 386 (2008-09) were being paid by other sister universities in Khyber Pakhtunkhwa on the basis of the decisions of their statutory authorities. The need for granting conveyance allowance to all employees irrespective of their place/station of duty had also been felt by the Finance Department of Khyber Pakhtunkhwa and vide their letter No. FD(PRC)1-1/2011 dated 14/7/2011, the conveyance allowance had been declared admissible to all the employees irrespective of their place/station of duty.

ii) Overpayment of Rs. 1.551 Million on account of Hill Allowance

No payment regarding Hill Allowance had been made. However, it was pertinent to mention that the University of Science & Technology, Bannu was located in remote and backward area of the province, the prevailing security problems in the adjacent areas had badly affected this region too. In order to avoid brain drain, the University on the analogy of other public sector universities in the region i.e. Kohat University, Gomal University had sanctioned Unattractive Area Allowance to its employees. The said allowance had been duly approved by the august bodies of the University and assented to by the Chancellor/Governor in the Senate meeting held on 12/05/2009. Thus the expenditure incurred was authenticated expenditure. It was added that the Senate was the supreme financial and administrative statutory authority of the University. Section 21B(1) of the University of Science & Technology, Bannu Act was reproduced below: -

“The Senate shall have the power of general supervision over the University and shall hold the Vice-Chancellor and the Authorities accountable for all the functions of the University. The Senate shall have all powers of the University not expressly vested in an Authority or officer by this Act and all other powers not expressly mentioned in this Act that are necessary for the performance of its functions.”

The case was placed before the Finance & Planning Committee, the Syndicate & the Senate. The Senate in its first meeting held on 12/5/2009 under the chairmanship of the Hon'ble Governor/Chancellor had decided as under: -

“The Chancellor decided that all the agenda items falling under the purview of the F&P Committee are approved in principle by the Senate

subject to the consent of the F&P Committee and the Syndicate do not concur with any proposal it must then come to the Senate for final decision.”

iii) Overpayment of Rs. 5.403 Million on account of House Rent Allowance

The University of Science & Technology Bannu was located in remote and backward area of province, the prevailing security problems in the adjacent areas had badly affected this region too. In order to attract young talent and to avoid brain drain the University of Science & Technology Bannu on the analogy of other public sector Universities in the region i.e. Kohat University of Science & Technology Kohat, Gomal University D.I.Khan and Malakand University had been sanctioned House Rent Allowance to its employees @ 45% on initial pay. It was pertinent to mention that the above mentioned allowance had been duly approved by the august bodies of this University and assented to by the Chancellor in the Senate meeting held on 12/05/2009. Thus the expenditure incurred in this regard was authenticated expenditure. As already explained above, it was submitted that the University of Science & Technology, Bannu was established by the Provincial Government with the help and support of the Higher Education Commission, Islamabad to impart higher education in this neglected and backward region of the country. The rates of the property at Bannu were very very high. The University needed highly qualified and experienced teachers and staff for the purpose. It was not possible to attract such qualified and experienced teachers and staff from other cities/places without extending to them the essential financial support. The House Rent had been approved and expended from November 2005 to till dated duly authenticated by the F&P Committee, Syndicate and the Senate in the shape of Budget Estimate Revised Budget Estimates of each year.

- iv) The medical allowance in question had been paid to the University employees as per notification of the Higher Education Commission, Islamabad. The said allowance had been duly approved by the august bodies of the University and assented to by the Chancellor/Governor in the Senate meeting held on 12/05/2009. thus the expenditure incurred was authenticated expenditure.

The Senate, under the University, was the supreme statutory body of the University of Science & Technology, Bannu. The Senate on the recommendations of the Syndicate granted the medical allowance to the University employees.

24. Keeping in view the decision of the Senate under the Chairmanship of the Hon'ble Governor/Chancellor and the position explained in the above mentioned working papers, no over-payment had been made by the University.

PAC OBSERVATIONS.

25. The Committee noted that the Universities were totally misusing the authority of Senate and Syndicate. They are using both the bodies for their own interest. They are not following the clear instructions given by the Higher Education Commission and Governor in the capacity of Chancellor, which is very regrettable.

26. The HEC in its letter No.F.P.2-157/HEC/2009/580 dated 4.8.2009 and the Governor Letter No.SOSR.III/FD/1/27/3/2003 dated 23.4.2003 clearly states that Universities

must follow the provincial government pay and package and other financial policies and must not adopt independently any policy without the concurrence of the Provincial Government. The representative of the Finance Department during the course of proceedings added that with regard to Hill allowance, he, in every meeting of the University, strongly objected to such allowance, but the forum did not accept his plea.

PAC RECOMMENDATIONS.

27. The Committee in view of its previous recommendations given in D.P Nos. 2.1, 2.7 & 2.8 (2005-06) and D.P Nos. 2.1, 2.2 & 2.3 (2008-09) on the subject issue recommended that expenditures were made in violation of General Financial Rules (GFR), Provincial Pay & Package and other financial policies in this regard. In the instant Para, the Committee taking a lenient view dropped it subject to regularization of the un-authorized expenditures from the competent forum/authority. The Department was further directed to stop forthwith such practice of extending un-authorized expenditures on allowances and to follow the GFR, Provincial Government Pay & Package and other financial policies in its true spirit. Para stands. Progress must be intimated to the PAC within 1 month.

DP. 3.2.4 OVER-PAYMENT DUE TO ALLOWING HIGHER RATES WITHOUT TECHNICAL SANCTION AND ADMINISTRATIVE APPROVAL Rs. 7.361 MILLION.

AUDIT VERSION.

28. The Audit reported that during the financial year 2007-08, the Vice Chancellor Hazara University incurred an expenditure of Rs. 50.623 million including Rs. 29.012 million premium on the construction of Academic Block through a contractor M/S Hastam Khan upto 5th running bill. The Government of Khyber Pakhtunkhwa had allowed premium upto 100%, whereas the University had allowed 134% premium.

29. Allowing premium over and above admissible premium limit resulted into an overpayment of Rs. 7.361 million.

30. Audit held that the cause of overpayment was violation of rules.

31. The over-payment was pointed out in July 2008. The Department replied that the said project was being executed as per PC-I provision and the rates were negotiated with the contractor.

32. In the DAC meeting held on 06/05/2009, the Department repeated the same reply. However, neither PC-I nor administrative/technical sanction was produced to DAC for

verification. The DAC did not agree with department reply and directed to recover Rs. 7.361 million from the contractor. No progress was intimated about the recovery till finalization of this report.

DEPARTMENTAL VERSION.

33. The Department explained that the project under observation was a component of the development of Hazara University Phase-1. The PC-1 of the said project was approved by the CDWP with a cost of Rs. 1650/sft. The Administrative Approval of the project was given by Planning Division of the HEC vide their No. P&D/12(156)/CWP/2007/262 dated February 15, 2007. Technical Sanction of the project was issued by the University Engineer (Director Works). The contract was awarded @ 1643/sft, which was within the approved slab of the PC-1.

PAC OBSERVATIONS.

34. The Committee observed that as to whether the Director Works of the University was competent to grant Administrative Approval or otherwise. The Committee also observed different versions by the Department and Audit regarding DAC decisions as the Department was contending that the Para was settled in the DAC meeting whereas the Audit point of view was that the Para was referred to them for verification of PC-I, A.A and T.S.

PAC RECOMMENDATIONS.

35. The Para was recommended to be dropped subject to verification of PC-I, Technical Sanction, Administrative Approval and that excess payment was not made by Audit within a month.

36. Relevant record was produced to Audit by the Department which showed that there was provision of Rs. 1650/- per sft cost for the construction while the work was awarded @ Rs. 1643/- per sft hence, the work was completed within the tender cost and no overpayment was made to the contractor. On the recommendation of Audit vide letter No. PAC/DP 3.2.4 & 3.2.9/2010-11/Edu/26-28 dated 04-03-2013, therefore, the para was settled.

DP. 3.2.5 OVER-PAYMENT ON ACCOUNT ESCALATION Rs. 3.002 MILLION.

AUDIT VERSION.

37. The Audit reported that during the financial year 2007-08, the Vice Chancellor Frontier Women University Peshawar incurred an expenditure of Rs. 3.002 million on account of escalation charges of various items.

38. Audit observed that:

- i) Sanction of the Finance Department under which the escalation allowed on various items of work was not available on record to ascertain the authenticity /admissibility of escalation.
- ii) The escalation was allowed by the Provincial Government on the items awarded on the basis of CSR 1999. In the instant case the escalation was allowed on item rates basis, which were not subject to escalation.

39. Audit held that the cause of overpayment was allowing premium on item rate basis rather than CSR 1999.

40. The over-payment was pointed out in September 2009, the management stated that the work was an HEC funded project and not related to the Provincial Government. Hence, sanction of the Finance Department was not required.

41. In the DAC meeting held on 30-12-2009, the Department replied that escalation is usually allowed to contractors on construction material the rates of which were not constant during the period of execution. When the rate of material increased, difference in base cost was paid to the contractor and recovery is made from him as soon as the rate decreases as per contract agreement. The DAC directed that the amount should be checked in accordance with the clauses of agreement. The agreement was not vetted by Law Department. Neither detail of items supplied was recorded nor the date wise Ex-factory rates provided to verify the actual position.

DEPARTMENTAL VERSION.

42. The Department explained that the para was discussed in detail in the DAC meeting held on 30/12/2009 and it was decided to check the payment with reference to relevant clauses of the contract agreement. The amount under objection was paid to the contractor on account of increase in rates of steel, cement by the factory which was price adjustment and not escalation allowed to the contractor. As it was not escalation, therefore, sanction of the Finance Department was not necessary.

PAC OBSERVATIONS.

43. On the perusal of contract agreement made between the University and Contractor, it revealed that favour was extended to individuals highlighting that bricks of certain specific individuals were recommended, which is not a fair practice and needs to be discouraged. However, since it was a new University, therefore efforts be made to avoid such practice.

PAC RECOMMENDATIONS.

44. The PAC directed the Vice Chancellor, Frontier Women University, Peshawar to inquire the issue and initiate action against the defaulter (s) if found involved and if she is satisfied with the construction project, the Para would be considered as dropped.

45. The Department vide letter No. SOB/HE/5-8/AA/AR/FA(2010-11)/2673-76 dated 18-03-2013 forwarded the satisfaction certificate/letter No. 252/SBBWUP/ACCT/2012-2013 dated 02-03-2013 of Vice Chancellor, Frontier Women University, Peshawar therefore, the Para was settled.

DP.3.2.6 UN-AUTHORIZED PAYMENT ON ACCOUNT OF ALLOWANCES Rs. 0.309 MILLION.

AUDIT VERSION

46. The Audit reported that during the financial year 2008-09, payment of Rs.309.289 on account of house rent and other allowances were made to Vice Chancellor, Hazara University with effect from 01-07-2008 to 28-02-2010. The Vice Chancellor was appointed as MP-II on fix rates, as such he was not authorized to draw unattractive area allowance (UAA), medical allowance and Ph.D. allowance.

47. Audit held that the cause of overpayment was the violation of Government orders. The un-authorized payment was pointed out in March 2010. The management stated that the allowances mentioned in the Para were approved by the Syndicate/Senate in respect of all employees from BPS-1 to 22. Qualified and competent Faculty/Staff was required in the University located in remote area, therefore extra facilities/incentives were to be paid to them as compared to settled area of Islamabad and Peshawar.

48. In the DAC meeting held on 05-01-2011, the management replied that the matter of admissibility of conveyance, medical, unattractive area allowance and house rent allowance @ 45% of the initial pay to the employees was placed before the Finance Committee of the University in its meeting held on 08-07-2010 for clarification that whether or not these allowances were admissible to the University employees in BPS or MP Scales from the date of first approval. The Committee unanimously clarified that these allowances were and are admissible to all employees whether in BPS or MP Scales. Recommendations of the Finance Committee regarding clarification were placed before the Syndicate in its 20th meeting held on 21-10-2010 and the Senate in its 8th meeting held on 14-12-2010 after careful consideration of the recommendations both the bodies concurred and approved the recommendations. Therefore, payment of the allowances was justified. The Ph.D. allowance was admissible to the

Researchers. The DAC did not agree and directed to recover the amount. No compliance of DAC directives was intimated till finalization of this report.

DEPARTMENTAL VERSION

49. The Department explained that the allowances were admissible to Vice Chancellor as approved and clarified by the competent forum of the University i.e. the Syndicate and the Senate, in exercise of the powers vested in them under the Hazara University Act-1997.

COMMITTEE OBSERVATION

50. The Committee observed that the issue involved in the Para was discussed time and again but no amicable solution to stop such practice could be devised by the Department till date. Hence, a separate meeting is required to be convened in which all the Vice Chancellor of the Universities representative of Higher Education Commission, Finance Department, Audit Department and Law Department may be invited and the issue may be examined threadbare. Record of the sister Assemblies on similar issues may also be obtained to facilitate the job of the Committee.

COMMITTEE RECOMMENDATION

51. The Para was therefore, kept pending, for convening a separate meeting to examine the issue threadbare.

DP. 3.2.8 LOSS TO UNIVERSITY Rs. 390 MILLION.

AUDIT VERSION.

52. The Audit reported that during the financial year 2008-09, without the approval of Syndicate authorities of Hazara University addressed letter bearing No.HU/R&P/2007/688 dated 29-11-2007 to the Ambassador of Saudi Arabia, Islamabad, showing their willingness to provide land for the construction of Mosque/Islamic Centre in the University Campus without specifying the location.

53. In continuation of letter dated 29-11-2007, MoU and handing/taking of the University land measuring 80 kanals as per site plan was signed by the Vice Chancellor and Ministry of Interior Riyadh, KSA on 22-01-2009.

54. Eighty kanals piece of land comprising functional buildings such as Department of Information Technology, Mathematics, Islamic and Religious Studies, Economics, Physical

Education, Provost Office, Chief Provost Office, Medical Centre, Museum alongwith residential quarters, Bachelor Hostel, the Bank of Khyber and National Bank of Pakistan etc. was vacated in the University by dismantling buildings for the construction of Mosque/Islamic Centre which resulted into a loss of Rs. 390 million

55. The cause of loss was the violation of prescribed rules and mismanagement of government assets by the concerned authorities.

56. The loss was pointed out in March 2010. The management replied that provision of eighty kanals of land for the construction of Mosque/Islamic Centre was duly approved by the Syndicate in its meeting held on 12-03-2009 which was a competent forum. On scrutiny of minutes of the Syndicate meeting, it was revealed that the Syndicate had not given approval to the proposed plan.

57. In the DAC meeting held on 05-01-2011, the University Management replied that its commitment to provide 80 kanals of land to Prince Ahmad of Saudi Arabia for the construction of Mosque/Islamic Centre was conveyed to the Syndicate in anticipation of its approval. The Syndicate forwarded the matter to the Governor/Chancellor Khyber Pakhtunkhwa for appropriate decision who directed to vacate the site. However, in the DAC meeting. Audit did not agree with the decision of the Chairman DAC to drop the Para as the built-up portion of various departments, Syndicate Hall, Student Hostel and other quarters costing Rs. 390 million was demolished, which would require extra cost for construction. Due to wrong decision, the Government was put to a loss.

DEPARTMENTAL VERSION.

58. The Department explained that the commitment to provide eighty kanals of land to Prince Ahmad of Saudi Arabia for construction of Mosque/Islamic Centre was conveyed in anticipation of the approval of the Syndicate, which was the competent forum for such decisions. The issue of functional buildings was brought into the notice of all concerned from time to time as envisaged in various correspondences. The Syndicate in its meeting held on 12/3/2009 deliberated upon the issue and did not approve the proposal and put the matter before the Governor/Chancellor for decision. In response the Governor over-ruled the decision of the Syndicate and directed to vacate the site.

PAC OBSERVATIONS.

59. The Committee observed that 13 buildings costing Rs. 700 million were being demolished for the construction of Mosque/Islamic Centre on that land which could have been

constructed on other suitable land. If the foreign donor is interested in construction of Mosque/Islamic Centre on the said land specifically, he should have re-constructed the buildings in lieu of the demolished ones on other land.

PAC RECOMMENDATIONS.

60. The Committee recommended to stop forthwith the demolishing of the remaining buildings and as detailed probe in the issue was involved, the Para was therefore, referred to Sub-Committee with the direction to invite Vice Chancellor Hazara University, Vice Chancellor University of Engineering & Technology, Peshawar and Secretary, Higher Education Department in the meeting (s).

DP.3.2.9 LOSS TO GOVERNMENT DUE TO AWARD OF CONTRACT AT HIGHER RATE OF PREMIUM Rs. 29.788 MILLION.

AUDIT VERSION.

61. The Audit reported that during the financial year 2008-09, in Hazara University, the work "construction of two Academic Blocks" was awarded to a contractor at a premium of 134% on civil works, 100% on electric works and 155% on public health over and above the permissible limit. This resulted into a loss of Rs. 29.788 million.

62. The cause of loss was allowing premium in violation of prescribed rules.

63. The loss was pointed out in March 2010. The management furnished no reply.

64. In the DAC meeting held on 05-01-2011 the Department replied that the approved construction cost of the project as per PC-I (approved by CDWP) was @ Rs.1650 per sft, while the contract had been awarded @ Rs. 1640 per sft, which was within the slab of approved PC-I. The DAC did not agree with the reply and recommended the Para to be placed before the PAC.

DEPARTMENTAL VERSION.

65. The Department explained that the project under observation was a component of the development of Hazara University Phase-1 Project. The PC-1 of which had been approved by the CDWP with a cost of Rs. 1650/sft. The Administrative Approval of the project was given by Planning Division of the HEC vide their No. P&D/12(156)/CWP/2007/262 dated February 15, 2007. Technical Sanction of the project was issued by the University Engineer (Director Works). The contractor was awarded @ 1643/sft, which was within the approved slab of the PC-1.

PAC RECOMMENDATIONS.

66. As per D.P No. 3.2.4 above.

67. Relevant record was produced to Audit by the Department which showed that there was provision of Rs. 1650/- per sft cost for the construction while the work was awarded @ Rs. 1643/- per sft hence, the work was completed within the tender cost and no overpayment was made to the contractor. On the recommendation of Audit vide letter No. PAC/DP 3.2.4 & 3.2.9/2010-11/Edu/26-28 dated 04-03-2013, therefore, the Para was settled.

DP.3.2.10 LOSS DUE TO PAYMENT OF HOUSE RENT ALLOWANCE AT EXCESSIVE RATE Rs. 10.842 MILLION.

AUDIT VERSION

68. The Audit reported that during the financial year 2008-09, the Vice Chancellor, Hazara University incurred an expenditure of Rs. 10.482 million on account house rent allowance @ 45% instead of admissible @30% for employees working at Mansehra, Abbottabad and Haripur Districts/Campuses.

69. Audit held that the loss occurred due to violation of the orders of Finance Department. The loss was pointed out in March 2010. The Department stated that the house rent allowance @ 45% was approved by the Senate in its 2nd meeting held on 25/06/2005.

70. In the DAC meeting held on 05-01-2011 the Department repeated the same reply. The DAC did not agree with the Departmental reply and recommended to place the Para before PAC.

DEPARTMENTAL VERSION

71. The Department explained that the House Rent allowance @ 45% of the initial Basic Pay was approved by the competent bodies of the University by virtue of the powers vested in them under the Hazara University Act-1997.

COMMITTEE OBSERVATION

72. The Committee observed that the issue involved in the Para was discussed time and again but no amicable solution to stop such practice could be devised by the Department till date. Hence, a separate meeting is required to be convened in which all the Vice Chancellor of the Universities representative of Higher Education Commission, Finance Department, Audit Department and Law Department may be invited and the issue may be examined threadbare.

Record of the sister Assemblies on similar issues may also be obtained to facilitate the job of the Committee.

COMMITTEE RECOMMENDATION

73. The Para was therefore, kept pending, for convening a separate meeting to examine the issue threadbare.

DP 3.2.11 LOSS TO PUBLIC EXCHEQUER DUE TO ALLOWING ENHANCED RATES TO CONTRACTOR Rs. 4.394 MILLION.

AUDIT VERSION

74. The Audit reported that during the financial year 2009-10, in the University of Engineering and Technology, Peshawar, a work "Infrastructural Works at Jalozai Campus of UET Peshawar" under Jalozai Campus Project was awarded to M/S Shah Zaman (Pvt) Ltd. vide work order No. 1115/CW/JC/UET dated 05-12-2009. However, instead of Schedule of Rates-2009 duly approved by the Government of Khyber Pakhtunkhwa, Finance Department, higher rates of NHA were included in the BOQ which led to a loss of Rs. 4.394 million to public exchequer. Audit held that the cause of loss was non-rationalization of rates as per notification of Finance Department. The loss was pointed out in November 2010, the management furnished no reply

74. In the DAC meeting held on 03-01-2011, the Department replied that the main reasons for the same were as under:-

- a) The cost estimate of the project was based on states of the arts specification. Adoption of CSR would have led to serious compatibility problem.
- b) Pakistan Engineering Council bidding documents were adopted as per directions of the Planning Commission.

75. The DAC did not agree and decided to place the matter before PAC.

DEPARTMENTAL VERSION

76. The Department explained that Engineer's estimates for the subject was prepared using prevalent market rates and Bidders were asked to quote premium/rebate on it on as practiced in Government Departments of Khyber Pakhtunkhwa duly allowed by the HEC being Funding Agency of the project:-

- i). The cost estimates of the subject project were based on states of the art specifications. Adoption of CSR would have led to serious compatibility problem.
- ii) Pakistan Engineering Council (PEC) Standard Bidding documents were adopted as per direction of Planning Commission, wherein all the Contractors were bound to fulfill

minimum machinery as well technical staff requirement. Further as per contract documents establishment of a well equipped Site Laboratory and provision of latest survey equipment (Total station, Distomate etc) was also an obligation of contractor. No reference of the above pre-requisites exists in CSR.

- iii) Sources of coarse and fine aggregates at the subject project are Margalla (120) km from project site and Lawrencepur-Qibla Bandi (120 km from project site) respectively, however in CSR basis of concrete rate is “crush, bajri, stone ballast, brick ballast, round shingle from Nullah whichever is cheaper” .
- iv) According to CSR concrete has been classified on the basis of mix ratios while as per project specification mode of classification is concrete compressive strength irrespective of mix ratios.
- v) Composite rates for earthwork have been worked out and incorporated in BOQ whereas in CSR rates are different based on lift/lead.

77. Due to the above mentioned reasons market rates have been used as basis of Engineer’s Estimate. The cost impact referred in last paragraph seems unfair since only rates on higher side than CSR have been referred. There are rates in Engineer’s Estimates which are far less than CSR like.

S. No.	Description	Engineer’s Estimate rate per cft	CSR rate per cft	CSR item No.
1	Stone pitching on slope	35	51.87	19-38-f-1
2	Stone pitching in Bed	30	46.29	19-38-f-2
3	Structural Backfilling using common material	3	21.77	03-60-c
4	MS Grade-40	81,800	82,234	06-07-c
5	Grade-60	86,000	86,736	06-07-b

78. The cost comparison of the items referred in Audit Para with the Engineer’s Estimates is as under:-

S. No.	Description	Engineer’s Estimate rate per cft	CSR rate per cft	CSR item No.	Remark
1	Providing and laying concrete class-B	150	117.70	06-05-f	
2	Earth excavation in nulla bed	5	5.92	03-10-d	
3	Unclassified excavation for structure	5	4.88	03-60-a	
4	Clearing and rubbing	1.25	1.33	03-56-	

5	Compaction of natural ground	1.28	1.13	03-58-a	
6	Sub grade in earth cut	4	2.11	16-03-a	
7	Granular sub base	30	17.95	03-60-a	The rate is without any lead
8	Structural excavation in common material	5	4.88	06-06-a-30	
9	Concrete class A-I	210	148.98		

79. The rates of items referred in Audit observation except serial No. 7 does not tally with CSR 2009. Since, it was mega project so consultant's advice was hounded for quality construction view of seismic requirement which are normally covered by rates of CSR.

80. The Vice Chancellor told during the meeting that the practice had been stopped now and CSR is being followed. He added that the same was neither done intentionally nor to favour some one.

COMMITTEE OBSERVATION

81. The Committee observed that Composite Schedule Rate (CSR) were not adopted by the Department which was an irregular practice.

COMMITTEE RECOMMENDATION

82. The Committee keeping in mind the nature of job of the Universities taking a lenient view, recommended to drop the Para with the direction to the Department not to repeat such practice and not to quote it as precedent in future.

DP. 3.2.13 NON-RECOVERY OF ADVANCE PAYMENT TO THE PROJECT DIRECTOR Rs. 46.743 MILLION.

AUDIT VERSION

83. The Audit reported that during the financial year 2006-08, the Vice Chancellor University of Science and Technology, Bannu, drew a sum of Rs. 46.743 million from the Revenue Receipt Account No. 4833 maintained in the Bank of Khyber and paid it to the Project Director. The amount was not recovered even after the lapse of thirty-four month.

84. Audit was of the view that the cause of non-recovery was negligence and extension of undue favour by the management to the Project Director. The Advance payment was pointed out in April, 2010. The management stated that detailed reply would be submitted to the DAC.

85. In the DAC meeting held on 21-09-2010, the Department replied that no loss was sustained by the University as the amount received from own resources was spent on additional work and the amount would be recovered from the Project Director after the approval of PC-I and releases of funds from HEC. The DAC did not agree with the reply as the Department could not incur expenditure from the Receipts and decided to place the Para before the PAC.

DEPARTMENTAL VERSION

86. The Department explained that advance to the Project Director (Works) of this University has been sanctioned from time to time by the Vice Chancellor, as requested by the Project Director (Works) to expedite the slow pace of work regarding construction of civil work both in the city campus and main campus of the University. However, the Project Director will be requested for the adjustment of the said fund as and when the PSDP Fund release to the Project Director (Works).

87. The revised PC-I under the title "Immediate needs of University of Science and Technology, Bannu" has already been approved by the Higher Education Commission and Planning Commission, Islamabad. As and when the amount is released to the University under the said Project, the said amount would be returned to the University account. It was a bridge financing made to speed up the Infrastructure timely completion of the Project, the University saved millions of rupees for the national exchequer which genuinely demands to be appreciated instead of adverse remarks.

88. From time to time, the payments have been made to concerned University Accounts out of the funds received from the HEC and from the collections of the University under own source. The details of the adjustments made alongwith copies of the bills, vouchers and note sheets etc for a total amount Rs. 46.743 million showing as advances against the Project Director. It is added that the HEC and the Planning Commission have already approved the Revised PC-I of the said Project during October, 2011 and the funds have been released by the Government and the advances shown against the civil works are adjusted.

COMMITTEE RECOMMENDATION

89. In view of the above, the Para was recommended to be dropped subject to verification of record of adjustment by Audit.

90. Relevant record was produced to Audit by the Department which showed that an advance of Rs. 46.743 million paid to the Project Director, UST Bannu for development works has been adjusted/returned to the Finance section of the University of Science & Technology,

Bannu. On the recommendation of Audit vide letter No. PAC/DP 3.2.13/2010-11/70 dated 29-05-2013, the Para was settled.

DP. 3.2.14 NON-RECOVERY OF THE COST OF HIGHER STUDIES FROM Ph.D. SCHOLARS Rs. 6.091 MILLION.

AUDIT VERSION

91. The Audit reported that during the financial year 2006-07, the Vice Chancellor Engineering, University Peshawar incurred an expenditure of Rs.6.091 million on account of tuition fee and air tickets of Ph.D. scholars. Mr. Iftikhar Ahmad Khattak and Muhammad Idress. The officers had executed surety bonds that in case of leaving their Ph.D. incomplete, the cost involved might be recovered from them. Both the officers had left the Ph.D. courses incomplete and discontinued their studies with effect from 15-10-2006 and 06-03-2007 respectively. As such the cost was required to be recovered from them, which was not recovered.

92. Audit was of the view that the cause of non-recovery was negligence on the part of management. The Non-recovery was pointed out in August 2009. The Department replied that the case of recovery was sub-judice. In the DAC meeting held on 14-11-2009, the Department repeated the same reply. The DAC directed to make full recovery. No progress was received till finalization of this report.

DEPARTMENTAL VERSION

93. The Department explained that the cases for recovery from concerned sureties of defaulters are under process in the Court and latest progress of the same will be communicated to Audit in due course of time.

COMMITTEE OBSERVATION

94. It was observed that no stay order was issued from the Court in connection with recovery from the defaulters.

COMMITTEE RECOMMENDATION

95. The Committee directed the Department to recover the amount from the defaulters as per decision of Civil Judge-XIV Peshawar and get it verified by Audit within two months. Para stands progress be reported to PAC Cell.

DP.3.2.15 NON-RECOVERY OF TUITION FEE Rs. 1.578 MILLION.

AUDIT VERSION

96. The Audit reported that during the year 2008-09, the Vice Chancellor Hazara University, Mansehra incurred an expenditure of Rs. 1.578 million equal to 11025 Pound Sterling on account of tuition fee vide cheque No. 6702123 dated 10/07/2008 for admission of Mr. Shah-e-Room in MS at University of Durham under the scholarship scheme "University Own Sources" for one year.

97 Later on the scholar changed the University from Durham to Surrey and again from Surrey to Southampton. The scholar got admission in the University of Southampton w.e.f. 01/06/2009. The change of University was allowed by the Vice Chancellor subject to the condition that the amount of Rs. 1.578 million would be refunded by the scholar. A sum of Rs. 2345 pounds sterling was paid to the scholar vide cheque No. 0233552 dated 21/08/2009 without adjusting the refundable amount of Rs.1.578 million.

98. Audit held that the cause of non-recovery was negligence on the part of management. The non-recovery was pointed out in March 2010. The Department replied that an inquiry committee had been constituted which was expected to submit its report shortly in order to save any possible loss to the University.

99. In the DAC meeting held on 05/01/2011 the Department repeated the same reply. The DAC did not agree and directed to recover the amount. No progress of recovery was reported till finalization of the report.

DEPARTMENTAL VERSION

100 The Department explained that as per record, University of Durham and acknowledge the receipt of the funds, however, in order to save any possible loss to Hazara University, the switchover of the University by the scholar was approved subject to the condition that:

- i) The amount of Rs. 1.578 million released to Durham University will be refunded by the scholar in case of any problem.
- ii) The amount of Rs. 1.578 has been considered as a first year tuition fee in respect of the scholars as award letter issued to him.

101. In light of the above, the recovery will be made, if the scholar fails to complete his research within the stipulated time period and the scholarship awarded to him stands cancelled.

COMMITTEE OBSERVATION

102. The Committee observed that Department has not used the legal channel for the transaction of Government money hence the Government rights were not secured.

COMMITTEE RECOMMENDATION

103. Responsibility be fixed on the person (officer) who used illegal channel for the transaction of Government money and action be initiated against him. The amount in question may be traced out and recover from the money exchanger concerned within a month. In case of failure it may be recovered from the person(s) after fixing responsibility. Para stands. Progress be reported to PAC Cell.

DP.3.2.16 UN-AUTHORIZED EXPENDITURE IN DEVIATION FROM PC-I COST Rs. 7.370 MILLION.

AUDIT VERSION

104. The Audit reported that a scheme, "Strengthening & Upgrading Peshawar Campus of Khyber Pakhtunkhwa University of Engineering and Technology Peshawar" was administratively approved by CDWP at capital cost of Rs. 479 million vide Higher Education Commission, Islamabad (P&D Division) No. P&D/12(156)/CDWP/2005 dated 17/06/2005. However, the project management incurred an expenditure of Rs. 486.37 million upto 30/06/2010, while the work was still in progress. Thus, an excess expenditure of Rs. 7.37 million was incurred over and above the approved PC-I. The University had prepared a revised PC-I for Rs. 650.218 million which had not yet been approved by CDWP. Thus, the incurrence of excess expenditure of Rs. 7.37 million is deviation from approved PC-I stood un-authorized.

105. Audit held that the cause of unauthorized expenditure was weak financial control on the part of management. The un-authorized expenditure was pointed in November 2010. The management furnished no reply. In the DAC meeting held on 03/01/2011 the Department replied that the main reason for increase in the cost was due to the enhancement of material rates at that time. The period of the project was 36 months. However, Government did not release the Grant according to the plan which delayed the project considerably. The DAC did not accept the reply and directed to place the matter before the PAC.

DEPARTMENTAL VERSION

106. The Department explained that after approval of the project titled, "Strengthening & Upgrading of Peshawar Campus of UET, Peshawar" at capital cost of Rs. 479.00 million tenders were called through National Dailies, the lowest rates of Rs.1,073.00/- per sft for Academic Block and 1,317.97 per sft for construction of 200 boys' Hostel against the rates of Rs. 1,000/- per sft of PC-I were approved. The main reason for increase of rates was attributed

largely to the earthquake resistance factor included in the design of the building and cost escalation in material and labour charges afterwards.

107. Besides the above, the stipulated period of the project was 36 months. However, the Government did not released the grant as project plan and released Rs.436.789 million against the allocated amount worth Rs. 479.00 million in 36 months, which delayed the project considerably. Accordingly the PC-I in consultation with Higher Education Commission was revised and submitted for approval. The Higher Education Commission after due scrutiny recommended the revised project for approval of CDWP. 108. So far, HRD is concerned no extra payments have been made to the scholars studying abroad as an amount of Rs. 152.20 million was approved in the PC-I for HRD and an amount of Rs. 148.20 million has been spent on account of payments of Tuition Fees and Maintenance Allowance of the Scholars. It is pertinent to mention that at the time of submission of PC-I to the Government the rates of US Dollar was Rs. 60.00, however, during the payment to Scholars the rates was Rs. 80.00 which also added extra liability on the project. Regarding the selection of candidates, for Ph.D. under the project it may be mentioned that the University has constituted HRD Selection Committee, consisting of the Dean, Chairman of Teaching Departments and representative of HEC and the scholars are selected strictly on merit. It may further be mentioned that the Audit party of Director General Audit, Government of Khyber Pakhtunkhwa has already carried out audit of this project during the years 2006-07 and 2007-08 respectively and have found everything in order.

COMMITTEE RECOMMENDATION

109. The explanation of the Department being plausible was accepted and the para was recommended to be dropped subject to verification of record (revised PC-I) by the Audit.

110. Relevant record was produced by the Department to Audit which verified it and issued verification certificate therefore, the Para was considered as settled.

DP.3.2.17 UN-AUTHORIZED PAYMENT TO CONTRACTOR Rs.250.444 MILLION.

AUDIT VERSION

111. The Audit reported that the Director Works University of Peshawar incurred an expenditure of Rs. 250.444 million on the construction of two Academic Block in the University during the financial years 2007-08. Audit observed that:-

- i. During the financial years 2005-06 and 2006-07, the Higher Education Commission granted an amount of Rs. 923.656 million for two projects "Strengthening and

Enhancement of Academic Provisions in University of Peshawar (UOP)” and “Strengthening and Enhancement of Academic Provisions in the Faculty of Life and Environmental Sciences in UOP” to the Vice Chancellor UOP. The first project was awarded to M/s Nishan Engineering costing Rs. 458.961 million. However, the second project costing Rs. 464.695 million which was not yet approved by HEC was awarded to the M/s Nishan Engineering in advance for the project which was not approved was irregular as per rules. The second project needs to be advertised and be awarded after holding fair competition among the competing bidders. Thus, award of contract to the tune of Rs. 464.695 million was irregular.

- ii. In both the project specified steel worth Rs. 105.602 million was paid to the contractor at the rate of Rs. 65,000/- per ton as per BOQ rate while at the same time the steel was purchased on market rate basis. Later on Rs. 17.312 million was paid to the contractor for escalation in Block-I and Rs. 11.742 million for escalation in Block-2, so a sum of Rs.29.054 million was overpaid. The Department replied that the contractor had used specified steel bars duly attested by the UET Peshawar. However, Audit observed that in the laboratory reports of the UET material testing laboratory had issued disclaimer to the origin or association of material being tested for a particular project.
- iii. The University had paid escalation of Rs. 24.391 million to the contractor while at the same time University had granted Secured Advance to the Contractor for non-perishable items of work at the site of construction. Therefore, no escalation was justified and the amount of escalation worth Rs. 24.391 million was not admissible.
- iv. An amount of Rs. 7.730 million was still outstanding in respect of secured advance paid to the contractor as after the 7th running bill no secured installments were adjusted in the next running bills.
- v. The interest of Rs.1.081 million as 14% on the outstanding secured advance for one year i.e. after September 2008 needs recovery.
- vi. An amount of Rs.1.965 million was paid for the excessive quantities to the contractor without the approval of CDWP as the entire funds were provided by the HEC Islamabad and the UOP authorities were not authorized for such approval.
- vii. 2% earnest money amounting to Rs. 2.594 million for the Academic Block-2 was required to be deposited with the UOP which was not done.

112. The irregularity was pointed out in October 2008. The management stated that a set of procedure adopted for advertisement was enclosed. The specified steel bars were duly tested by the Engineering and Technology University. The payment of basic three items i.e. bricks, steel and cement had been considered under the condition of the contract agreement. The secured advance had been recovered. Interest was not recoverable in light of clause-6(a) of the contract agreement. The Vice Chancellor, who allowed the excess, was vested with the powers. Earnest money was deducted from the running bills of the contractor. In the DAC meeting held on 18-08-2009, the Department repeated the previous reply; however, they could not produce the relevant record as was pointed out by the Audit.

DEPARTMENTAL VERSION

113. The Department explained that the replies to the Audit Paras pertaining to two Academic Blocks, University of Peshawar:-

- i. It is confirmed that specified steel bars were utilized in all the projects of University of Peshawar as the same were priorly testified in the laboratory of the University of Engineering and Technology Peshawar.
- ii. The payments towards the basic three items i.e. bricks, steel and cement have been considered according to Para-3(i)(ii)(iii) of the conditions of contract (volume-I).
- iii. The secured advance already been fully recovered in paid running bills of the project.
- iv. The secured advance has been paid as per clause 11 of the contract.
- v. As the Vice Chancellor is the competent authority so his approval has been obtained in all cases before payment of excessive quantities.
- vi. The Mobilization advance equal to 10% of the contract price has been allowed as per clause 10 of the conditions of contract and recovery of the said advance has been made except one installment which is to be made in the coming running bill of the contractor.
- vii. As per contract agreement, the firm has been asked to submit performance bond as early as possible.
- viii. The contractor was intimated to deposit the earnest money but he could not deposit the same as such the Department started the deduction of security @ 10% from his running bills.
- ix. A complete set of the procedure adopted for the award.
- x. The PC-I was prepared and HEC has approved the same.
- xi. All the relevant machinery is available at site as per requirements and use.
- xii. As per Contract Agreement, the Bank Guarantee can be produce from any scheduled bank, which is under process with the Treasury Wing University of Peshawar.

COMMITTEE RECOMMENDATION

114. The explanation advanced by the Department was accepted and the para was recommended to be dropped subject to verification of record by Audit.

DP.3.2.18 UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF DRAWL OF UN-ATTRACTIVE AREAS ALLOWANCE Rs.67.830 MILLION.

AUDIT VERSION

115. The Audit reported that during the year 2008-09, the Vice Chancellor Gomal University, D.I. Khan, incurred an expenditure of Rs. 67.830 million on account of drawl of un-attractive area allowance. The University is situated in plain area and does not come under the specified area for admissibility of the said allowance.

116. Audit was of the view that the unauthorized expenditure was incurred because the University violated all orders of the Government. The un-authorized expenditure was pointed

in March 2010. The Department replied that the allowance was allowed by the Syndicate in its 78th meeting held on 17-12-2007. On scrutiny of the minutes of the Syndicate, un-attractive area allowance was not found on the agenda at all. In the DAC meeting held on 28/10/2010 the Department replied that the Para was under consideration of Law Reform Committee. The DAC decided to place the para before PAC.

DEPARTMENTAL VERSION

117. The Department explained that the issue of grant of Un-attractive Area Allowance was discussed by the members of Gomal University Syndicate in its 75th meeting held on 14-15/12/2007. At the time of establishment of this University the founder Vice Chancellor, exercising his discretionary powers offered several incentives particularly financial benefits to opt for joint the University. In the modern competition era the Education Institution are forced to demonstrate competitive spirit with a view to attracting the talented Faculty Members. In the recent years most of the talented Faculty Members of the Gomal university D.I. Khan have left the University due to non-availability of fascinating incentive as the some other Universities of the Province had been availing since long.

118. This alarming situation forced the University authorities to devise future strategy. The grant of Un-attractive Area Allowance to University Employees i.e. Faculty and Non-Faculty Members is the first step towards the improvement of education standard of the University. The Un-attractive Area Allowance is like other financial decisions taken by the Universities in the interest of growth, competitiveness, efficiency and maintaining high standard of education and research. The Gomal University, D.I. Khan is a Autonomous Body and the Rules for Government are not directly applicable to the employees of Autonomous Body, as clarified vide N.W.F.P., Education Department, Peshawar letter No. SO(A)8-4/99/MRC/Secy dated 30-09-1999.

119. In view of the above cited notification the Gomal University Syndicate on the analogy of the sister Universities, Hazara, Mansehra, Kohat and Malakand, accorded approval to the grant of Un-attractive Area Allowance to Gomal University D.I Khan employees. Since in most cases, the Rules for Government Departments are not directly applicable to the employees of Autonomous Bodies hence, the plea of the Audit that Incentive Unattractive Area Allowance is admissible at special stations as notified by the Government is not justifiable.

COMMITTEE OBSERVATION

120. As per Draft Para No.3.2.23.

COMMITTEE RECOMMENDATION

121 As per Draft Para No.3.2.23.

DP. 3.2.19 UN-AUTHORIZED PAYMENT TO CONTRACTOR Rs.60.4 MILLION.

AUDIT VERSION

122. The Audit reported that during the financial years 2006-08, University of Peshawar awarded a work “construction of one hundred R&F type Houses in University of Peshawar” with an estimated cost of Rs.140.660 million on item rate basis to M/s NLC, on premium of Rs.40.013 million with completion period of 18 months i.e. 26/02/2005 to 25/08/2006. Its BOQ was based on the percentage payment of 12 stages instead of measured quantities of actual executed work. The contractor was for Rs.60.40 million vide voucher No.01 of 7th running bill dated 10-05-2008. Audit raised the following observations:-

- i. The contractor defaulted and left the work incomplete after getting payment of Rs.60.40 million from Peshawar University.
- ii. The University had borrowed the said amount from commercial banks on interest.
- iii. The remaining work was to be completed at the risk and cost of the defaulting contractor.
- iv. His security was required to be forfeited; percentage security retained from the bill was not required to be released.
- v. The firm was required to be blacklisted.
- vi. Rs.7,05,000/- was over-paid to the contractor as 28% premium on the estimated cost on the basis of market rates plus 14% over head profit.
- vii. The treasurer paid of Rs.7,05,000/- for the excess work costing of Rs.1.469 million as a premium i.e. 28% on the estimated cost based on market rate, which was required to be recovered from the defaulting contractor. Overall 2.33% excess payment for an amount of Rs.1.407 million made to the contractor needs to be recovered from the defaulting contractor. An amount of Rs.8.5 million was paid to contractor which remained with the contractor for 06 months. Hence, interest on this amount needs to be recovered from the contractor. The entire payment was made in 12 stages while Audit holds that payment of works was made on the basis of work done and not through stages.
- viii. The contract worth of Rs.180.672 million was awarded to the contractor on the verbal directives of the Vice Chancellor. Neither any tender was advertised in the National Dailies nor competition held amongst the “A” Class contractors.
- ix. The management was required to impose 10% penalty amounting to Rs.18.068 million for non-completion of work. But a penalty of Rs.10.118 million was imposed, thus balance amount of Rs.7.950 million was recoverable.

123. Audit was of the view that the cause of unauthorized payment was negligence and violation of prescribed rules on the part of management. When pointed out the University management replied as follows:-

- That payment to the contractor was made on the basis of work done and penalty @ 10% was recovered.
- The contract was awarded to M/S NLC on the recommendation of the Contractor's Evaluation Committee and approval of the competent authority

124. In the DAC meeting held on 22-08-2009, the Department repeated the same reply. The DAC did not agree with the Department's replies and decided to place the Para before the PAC.

DEPARTMENTAL VERSION

125. The Department explained that:-

- i. The payment to the contractor has been allowed towards the work done on site. The NLC could not completed the work at side the balance amount equal to 10% of the tendered cost has been recovered from the contractor as per contract agreement.
- ii. The observations of the Audit are not correct. The factual position is that, in the beginning University of Peshawar intended to construct 100 Nos. F&R Houses, but later on due to un-availability of site the work was reduced to 60 Nos. Houses costing Rs.10,11,84,676/-. 10% of the total amount Rs.10.118 million was recovered from the contractor on account of penalty as per contract agreement clause (2A).
- iii. No payment has been made to the contractor in this regard.
- iv. The payment of 7th running bill has been made according work done and no excess amount involved.
- v. The advance of Rs. 85,00,800/- was allowed on work done basis and had been recovered in 7th running bill of the contractor.
- vi. The contract has been awarded after approval of draft recommended by the Project Evaluation Committee.
- vii. The entire payment in stages was paid in view of clause 48 of the part of Agreement.
- viii. Observations of the Audit are not correct, prequalification of the contractors was carried out in newspaper and approval of the work was given by the Vice Chancellor through Tender Evaluation Committee.
- ix. The penalty has been imposed and recovered from the contractor as per clause-2A of the Contract Agreement.

COMMITTEE OBSERVATION

126. The Committee observed ill/defective planning by the Department. The replies were not found relevant. Only two bidders participated in the tendering process hence it should have been retendered.

COMMITTEE RECOMMENDATION

127. As detailed scrutiny was required, the Para was therefore, referred to a Sub-Committee comprising Mr. Saqib Ullah Khan Chamkani MPA/Chairman and Mufti Syed Janan MPA as a Member to probe the matter and submit its report within one month. Para stands.

DP.3.2.21 UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF MEDICAL ALLOWANCE TO GAZETTED OFFICERS Rs.16.432 MILLION.

AUDIT VERSION

128. The Audit reported that during the financial year 2008-09, the Vice Chancellor, Gomal University, D.I. Khan incurred an expenditure of Rs.16.432 million on account of medical charges to all gazetted officers in BPS-16 and above at the rate of 30% of basic pay per month.

129. Audit held that the cause of unauthorized expenditure was preference of Syndicate decision to Government orders. The un-authorized expenditure was pointed out during March 2010. The Department replied that the case was pending with the Sub-Committee of PAC.

130. In the DAC meeting held on 28-10-2010, the Department repeated the same reply. The DAC did not agree and directed to place the para before PAC.

DEPARTMENTAL VERSION

134. The Department explained that the Gomal University Syndicate being statutory body under the Gomal University Act No. X 1974, approved by the Provincial Assembly of Khyber Pakhtunkhwa and subject to the provisions of this Act and the Statutes, the Gomal University Syndicate is authorized under Act No. 22(2)(aa) to regulate determine and Administer all other matters concerning the University and to this end exercise all other powers not specifically mentioned in the Act and the Statutes.

135. Besides the Statutes framed under provision of the Act 1974 delegate powers to the Competent Authority i.e. Gomal University Syndicate to grant/sanctioned such allowances. Moreover, Chapter-VII of the Act 1974 under head University funds Article-37(4) which reads as under:-

“The account of the University shall be audited in conformity with the Statutes, the Regulations and the Rules.”

136. Moreover, Gomal University Admn: Staff/Teachers Scales of Pay Statutes, 1992 (duly approved by the Chancellor/Governor, Khyber Pakhtunkhwa vide letter No.SO(UE)3-3/89

dated 16-03-1993. Clause-10 of the approved Statutes Allowance Medical Allowance/Hospitalization charges etc. @ in the manner prescribed by the University from time to time, to its employees. It is also mentioned that all the other Universities of Khyber Pakhtunkhwa have also adopted/implemented the rates of the Medical Allowance circulated by the Higher Education Commission, Islamabad being a Funding Agency vide office order No.19-33/HEC/Personel/10/2093 dated 27-7-2010 approved by the Syndicate in its 83rd meeting held on 24-09-2011.

COMMITTEE OBSERVATION

137. As per Draft Para No.3.2.23.

COMMITTEE RECOMMENDATION

138. As per Draft Para No.3.2.23.

DP.3.2.22 UN-AUTHORIZED DRAWL OF CONVEYANCE ALLOWANCE Rs.15.622 MILLION.

AUDIT VERSION

139. The Audit reported that during the financial year 2008-09, the Vice Chancellor, Hazara University, Mansehra incurred an expenditure of Rs.15.622 million on account of conveyance allowance for their employees. The conveyance allowance was not admissible in District Mansehra. Thus, the payment was un-authorized.

140. Audit held that the unauthorized expenditure was caused by violation Government order.

141. The unauthorized expenditure was pointed out in March 2010. The Department stated that detailed reply would be furnished after consulting the relevant record.

142. In the DAC meeting held on 05-01-2011, the Department replied that payment of conveyance allowance to the employees of Hazara University was approved by the Syndicate in 1st meeting held on 23-08-2003 under item No. 6.4 dated 16-12-2004, 22-10-2010 and 14-12-2010. The DAC did not agree with the reply and directed to place the para before the PAC.

DEPARTMENTAL VERSION

143. The Department explained that the payment of Conveyance Allowance to the employees of Hazara University was approved by the competent bodies of the University by virtue of the powers vested in them under the Hazara University Act 1997.

144. The Conveyance Allowance has now been allowed to all employees irrespective of their place/station of duty vide Para 10 of Finance Department notification No. FD(PRC)1-1/2011 dated 14th July, 2011.

COMMITTEE RECOMMENDATION

145. The Committee taking a lenient view, recommended to drop the Para with the direction to the Department not to repeat such happening in future.

DP.3.2.23 UN-AUTHORIZED DRAWAL OF MEDICAL ALLOWANCE Rs. 15.702 MILLION.

AUDIT VERSION

146. The Audit reported that during the financial year 2009-10, the Vice Chancellor University of Engineering and Technology Peshawar paid medical allowance of Rs. 2.532 million to the teaching staff and Rs. 13.171 million to the general staff. Similarly medical reimbursement charges of Rs. 2.601 million and Rs. 3.232 million were also allowed to the officials/officers which included out door medical charges. The claim of double facility i.e. medical allowance to all employees and out door medical reimbursement charges was in contravention of the government policy, where it has allowed medical allowance to the non-gazetted staff (BPS-1 to 15) , indoor medical reimbursement to both the category and out door facility to the gazetted staff (BPS-16 and above) only.

147. Audit held that the cause of unauthorized medical allowance was the violation of Government orders. The unauthorized drawl was pointed out in November 2010. The management furnished no reply.

148. In the DAC meeting held on 03-01-2011, the Department replied that the Syndicate had framed the N.W.F.P. UET Medical Rules, 1993 and under the said rules the University employees are entitled to medical allowance at the prescribed rate in addition to reimbursement of hospitalization charges. The DAC did not accept the reply and directed to place the matter before PAC.

DEPARTMENTAL VERSION

149. The Department explained that the Syndicate in its 31st meeting held on 17-10-1993 has framed the N.W.F.P., UET Medical Rules 1993. Under the said rules, a University employee shall, in addition to reimbursement of hospitalization charges, is entitled to Medical Allowance at the following subject to the minimum of Rs. 300/- per month:-

- a. BPS-1 to BPS-10 = 15% of basic pay.
- b. BPS-11 to BPS-17 = 12% of basic pay.
- c. BPS-18 to BPS-22 = 10% of basic pay

150. These rates have been revised from time to time. The latest rates, approved by the Syndicate in its 65th meeting held on 31-05-2007 and duly notified vide Notification No. 480/10/Vol-IV/74th dated 03-08-2007 are as under:

- i. **For married staff** @ 35% of the pay subject to a minimum of Rs. 1,750/- per month and maximum of Rs. 2,000/-.
- ii. **For un-married persons** @ 17.50 % of the pay subject to minimum of Rs. 1,000/- per month and maximum of Rs. 2,000/-.

151. It is the further submitted that the Public Account Committee of Khyber Pakhtunkhwa Assembly in its meeting held on 02-05-2007 has decided in similar nature of Audit Paras that the Universities established in public sector have been authorized under the relevant act/ordinance to frame their own statutes, rules and regulations. As such the accounts of the Universities should be audited in conformity with the statutes, rules and regulations of the respective Government rules on the subject. Thus medical allowance as above has been allowed to all the University employees irrespective their pay scale under the N.W.F.P., UET Medical Rules-1993 as amended from time to time.

COMMITTEE OBSERVATION

152. The Committee observed that the issue involved in the Para was discussed time and again but no amicable solution to stop such practice could be devised by the Department till date. Hence, a separate meeting is required to be convened in which all the Vice Chancellors of the Universities, representative of Higher Education Commission, Finance Department, Audit Department and Law Department may be invited and the issue may be examined threadbare. Record of the sister Assemblies on similar issues may also be obtained to facilitate the job of the Committee.

COMMITTEE RECOMMENDATION

153. The Para was therefore, kept pending, for convening a separate meeting to examine the issue threadbare.

DP.3.2.24 UN-AUTHORIZED PAYMENT ON ACCOUNT OF MEDICAL ALLOWANCE Rs. 4.921 MILLION.

AUDIT VERSION

154. The Audit reported that the financial year 2008-09, the Vice Chancellor University of Engineering and Technology Peshawar incurred an expenditure of Rs.4.921 million on account of payment of Medical Allowance and showed it paid to employees in BPS-16 and above, which was not permissible.

155. Audit held that the cause of unauthorized medical allowance was the violation of government orders. The unauthorized payment was pointed out in August 2009. The management stated that the Syndicate had allowed the medical allowance in its meeting held on 17-10-1993.

156. In the DAC meeting held on 14-11-2009, the Department repeated the same reply. The DAC directed to stand the Para till the decision of the Law Reforms Committee constituted on the subject. However, no progress about the decision was received till finalization of this report.

DEPARTMENTAL VERSION

157. The Department explained that the Syndicate in its 31st meeting held on 17-10-1993 has framed the "NWFP University of Engineering & Technology, Employees' Medical Rules-1993. Under the said Rules a University employee shall in addition to reimbursement of hospitalization charges is entitled to Medical Allowance at the following rates subject to the minimum of Rs. 300/- per month and maximum of Rs. 600/- per month:-

- a. BPS-1 to BPS-10 = 15% of basic pay.
- b. BPS-11 to BPS-17 = 12% of basic pay.
- c. BPS-18 to BPS-22 = 10% of basic pay

158. These rates have been revised from time to time. The latest rates, approved by the Syndicate in its 65th meeting held on 31-05-2007 and duly notified vide Notification No. 480/10/Vol-IV/74th dated 03-08-2007 are as under:

- i. **For married staff** @ 35% of the pay subject to a minimum of Rs.1,750/- per month and maximum of Rs. 2,000/-.
- ii. **For un-married persons** @ 17.5% of the pay subject to minimum of Rs. 1,000/- per month and maximum of Rs. 2,000/-.

159. It is further submitted that the Public Account Committee of Khyber Pakhtunkhwa Assembly in its meeting held on 2-5-2007, has decided in similar nature of Audit Paras that the Universities established in public sector have been authorized under the relevant Act/Ordinance to frame their own Statutes, Rules and Regulations for maintenance and keeping its accounts. As such the accounts of the Universities shall be audited conformity with the

Statutes, Rules and Regulations of the respective University without making reference to Government Rules on the subject.

160. The medical allowance as above has been allowed to all the University Employees irrespective their pay scale under the N.W.F.P. University of Engineering and Technology, Employees' Medical Rules-1993, therefore, giving reference of the Government in this case is not correct.

COMMITTEE OBSERVATION

161. As per Draft Para No.3.2.23.

COMMITTEE RECOMMENDATION

162. As per Draft Para No.3.2.23.

DP.3.2 25 UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF PAY OF SUPERANNUATED STAFF WORKING AGAINST THE ADMINISTRATIVE POSTS. Rs. 2.703 MILLION.

AUDIT VERSION

163. The Audit reported that during the financial year 2008-09, the Vice Chancellor of University of Science and Technology Bannu incurred an expenditure of Rs.2.703 million on account of pay and allowances of the Controller of Examination and Additional Secretary Officer. The appointments were made after their superannuation without observing the codal formalities. Thus, the expenditure incurred on their pay and allowances was unauthorized.

164. Audit held that the cause of unauthorized expenditure was extension of undue benefit to persons above 60 in violation of government orders. The unauthorized expenditure was pointed out in April 2010. The Department stated that detailed reply would be given shortly.

165. In the DAC meeting held on 21-09-2010, the Department replied that the officers were appointed due to non-availability of suitable candidates for the said posts. However, the Department could not substantiate its stance. The DAC did not agree with the reply of the Department and decided to place the Para before the PAC.

DEPARTMENTAL VERSION

166. The Department explained that the University was in the establishing phase and there was dire need of University experienced and skilled personnel to put on the right track. Furthermore, the University of Science and Technology Bannu like other universities is an autonomous organization having its Statutes/Rules in accordance with provision of the Act. The

cases of superannuated persons processed in the light of the provision of Act have already been approved by the University Syndicate and Senate. The cases were processed for 6 months. However, such cases may again be placed before the authorities for review in the light of Audit Notes. The university has not employed any terminated person. Verification of this office record shows that the above mentioned officers are not superannuated for instant the NIC copies of the officers are attached which are crystal clear that they are not at all superannuated and not crossed the ages of sixty years. Furthermore, they were relieved from the services by their appointment and this action does not debar them from seeking employment in other organization.

COMMITTEE RECOMMENDATION

167. In view of plausible explanation advanced by the Department the para was recommended to be dropped.

DP.3.2.26 UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF POL CHARGES IN LIEU OF CONVEYANCE CHARGES IN THE PRESENCE OF PICK AND DROP FACILITY Rs. 0.719 MILLION.

AUDIT VERSION

168. The Audit reported that during the financial year 2008-09, the Vice Chancellor Gomal University D.I. Khan paid Rs. 7,19,000/- on account of fixed fuel charges on monthly basis to the officers in BPS-20 and 21 in lieu of conveyance allowance. The University had provided pick and drops facilities to these officers/officials, therefore, payment of fuel charges to the officers was unauthorized.

169. Audit was of the view that the unauthorized expenditure was incurred due to violation of the government orders. The unauthorized expenditure was pointed out in March 2010. The University replied that the Syndicate had accorded the approval. On scrutiny of the Syndicate minutes of 79th meeting held on 20-02-2010 the item was found deferred.

170. In the DAC meeting held on 28-10-2010, the Department replied that POL charges to BPS-20 and 21 officers at fixed rates in their monthly salary was under consideration of the Syndicate and stated that decision on this Para was deferred till the final decision of the meeting with the Chancellor. However, the DAC did not agree with the plea of the Department and decided to place the Para before the PAC.

DEPARTMENTAL VERSION

171. The Department explained that the Syndicate agreed in principal to the payment of POL charges and deferred this matter till the meeting of Vice Chancellors with the Chancellor in which the uniformity of such charges/allowances amounts all the Universities in the Khyber Pakhtunkhwa would be discussed and Professors are also being paid Rs. 9,000/- per month in the University of Peshawar vide office order No. 16/30/Estt: dated 24-06-2009. Hence, the cases are still pending for the final approval/decision of the Chancellor.

COMMITTEE OBSERVATION

172. It was observed that the Department is admitting that the Pick and Drop facility was extended through Bus however, the same was inadequate keeping in mind the status of the Professors.

COMMITTEE RECOMMENDATION

173. Since the Department has admitted the issue of Pick and Drop, therefore, the Committee directed the Secretary Higher Education to conduct inquiry in the matter and to pin point as to who has availed the facility of pick and drop and the person (s) involved in availing the facility, the amount of their conveyance allowance already drawn, may be recovered from them. Para stands. Progress be reported to PAC.

DP.3.2.27 UN-AUTHORIZED DRAWL OF CONVEYANCE ALLOWANCE Rs.0.238 MILLION.

AUDIT VERSION

174. The Audit reported that during the financial year 2008-09, the Vice Chancellor Hazara University Mansehra incurred an expenditure of Rs. 2,38,080/- on account of conveyance allowance to the officers who were also provided vehicles by the University. The payment of conveyance allowance in the presence of Government vehicle was unauthorized.

175. Audit held that the violation of prescribed rules caused unauthorized payment. The unauthorized drawl was pointed out in March 2010. The Department replied that detailed reply would be given later on.

176. In the DAC meeting held on 05-01-2011, the Department replied that vehicles were provided to the officers for official duties. The DAC did not agree and directed to recover the amount. No progress was intimated to Audit till finalization of this report.

DEPARTMENTAL VERSION

177. The Department explained that the recovery from Dr. Mukhtiar Alam, Director, R&P and Maj@ Shareen Zaman, Administrative Officer as pointed out in Audit para has been made good while the vehicle at Haripur Campus was used for official purpose of the campus, therefore, Ms. Shaista Irshad was entitled to conveyance allowance vide office order No. 4(1)HU/Reg 2011/1323 dated 20-5-2011.

COMMITTEE RECOMMENDATION

178. In view of the explanation advanced by the Department that the amount had been recovered, the Para was recommended to be dropped.

DP.3.2.28 NON-SUPPLY OF PURCHASED ITEMS Rs. 0.877 MILLION.

AUDIT VERSION

179. The Audit reported that during the financial year 2008-09, the Principal Government College (Male) Peshawar incurred an expenditure of Rs. 8,76,943/- on the purchase of various items. The amount was paid in advance but no supply was received till the date of audit i.e. October 2009.

180. Audit held that the cause of non-supply was negligence on the part of management. The irregularity was pointed out in October 2009. The management stated that the concerned firm would be contacted.

181. In the DAC meeting held on 04-02-2010, the Department accepted the irregularity and stated that efforts would be made for the completion of supply. The DAC directed the DDO to ensure the supply of items or initiate proceeding against the supplier for recovery within twenty days. No such progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

182. The Department explained that all the purchased items have already been supplied by the concerned dealers/firms, nothing is outstanding. Properly entered in the relevant stock registers.

COMMITTEE RECOMMENDATION

183. In view of the fact that supply had already been completed and properly entered in relevant stock register, the para was recommended to be dropped.

DP.3.2.29 UN-ECONOMICAL PURCHASE OF STORE ITEMS Rs.177.016 MILLION.

AUDIT VERSION

184. The Audit reported that during the financial year 2007-08, the Vice Chancellor University of Peshawar spent an amount of Rs. 177.016 million on the purchase of various stores, as given below without observing the process of NIT and competitive biddings:-

(Rs. In million)	
Machinery & Equipments	1.643
Air-conditioners	1.139
Purchase of Equipment	7.623
Purchase of computers for PERN	10.167
Purchase of furniture for Hostel	0.220
Printing of Prospectus	1.520
Purchase of Books	2.145
Contingencies	152.559
Total	177.016

185. Audit held that the violation of University's own Financial Rules and Government orders caused the uneconomical purchase. The irregularity was pointed out in August 2008. The management stated that reply would be given after the verification of record.

186. In the DAC meeting held on 20-08-2009, the Department replied that Audit should specify the transactions under observation. When the transactions were specified, the Department did not produce relevant record to the DAC. Therefore, the DAC decided to place the Para before the PAC.

DEPARTMENTAL VERSION

187. The Department explained that observation pointed out is not pertinent, Audit has quoted total purchases under various heads during the whole financial year 2007-08. Audit should have pinpointed a particular transaction for ascertaining the observation.

COMMITTEE OBSERVATION

188. The Committee observed that verification of huge record for the whole year is required to be carried out by Audit.

COMMITTEE RECOMMENDATION

189. The Para was therefore, kept pending for verification of complete record by Audit.

DP.3.2.31 WASTE-FUL EXPENDITURE ON THE PURCHASE OF OLD EDITION BOOKS.
Rs. 71.210 MILLION.

Audit Version

190. The Audit reported that during the year 2008-09, the Vice Chancellor Hazara University executed an agreement with Asia Book Foundation on 05-11-2008 for the supply of books costing Rs. 71.710 million. Out of the total amount a sum of Rs.49.211 million was paid including advance payment of Rs. 13.648 million during 2008-09 and remaining amount was to be paid @ Rs. 6,25,000/- per month upto June, 2011.

191. Audit observed that:-

- Payment of Rs. 13.648 million was made in advance prior to the execution of agreement.
- Books were purchased at higher rates because a test check for five books was carried out, wherein an overpayment of Rs. 63,717/- was worked out. The invoices/demand bills did not show the price in Foreign as well as Pakistani Currency. A certificate of refund of overpayment if found at any stage was also recorded as required under Section-3 of the Government of Pakistan Ministry of Education, Library Rates Committee Notification No. F-5-3/2008 P&R dated 21-07-2008.
- Most of the books purchased were not according to the needs of the students/faculty members of the University as the Chairman, Department of Management Sciences certified that the books purchased for their Department were not demanded by them.
- 95% of the books were of old and obsolete edition i.e. 1985, 1988 and 1990, while the remaining 5% were of 2004 edition.

192. Audit held that the negligence and connivance with book-seller on the part of management and violation of financial propriety caused the wasteful expenditure. The wasteful expenditure was pointed out in March 2010, the Department replied that the selection of books was made by the Heads of Departments and the faculty concerned according to their requirements and no books was purchased outside the list made by the Heads of Departments and the Faculty concerned.

193. In the DAC meeting held on 05-01-2011, the Department repeated the same reply. However, neither indents by the concerned Heads of Departments were produced to DAC nor authentic price list of the books purchased was produced to the DAC. The DAC did not agree with the reply of the Department and directed to conduct a detailed inquiry. No such progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

194. The Department explained that on the recommendations of Inquiry Committee, a negotiation committee was constituted by the Vice Chancellor for negotiation with company/firm. After negotiation, the firm agreed on the following terms:

- i) Company surrendered an amount of Rs. 12.106 million.

ii) University will pay the remaining amount in one installment.

195. The matter was approved by Syndicate in its 22nd meeting held on 30/6/2012 with the directions to pay the remaining amount in three installments.

COMMITTEE RECOMMENDATION

196. The explanation of the Department being plausible was accepted, therefore, the para was recommended to be dropped.

DP.3.2.32 IRREGULAR PURCHASE OF BOOKS Rs. 13.781 MILLION.

AUDIT VERSION

197. The Audit reported that during the financial year 2008-09, in Abdul Wali Khan University Mardan an expenditure of Rs. 13.781 million was incurred on the purchase of books as per detail given below:-

S.No.	Cheque No.	Date	Amount (Rs.)
1	8019636	02-06-2009	6,32,773
2	8019637	02-06-2009	69,99,651
3	80196367	02-06-2009	13,67,740
4	8019640	02-06-2009	8,64,968
5	6759329	12-06-2009	35,95,308
6	8019667	12-06-2009	1,69,200
7	8019761	12-06-2009	1,51,293
Total			1,37,80,933

198. Audit observed that the purchase of books was irregular on the following grounds:-

- i. NIT for economical purchase as not floated through press for fair competition.
- ii. The discount allowed was not competitive.
- iii. The Committee did not recommend the purchase.
- iv. Entries in the accounts stock register were not attested by the DDO.
- v. Inspection reports of the books were not produced to Audit.

199. Audit held that the weak internal controls and violation of financial/procurement rules caused the irregular purchase. The irregularity was pointed in October, 2009. The management stated that the University was newly established and a book fair was arranged on urgent basis to meet the demand of books. The discount offered by the book-sellers was competitive and the books purchased were recommended by the Purchase Committee. It was further stated that entries would be signed by the DDO and an Inspection Committee would be constituted for the inspection of books.

200. In the DAC meeting held on 22-01-2011, the Department repeated the previous reply. The DAC did not agree and directed to conduct an inquiry through Director Planning Treasurer and Librarian within a month. No further progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

201. The Department explained that the Audit Party of DG (Audit), Khyber Pakhtunkhwa during audit of the accounts of the University for the year 2008-09 observed that the purchase of library books was irregular because of non-compliance of the laid down procure. During the meeting of the DAC held on 22-1-2011 in the University, the nominee of the DG (Audit) was shown all the relevant record pertaining to audit observations on purchase of library books. He was assured that all the codal formalities were followed. However, while expressing his satisfaction and settling the audit para, he desired that rates of books purchased by the University may be rechecked through internet. So as to ascertain authenticity of the rates. He proposed that a Committee may be constituted by the University for re-verification of the rates of books. Accordingly, the following committee was constituted for the purpose, vide office order No. 1(2)Reg-1/AWK/KUM/2011 dated 24-1-2011 to submit its report by 7-2-2011.

- i) Hafiz Khalil ur Rehman, Director (P&D).
- ii) Mr. Muhammad Tariq, Depty Registrar (Establishment).
- iii) Mr. Arsh ur Rehman, Accounts Officer.

202. The Committee went through the rates mentioned in the booksellers' invoices and compared them with those available on websites, at random. It was found that the rates quoted in the invoices coincide with those disseminated on websites of publishers. Moreover, the University has got the certificates from the booksellers as required under Para 3 of the Government of Pakistan, Department of Libraries letter No. f.5-3/2009 P&R dated 22-7-2009, reproduced below which safeguarded the interest of the university.

203. "Certified that the price charges are correct. If any discrepancy at any stage is found, we undertake to refund the excess payment made to us. It is further certificated that the publications listed in the bill are original.

COMMITTEE RECOMMENDATION

204. In view of the above, the Para was recommended to be dropped.

DP.3.2.33 IRREGULAR AWARD OF SCHOLARSHIP COSTING Rs. 6.587 MILLION.

AUDIT VERSION

205. The Audit reported that during the financial year 2008-09, the Vice Chancellor Hazara University Mansehra incurred an expenditure of Rs. 6.587 million on account of scholarship for admission of the students for Ph.D. in Foreign University in respect Of Miss Tazayan Sara. She was not eligible for the said scholarship on the following grounds:-

- She got more than two 2nd Divisions in her academic career i.e. SSC, FA and B.Com.
- She was selected for Ph.D. in Tourism & Culture but had a Master Degree in Finance and Accounting.
- She was allowed to get admission in Glasgow University but she switched over to Johan Moore University London without any cogent reasons.
- Her progress reports were not available on record but she was regularly paid the maintenance allowance.

206. Audit held that the relaxation of scholarship criteria just to use the fund for Ph.D. scholars cause the irregular payment the irregularity was pointed out in March 2010. The Department replied that as it was clarified in a meeting of the relevant committee that one scholarship slot was reserved for Department of Cultural Heritage and Tourism Management. However, no candidate with the required GRE score was available from amongst the Department faculty. Only Ms. Tazayan Sara had the required GRE score, therefore, the criteria was relaxed for her. The decision to award scholarship to a candidate with Master Degree in Finance/Accounts was taken by the Committee on the recommendation of the Head of the Department, Dean and the Vice Chancellor of the University.

207. In the DAC meeting held on 05-01-2011, the Department repeated the same reply. The DAC did not agree and directed to stand the para.

DEPARTMENTAL VERSION

208. The Department explained that it is clarified that in a meeting of the relevant committee held on 27th June, 2008, one scholarship slot was reserved for Department of Cultural heritage and Tourism Management. However, no candidate with required GRE score was available from amongst the Department Faculty. Only Ms. Tazayian Saira had the required GRE score and the criteria was relaxed. There is clear provision in the PC-I that "preference will be given to the faculty of the University moreover, the relevant committee had decided that sufficient vacant post a Lecturers do not exist in the University, therefore, hiring of new faculty for scholarship position will increase burden on the recurrent Budget of the university without any immediate benefit. The scholarship was awarded keeping in view the basic need of the Department. It was also decided in the meeting that at least two PhDs were required in each Department and that application should be forwarded on the recommendations of the concerned Dean/Chairman. The scholar was selected for Ph.D. in Tourism and Culture after recommendations of concerned Dean. The said Academic recommendations were also endorsed by the University of Johan Moore United Kingdom by granting admission to her in the said subject.

COMMITTEE RECOMMENDATION

209. In view of plausible explanation advanced by the Department, the Para was recommended to be dropped.

FINANCE DEPARTMENT

Two (02) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meeting held on 18th of September 2012. The following were present:-

Public Accounts Committee

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Kiramatullah Khan, Speaker | Chairman |
| 2. | Mr. Abdul Akbar Khan, MPA | Member |
| 3. | Mr. Mukhtiar Ali, MPA | Member |
| 4. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 5. | Mr. Fazal Shakoor Khan, MPA | Member |
| 6. | Mufti Syed Janan, MPA | Member |

Law, Parliamentary Affairs and Human Rights Department.

Mr. Jamshaid Khan,
Deputy Secretary.

Finance Department

1. Sahibzada Saeed Ahmad,
Secretary.
2. Mr. Masood Ahmad,
Special Secretary.
3. Mr. Saif-ur-Rehman Usmani,
Director Finance

Audit Department

1. Mr. Sikandar Khan,
Director General.
2. Mr. Lal Muhammad,
Director.
3. Mr. Mutahir Rehman,
Deputy Director.
4. Syed Bahadur Shah,
Deputy Director.
5. Mr. Saif-ul-Islam,

Deputy Director.

Provincial Assembly Secretariat.

1. Mr. Amjad Ali,
Additional Secretary.
 2. Mr. Inamullah ,
Deputy Secretary,
 3. Mr. Ashtimand,
Deputy Secretary.
 4. Mr. Khalid Shaheen,
Assistant Secretary.
2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

D.P.7.2.1 BLOCKAGE OF GOVERNMENT MONEY-Rs.3.940 MILLION.

AUDIT VERSION

3. The Audit reported that during the financial year 2007-08, in the treasury office Batagram, stamp. of various categories costing Rs.3.940 million were lying unutilized in double lock till the date of audit i.e.30-07-2008.
4. Audit held that the unnecessary blockage of government money was due to improper planning and non observance of codal formalities on the part of management. The blockage of government money was pointed out in July 2008. The management stated that during earthquake of October 2005, the strong Room was worstly damaged and all the stamps lying unutilized were inaccessible along with the embossing seal.
5. In the DAC meeting held on 15-11-2008, the Department repeated the previous reply. The DAC directed that a committee may be formed to dig out stamps from the building within three months. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

6. The Department explained that during the earth quake 2005, the Strong Room was worstly damaged and all the stamps along with embossing seal of the office & other valuables i.e. Election bags etc lying in the strong room were inaccessible. The matter could not

be finalized in time due to the fact that Election material/bags having record of pending appeals in the Election Tribunal of disputed cases lying in the strong room. Moreover a suitable strong room was also not available for shifting of records. However on 5-4-2010 all the stamps and other valuables were recovered, utilized and government revenue is being earned. It was also worth mentioned that sale of stamps from the very beginning was in progress and requirement of general public regarding stamps has never been stopped as alternate arrangement as made by providing the same from sister Treasuries, hence no general loss by blockage of Government money was sustained.

PAC OBSERVATIONS

7. The PAC observed that abnormal delay in digging out the stamps was made but the same was due to natural calamity which was beyond the control of the Department.

PAC RECOMMENDATIONS

8. In view of the above the Para was recommended to be dropped.

D.P.7.2.2 DOUBTFUL EXPENDITURE ON ACCOUNT OF MEDICAL CHARGES- Rs.0.674 MILLION.

AUDIT VERSION

9. The Audit reported that during the financial year 2008-09, in the office of Secretary to Government of Khyber Pakhtunkhwa Finance Department Peshawar, an amount of Rs.6,74,148/- was drawn on account of medical charges. Audit observed that the expenditure on medical charges was doubtful on the following grounds:-

- Doctor's prescriptions and cash memos were written by one person and same hand writing: so, it was not understood as to how the doctor performing his duty in the hospital can write chemist cash memos also at the same time.
- OPD chits or its numbers were not available on record.
- Test results were not obtained.
- The medicines were required to be prescribed on OPD chit instead of general pad.
- Moreover, a sum of Rs.1,10,590/- was overpaid on account of medical charges.

10. Audit was of the view that the expenditure and overpayment was doubtful due to fictitious record and negligence on the part of management.

11. When pointed out, the management stated that no overpayment was made and the illness of patient was confirmed from IRNUM and all the bills were verified.

12. In the DAC meeting held on 14.12.2009, the Department repeated the previous reply. The DAC directed to get the relevant record verified within fifteen days. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION.

13. The Department replied that the entire bills were sent to the Director General, Health Services and IRNUM Hospital for verification. Both the quarters verified the bills and declared it as original and authentic.

PAC OBSERVATIONS.

14. The Committee observed that the Para was framed on very poor grounds by the Audit Department.

PAC RECOMMENDATIONS

15. In view of the above and explanation advanced by the Department, the Para was recommended to be dropped.

HEALTH DEPARTMENT

Nineteen (19) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meetings held on 18th & 19th of September 2012 and 5th of March 2013. The following were present:-

Public Accounts Committee

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Kiramatullah Khan, Speaker | Chairman |
| 2. | Mr. Abdul Akbar Khan, MPA | Member |
| 3. | Mr. Mukhtiar Ali, MPA | Member |
| 4. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 5. | Mr. Fazal Shakoor Khan, MPA | Member |
| 6. | Mufti Syed Janan, MPA | Member |
| 7. | Mr. Muhammad Zamin Khan, MPA | Member |

Law, Parliamentary Affairs and Human Rights Department.

Mr. Jamshaid Khan,
Deputy Secretary.

Finance Department

1. Sahibzada Saeed Ahmad,
Secretary.
2. Mr. Masood Ahmad,
Special Secretary.
3. Mr. Masood Khan,
Deputy Secretary.
4. Mr. Saif-ur-Rehman Usmani,
Director Finance

Audit Department

1. Mr. Sikandar Khan,
Director General.
2. Mr. Lal Muhammad,
Director.
3. Mr. Mutahir Rehman,
Deputy Director.
4. Syed Bahadur Shah,
Deputy Director.
5. Mr. Saif-ul-Islam,
Deputy Director.

Health Department.

1. Mr. Muhammad Akbar Khan,
Special Secretary.
2. Prof: Noor-ul-Iman
Special Secretary
3. Mr. Zahir Alam,
Additional Secretary.
4. Dr. Zubair,
Principal, KGMC
6. Prof: Dr. Abid Hassan,
Principal Khyber Girls Medical College, Peshawar.
7. Dr. Muhammad Shafiullah,
Principal/Project Director, Bannu Medical College.
8. Dr. Muhammad Sharif,
Chief Executive, KGNTH Bannu.
9. Dr. Muhammad Zafar,
Ex-Chief Executive K.T.H.
10. Dr. Muhammad Mukhtiar,
Medical Superintendent (LRH).
11. Dr. Said Ali Khan,
Medical Superintendent (HMC).
12. Mr. Prof: Dr. Jumma Gul.
Medical Superintendent, A.T.H. Abbottabad.
13. Dr. Junaid Serwar,
MS Ayub Teaching Hospital, Abbottabad.
14. Dr. Niaz Muhammad,
Director (Finance) HMC.
15. Mr. Gulzar Ahmed,
Director (Finance), K.T.H. Peshawar.
16. Sardar Pervez Khan,
Director (Finance) A.T.H. Abbottabad.
17. Sardar Parvez Khan,
Director (Finance) AMI, Abbottabad
18. Prof: Dilawar Khan,
Vice Principal, A.M.C. Abbottabad.
19. Mst: Nighat Sultana,
Govt: Public Analyst, Food Analysis Lab: Hayatabad.
20. Dr. Abdul Rauf,
DMS (KGMC)

Provincial Assembly Secretariat.

1. Mr. Amanullah,
Secretary
2. Mr. Amjad Ali,
Additional Secretary.
3. Mr. Inamullah ,
Deputy Secretary,
4. Mr. Ashtimand,
Deputy Secretary.

2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

DP. 9.2.1 LOSS DUE TO EXPIRY OF HBV, HCV, MTB & RNA KITS Rs.15.756 MILLION.
AUDIT VERSION

3. The Audit reported that during the financial year 2008-09, the Project Director, Bannu Medical College spent Rs.15.756 million on the purchase of various Kits e.g. HBV, HCV, MTB & RNA Kits. The Kits were purchased in June 2009 and their expiry date was 19/10/2009. The Kits remained un-used till their expiry and thus resulted into a loss of Rs. 15.756 million.

4. Audit was of the view that the loss occurred due to unnecessary purchase.

5. The loss was pointed out in March 2010. The Department stated that reply would be given later.

6. In the DAC meeting held 04-08-2010, the Department replied that the Kits were used in the PCR machines for teaching purpose. The rest had been replaced by the firm. However, the record produced to DAC was not valid as it did not show the details of the utilization of Kits or replacement of the expired Kits by the Firm. The DAC did not agree and decided to place the Para before PAC

DEPARTMENTAL VERSION

7. The Department explained that PCR Machine has already been installed in the PCR Lab with all its accessories and routine tests with the help of the said kits are being made for the teaching purpose to the students. The kits shown purchased worth Rs.15.756 million are being utilized. Most of the above have been used in the PCR lab for teaching purpose. Rest has been replaced by the firm. Moreover, all the material has been taken on stock register and certificate has already been recorded on stock register as well as on bill.

PAC OBSERVATIONS.

8. It observed that the authorities of the concerned institution was ignorant of the procedure required to be adopted for making purchases.

9. The purchased items were received on 18-06-2009 and on 03-07-2009 i.e. after 15 days the Principal Bannu Medical College asked the firm that the kits supplied are going to be expired on 29-10-2009 and requested the firm for its replacement meaning there by that no heed was paid by the Inspection Committee after the receipt of kits in question which clearly indicate their negligence and inefficiency.

PAC RECOMMENDATIONS

10. The Department was directed to fix responsibility and to initiate appropriate disciplinary action against the concerned for their negligence and inefficiency making the said purchases in violation of para 148 of GFR Vol-I within two months. Para stands. Progress be reported to PAC.

DP. 9.2.2 LOSS DUE TO MISSING STORES Rs. 13.597 MILLION

AUDIT VERSION

11. The Audit reported that during the financial year 2006-07 the Khyber Girls Medical College, Peshawar made un-necessary purchases costing Rs.13.597(M). However, there were no details regarding stock entries, issue indents or utilization/installation of said stores.

12. Audit was of the view that the cause of loss was due to weak internal controls which lead to misappropriation.

13. The loss was pointed out in March 2008. The management furnished no reply.

14. In the DAC meeting held on 01-02-2010 the Department replied that a Committee had been constituted to carry out physical verification of the dead stock items to assess shortage, if any and the result will be intimated to Audit. The DAC did not agree and decided to get the physical existence of the said stores verified by an Audit Officer. On verification by Audit carried out from 06-02-2010 to 14-02-2010, items worth Rs.13.597 million were found missing.

DEPARTMENTAL VERSION

15. The Department explained that physical verification was carried out and it was observed that all the furniture items are available. Since there was a dispute on the distribution of furniture items between the KMU and KGMC, therefore, some items are available at KMU

whereas few are in the custody of KGMC. It was requested that a Special Audit Party may kindly be deputed to verify all the furniture items placed in KMU and KGMC physically. As far as the dead stock register is concerned, all the furniture items are available in good condition and not declared as condemned so there is no need to enter such items on dead stock. The machinery and equipments in question are available and physically exist in various Units of this Institution. The Audit Party was not assisted properly at the time of inspection from 06-02-2010 to 14-02-2010.

PAC OBSERVATIONS.

16. The Committee observed with heavy heart that the Department had shown ignorance during audit, DAC and Physical Verification carried out by the Audit on the direction of DAC due which the purchased items could not be physically verified.

PAC RECOMMENDATIONS.

17. As there was difference of opinion in the Audit and Department during the meeting and there were certain reservation of the Department in connection with the Physical Verification carried out by Audit the Para was therefore, referred to a Sub-Committee comprising Mr. Zamin Khan, MPA/Chairman and Mufti Syed Janan, MPA as Member with the direction to probe the issue minutely and submit report within fifteen (15) days. The representative of Audit, who carried out the physical verification, be summoned to the meeting to explain the factual position.

INTRODUCTION OF SUB-COMMITTEE

18. In pursuance of the decision of Public Accounts Committee made in its meeting held on 18-09-2012, a Sub-Committee was constituted vide Notification No.PA/KP/PAC/S.C-2/2010-11/12/10290 dated 4-10-2012, comprising the following Members:

- | | | |
|----|------------------------------|----------|
| 1. | Mr. Muhammad Zamin Khan, MPA | Chairman |
| 2. | Mufti Syed Janan, MPA | Member |

TERM OF REFERENCE

19. To examine in detail the issue (s) involved in Draft Para No. 9.2.2 and 9.2.5 (2010-11) pertaining to Health Department and to probe the issue minutely and submit its report to PAC within fifteen days.

PROCEEDING:

20. A meeting of the Sub-Committee was held on 14-11-2012 in the conference room of Provincial Assembly Secretariat, Peshawar and discussed the Draft Paras in question threadbare, the Sub-Committee also visited the Khyber Girls Medical College, Hayatabad, Peshawar on 21-11-2012 and carried out physical verification and finalized its recommendations as per detail given below:-

AUDIT VERSION

21. The Audit reported that during the financial year 2006-07 the Khyber Girls Medical College, Peshawar made un-necessary purchases costing Rs.13.597 million. However, there were no details regarding stock entries, issue indents or utilization/installation of said stores.

22. Audit was of the view that the cause of loss was due to weak internal controls which lead to misappropriation.

23. The loss was pointed out in March 2008. The management furnished no reply.

24. In the DAC meeting held on 01-02-2010 the Department replied that a Committee had been constituted to carry out physical verification of the dead stock items to assess shortage, if any and the result will be intimated to Audit. The DAC did not agree and decided to get the physical existence of the said stores verified by an Audit Officer. On verification by Audit carried out from 06-02-2010 to 14-02-2010, items worth Rs.13.597 million were found missing.

DEPARTMENTAL VERSION

25. During the meeting the Department repeated the same reply as given in the PAC meeting that physical verification was carried out and it was observed that all the furniture items are available. Since there was a dispute on the distribution of furniture items between the KMU and KGMC, therefore, some items were available at KMU whereas few are in the custody of KGMC. The Department further explained that a Departmental Committee was constituted to physically check all the equipments and furniture pointed by the Audit party during the course of audit, which physically checked all the items lying in various Departments of the institution and found it correct, except a few items. It requested the Committee to fix a date for physical verification/checking to verify all the furniture items physically. It further told that the machinery and equipments in question are available and physically exist in various Units of the Institution.

26. In view of the above the Committee decided to carry out physical verification on 21-11-2012, at 10.00 a.m. in the Khyber Girls Medical College, Peshawar to know the factual position. The concerned Audit officer who carried out physical verification earlier was directed to attend the physical verification. The Department was directed to keep the record of releases and expenditure made on purchase of furniture and equipments for the years 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 ready for examination. The Department was further directed to properly mark all the items to facilitate of the physical verification.

PHYSICAL VERIFICATION

27. The Committee visited the Khyber Girls Medical College, Hayatabad, Peshawar on 21-11-2012 and carried out the physical verification of the furniture and equipments mentioned in the Para. All the items were physically available in different units of the College. The Committee also examined the record of furniture items which was found satisfactory.

COMMITTEE RECOMMENDATION

28. As all the items i.e. furniture and equipments which were reported to be missing were found present in the respective units of the college duly checked with the inventory. Hence the Para was recommended to be dropped with the direction to the Department to conduct proper enquiry for fixing responsibility and to initiate appropriate disciplinary action against the person who did not provide the relevant record to Audit in time and failed to carry out physical verification along with Audit earlier.

DP. 9.2.3 **LOSS DUE TO KEEPING FUNDS OUT OF PROFIT AND LOSS ACCOUNT Rs. 8.619 MILLION.**

AUDIT VERSION

29. The Audit reported that during the financial year 2009-10, a sum of Rs.392.907 million was received by Hayatabad Medical Complex as Grant-In-Aid from Government and a sum of Rs. 38.00 million was realized on account of Hospital receipts but it was not kept in the Profit and Loss Account. Had the amount been kept in profit and loss account it might have earned an interest of Rs. 8.619 million even if 2% interest had been allowed by the Bank. Thus Government put to a loss.

30. Audit held that violation of rules cause the loss. The loss was pointed out on September, 2010 but the management furnished no reply.

31. In the DAC meeting held on 09-12-2010 the Department replied that a separate bank account would be opened for Grant-In-Aid. However, no further progress was intimated till

finalization of this report. The DAC did not agree and decided to stand till compliance of Rule-17 of the Medical Institution Rules.

DEPARTMENTAL VERSION

32. The Department explained that being an Autonomous Institution, the Finance Department releases Grant-in-aid to this Hospital on quarterly basis. Autonomous Institution have their own Reserve Fund Account maintained in the State Bank of Pakistan, these releases/Grant-in-aid are deposited in the Reserve Fund Account according to the instructions of Finance Department under the proper head G-12779 "Fund for HMC". This grant-in-aid includes Salaries of the staff, Utilities Charges and Emergency Drugs etc which cannot be transferred to Profit and Loss Account. However, the amount of receipt is properly kept in the profit and loss account No. 1683 Muslim Commercial Bank.

COMMITTEE OBSERVATION

33. The PAC observed that neither the DAC decision made in 09-12-2010 implemented nor the irregularity was avoided till date. Hence non-observance/violation of Rule-17 of the Khyber Pakhtunkhwa Medical Institution Rules was established. The Committee also observed that the working paper was not signed by the Secretary of the Department nor it was on proper format.

COMMITTEE RECOMMENDATION

34. In view of the above, the Department was directed to conduct inquiry for fixing responsibility for the loss occurred to Government and to initiate action leading to recovery against the responsible officers who have acted in sheer violation of rule-17(i) on the subject within two months. Action also be initiated against the persons at fault for non implementation of DAC decisions. Para stands. Progress be reported to PAC Cell.

DP. 9.2.4 LOSS DUE TO UN-AUTHORIZED PAYMENT OF CONVEYANCE ALLOWANCE Rs. 3.869 MILLION.

AUDIT VERSION

35. The Audit reported that during the financial year 2008-09 and 2009-10 in Hayatabad Medical Complex, 65 Doctors residing in the Government Hostel were allowed Conveyance Allowance which was not admissible to them. This resulted into a loss of Rs.3.869 million.

36. Audit was of the view that loss occurred due to violation of prescribed rules. The loss was pointed out in September 2010. The management stated that detailed reply would be submitted later on.

37. In the DAC meeting held on 09-12-2010, the Department replied that recovery was started but due to protest of the Doctors Association the same was stopped on the directives of higher-ups. The DAC did not agree with the reply and decided to place the Para before PAC.

DEPARTMENTAL VERSION

38. The Department explained that since the practice of recovery work was started but due to an alarming protest by the Doctor Association, it was decided by the higher ups not to recover the amount in question from the doctors concerned for the time being. A similar nature of para was discussed in the DAC meeting held in the office of Special Secretary, Health for the year 2007-08, wherein it was decided that since the issue was being a serious nature, therefore, it should be referred to the PAC and similarly the Para stands/referred to PAC for final decision. Moreover, the Management Council in his 23rd meeting held at HMC on 18-11-2008 declared Hostel as retiring room.

COMMITTEE OBSERVATION

39. The Committee observed that the doctors were residing in the Hostels situated in the premises but still they were allowed to get the conveyance allowance in violation of rules and pay & package policy of the Government.

COMMITTEE RECOMMENDATION

40. The Committee recommended to initiate action leading to recovery from the Doctors residing in Hostels situated in the premises of institutions and get the recovery verified from the Audit within two months time. Departmental action may also be initiated against those who failed to recover the conveyance allowance from the concerned Doctors in time. Para stands. Progress be reported to PAC within.

DP. 9.2.5 **LOSS DUE TO PROCUREMENT OF SUB-STANDARD MORTUARY COOLING UNIT Rs. 2.39 MILLION.**

AUDIT VERSION

41. The Audit reported that during the financial year 2006-07, the Principal Khyber Girls Medical College, Peshawar incurred an expenditure of Rs.2.39 million on the purchase of Mortuary Cooling Unit. The unit supplied was sub-standard as pointed out by Deputy Medical Superintendent (Stores).

42. Audit held that loss was due to weak internal controls and negligence on the part of management. The loss was pointed out in March 2008. The management stated that detailed reply would be submitted later on.

43. In the DAC meeting held on 01-02-2010, the Department replied that the purchases were made through advertisement and finalized by the Purchase Committee on the lowest cost basis and items were also inspected by the Forensic Department. The DAC did not agree and directed the focal person to provide the relevant documents to Audit with one week. However, no such documents were provided to Audit. The Audit re-verified the case on 14-02-2010 but tender documents, comparative statements, approval of the Purchase Committee or inspection report etc were not produced to Audit in support of the reply of the Department.

DEPARTMENTAL VERSION

44. The Department explained that the mortuary cooling unit was purchased according to the specification. The unit is foreign made and is working efficiently. All the relevant and supporting import documents i.e. bill of entry and proper bills of landing are showing made and origin of the cooling unit.

PAC OBSERVATIONS.

45. The PAC observed that DMS (Stores) himself had made complaint about the substandard purchase.

PAC RECOMMENDATIONS.

46. To know about the factual position, the Para was referred to Sub-Committee constituted vide Para 9.2.2 with the direction to invite the DMS concerned to the meeting who made complaint.

INTRODUCTION OF SUB-COMMITTEE

47. In pursuance of the decision of Public Accounts Committee made in its meeting held on 18-09-2012, a Sub-Committee was constituted vide Notification No.PA/KP/PAC/S.C-2/2010-11/12/10290 dated 4-10-2012, comprising the following Members:

- | | | |
|----|------------------------------|----------|
| 1. | Mr. Muhammad Zamin Khan, MPA | Chairman |
| 2. | Mufti Syed Janan, MPA | Member |

TERM OF REFERENCE

48. To examine in detail the issue (s) involved in Draft Para No. 9.2.2 and 9.2.5 (2010-11) pertaining to Health Department and to probe the issue minutely and submit its report to PAC within fifteen days.

PROCEEDING:

49. A meeting of the Sub-Committee was held on 14-11-2012 in the conference room of Provincial Assembly Secretariat, Peshawar and discussed the Draft Paras in question threadbare, the Sub-Committee also visited the Khyber Girls Medical College, Hayatabad, Peshawar on 21-11-2012 and carried out physical verification and finalized its recommendations as per detail given below:-

AUDIT VERSION

50. The Audit reported that during the financial year 2006-07, the Principal Khyber Girls Medical College, Peshawar incurred an expenditure of Rs.2.39 million on the purchase of Mortuary Cooling Unit. The unit supplied was sub-standard as pointed out by Deputy Medical Superintendent (Stores).

52. Audit held that loss was due to weak internal controls and negligence on the part of management. The loss was pointed out in March 2008. The management stated that detailed reply would be submitted later on.

53. In the DAC meeting held on 01-02-2010, the Department replied that the purchases were made through advertisement and finalized by the Purchase Committee on the lowest cost basis and items were also inspected by the Forensic Department. The DAC did not agree and directed the focal person to provide the relevant documents to Audit with one week. However, no such documents were provided to Audit. The Audit re-verified the case on 14-02-2010 but tender documents, comparative statements, approval of the Purchase Committee or inspection report etc were not produced to Audit in support of the reply of the Department.

DEPARTMENTAL VERSION

54. The Department explained that the mortuary cooling unit was purchased according to the specification. The unit is foreign made and is working efficiently. All the relevant and supporting import documents i.e. bill of entry and proper bills of landing are showing made and origin of the cooling unit.

55. During the meeting Assistant Professor Dr. Sartaj, the then DMS (Store) Khyber Girls Medical College, Peshawar told the Committee that he had made several complaints about the concerned contractor i.e. Mr. Mukhtiar (MS Lakha Trading Company) who had supplied substandard mortuary coolers. Unfortunately the Administrative Officer had put file and specification with in his office for bargaining but as rule the file should be in store. The focal person of forensic Medicines had also become a party and favours the contractor in this regard. He informed the Committee that he had checked the details from the internet of bally Company of USA and proved that it neither made by USA nor original Bally Company and it was made in Pakistan which was substandard and its price was less than 7 lacs and copy of letter endorsed to the Secretary Health, DG Health Services Khyber Pakhtunkhwa and focal person Forensic Medicines, K.G.M.C.

56. The Law Department was the opinion that after receiving the application, the Department was required to conduct a fact findings inquiry in the matter which was not done and the Administration of the Department asked as silent spectators.

57. The Department objected that the observation of the then DMS (Store) was malafide and baseless. The departmental verification committee members thoroughly examined all the relevant imports/customs documents i.e. bill of entry, bill of landing, purchase order, advertisement and comparative statement etc. showing that 2 Nos. Mortuary Cooling Units was made by USA as per requirement of institution and the said equipments were functioning well for the last five years. The Department requested the Committee to fix a date to carry out physically check the equipments involvement in the Para to know about the factual position.

58. In view of the above observation the Committee has fixed the date to carry out physical verification of the said mortuary cooling units on 21-11-2012, at 10.00 a.m. in the Khyber Girls Medical College, Peshawar to know the factual position. The Department was directed to keep ready all the relevant record for examination by the Committee.

PHYSICAL VERIFICATION

59. The Committee visited the unit of Khyber Girls Medical College, Peshawar where Mortuary Cooling Units were placed and found that the units were imported and properly

working. The Committee further examined all the relevant and supporting documents i.e. bill of entry and proper bill of landing, which were showing make and origin of the cooling unit which was also found satisfactory.

COMMITTEE RECOMMENDATION

60. As all the units were found according to specification, therefore, the Para was recommended to be dropped with the direction to the Department to conduct proper enquiry for fixing responsibility and to initiate appropriate disciplinary action against the person who did not provide the relevant record to Audit in time.

DP. 9.2.6 BLOCKAGE OF PUBLIC MONEY DUE TO NON-INSTALLATION OF EQUIPMENTS Rs. 12.227 MILLION.

AUDIT VERSION

61. The Audit reported that during the financial year 2007-08, the Project Director, Khalifa Gul Nawaz Teaching Hospital, Bannu incurred an expenditure of Rs.12.227 million on the purchase of various equipments under ADP scheme. The items purchased were not taken on stock register. The payment was subject to installation of machinery, whereas most of the items remained dumped in the store or in the un-secured places of Hospital building and its warranty period had expired before installation of the said equipments.

62. Audit held that the blockage of Government money was due to negligence weak controls and un-necessary purchases by the management.

63. The blockage was pointed out in May 2009. The Department stated that detailed reply would be furnished after the examination of record.

64. In the DAC meeting held on 28-07-2010, the Department replied that the Stock Register of the Project could not be traced during audit but it had then been traced out and would be produced to next audit. However, the Department did not produce installation report or operationalisation of the equipments purchased. The DAC did not agree and decided to place the para before PAC.

DEPARTMENTAL VERSION

65. The Department explained that:-

- (a) the Para 148 of GFR Vol:I has been complied with letter & spirit. The material (s) received were physically inspected by Committee as well their quality were verified/checked by the Technical Committee and found correct as per inspection sheet.

All these items have been imported by the suppliers as per bill of entry/import documents.

- (b) as per delivery Challan the various equipments received from Friends Traders on dates 17/09/2007, 03/10/2007 and 20/01/2008 therefore, the question of advance payment does not arise.
- (c) no doubt that the equipments were entered in the Stock Register by DMS (Stores) of the Hospital in 03/2009 but these were already entered in the Stock Register of Project well in time which was not traceable during inspection/audit. The Stock Register of the Project has now been traced out and will be produced to next audit. However, delivery Challan(s) showing actual date of receipt is enclosed wherewith for verification.

66. The Department further explained that all the items received were physically checked, counted, inspected by the Technical Committee, found correct and according to the approved specifications. Details of items procured were recorded in a sheet, the total cost of which come to Rs. 13.375 million and not 12.227 million. All the equipments so received have already been taken on the main project stock as well as on sub-stock register. Furthermore, all the aforesaid equipments have been installed in various units of the Hospital and are in proper working condition.

PAC OBSERVATIONS.

67. The Committee observed that the supply was started by the firm in the month of July, 2007 and it continued till June 2008. It therefore, asked the Department to produce the supply order and other relevant documents to Audit for verification.

PAC RECOMMENDATIONS.

68. The Department produced the relevant record for verification to Audit, which was verified, hence the Para was recommended to be dropped.

DP. 9.2.7 UN-AUTHORISED OPENING OF FIVE BANK ACCOUNTS AND NON REPORTING OF TRANSACTION IN ANNUAL FINANCIAL STATEMENT Rs. 34.824 MILLION.

AUDIT VERSION

69. The Audit reported that during the financial year 2009-10 in Hayatabad Medical Complex a number of Bank Accounts were opened in various Banks. Transactions of Rs.34.824 million were made through these accounts. However, no authorization of the Finance Department for opening of such accounts was obtained. The details of these accounts are as under.

Account No.	Bank	Expenditure (Rs.)	Balance on 30-06-2010 (Rs.)
40-22-9 (NIDA)	NBP Hayatabad	2,69,41,475	1,56,48,723
01-200-1676-6	ABL Hayatabad	57,47,833	22,78,610
006327-9	NBP Hayatabad	0	5,48,655
006324-2 (IDP)	NBP Hayatabad	15,69,312	15,01,728
001576-7 (Security)	NBP Hayatabad	5,65,000	16,17,800
Total		3,48,23,720	2,15,95,516

70. Audit further observed that these transactions were not included in the Annual Financial Statements reported to Management Council of the Department or the Finance Department. Audit held that unauthorized bank accounts were opened in violation of rules. The irregularity was pointed out in September 2010. The management stated that detailed reply would be submitted later on.

71. In the DAC meeting held on 09-12-2010, the Department replied that bank accounts were opened on the directives and approval of Management Council. However, neither Management Council approval nor Finance Department concurrence for opening and operation of the said accounts was produced to the DAC. The DAC did not agree with the Department and decided to stand the para till the concurrence of Finance Department. No progress about the concurrence was intimated to Audit till finalization of this report.

DEPARTMENTAL VERSION

72. The Department explained that these accounts have since been closed as pointed out by the Audit and transferred alongwith balance to PLS Account No. 1783 Muslim Commercial Bank except Account No. 22-9 (NIDA) and 1576-7(Security). NIDA account was operated for Pakistan Bait-ul-Mal sponsored patients. The Cheques received from Pakistan Bait-ul-Mal were deposited in the NIDA Account and subsequently payment released when claim of the patient received.

73. Similarly Account No. 1576-7 was maintained for the Security Cell deposits received from the firms during the time of bidding process and released to un-successful bidders and to the firms after completion of supplies. Moreover, letter has already been sent to Finance Department for ex-post facto approval for the opening of account.

COMMITTEE OBSERVATION

74. During examination the Department accepted lapse/mistake on its part and closed the Accounts as pointed out by the Audit.

75. The Committee observed that concurrence of the Finance Department was required as per provisions of GFR which was not done despite the fact that it was also recommended by the DAC.

COMMITTEE RECOMMENDATION

76. The Committee recommended for conducting inquiry to work out the amount of loss and fix responsibility for negligence and to initiate action leading to recovery of loss sustained to Government against the concerned. Para stands. Progress be reported to PAC Cell within a month.

DP. 9.2.8 NON-OBTAINING OF SECURITY Rs. 1.800 MILLION.

AUDIT VERSION

77. The Audit reported that during the financial year 2009-10, the accounts record of Hayatabad Medical Complex, revealed that a sum of Rs.18 million was paid to Metora Diagnostics (Pvt) Ltd, Lahore on account of purchase of Philips BV Pulsera Mobile C-R System with standard accessories vide Cheque No. 143816 dated 30-06-2010. Security at the rate of 10% amounting to Rs.1.800 million was not retained from the firm concerned as required under the rules. Earnest money @ 2% amounting to Rs. 3,60,000/- was required to be obtained from the firm. Against that, call deposit of Rs. 3,20,000/- was obtained vide CDR No. 0425517 dated 03-10-2009 i.e. 40,000 less than the required amount.

78. Audit was of the view that the cause of this irregularity was negligence and non observance of rules by the management. The irregularity was pointed out in September 2010. The management stated that detailed reply would be submitted later on.

79. In the DAC on 09/12/2010 the Department replied that CDR was obtained however, 10% security was not deducted from the firm. Moreover, the machine was in excellent condition and no complaint had been lodged by the end user. The DAC did not agree and directed obtained bank guarantee from the supplier. No further progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

80. The Department explained that the requisite Bank Guarantee/Security @10% had now been received from the firm concerned. Moreover, the less call deposit amounting to Rs. 40,000/- had also been obtained from the firm.

COMMITTEE RECOMMENDATION

81. In view of explanation advanced by the Department the para was recommended to be dropped. However, committee directed that action be taken against the responsible who did not obtained 10% security at the time of opening tender from the contractors.

DP.9.2.9 NON-DEPOSIT OF RENT CHARGES Rs. 1.657 MILLION.

AUDIT VERSION

82. The Audit reported that during the financial year 2007-08 in the office of Medical Superintendent, Lady Reading Hospital, Peshawar, an amount of Rs. 1.778 million was recoverable as rent charges from various contractors.

83. Audit held that due to negligence of concerned officers the recoverable amount could not be recovered. The non-deposit of above amount was pointed out in February 2009. The management stated that efforts will be made to recover the outstanding dues.

84. In the DAC meeting held on 09/01/2010, the Department replied that Rs.1,21,200/- had been recovered against the total amount of Rs. 1.778 while efforts were in progress to recover the balance amount of Rs. 1.657 million. The DAC directed to recover the balance. However, no progress, regarding the recovery of balance amount was intimated to Audit till finalization of this report.

DEPARTMENTAL VERSION

85. The Department replied that in the light of DAC directives, efforts were made for recovery of the Hospital Dues and an amount of Rs. 9,25,624/- has been recovered leaving a balance of Rs. 7,31,000/- as per detail given below:-

S.No	Name of Contractor	Outstanding Dues	Amount Recovered	Balance
1	Mr. Ashiq, Doctors Canteen	9,15,624/-	9,15,624	Nil
2	Ghulam Akbar, Car Park	1,63,000/-	10,000	1,53,000
3	Shabbir Jan, Car Park	5,78,000	-	5,78,000
	Total	16,56,624	9,25,624	7,31,000

86. The Contractors at S.No. 2&3 were served with several legal notices but no response was received from both contractors. An FIR was also lodged against the contractor at S.No. 3 in the Khan Raziq Shaheed, Police Station for bounce/dishonor cheques). However, no recovery was made by the concerned police. In addition to above a 1000 CC Car “Santro” of the contractor was also taken in custody for realization of the outstanding dues.

COMMITTEE RECOMMENDATION

87. The Committee directed the Department to produce the contract agreement to Audit for verification.

DP.9.2.10 NON-DEPOSIT OF STAMP DUTY INTO GOVERNMENT TREASURY Rs. 0.965 MILLION

AUDIT VERSION

88. The Audit reported that in Khyber Teaching Hospital, Peshawar, an amount of Rs. 1.203 million was realized on account of stamp duty from various contractors. The amount was required to be deposited into government treasury which was not done and the same was retained in hospital's funds.

89. Audit held that the non deposit of stamp duty was due to negligence and non observance of rules on the part of management.

90. The irregularity was pointed out in October 2010. The Department replied that according to Khyber Pakhtunkhwa, Revenue and Estate Department instructions, 1% stamp duty was deducted from all contingent bills but was not deposited into Government treasury due to non-availability of proper head of account for the deposit of the said amount.

91. In the DAC meeting held on 04-02-2010, the Department repeated the same reply. However, the DAC did not agree and directed to deposit the said amount into government treasury and get it verified by Audit within two days. On verification of the record on 07-12-2010, the amount of Rs. 2,37,924 was found deposited into Government treasury vide cheque No. 8238021 dated 07-02-2010, while the remaining amount of Rs.9,65,076 was still outstanding. No further progress was intimated till the finalization of this report

DEPARTMENTAL VERSION

92. The Department explained that 1% stamp duty had been deducted from all claims on account of procurement of material and store and transferred to Chief Executive Fund/Accounts for further deposit in to proper Head of account. When it was decided in the DAC meeting that the amount may be deposited into proper head of account then this Institute deposited the amount in State Bank of Pakistan through the following Challans:-

S.No.	Challan No	Amount
1	10601 dated 08/12/2009	3,30,382
2	1055 dated 08/12/2009	21,656
3	1050 dated 08/12/2009	73,371
4	1201 dated 17/02/2010	1,51,613
5	1206 dated 17/02/2010	5,775
6	1194 dated 15/02/2010	16,299
7	881 dated 06/11/2010	1,96,924
8	881 dated 06/11/2010	21,137
9	881 dated 06/11/2010	19,863
10	Total	8,36,020

93. The amount had fully been transferred to the Government Account.

COMMITTEE OBSERVATION

94. The Committee noticed with grave concern the absence of Secretary Health from the meeting without any request to the Chairman of PAC or Assembly Secretariat. It observed that if the irregularity had not been pointed out by the Audit, the amount involved would never have been credited to Government treasury which indicates poor financial management system in the Department.

95. The Committee wanted to know that who retained the amount in his custody till November 2010 despite the DAC decision on 04-02-2010 to deposit the said amount in Government account/treasury forthwith.

COMMITTEE RECOMMENDATION

96. In view of the above, the para was referred to Inter Departmental Committee (IDC) comprising the representatives of Health Audit and Finance Departments in order to know:-

1. whether the amount as shown deposited in Government treasury was the same, involved in the Para or otherwise.

2. why it was not deposited into Government treasury in time and who was responsible for abnormal delay.
3. if the amount was found the same then it may be verified by IDC.
4. the Health Department will be the convener of IDC and it shall submit its report to PAC with in a week time, Para stands.

DP. 9.2.11 NON-RECOVERY OF FINE FROM VARIOUS SUPPLIERS DUE TO LATE SUPPLY OF ITEMS Rs. 0.626 MILLION.

AUDIT VERSION

97. The Audit reported that during the financial year 2009-10, the Chief Executive, Hayatabad Medical Complex, Peshawar purchased various items pertaining to medicines and disposable items valuing Rs. 14.080 million. The said items were delivered to the local office after the due date of supply as per contact agreements. The officers Incharge of the store, imposed penalty amounting Rs.6,25,748/- which was required to be recovered from the supplier concerned at the time of final payments. However, Audit observed that no recovery was made from the contractor.

98. Audit held that non recovery of fine was undue favour to the contractors in contravention of rules. The recovery was pointed out in September 2010. The management replied that reply would be given later on.

99. In the DAC meeting held on 09/12/2010, the Department replied that letters were dispatched to the concerned suppliers for the recovery of the said amount. The DAC directed to effect recovery. However, no progress about recovery was intimated till finalization of this report.

DEPARTMENTAL VERSION

100. The Department explained that the recoveries of penalty from all the concerned firms has been made and deposited into Government Treasury vide Challan No. 233/5 dated 11-07-2012.

COMMITTEE RECOMMENDATION

101. Subject to verification of record by the Audit that whole amount involved had been recovered and deposited in proper head of account. The Para was recommended to be dropped.

DP. 9.2.12 NON-RECOVERY OF INCOME TAX AMOUNTING TO Rs.0.419 MILLION.

AUDIT VERSION

102. The Audit reported that during the financial year 2009-10, the Chief Executive, Hayatabad Medical Complex, Peshawar awarded various contracts costing Rs.5.48 million to various contractors but income tax @ 6% amounting to Rs. 4,19,000/- was not deducted from the contractor's bills.

103. Audit held that non recovery of income tax was due to negligence on the part of management. The non-recovery was pointed out in September 2010. The management replied that detailed reply would be submitted after consulting the relevant record.

104. In the DAC meeting held on 09/12/2010, the Department replied that the public would be apprised through advertisement in future that successful bidders shall be liable to pay income tax at the prescribed rates and that letters had been dispatched to concerned contractors for the recovery of said amount. The DAC did not agree and decided to effect recovery from the defaulting contractors under intimation to Audit. No further progress regarding recovery of the said amount was intimated till finalization of this report.

DEPARTMENTAL VERSION

105. The Department explained that the contract was awarded to various contractors during 2009-10 as per detail given in Audit Para. These contractors except CT Scan (maintenance) are paying rent to the HMC authority on account of Car Parking, Customer Services and Shops etc. In such cases the HMC is not withholding Agent to deduct income tax from the contractor as the HMC receiving monthly rent from the said contractor which was being credited to the Government Treasury Reserved Fund of the Institute. It was further stated that 6% income tax was regularly deducted from the bill of M/S Taj Engineering Services, CT scan (Maintenance) Contractor and paid to the Income Tax Department. Income tax of the above firm/contactor for the year 2009-10= Rs. 1459237x6%=86554 already deducted Rs. 57,658/-. Balance amount of Rs. 29,896/-. The balance amount of Rs.29,896/- will be recovered from the bill in hand of contractor concerned and which will be shown to Audit accordingly. Moreover, it further clarified that the Government of Pakistan, Revenue Division issued circular No.3 of 2010 income tax vide No. C. No.4 (4)ITP 2010 dated 24-02-2010 regarding exemption of income tax from the tax payer in the most effected areas of the Province.

COMMITTEE RECOMMENDATION

106. The Committee directed the Department to produce exemption certificate of income tax for verification by Audit, if the Department failed to produce exemption certificate

then recovery may be made from the responsible (s) within a month. Para stands progress be reported to PAC.

DP.9.2.13 NON-RECOVEY OF CANTEEN RENT AND UTILITY CHARGES Rs.1.125 MILLION

AUDIT VERSION

107. The Audit reported that during the period from March 2008 to June 2008, in the office of Medical Superintendent, Ayub Teaching Hospital, Abbottabad, a canteen was rented to a contractor M/S Aurang Zeb at the monthly rent of Rs. 2,12,500/-. The contractor failed to deposit the due charges of canteen. This resulted into non-recovery of Rs.1.039 million including penalty. Moreover, an amount of Rs. 85,650 was also outstanding against car park contractor.

108. Audit held that non recovery of rent was due to negligence on the part of management and failure to implement the terms and conditions of agreement. The non-recovery was pointed out in September 2008. The management replied that detailed reply would be given later on.

109. In the DAC meeting held on 22-01-2010, the Department replied that matter of recovery was under process with their legal advisor. The DAC did not agree with the reply of the Department and directed to recover full amount from the contractor. No further progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

110. The Department explained that recovery from contractor was being made and by closing of contract in 06/09, the amount pending against contractor would be recovered / adjusted from his security deposits.

111. The case for recovery of Rs. 85,650/- for car parking contract was under process with our legal advisor.

112. During the meeting, the Department accepted its fault for delayed recovery. However it explained that whole of the amount had been recovered, which could be verified.

COMMITTEE OBSERVATION

113. The Committee observed that clause-2 of the contract agreement executed between the contractor and hospital management was not implemented as the contractor failed to deposit the rent and utility dues to the Hospital Authorities for five consecutive months. It also observed that notice was not served upon the contractor in time to deposit the arrears.

COMMITTEE RECOMMENDATION

114. The Committee recommended that the amount already recovered may be got verified by Audit, responsibility may be fixed and appropriate disciplinary action may be initiated against the concerned for not implementing the provisions of the contract agreement. Para stands. Progress be reported to PAC.

DP.9.2.14 NON-DEPOSIT OF Rs. 10% SHARE Rs. 0.829 MILLION

AUDIT VERSION

115. The Audit reported that during the financial year 2007-08, the Medical Superintendent, Ayub Teaching Hospital Abbottabad, realized Rs. 8.288 million on account of MRI charges, out of which 10% share equal to Rs. 8,28,850/- was required to be paid to the hospital management but the amount was not paid.

116. Audit held that non deposit was due to negligence of management to implement the terms and conditions of agreement. The non-deposit was pointed out in September 2008. The management stated that detailed reply would be given later on.

117. In the DAC meeting held on 22-01-2010, the Department replied that 10% share to be given by the MRI contractor was sub-judice. The DAC did not agree and decided to stand the para till court's decision under intimation to Audit. No progress regarding the court decision was intimated to Audit till finalization of this report.

DEPARTMENTAL VERSION

118. The Department explained that although 10% share was to be given by MRI contractor but the case was under trail in Court of Law. The due amount would be recovered as per decision.

COMMITTEE OBSERVATION

119. The Committee observed poor financial management system in the Department and noted with concern that no one had done justice to his duty and shifted responsibility on others.

COMMITTEE RECOMMENDATION

120. Keeping in view the behavior and previous performance of the Department, the Committee wanted to check its performance. It therefore, directed the Audit Department to conduct detailed audit of the institution for the year 2009-10 to ascertain whether the financial management system of the hospital has been improved or otherwise.

121. Regarding the Para, the Special Secretary, Health Department was directed to conduct an inquiry for fixing responsibility and to initiate Departmental action against the concerned who failed to fulfill the codal formalities in time due to which installation of M.R.I. Machine was delayed. Para stands. Progress be reported to PAC Cell within a month time.

DP. 9.2.15 NON-COLLECTION OF RENT FROM BANK, UTILITY STORE AND A PHARMACY.

AUDIT VERSION

122. The Audit reported that during the financial year 2009-10, in the Khyber Teaching Hospital Peshawar, some portions of hospital building were handed over to various contractors without any contract agreement and monthly rent charges as per following details:

Name of occupants	Period	Duration in months
Bank of Khyber	01-07-2001 to 30-06-2010	108
Utility Store	01-07-2009 to 30-06-2010	12
Pharmacy Shop	01-07-2001 to 30-06-2010	12

123. Audit held that handing over portions of Government Building without proper agreement deeds and monthly charges was irregular. The irregularity was pointed out in October 2010. The management furnished no reply.

124. In the DAC meeting held on 04-04-2010, the Department replied that the Bank of Khyber had agreed for monthly rent but they had demanded some more space as the available area was insufficient to meet their requirement. The pharmacy shop was run by Endowment

fund Health Department, used to provide medicines at discount rates. However, the Institution Management Council was considering nominal rent for pharmacy shop. The DAC did not accept the reply and directed to place the para before the PAC.

DEPARTMENTAL VERSION

125. The Department explained that the Provincial Government had decided that all Government Departments and their subordinate offices and Autonomous/Semi Autonomous Organizations under their administrative control, would avail the services being offered by The Bank of Khyber. For this purpose a small portion in basement was given for establishment of Bank. The Bank was providing services in a small office. The Management of BOK was requested to pay some rent. They were demanding for more space and with the expansion, they would pay monthly rent. Similarly utility store and pharmacy shop were established on the demand of patients and staff and they were selling limited items of daily use. The pharmacy shop was providing medicine at the discount rate and the Health Department had not shown in the contract agreement that endowment fund/pharmacy shop would pay any rent to Hospital.

COMMITTEE OBSERVATION

126. The Committee observed that no agreement was made with the occupants i.e. Bank of Khyber, utility store and pharmacy shop. Hence the Government rights were not safe guarded.

COMMITTEE RECOMMENDATION

127. In view of the above, the Department was directed to enter into proper rent agreements on market rates with the occupants and to initiate appropriate disciplinary action against the concerned who handed over portions of the Hospital without any agreement. Dr. Zafar, Ex-Chief Executive K.T.H. was nominated as inquiry Officer to fix responsibility on the concerned who failed to make agreement with the occupants earlier. He was also assigned the task to work out the rent rates with the help of C & W Department.

DP. 9.2.16 **OVER-PAYMENT ON ACCOUNT OF VARIOUS ALLOWANCES** **Rs. 14.1**
MILLION

AUDIT VERSION

128. The Audit reported that during the financial years 2006-07, 2007-08, 2008-09 and 2009-10, allowances such as Conveyance, Teaching, Non-Practicing and Special Allowance were paid irregularly in various Institutions of Health Department as detail below:

S.No	AP No.	Name of Institution	Amount (Rs. in million)
1	39 (2006-07)	Ayub Medical College Abbottabad	0.507
2	370 (2006-07)	Khyber Medical College Peshawar	0.594
3	277 (2007-08)	Bannu Medical College, Bannu	1.220
4	301 (2008-09)	Bannu Medical College, Bannu	1.268
5	347 (2008-09)	Khyber Girls Medical College Peshawar	1.062
6	349 (2008-09)	Khyber Girls Medical College Peshawar	0.351
7	1 (2009-10)	Khyber Medical College Peshawar	9.098
Total			14.1

129. Audit held that the overpayment was due to violation of rules. When pointed out, the Department replied that the aforementioned allowances were admissible under the rules.

130. In the DAC meetings held in March, 2009 and August, 2010, the Department repeated the previous reply. The DAC did not agree and directed to place the matter before the PAC.

DEPARTMENTAL VERSION

AYUB MEDICAL COLLEGE, ABBOTTABAD

131. The Department explained that none-practicing allowance and science teaching allowance was paid only to those Doctors who were working on non-practicing post in basic Department i.e. Anatomy, Physiology, Biochemistry, Pharmacology, Pathology, Community Medicines and Forensic Medicine Departments. The teaching staff of this institution usually engaged in exams of various classes held during winter/summer vacations so they remained present during that period. As they were regular and whole time employees and were not availing full vacations thus they were entitled for NPA and teaching allowance. Moreover, this office had ordered recovery vide office order No.AMC/ACCTTS/2012/4764-69 dated 08-06-2012 of teaching allowance during leave/vacation period for the year 2006-07.

KHYBER MEDICAL COLLEGE PESHAWAR

132. The Department explained that a letter bearing No.FD(SOSR-II)8-18/2009 was received from FD where in it was clarified that the said allowances were not admissible during leave & LPR with the direction that recovery may not be made before the date of clarification. Subsequently another letter No.FD(SOSR-II)8-18/2009 dated 25-08-2011 was received where in it was mentioned that the amount drawn before the date of clarification may not be recovered and may be treated as deleted.

133. The staff of the Gomal Medical College D.I. Khan & Bannu Medical College has got stay orders from the Court. Detailed Court decision on the issue was also awaited. The Finance Department had declared that KMC posts as non practicing. The teachers were granted N.P.A. On production of N.P.A certificate, the KTH issued pay slips for the said purpose.

134. The KMC has a break for summer vacations only for undergraduate teaching and remains open for the examinations of undergraduate, post graduation courses and all administration sections.

BANNU MEDICAL COLLEGE, BANNU

135. The Department referred to the Finance Department regulation wing letter No.FD(SOSRII)8-18/2009 dated 24/08/2009, wherein the said allowances were not admissible during leave/LPR, whereas the Officers concerned during the period were not on leave but they had availed the summer vacations and the summer vacations did not come under any kind of leave as per leave rules 1981 (Prov). It was further added that Para 82 (b) of fundamental rule provided that vacation counted as duty, therefore, payment made to the incumbents was regular. These were special incentive allowances rather than Science Teaching Allowance to the staff.

KHYBER GIRLS MEDICAL COLLEGE, PESHAWAR

136. The Department explained that the matter was subjudice and pending before the Court of Law, therefore this institute was unable to start recovery from the concerned teaching staff. Action would be taken accordingly as and when the court decision arrived at.

COMMITTEE OBSERVATION

137. The Committee observed that ambiguity in the case was created by the Finance Department by firstly notifying that the said allowances were not admissible during vacations. Secondly clarification was issued that the allowances already drawn before the clarification may not be recovered and thirdly in subsequent notification deleted the words "amount drawn before the date of clarification may not be recovered" meaning by that the arrears were also required to be recovered, against which the affectees approached the Court of Law which granted them an interim relief on 30/02/2012.

138. The Committee further observed that under clause (4A) of Article 199 of the Constitution of Islamic Republic of Pakistan the validity period of interim relief would cease to

have effect on the expiration of a period of six months following the day on which it was made. Hence interim relief granted by the Court had been expired.

139. It further observed that the Court had only granted interim relief about the amount already drawn by the incumbents and not barred the current deduction of inadmissible allowances.

COMMITTEE RECOMMENDATION

140. In view of the above the Committee recommended to affect complete recovery from the incumbents within two months time. Para stands. Progress be reported to PAC Cell.

DP.9.2.17 BLOCKAGE OF GOVERNMENT MONEY Rs. 8.480 (M).

AUDIT VERSION

141. The Audit reported that during the financial year 2006-07, the Director Microbiological Public Health Food Analysis Laboratory Peshawar incurred an expenditure of Rs. 8.480 million on the purchase of laboratory equipments, furniture and computers etc. for the appellate public health food analysis laboratory. The items purchases were lying unutilized. Audit observed that the Government money was blocked on account of unnecessary purchase.

142. Audit held that the blockage of Government money occurred due to unnecessary purchases on the part of management. The irregularity was pointed out in April 2008. The management furnished no reply.

143. In the DAC meeting held on 24-04-2009, the Department replied that purchases were made on the directives of the Finance Department and that a case for the creation of post was moved but not yet provided. The DAC did not agree with the plea of the Department and directed to produce the relevant record to Audit for verification.

DEPARTMENTAL VERSION

144. The Department explained that the PC-I consisting of two parts (i) creation of post and (ii) Purchase of equipments for the establishment of Appellate Laboratory. Finance Department released Rs. 21.315 million for purchase of equipments. The local office incurred expenditure of Rs. 8.480 million and unspent balance of Rs. 3.210 million was surrendered. However, new posts demanded in the PC-I was not created by the Finance Department.

145. A number of requests were made to the Finance Department through the DAC meeting held on 24/04/2009 the Department replied that purchases were made on the directives of the Finance Department and that a case for the creation of post was moved but not yet provided. The DAC did not agree with the plea of the Department and directed to produce the relevant record to audit for verification. On verification carried out by Audit in February 2010. It was found that the items were still lying packed and had not been utilized/installed for the purpose they were procured for. Thus it resulted into a loss of Rs. 8.480 million to Government. Audit recommends investigating the matter and fixing responsibility upon the employees at fault.

COMMITTEE RECOMMENDATION

146. In view of plausible explanation given by the Department, the para was recommended to be dropped.

DP.9.2.18 UN-NECESSARY RELEASE OF DIET CHARGES RESULTING IN BLOCKAGE OF GOVERNMENT MONEY Rs. 10 MILLION.

AUDIT VERSION

147. The Audit reported that during the financial year 2006-07, the office of Medical Superintendent, Lady Reading Hospital, Peshawar received an amount of Rs.10 million from the Finance Department as grant-in-aid for compensating the destitute patients in provision of diet at cheaper rates. The amount was drawn and credited to the head of account "G12766 LRTH funds (reserve funds)" vide Challan No. 1.34 dated 27-6-2007, however, it would not be utilized during the year.

148. Audit held that unnecessary release of funds by the Finance Department was due to unrealistic demand of the management. The unnecessary release was pointed out in June 2009, the management stated that the amount would be diverted to some other useful benefit.

149. In the DAC meeting held on 06-02-2010, the Department replied that the amount could not be utilized due to non-existence of proper mechanism for the provision of diet at cheaper rates. The Management Council, in its 40th meeting held on 20/12/2008, decided to divert the amount to some other useful project. Moreover, the case of the diversion/adjustment of this amount in grant-in-aid was taken up with the Finance Department. The DAC did not agree as the amount was not spent on the purpose for which it was released by the Finance Department and decided to obtain approval of the Finance Department for the utilization of funds within thirty days. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

150. The Department replied that in the light of DAC directives and discussion of the Management Council the matter was taken up with Finance Department, Government of Khyber Pakhtunkhwa. The Finance Department accorded ex-post facto approval of the proposal/decision of Management Council for diversion of the funds towards establishment of Central Sterilization Service Department vide No. BOVI/FD/1-4/2010-11/Vol-XI dated 10-01-2011.

COMMITTEE RECOMMENDATION

151. In view of the plausible explanation given by the Department the para was recommended to be dropped.

DP.9.2.19 SHORT DEPOSIT IN RECEIPT STATEMENT Rs.6.103 (M).

AUDIT VERSION

152. The Audit reported that during the financial year 2008-09, in the Khyber Girls Medical College (KGMC) Hayatabad, a sum of Rs. 9.219 million was realized as receipts on account of fee and was shown paid into Government Treasury through various Challans. However, the reconciliation statement of receipts for the year 2008-09 indicated that the receipt deposited was short by Rs. 6.103 of the total receipts realized.

153. Audit held that less deposit was due to unauthorized expenditure on purchases of machinery for college out of the receipt realized.

154. The less deposit of receipt was pointed out in March 2010. The department replied that vide Health Department letter No. SOB/HD/SF/2007-08 dated 26-07-2008, the revenue of domestic/foreign students could be spent on the betterment of college and the less deposit amount was spent on the purchase of machinery etc. which could be verified by Audit.

155. In the DAC meeting held on 12-08-2010, the Department repeated the same reply. The DAC marked the para for verification within fifty days. However, on verification carried out by this office, the Department produced physical verification certificate for the items purchase from Self-Finance Scheme during the year 2008-09. The supporting vouchers, tenders, comparative statement, stock entries, actual payee's receipts, paid bills, No. and date of cheques issued to the suppliers and Finance Department's authorization to incur expenditure from the receipts etc. were not produced to Audit till finalization of this report.

DEPARTMENTAL VERSION

156. The Department explained that the revenue of domestic/foreign students was utilized on purchase of machinery/equipments in light of the Notification No. SOB/HD/SF/2007-08 dated 27-07-2008, issued by the Health Department. It also provided copies of the relevant record to the Committee.

PAC OBSERVATIONS.

157. The PAC observed irresponsible and casual attitude of the Department as a very simple record was required to be produced to Audit which was not done during the Audit and DAC meeting.

PAC RECOMMENDATIONS.

158. As proper verification of record had been carried out, the Para was, therefore, recommended to be dropped with the direction to the Department to initiate disciplinary action against the concerned for not producing record to Audit as per direction of the DAC.

159. The Principal/Dean, Khyber Girls Medical College, Peshawar submitted detailed explanation to the PAC Cell wherein she stated that “after carrying out investigation it was revealed that the relevant record was not produced to the Audit Party by Mr. Nihar Khan (late), responsible for keeping record/accounting/audit matters. As Mr. Nihar Khan has already died so disciplinary action could not be initiated against the deceased.

160. Explanation advanced by the Principal/Dean, Khyber Girls Medical College, Peshawar was considered by the Competent Authority and the Para recommended as settled.

FOOD DEPARTMENT

Forty (40) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meetings held on 2nd, 3rd and 8th of October 2012. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Kiramatullah Khan, Speaker | Chairman |
| 2. | Mr. Abdul Akbar Khan, MPA | Member |
| 3. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 4. | Mr. Mukhtiar Ali, MPA | Member |
| 5. | Mufti Syed Janan, MPA | Member |
| 6. | Mr. Muhammad Zamin Khan, MPA | Member |

Law, Parliamentary Affairs and Human Rights Department.

Mr. Jamshaid Khan Afridi,
Deputy Secretary.

Finance Department

1. Mr. Saif-ur-Rehman Usmani,
Director.
2. Mr. Muhammad Siddique,
Deputy Secretary

Audit Department

1. Mr. Sikandar Khan,
Director General.
2. Mr. Lal Muhammad,
Director,
3. Mr. Mutahir Rehman,
Deputy Director.
4. Mr. Muhammad Asif Rasheed,
Deputy Director.

Food Department.

1. Sahibzada Fazal Amin,
Acting Secretary.
2. Mr. Muhammad Anwar Khan,
Director.
3. Mr. Dilawar Khan,
Deputy Director.

4. Mr. Anwar Khan,
District Food Controller, Malakand.
5. Mr. Sheroz Anwar,
District Food Controller, Haripur.
6. Mr. Kifayat Khan,
DFC Kohat.

Provincial Assembly Secretariat

1. Mr. Attaullah Khan,
Acting Secretary.
 2. Mr. Amjad Ali,
Additional Secretary.
 3. Mr. Inamullah ,
Deputy Secretary,
 4. Mr. Ashtimand,
Deputy Secretary.
 5. Mr. Khalid Shaheen,
Assistant Secretary.
2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

DP.8.2.1 MIS-APPROPRIATION DUE TO SHORTAGE IN TRANSIT Rs.138.070 MILLION.

AUDIT VERSION

3. The Audit reported that the Director Food Khyber Pakhtunkhwa entered into an agreement with the PASSCO authorities vide agreement/MOU signed on 19/08/2009 for the procurement of 4,50,000 m.ton wheat. The Director Food Khyber Pakhtunkhwa issued district-wise allocation to different contractors for a quantity of 416,136 m.ton as per the details given below:-

S.No.	Allocation Order No. and date	Quantity (m.ton) (Rs.)
1	16544/FG-433/PASSCO dated 26-08-2009	137,136
2	30121/FG-433/PASSCO dated 06-11-2009	22,000
3	32824/FG-433/PASSCO dated 29-12-2009	18,000
4	1036/FG-433/PASSCO dated 13-01-2010	70,000
5	2704/FG-433/PASSCO dated 11-02-2010	100,000
6	4573/FG-433/PASSCO dated 06-03-2010	54,000
7	6108/FG-433/PASSCO dated 13-03-2010	15,000
Total		416,136

4. Before signing the MOU an allocation of 10,401.716 metric ton was also made vide allocation Order No. 15579/FG-433/PASSCO dated 13-08-2009, thus, the total allocation of

wheat came to 426,537.72 m.ton. Even the total agreed allocation of 450,000 metric tons could not be allocated to carriage contractor for lifting. Besides, a quantity of 23,462.284 metric ton wheat valuing Rs. 659.720 million. The payment record revealed that the carriage contractors actually lifted a quantity of 348,043.066 m.ton from the PASSCO Godown during the period from 16/08/2009 to 31/03/2010 and the quantity of 78,494.654 m.ton remained un-lifted in the Godowns of the PASSCO however, no penalty was imposed on the carriage contractors. Similarly, out of the quantity lifted of 348,043.066 metric ton, a quantity of 343,132.731 metric ton was received in different PRCs of the Province and the where about of the transit shortage could not made known to Audit. The value of the shortage came to Rs. 138.070 million. Therefore, the possibility of mis-appropriation could not be ruled out. Detail is as under:-

Allocation	426,537.72 m. ton
Lifted	348,043.066 m. ton
Received and Paid	(-) 343,132.731 m. ton
Shortage	4,910.335 m. ton
@	28,118.33
total	138,070,420

5. The cause of non-lifting and shortage of wheat was the violation of MOU and undue favour extended to the contractor. The non-lifting of wheat was pointed out in August 2010, the management furnished no reply.

6. In the DAC meeting held on 27/11/2010, the Department replied that allocation of 426,537.716 m.ton wheat was made for various District/Centres. The contractor transported the wheat, out of which 50% payment of incidental charges was made in advance and 50% after proper receipt and verification. The Director Food informed the Committee that an amount of Rs. 18.453 million had been recovered from the defaulting contractors and deposited into the Treasury. The DAC directed to make recovery of balance amount from contractors, however, no progress was intimated to Audit till finalization of this report.

DEPARTMENTAL VERSION

7. The Department explained that the Director Food made allocation of 426,537.716 m. tons wheat out the total quantity of 4,50,000 m.ton for which MOU signed/agreed with PASSCO, as per Details given below:-

S.No.	Allocation Order No. and date	Quantity (M.ton) (Rs.)
1	15579/FG-433/PASSCO dated 13-8-2009	10,401.716

2	16544/FG-433/PASSCO dated 26-08-2009	137,136.000
3	30121/FG-433/PASSCO dated 06-11-2009	22,000.000
4	32824/FG-433/PASSCO dated 29-12-2009	18,000.000
5	1036/FG-433/PASSCO dated 13-01-2010	70,000.000
6	2704/FG-433/PASSCO dated 11-02-2010	100,000.000
7	4573/FG-433/PASSCO dated 06-03-2010	54,000.000
8	6108/FG-433/PASSCO dated 13-03-2010	15,000.000
Total		426,537.716

8. During the crop year 2009-10, a quantity of 433,328.441 m. tons wheat lifted from PASSCO out of which a quantity of 430,896.096 m. tons wheat was received in Khyber Pakhtunkhwa and a quantity of 2492.345 m. tons is still missing. However, in financial year 2009-10, Food Department has taken stern action against those contractors who had failed to transport the PASSCO wheat lifted by them from PASSCO Centre but did not delivered the same stock at the destination stations. An amount of Rs. 59,66,633/- had been recovered/adjusted from Bashir Khan & Co. Carriage contractor vide DFC Swat letter No. 3810/PASSCO wheat dated 15-07-2010 for the balance quantity the case is under process in the Court of National Accountability Bureau and progress would be intimated. The case was referred to the National Accountability Bureau on the approval of the Minister Food, Government of Khyber Pakhtunkhwa. Keeping in view the penalty clause in term of serial No. 7.1 of the contract agreement penalty @ 1% per day of the freight value has been imposed by the Director Food (Contract Operating Officer of the Food Department). The contractors have filed appeals with Secretary Food, Khyber Pakhtunkhwa under clause 7.2 of the contract agreement which have been rejected in many cases. Efforts are being made to recover the penalty amount and progress so achieved will be reported to next audit. Last reminders issued to the contractor vide letter No.11684-86/AC-117/Azakhel dated 20-08-2010 and No. 11689-96/AC-117/Swat dated 20-08-2010. It is, however, added that most of the contractors have filed Write Petition in the Peshawar High Court, Peshawar which is still under process, however, the case will be defended on behalf of the Provincial Government and progress if any will be reported in due course of time. The Department further explained that revised reconciliation was made which revealed that a quantity of 2492.345 m. ton is outstanding against the contractor instead of 4910.335 m. ton pointed out by the Audit.

COMMITTEE OBSERVATION

9. The Committee observed difference in the outstanding wheat pointed out by Audit and the Department respectively. The Committee also observed weak internal control

system and no coordination amongst the chain of command in monitoring the quantity of wheat lifted and delivered at destination station, resultantly the mis-appropriation occurred.

COMMITTEE RECOMMENDATION

10. In view of the above the Para was kept pending with the direction to Audit and the Department to sit together and reconcile the whole figures of wheat lifted by the contractors from PASSCO Godown, the quantity of wheat received in different PRCs of the Province and to point out the exact quantity of transit shortage/misappropriation of wheat. Para stands. Progress be reported to PAC Cell.

DP.8.2.2 MIS-APPROPRIATION OF WHEAT Rs. 56.682 MILLION.

AUDIT VERSION

11. The Audit reported that during the financial year 2007-08, in the office of Director Food, Peshawar 50,161 bags full of wheat amounting to Rs. 56.682 million were mis-appropriated at Havalian, Dasso and Kohistan Districts of Khyber Pakhtunkhwa. Audit was of the view that mis-appropriation was due to negligence and weak controls on the part of management. The mis-appropriation was pointed out in September 2008. The management stated that the matter was subjudice and the decision would be communicated to Audit.

12. In the DAC meeting held in November 2009, the Department replied that NAB carried out physical verification of wheat stores in Lahore Shed Godowns and found missing a quantity of 50,161 bags full of wheat amounting to Rs. 56.682 million. NAB registered a case against the officers of the Department which was yet to be decided. Audit would be informed as and when the case decided. No progress was reported till finalization of this report.

DEPARTMENTAL VERSION

13. The Department explained that during April, 2007 the stock of wheat for Kohistan District had been stored in the Transit Godown Lahore Shed Havalian. NAB authority made a raid on the above Godown and proper physical verification of the wheat stock was carried out in the presence of the then Assistant Director, Food Muhammad Yousaf Khan and other Food Officers/officials posted in Hazara Division. After completion of counting process the missing wheat bags as shown in the Draft Para were found short and case in this respect was accordingly been registered against the then officers/officials of the Food Department. The case was under trail in NAB Court, Peshawar. A departmental inquiry had also been conducted, which also established the missing of wheat detected by the NAB during their physical

verification. The Department is pursuing the case and the recovery of cost of wheat would be in progress with NAB and the Department had not so far been furnished the details.

COMMITTEE OBSERVATION

14. The Committee observed that no proper departmental inquiry was conducted against the responsible and only lower staff was made scapegoat. It also observed failure of the Department in monitoring the whole process of wheat transfer and storage. If the case was not unearthed by the NAB authorities, the Government money might have been easily embezzled.

COMMITTEE RECOMMENDATION

15. As detailed scrutiny of complete record was involved the Para was, therefore, referred to Sub-Committee comprising the following:-

1. Mr. Saqib Ullah Khan, MPA Chairman.
2. Mr. Mukhtiar Ali, MPA, Member.
3. Mufti Syed Janan, MPA Member

16. The Sub-Committee will probe the issue in detail and fix responsibility on the officers/officials involved in misappropriation. Detailed judgment made by the NAB authorities may be provided to the Sub-Committee for examination. The Committee will submit its report within a month time.

PROCEEDINGS OF SUB-COMMITTEE

17. A meeting of the Sub-Committee was held on 29-11-2011 in the conference room of Provincial Assembly Secretariat, Peshawar and discussed the Draft Para in question threadbare and finalized its recommendations as per detail given below:-

DP.8.2.2 MIS-APPROPRIATION OF WHEAT Rs. 56.682 MILLION.

AUDIT VERSION

18. The Audit reported that during the financial year 2007-08, in the office of Director Food, Peshawar 50,161 bags full of wheat amounting to Rs. 56.682 million were misappropriated at Havalian, Dassu and Kohistan Districts of Khyber Pakhtunkhwa. Audit was of the view that mis-appropriation was due to negligence and weak controls on the part of management. The mis-appropriation was pointed out in September 2008. The management stated that the matter was subjudice and the decision would be communicated to Audit.

19. In the DAC meeting held in November 2009, the Department replied that NAB carried out physical verification of wheat stores in Lahore Shed Godowns Havalian and found missing a quantity of 50,161 bags full of wheat amounting to Rs.56.682 million. NAB registered a case against the officers of the Department which was yet to be decided. Audit would be informed as and when the case decided.

DEPARTMENTAL VERSION

20. The Department explained that during April, 2007 the stock of wheat for Kohistan District had been stored in the Transit Godown Lahore Shed Havalian. NAB authority made a raid on the above Godown and proper physical verification of the wheat stock was carried out in the presence of the then Officers of Food Department 50,168 bags were found short. A Departmental inquiry was also conducted. In compliance to the recommendations of the inquiry Committee Mr. Qamar Zia the then DFC Kohistan was removed from service vide Director Food office order No.4274/PF-422-II dated 21-05-2010. Moreover, the amount of loss was to be recovered in 50:50 from DFC and store Keepers concerned. The matter was under process for investigation in the NAB and then trailed in NAB Court. The court has finalized the case vide their judgment and both the accused were sentenced with a fine recoverable as an arrear of land revenue. Against this judgment the petitioners have gone to the Honorable High Court Peshawar. Accepting the petitions the High Court suspended the sentence of fine. The Department further explained that an amount of Rs.94,01,733/- had been recovered and deposited on the account of plea bargain by NAB but not deposited in the Provincial Kitty.

COMMITTEE OBSERVATION

21. The Committee observed that plea bargain could not be made with the accused without the consent of the party which is Department in this case. Moreover, as per Section-25 (a) of the NAB Ordinance 1999, the accused has to return all the assets/gains acquired which was not done, hence Section-25 (a) of NAB Ordinance 1999 was violated. Similarly as required under Section-25 (c) of the NAB Ordinance 1999, the amount deposited by the accused with the NAB was required to be transferred to the Provincial Government within one month from the date of such deposit, which was also not done, hence Section-25 (c) was violated.

22. The Committee then asked the Department to explain reason for the failure of internal control in the Department.

23. The Department explained that proper internal control was in place but as all the staff including the overall Incharge were involved in this embezzlement case and their action

was supposed to be unearthed at appropriate time but before that the NAB authorities raided the Godown and caught them red handed. After that proper Departmental inquiry was conducted wherein it was recommended that Mr. Qamar Zia the then DFC Kohistan be removed from service immediately. As far as amount of loss is concerned it was recommended to be recovered from the staff.

24. The Department further explained that re-structuring of the Department was considered after that and now at the Divisional level Assistant Directors have been appointed to monitor all such activities like inspection and physical checking of the Godown, frequently to avoid such like instances in future..

COMMITTEE RECOMMENDATION

25. The Committee after detailed discussion recommended that:-

- i. The case may be initiated with the NAB authorities to transfer the amount deposited with it to the Provincial Kitty as provided in section-25 (c) of NAB Ordinance 1999, within two weeks.
- ii. The Department should take little more proactive legal stance and should challenge the amount involved in the court of Law.
- iii. Calculate the exact amount misappropriated so that the Court can be informed accordingly and pursue the case vigorously so that it could be made example for others.
- iv. The Department should sit together with Law Department and a detail case may be prepared and progress be intimated to PAC Cell within 15 days.

DP.8.2.3 MIS-APPROPRIATION OF WHEAT Rs. 10.176 MILLION.

AUDIT VERSION

26. The Audit reported that during the financial year 2009-10, District Food Controller, D.I. Khan issued a quantity of 12,969.667 m.ton of indigenous wheat valuing Rs. 10.176 million to NRC Aza Khel. The wheat quota for a quantity of 13,000 m.ton was authorized by the Director Food to be issued to NRC Aza Khel from DFC D.I. Khan on PR to PR basis. Neither the wheat was acknowledged by the representative on the spot nor acknowledged by the NRC Aza Khel. The DFC, D.I. Khan had carried out correspondence with NRC Aza Khel but with no response till the date of audit i.e. 06/08/2010. Non acknowledgement of issued store led to mis-appropriation.

27. Audit was of the view that negligence on the part of management caused the

misappropriation. The misappropriation was pointed out in August, 2010 the management furnished no reply. In the DAC meeting held on 23/12/2010, the Department replied that wheat was transferred on PR to PR basis through approved Carriage Contractors under the supervision of the representative of NRC Aza Khel. The Department further stated that action against the carriage contractor had been initiated and he had been black listed. The DAC did not agree and directed to make recovery from the contractor.

DEPARTMENTAL VERSION

28. The Department explained that actually there was a less delivery of 3319.768 m. tons wheat by the carriage contractor M/S Sarhad Trading Co against the issue of 12969.667 m tons from DFC D.I. Khan. An enquiry was conducted and efforts are being made for its finalization. The carriage contractor has given undertaking that the quantity in question will be provided within two months. Action against the defaulter carriage contractors has also been initiated and blacklisted. However, the case is under trail in the NAB Court, and decision is awaited.

COMMITTEE OBSERVATION

29. The Committee observed that there is lack of sense of responsibility as well as failure in monitoring of the quantity of wheat lifted by the contractor and delivered at the destination station i.e. NRC Azakhel by the S&EO NRC Azakhel. Role of others in chain of command has also been found suspicious. Proper reconciliation with the dispatching centres needs to be carried out at the earliest to ascertain the actual missing quantity, which was required to be recovered and action be taken against the persons at fault.

COMMITTEE RECOMMENDATION

30. In view of above, the Committee directed Mr. Saif-ur-Rehman Usmani, Director, Finance Department to conduct detailed inquiry into the matter, point out the loop holes in the system, exact quantity of wheat misappropriated and to fix responsibility on the person (s) involved within (15) days. Para stands, Progress be reported to PAC.

DP.8.2.4 MIS-APPROPRIATION ON ACCOUNT OF EMPTY GUNNY BAGS Rs.0.867 MILLION.

AUDIT VERSION

31. The Audit reported that during the financial year 2008-09, in the office of District Food Controller Chirtal, the Incharge Public Rationing Centre Kushum had been transferred in October 2008 but he had not handed over 10,840 empty gunny bags costing Rs. 8,67,200/- at

the time of handing over charge of the PRC to the new Incharge. In this respect the written statement of Food Grain Inspector, given the Audit Party on 29/07/2010. It means that the cost of the empty gunny bags had been mis-appropriated by the former Incharge of the Centre. Audit held that mis-appropriation occurred due to weak internal controls and negligence on the part of DFC. The mis-appropriation was pointed out in July 2010. The management stated that the matter was under investigation, result would be communicated to Audit Party soon. In the DAC meeting held on 25/11/2010, the Department replied that AFC Chitral had been directed to inquire the matter and submit report. No inquiry report/record was available. The DAC directed to make full recovery. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

32. The Department explained that the concerned Incharge of PR Centre Kushum had properly taken over 10,840 empty gunny bags as per charge report. Moreover, the above Nos. of empty gunny bags had been entered in FG-13 register. Since there involved, no misappropriation of empty gunny bags.

COMMITTEE OBSERVATION

33. The Committee observed that such like Paras were reflected in the Audit Reports since long but neither action has been initiated by the Department nor any efforts had been made as yet to streamline the system.

COMMITTEE RECOMMENDATION

34. It therefore, recommended that physical verification of the store may be carried out by PAC Cell and Audit within (15) days to dig out the factual position and to fix responsibility on the concerned involved in misappropriation. The Department was directed to extend full cooperation to physical verification team. Para stands progress be reported to PAC.

DP.8.2.5 UN-VERIFIED EXPENDITURE DUE TO NON-PRODUCTION OF RECORD Rs. 7,773.196 MILLION.

AUDIT VERSION

35. The Audit reported that during the financial year 2006-07, 2007-08 and 2008-09, the Director Food, Khyber Pakhtunkhwa paid a sum of Rs.7,773.196 million to various contractors on account of transportation of wheat but the record was not produced to Audit. Audit held that record was not produced to conceal the facts. The un-verified expenditure was pointed out in October 2007, January 2008, September, 2008 and September, 2009. The management furnished no reply. In the DAC meeting held in November and December 2009,

the Department replied that the relevant record would be produced to Audit for verification but no record was produced till finalization of this report.

DEPARTMENTAL VERSION

36. The Department explained that the Draft Para had devolved from various Advance Paras of different years. Advance Para-wise replies are give blow:-

- a) **AP-41 for 2006-07** The cash book for transactions of Rs. 3,65,95,83,327/- was properly maintained as required under Rules-77 of the Treasury Rules Volume-I. However, it would be shown to Audit for verification.
- b) **AP-45 for 2007-08** MINFA vide it letter No. 1(1)2008-wheat dated 19/04/2008 had allocated 327500 m. tons to Khyber Pakhtunkhwa. Against the above allocation actually 328,085.656 m. tons imported wheat were received in various stations and duly acknowledged by the concerned DFCs/S&EOs in Khyber Pakhtunkhwa during 2007-08. The audit of all those offices was conducted by the Director General Audit, Khyber Pakhtunkhwa and no observation raised therein. Provisional payment of Rs. 4105.706 million had been made on approval of Finance Department letter No. 15406-8 dated 21-06-2008. Details are given below:-

PERIOD	QUANTITY	RATE	AMOUNT
01-01-08 to 14-04-2008	257651.379	12,155	3,13,17,52,512
15-04-08 to 25-05-2008	62333.000	12,625	97,39,53,125
Total	319984.379	-	4,10,57,05,637

In spite of repeated request by Food Department Khyber Pakhtunkhwa, TCP did not allow transportation of wheat 1st phase to Food Carriage contractor and the end of wheat operation meager quantity i.e. 84850.091 through Food Carriage contractor and NLC respective was allowed.

- c) **AP-81 for 200708** Due to closer of Kohat Hangu road the record could not be produced. However, in light of the DAC recommendation the record was sent through representative to Audit Office for verification, which could not be verified due to reasons known to Audit. The record is readily available would be produced for verification in Pre-PAC.
- d) **AP-32:** Log books of each vehicle are completed and will be produced to Audit.

COMMITTEE OBSERVATION

37. The Committee observed irresponsible attitude of the Department by not providing record to Audit for detailed audit.

COMMITTEE RECOMMENDATION

38. In view of the above, the Department was directed to initiate strict disciplinary action against the person (s) involved for non production of record and to produce record for

conducting detailed audit in the office of Additional Secretary-PAC on 11th October, 2012. Paragraphs. Progress be reported to PAC.

DP.8.2.6 OVER-PAYMENT TO PASSCO DUE TO ALLOWING HIGHER RATE OF WHEAT Rs. 364.867 MILLION.

AUDIT VERSION

39. The Audit reported that the Director, Food Khyber Pakhtunkhwa executed an agreement with PASSCO on 19/08/2009 regarding purchase of 4,50,000 m.ton wheat @ Rs. 28,118.33 per m.ton. In clause-11 of the said MOU/agreement, it was clearly mentioned that this agreement will be effective from 19/08/2009. Audit observed that payment for a quantity of 38,527.427 m. ton was made @ Rs. 28,118.33 per m.ton which was transported during the period from 16/04/2009 to 31/07/2009. It may be mentioned that during that period the rate of the wheat was Rs. 18,648, therefore, the payment was required to be made at that rate. The payment on higher rates resulted into over-payment of Rs. 364.867 million to the PASSCO. Audit held that overpayment was made due to negligence and violation of the agreement/MOU. The over-payment pointed out in August 2010, the management replied that as per clause (3) of MOU for 2009 by PASSCO with Food Department, Khyber Pakhtunkhwa, PASSCO started the dispatches for the crops year 2009 as in advance on our request, but MOU was signed on 19/08/2009, hence the payment was correctly made to PASSCO.

40. In the DAC meeting held on 26/11/2010, the Department repeated the previous reply. The DAC did not agree to the contention of Department and decided to place the para before the PAC.

DEPARTMENTAL VERSION

41 The Department explained that an agreement/MOU with PASSCO had been executed and signed on 19-08-2009 for the purchase of 4,50,00.000 m. tons at Rs. 28,118.33 per m. ton. According to para-3 of the MOU the PASSCO had started releases of wheat from 18-04-2009 for the crop year 2009-10. The Department had made payment at the correct rates according to MOU. Though, the MOU had been signed on 19-08-2009.

COMMITTEE OBSERVATION

42. The Committee observed that the DAC and Pre-PAC meetings which were chaired by the Administrative Secretary decided to recover the overpayment, hence, overpayment is established.

COMMITTEE RECOMMENDATION

43. The Committee therefore, recommended to recover the amount overpaid to PASSCO within a month and to initiate strict disciplinary action against the concerned responsible for making overpayment. Para stand. Progress be reported to PAC.

DP.8.2.7 OVER-PAYMENT OF Rs. 37.734 MILLION.

AUDIT VERSION

44. The Audit reported that offices of the District Food Controller, carriage of wheat from different lifting points was awarded to various contractors. It was observed that during the course of the contract, the rates of the contractors were enhanced and higher rates were paid despite the fact that no such clause for enhancement of the rates was available in the contract agreement. In some cases NLC was engaged for carriage of wheat and higher rates were paid for which already approved lower rates of the local contractors were available. This resulted into over-payment to the NLC/contractor. The details are as under:-

S.No	AP No. & Year	Name of Office	Amount (Rs. in million)
1	28 (2007-08)	DFC Haripur	1.147
2	105 (2007-08)	DFC Mardan	7.925
3	106 & 118 (2007-08)	DFC Mardan	6.402
4	100 (2007-08)	DFC Bannu	5.233
5	88 (2007-08)	DFC Malakand	2.506
6	09 (2007-08)	DFC Mansehra	1.702
7	52 (2007-08)	DFC Charsadda	1.459
8	80 (2007-08)	DFC Kohat	6.689
9	120 (2007-08)	DFC Lower dir	2.141
10	68 (2007-08)	DFC Mansehra	1.433
11	64 (2007-08)	DFC S&EO	1.097
Total			37.734

45. Audit held that the cause of overpayment preferred higher rates of NLC to the lower rates of local contractors in violation of rules. The over-payment was pointed out in August 2009, the management furnished no reply.

46. In the DAC meeting held in November 2009, the Department replied that there were crises of wheat in the Province and NLC was engaged for carriage of wheat after approval of the competent authority. In case of enhancement of rates it was replied that due to crises of wheat the contractor demanded enhancement of rates which was accordingly allowed after approval of the competent authority. The DAC did not agree to the contention of Department and decided to recover the over-payment. No progress was reported till finalization of this report.

DEPARTMENTAL VERSION

47. The Department explained that the contractors of Khyber Pakhtunkhwa Food Department were found reluctant and demanded to increase the rates at least to come at par with the TCP contractors. Keeping in view the alarming situation, a summary was moved to the Chief Executive of the Province, through Finance Department which was approved and the rates of Khyber Pakhtunkhwa Food Department's contractors were enhanced accordingly.

48. As explained above, wheat from Punjab was also allocated in advance out of 2008-09 quotas. The contractors of Khyber Pakhtunkhwa Food Department refused to lift the quota meant for the next year during 2007-08. A demand was put forwarded for 80% increase. However, keeping in view the situation and market rates, the case was moved to the Chief Minister, Khyber Pakhtunkhwa through a summary, which was discussed at length and finally approval accorded. In fact, during 2007-08 wheat and wheat atta crises were in full swing and the demand of general public was enhanced through out the country including Khyber Pakhtunkhwa. The affairs were directly controlled through Federal Food Committee, Islamabad who ordered for engagement of NLC for quick lifting through their own vehicles as well as HMT vehicles for transportation of imported as well as indigenous wheat from Karachi and Punjab. The payment of transportation charges had strictly been allowed at the approved rates/distance in accordance with MOU and approval of Chief Executive of the Province.

COMMITTEE OBSERVATION

49. The Committee observed that the similar nature Draft Para No. 7.2 was discussed in the Audit Report of 2009-10, wherein it was decided to conduct inquiry for fixing responsibility by the Inter Departmental Committee (IDC) comprising the representatives of Food, Law and Finance Departments and the light of Article 18(b) of the Constitution of Islamic Republic of Pakistan. The said inquiry was produced to the Committee which was examined by the Committee and was not found satisfactory as it was not conducted in the light of provision of Article 18(b) of Constitution of Islamic Republic of Pakistan.

COMMITTEE RECOMMENDATION

50. It is, therefore, recommended that the Para may be clubbed with Draft Para. No.7.2 (2009-10) for re-conducting inquiry in the light of Article 18(b) of Constitution of Islamic Republic of Pakistan Para stands. Progress be reported to PAC.

51. An IDC was already constituted in the similar Draft Para No. 7.2 (2009-10) which conducted inquiry and submitted its report. In view of the sensitivity of the circumstances and in

order to control the law & order situation and in light of direction of Federal Food Committee action was taken by the Department after the approval of competent authority to ensure availability of wheat in the godwons of this Province hence, the IDC requested the PAC to consider the Para for settlement.

52. The said report of IDC was adopted by the PAC in its meeting held on 25/02/2014, hence, the para was settled.

DP.8.2.8 OVER-PAYMENT TO CONTRACTOR Rs. 0.783 MILLION.

AUDIT VERSION

53. The Audit reported that the District Food Controller Abbottabad, Mansehra and Haripur made payment to M/S Khyber Transport Co. on account of transportation charges of imported wheat from Karachi as per judgment of Peshawar High Court allowed him 25% increase in the rates for 1994-95. However, penalty @ 20% amounting to Rs. 7,82,933/- against the balance quantity was not deducted at the time of payment. This resulted into an over-payment to the contractor.

S.No	Name of office	Total payment	Amount of penalty (Rs.)
1	DFC Abbottabad	42,66,808	6,79,065
2	DFC Mansehra	36,20,561	75,882
3	DFC Haripur	27,86,515	27,986
Total			7,82,933

54. Audit was of the view that the cause of over-payment was negligence on the part of management. The overpayment was pointed out in July and August, 2007. The DFC Abbottabad and Mansehra replied that recovery would be made from the Contractor. The Director Food Controller, Haripur replied that progress would be intimated to Audit in due course of time. In the DAC meeting held in November 2009, the Department replied that the matter regarding the imposition of penalty was under process. The DAC did not find the reply satisfactory.

DEPARTMENTAL VERSION

55. The Department explained that the case was under process in the Peshawar High Court, Peshawar. It has now been decided and produced copy of the Court judgment to

the Committee.

COMMITTEE OBSERVATION

56. The Committee after going through the Court judgment observed that Court decision was regarding enhancement of rates and not in connection with the recovery of fine imposed.

COMMITTEE RECOMMENDATION

57. The Committee therefore recommended to initiate action leading to recovery of the total amount from the contractor alongwith disciplinary action against the concerned who did not recover the fine imposed in time. Para stands. Progress be reported to PAC.

DP.8.2.9 LOSS DUE TO LESS ACCOUNTAL OF WHEAT Rs. 92.432 MILLION.

AUDIT VERSION

58. The Audit reported that during the financial year 2007-08, in the office of District Food Controller Mansehra, 8,216.188 m. ton wheat costing Rs. 92.432 million was found short during physical verification of stock as such the Government sustained a loss. Audit held that the loss occurred due to weak internal controls and mismanagement on the part of officers concerned. The loss was pointed out in August 2008. The management furnished no reply. In the DAC meeting held in November 2009, the Department replied that weights of bags are not equal. Weights of bags are usually different from each other. Gross weight of the stock stored at Godowns is recorded in FG-3 register. Bags are usually over-weight or under-weight. However, while issuing wheat to flour mills each bags was weighed on the spot and signatures of the mill representatives were obtained at the time of issue of 100 kg per bag. So there was no shortage/variation in the stock. The reply given by the Department was not tenable and the DAC directed to recover the amount under observation and credit into Government account. No progress about the recovery was intimated to Audit till finalization of this report.

DEPARTMENTAL VERSION

59. The Department explained that physical verification of wheat stock was strictly followed accordingly. The weight of each truck on receipt is always checked on weighbridge with reference to DRs. As regard 100 kg in each bag would not be standard. The entries in FG-3 register are made in accordance with DRs. The numbers of bags and weights were different which would be verified by the Audit/already verified during inspection. As per stock register FG-3 wheat position during year 2007-08 is as under:-

Commodity	O/Balance on 1-7-2007	Receipt during the year	Total	Issued during the year	C/balance on 30-6-2009
Indigenous wheat	15840 B/s=1594.698	263430 Bags=26289.751	279260 Bags=27884.449	187820 Bags=18720.700	91440 Bags=9163.749
Imported wheat	-	263037 bags=21840.200	263037 bags=21840.200	263037 bags=21840.200	Nil
Total	15840 B/s=1594.698	526467 bags=48129.951	542297 bags=49724.649	450857 bags=40560.900	91440 bags=9163.749

60. However, while issuing wheat to Flour Mills weightment of each bag is made and issue of wheat to the Flour Mills is standardized 100 kg bags. Normally weight in each bag on receipt might be different ranging between 98-106 kg. The entries in the FG-3 register are made after quantity/quality certificates are recorded by the AFC/DFC.

COMMITTEE RECOMMENDATION

61. In view of the plausible explanation advanced by the Department, the para was recommended to be dropped.

DP.8.2.10 LOSS DUE TO NON-RECOVERY OF PENALTY FROM THE DEFAULTING CARRIAGE CONTRACTORS Rs. 53.383 MILLION.

AUDIT VERSION

62. The Audit reported that the Director Food Khyber Pakhtunkhwa engaged various contractors for the transportation of the indigenous wheat from various PASSCO centres in Punjab to Khyber Pakhtunkhwa. The contractors were provided with the allocation orders for each district of the Province with specific period of transportation. In certain cases the contractor had not transported full allotted quantity and delayed the transportation within the specified period. Penalty amounting to Rs. 53.383 million as per details given below had been imposed but not recovered despite the lapse of a considerable time.

Name	Station	Quantity (M.T)	Date of penalty	Amount of penalty (Rs.)
Haji Abdul Rauf & Co	Mansehra	7,248.249	12-05-2010	26,20,937

Haji Abdul Rauf & Co	Havalian	133,360.000	12-05-2010	29,33,639
Muslim Khan contractor	Dargai	4,066.500	12-05-2010	12,84,288
Muslim Khan contractor	Dargai	3,938.601	04-06-2010	13,65,789
Muhammad Shafiq	Mardan	21,985.794	28-05-2010	99,74,184
Bashir Khan & Co	Swat	6,552.000	12-05-2010	91,00,571
Bashir Khan & Co	Upper Dir	973.491	28-05-2010	23,34,220
Bashir Khan & Co	Lower Dir	11,460.000	12-05-2010	1,00,54,308
Daulat Khan Enterprise	Nowshera	13,232.000	12-05-2010	24,68,929
Shan Carriage Contractor	Charsadda	18,527.000	12-05-2010	58,70,689
M/S Sohail & Co	Aza Khel	15,571.000	12-05-2010	53,75,378
Total				5,33,82,932

63. Audit held that the loss occurred due to negligence on the part of management to recover the penalty from the contractor. The loss was pointed out in August 2010. The management replied that Audit had correctly pointed out that a sum of Rs. 53.383 million was due against the defaulting contractors on account of penalty imposed. Keeping in view the penalty clause in term of serial No. 7.1 of the contract agreement penalty @ Rs. 1% per day of the freight value had been imposed by the Director Food (contract operating officer of the Food Department). The contractor had filed appeals with Secretary Food Khyber Pakhtunkhwa under clause 7.2 of the contract agreement which had been rejected in many cases. Efforts were being made to recover the penalty amount. In the DAC meeting held on 27-11-2010, the Department replied that most of the contractors had filed Write Petition in Peshawar High Court Peshawar which was yet under process. The DAC directed to pursue the case in the Court and finalize the recoveries. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

64. The Department explained that penalties of Rs. 53.383 million were imposed on the contractors for delayed delivery of wheat during 2009-10. The contractors filed appeals with Secretary Food Khyber Pakhtunkhwa under Clause 7.2 of the contract agreement which were rejected by the Honourable Secretary Food. Against the rejection of appeals the contractor lodged Write Petition in the Peshawar High Court, Peshawar. The Honourable Court decided vide order dated 10-11-2011 copy forwarded by Additional Registrar (J) Peshawar High Court letter No. 13738/Judl dated 14-11-2011. Wherein it was directed by the Honourable Court that the Petition in question may be considered as pending which shall be disposed of after considering the comments of concerned District Food Controllers and hearing of the Petitioners as well. The Write Petition was disposed of on above terms. The Secretary Food vide letter No. SOF(Food Deptt)2-4/01 dated 10-01-2012 considering each case on its merit and after perusing the record, the appeal of the Petitioners i.e. M/S Daulat Khan, Enterprises, PRC Nowshera, M/S

Shan Carriage Co. PRC Charsadda M/S Haji Abdul Rauf & Co for PRC Mansehra Havelian, Muslim Khan contractor Dargai are accepted and the delay in the instant cases was condoned and extension granted to each Petitioner vide Section Officer Food letter No. SOF(Food Deptt)2-4/104,106,105,107 & 103 dated 30-01-2012. The appeal of M/S Sohail & Co, Muhammad Shafiq & Bashir Khan and Co, carriage contractors for Azakhel, Mardan, Swat, Upper Dir and Lower Dir are defaulters and their cases are under trail in the National Accountability Bureau, Peshawar.

COMMITTEE OBSERVATION

65. As per D.P. No. 8.2.8.

COMMITTEE RECOMMENDATION

66. As per D.P. No. 8.2.8.

DP.8.2.11 **LOSS DUE TO NON-DISPOSAL OF EMPTY GUNNY BAGS**
Rs. 13.402 MILLION.

AUDIT VERSION

67. The Audit reported that during the financial year 2007-08, in various Public Rationing Centres 321.240 empty gunny bags of various classes were lying since 2007-08 which were losing their value with the passage of time and as such the Government was going to sustain a heavy loss of Rs. 13.402 million. Audit was of the view that loss occurred due to mismanagement and negligence on the part of officers concerned. The loss was pointed out in July, 2010. The management stated that the matter had already been taken up with the higher authorities for necessary disposal. In the DAC meeting held on 25-11-2010, the Department relied that the case was under trail in the Court of Civil Judge Peshawar. The DAC directed to pursue the case which was subjudice and report the progress to Audit. However, no progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

68. The Department explained that the Civil Judge Peshawar decided the case in favour of the plaintiff on 24-02-2011. Against the decision the Department had lodged an appeal in the Peshawar High Court.

COMMITTEE OBSERVATION

69. The Committee observed that Department was neither fully prepared to respond to the queries raised by the Members nor it could produce the Court's decision referred to the

Committee in the working paper.

COMMITTEE RECOMMENDATION

70. The Para was kept pending till tomorrow with the direction to the Department to produce the relevant judgment to the Committee and not to allow TA/DA to officers/officials of District Chitral.

71. On 03-10-2012, the Department produced the Court's decision of Civil Judge Peshawar before the Committee. The Committee wanted to know as to whether the Court of Civil Judge Peshawar having jurisdiction in the case or otherwise. The Committee therefore, directed the Law Department to examine the Court's decision and furnish its opinion to PAC Cell.

72. During the PAC meeting held on 08-10-2012, Law Department provided their opinion on the Court's decision that the Court was having Jurisdiction in the case relating to above mentioned Draft Para.

COMMITTEE RECOMMENDATION

73. As the case was subjudice in the Peshawar High Court the Para was therefore, kept pending till Court decision with direction to the Department to pursue it regularly in the Court of law.

DP.8.2.12 LOSS TO THE GOVERNMENT DUE TO NON-FORFEITURE OF THE SECURITY DEPOSIT Rs. 4.86 MILLION.

AUDIT VERSION

74. The Audit reported that during the financial year 2009-10, the Director Food, Khyber Pakhtunkhwa purchased the under mentioned quantities of gunny bags from M/S M.I Enterprises Rawalpindi and M/S Dilawar Khan and Co. Peshawar @ Rs.112.90 each:-

Cheques No.	Date	Supplier	Rate	Quantity	Net amount (Rs.)
337609	16-06-2010	Dilawar Khan & Co.	112.90	2,667	2,905,329
337677	28-06-2010	Dilawar Khan & Co.	112.90	14,000	1,525,279
337595	09-06-2010	M/S M.I Enterprises	112.90	17,000	1,852,124
337629	21-06-2010	M/S M.I Enterprises	112.90	32,000	3,486,352
337680	28-06-2010	M/S M.I Enterprises	112.90	30,000	3,268,455
Total				119,667	13,037,539

75. Contract agreement with both the suppliers was executed on 26-04-2010 for the following quantities to be supplied by the individual contractor:-

S. No.	Name of Contractor	Rate	Quantity	Tender/agreement (Rs. in million)
1	M/S M.I. Enterprises Rawalpindi	112.90	15,00,000	169.350
2	M/S Dilawar Khan & Co.	112.90	5,00,000	56.450
Total				225.80

76. Supply orders had also been issued for 7,50,000 and 2,50,000 empty gunny bags. The payment schedule mentioned above revealed that the contractors had not completed their supply order and had failed in the fulfillment of their contractual obligations. Therefore, in light of Clause-2.2, 2.3 read with 4.5 of the contract agreement, security of the contractor amounting to Rs. 4.00 million and Rs. 0.860 million lying in the local office was required to have been forfeited which was not done. This resulted into a loss of Rs. 4.86 million to the Government. Audit held that undue favour extended to the contractor and negligence on the part of management was the cause of loss. The loss was pointed out in August 2010. The management replied that the suppliers had supplied adequate number of empty jute bags to various centers of the province. However, due to some short comings, payment on account of supply of correct weight had been made; leaving the remaining bags which are yet in the custody of the centers and their payment was still awaited. In the DAC meeting held on 27-11-2010, the Department replied that the supplier had supplied sufficient quantity to various centers. However, due to raid of NAB the stock was lying in the centre filled with wheat while payment had not been made. As the case was yet under trail with NAB, therefore, the DAC decided to place the para before PAC.

DEPARTMENTAL VERSION

77. The Department explained that according to the Procurement of Goods/Services and Works Rules-2002, the earnest money at the prescribed rate had been obtained from the suppliers in shape of call deposit. The earnest money so obtained had correctly been adjusted towards security of the suppliers as per above rules and no irregularities was involved. As far as the supply of 7,50,000 and 2,50,000 empty jute bags is concerned 529,115 empty gunny bags were supplied and the remaining supply was stopped due to involvement of NAB Peshawar. Out of the total supply 5,29,115 empty gunny bags payment for 1,70,667 empty gunny jute bags (i.e. 1,23,667 standard bags 47,000 of 1050 grams) had been made @ Rs.107.768 million in accordance with the instructions of Law Department letter No. OP-15(61)LD/2010/19102 dated 30-11-2010. The balance payment for 3,58,448 (i.e. 5,29,115-1,70,667=3,58,448) has not so far been made. Out of the balance quantity of unpaid bags 132,400 were returned to supplier M.I.

Enterprises, Rawalpindi and 7,000 empty jute bags to M/S Dilawar Khan & Co, Peshawar and 2,19,048 is still in balance (3,58,448-1,39,400=2,19,048). As far as, M/S Dilawar Khan & Co not accepted the return of B-Class empty jute bags and go to the High Court Peshawar, now the Court has been decided that the empty jute bags may be returned to M/S Dilawar Khan & Co Peshawar. The summaries detail of empty jute bags are given below:-

Name of suppliers	Total No. of bags supplied	Payment made to supplier	Returned empty jute bags	Total of column 3+4	Balance of below standard bags
1	2	3	4	5	6
M.I. Enterprises	2,75,351	1,14,000	1,32,400	2,46,400	28,951
M/S Dilawar Khan & Co.	2,53,764	56,667	7,000	63,667	1,90,097
Total	5,29,115	1,70,667	1,39,400	3,10,067	2,19,048

78. Security amount deposited according to the instructions of Finance Department vide letter No. BI(NFC-II/FD/1-4/2009/Vol:III dated 31-03-2010. The payment made to the suppliers of standard bags and not the below standard bags.

COMMITTEE OBSERVATION

79. The Committee observed that sub-standard bags provided by the suppliers should have been rejected. The decision of Court was not implemented and delaying tactics were used by the Department and the remaining bags were kept in custody of the centres and were not returned to suppliers.

COMMITTEE RECOMMENDATION

80. In view of the above, the Committee directed the Department that in light of the judgment of the High Court, the bags may be returned to the supplier/contractor and to initiate action leading to recovery of loss occurred from the person (s) responsible for accepting below specification bags. Para stands. Progress be reported to PAC Cell.

DP.8.2.13 LOSS DUE TO ALLOWING HIGHER RATES Rs. 4.464 MILLION

AUDIT VERSION

81. The Audit reported that Director Food Khyber Pakhtunkhwa awarded contract for the transportation of wheat from various districts of Punjab to District Dir at Timergara @ Rs. 1.67 per ton per km. Earlier four tenders were called wherein the higher rate of Rs. 1.67 per ton per km offered in the last tender was accepted while the lower rate of Rs. 1.435 and Rs. 1.599

per ton per km offered in the other two earlier called tenders were rejected. The acceptance of higher rates resulted into a loss of Rs. 4.464 million to the Government. Audit held that loss occurred due to accepting higher rates instead of lower rates to extend undue benefit by the management to the contractor. The loss was pointed out October 2007. The management replied that the rates had been accepted by the Provincial Food Committee.

82. In the DAC meeting held in November, 2009, the Department replied that the case was proceed as per rules. The rates so received were placed before the Provincial Food Committee for approval but they rejected the rates offered in three tenders being on higher side while accepted the rate of Rs. 1.67 per ton per km offered in the last tender. The DAC did not agree and decided to place the para before PAC

DEPARTMENTAL VERSION

83. The Department explained that Food Department regularly follows Para-10 of GFR Volume-I in each and every case. The Audit has observed that the service of transportation of indigenous wheat from Punjab to PRC Dir were advertised for 4 times, in this connection it is stated that Food Department Khyber Pakhtunkhwa, has advertised the services in accordance with rules and procedure on every occasion, the services were processed as per rules and the rates so achieved were placed before the Provincial Food Committee for approval to seek the transparency and an appropriate decision after thorough discussion, the following decisions were taken.

84. The services were tendered for the first time and the rates achieved were 20% over the previous year rates i.e. 2005-06, the Committee rejected the rates. On the 2nd occasion, the rates received viz Rs. 1.4350 per km per ton were again placed before the Committee but again were rejected as compared with the rates of other Centres. On the 3rd occasion, the rates received were 43% over the rates of previous year viz 2005-06. The Provincial Food Committee Khyber Pakhtunkhwa once again decided for another chance and accordingly, the services were again advertised and on 4th occasion, the rates were 1.67 per km per ton. The matter was placed before the Provincial Food Committee and it was decided that the releases of wheat to the Flour Mills should be started promptly to make available atta at the door step of the general public, therefore, keeping in view the situation, the rates of Rs. 1.67 per km per m. ton were considered for approval, each and every step was taken to lesser the rates. The action taken was purely in the public interest proper procedure were adopted.

COMMITTEE OBSERVATION

85. The Committee observed that tenders were called four times for the transportation of wheat from Punjab to District Dir, however, lowest rate Rs. 1.43 offered in the 2nd tender was not accepted by the Department and higher rate of Rs. 1.67 per ton per km offered by Haji Ghulam Muhammad was accepted.

COMMITTEE RECOMMENDATION

86. In view of above, the Committee directed Mr. Saif-ur-Rehman Usmani, Director Finance Department and Law Department to conduct a detailed inquiry into the matter pointed out by the Audit and fix responsibility with the direction to the Department to provide names of officers/official who were actually involved in the tendering process within (15) days. Para stands, Progress be reported to PAC.

DP.8.2.14 LOSS DUE TO SHORTAGE/DISPUTE OF EMPTY GUNNY BAGS Rs.4.168 MILLION.

AUDIT VERSION

87. The Audit reported that during the financial year 2005-06, in the office of District Food Controller, Chitral 83,369 empty gunny bags were shown disputed in the register of empty gunny bags in those were not found accounted for. The non-accountal these gunny bags resulted into a loss of Rs. 4.168 million. Audit was of the view that the loss occurred due to negligence on the part of management to pursue the court case. The loss was pointed out in June 2007, the management replied that the shortage of an old case which pertained to 1999-2000. The cost of 17,783 empty gunny bags had been recovered while the case regarding 65,686 bags was under trail in the court. In the DAC meeting held in August, 2008, the Department repeated the same reply. The DAC did not agree and decided to place the para before PAC

DEPARTMENTAL VERSION

88. The Department explained that the shortage of 83,369 empty gunny bags is an old case from 1999-2000. As intimated by DFC Chitral vide his letter No. 175 dated 08/02/2008. Out of 83,369 empty gunny bags cost of 17,783 empty gunny bags @ Rs. 20/- per bag & Rs. 10/- per bag have been recovered from the defaulting officials and credited into Government Treasury. Challans details are as under:-

S/No	T.C. No. and dated	No. of empty gunny bags	Rate per bag	Amount (Rs.)
1	19 29-07-2005	1,000	20/-	20,000

2	7	28-02-2005	41	20/-	820
3	1	10-01-2005	2,069	20/-	41,380
4	1	24-05-2002	774	20/-	15,480
5	1	26-11-2004	600	20/-	12,000
6	1	05-03-2005	1,543	10/-	15,430
7	1	05-03-2005	1,544	10/-	15,440
8	-	10-03-2007	8,698	20/-	1,73,960
9	1	10-07-2007	1,514	20/-	30,280
Total			17,783		3,24,790

89. Whereas case regarding 65,686 empty gunny is under trail in the various Courts and also included in previous Draft Para No. 1, 2, 4, & 19 for 2001-02 Audit Reports. As and when decision of Court has been received, Audit and PAC will be informed accordingly.

COMMITTEE OBSERVATION

90. The Committee observed that the issue involved in the Para had already been decided and observed that recommendation of PAC given in earlier Paras were not implemented till date.

COMMITTEE RECOMMENDATION

91. The PAC directed to the Department to conduct free and fare inquiry in to the issue for fixing responsibility according to the quantum of their responsibility and to initiate action leading to recovery against them. Moreover, action may also be initiated against those who failed to implement the earlier decision of the Public Accounts Committee.

DP.8.2.15 LOSS DUE TO DISTRUCTION OF WHEAT AND EMPTY GUNNY BAGS Rs. 2.921 MILLION.

AUDIT VERSION

92. The Audit reported that during the financial year 2006-07, in the office of District Food Controller Chitral, 1,79,156 metric ton wheat and 17,934 empty gunny bags were completely destroyed by flood as indicated in the letter of District Food Controller Chitral vide No. 1415/Food dated 04-07-2007. Audit held that safety measures were not adopted due to which the Government sustained a loss of Rs. 2.921 million. The loss was pointed out in March 2008. The management stated that the departmental inquiry was conducted for write off sanction. In the DAC meeting held in November, 2009, the Department stated that the case had been taken with Finance Department for write off sanction. No proof of write off accorded by the Finance Department was intimated till finalization of this report.

DEPARTMENTAL VERSION

93. The Department explained that the case regarding write off 1,79.156 metric tons has been taken up with Finance Department through Administrative Department for obtaining of write off sanction but the Finance Department advised that comments of Accountant General, Khyber Pakhtunkhwa be obtained vide Finance Department letter No.BOVII/BF/2007-08 dated 03-08-2009. However, the case was referred to Accountant General, Khyber Pakhtunkhwa vide last reminder No. 3848/AC-197/Chitral dated 22/3/2012. As and when write off sanction for the above quantity received, Audit as well as PAC will be informed.

COMMITTEE RECOMMENDATION

94. The Committee endorse the decision made during DAC and Pre-PAC and directed the Department to obtain write off sanction of Finance Department and to produce copy of it to PAC Cell. Para stands. progress be reported to PAC.

DP.8.2.16 LOSS ON ACCOUNT OF FLAT RATES Rs. 2.021MILLION.

AUDIT VERSION

95. The Audit reported that the District Food Controller Bannu awarded a contract for transportation of 9,503.100 m. tons worth Rs. 2.021 million to a contractor on flat rate basis from Bannu to Mir Ali and Miranshah Flour mills in contravention of the laid down procedure and as such the Government sustained a loss of Rs. 2.021 million. Audit held that mismanagement on the part of officers concerned caused the loss. The irregularity was pointed out in December 2007, to which the Department furnished no plausible reply.

96. In the DAC meeting held in November 2009, the Department stated that proper tenders were being invited on yearly basis and wheat was regularly transported through approved carriage contractors since 1993 till date. As far as the matter of transporting the wheat directly to the mills was concerned, the deposit for the stock of wheat was made into the Government Treasury by the flour mills owners against proper Challans and wheat was shifted to the flour mills (designated PRCs of that area). The Paras referred by the DAC for verification of record within two months, however, the relevant verification was not carried out till finalization of this report.

DEPARTMENTAL VERSION

97. The Department explained that the flour mills at Mirali and Miranshah had been declared as PRCs for the benefits of the inhabitance during 1993. Proper tenders were being invited on yearly basis and wheat is regularly transported through approved carriage contractors

since 1993 to date. As far as the question that wheat was transported to the Mill directly, it is stated that deposits for the stock of wheat is made into the Government Treasury by the Flour Mills owners against proper Challans and wheat is shifted to the Flour Mills (Designated PRCs of that Area). It is further added that subsidy on the wheat issue Mirali and Miranshah (FATA) is born by the Federal Government and not Provincial Government. Needless to say that in case of shifting of wheat stock to the Godown of PRC and its further releases to the Flour Mills is an extra burden on the exchequer i.e. storage pay and allowance and other allied expenditure, which will not be beneficial for the Provincial Government. In the light of above fact, the transportation of Government wheat is made according to the laid down procedure and no loss has been sustained by Provincial Government.

COMMITTEE OBSERVATION

98. The Committee lamented over the casual and irresponsible attitude of the Department as the decision of DAC for verification of record within two months was not yet implemented.

COMMITTEE RECOMMENDATION

99. The Committee directed to Department to produce the Notification about Mir Ali and Miranshah as to whether these stations were declared PRCs. to audit within a week. Para stands. Progress be reported to the PAC.

DP.8.2.17 AWARD OF CONTRACT WITHOUT SECURITY DEPOSITS Rs.2 MILLION.

AUDIT VERSION

100. The Audit reported that the Director Food Khyber Pakhtunkhwa invited a short tender notice in the newspapers on 06-07-2009 with opening date i.e. 14-07-2009, 29-07-2009 and 11-08-2009 regarding transportation of wheat from PASSCO Punjab to various PRCs of the Province. The record revealed that contract for the transportation of wheat from Punjab to Peshawar and Dargai had been awarded to M/S Union Carriage Company, Mardan and M/S Muslim Khan, Carriage Company, Dargai respectively. Audit observed that both the contractors had not deposited the security of Rs. 1.00 million each despite the fact that the condition of Tender Notice as well as clause-2.1 of the contract agreement was very clear about the deposit of security. Non deposit of the security resulted to put Government owned wheat at risk.

Furthermore, the contract so awarded without the fulfillment of codal formalities is held irregular. Audit held that the award of contract without security deposits to secure the government assets is negligence, mismanagement and violation of rules on the part of management. The loss was pointed out in August 2010. The management replied that the contractors were directed to deposit security as per Clause-2.1 of the contract agreement. Both the contractors had provided security worth Rs.1.00 million each and photocopies had been handed over to Audit Party on the spot. Therefore, the question of non-deposit of security and loss of Rs. 2 million to the Government is not correct. In the DAC meeting held on 27-11-2010, the Department repeated the previous reply. The DAC did not agree as the copies of the Bank Draft provided pertained to the previous year and had also lost their validity. The DAC directed that action may be taken against the defaulters. No progress was intimated till finalization of the report.

DEPARTMENTAL VERSION

101. The Department explained that the contracts for the transportation of wheat from Punjab to Peshawar and Dargai were executed M/s Union Carriage Company Mardan (for Peshawar) and M/s Muslim Khan Carriage Company Dargai (for Dargai) in the year 2009-10 on account of contract agreement, the contractors were directed for deposit of security as per Clause-2.1 of the contract agreement. The security for 2006-07 which was lying in Food Directorate for the same Centre was adjusted against the contract for the year 2009-10. Proper N.O.C. was issued by the concerned DFCs photocopy of the documents have been handed over to Audit Party on spot and no loss sustained by Government, therefore, question of non-deposit of security and loss of Rs. 20,00,000 to the Government is not based on fact.

COMMITTEE RECOMMENDATION

102. The Committee recommended to drop the Para with strict warning to the Department not to repeat such practice in future.

DP.8.2.18 LOSS TO PUBLIC EXCHQUER DUE TO NON-IMPOSITION OF PENALTY Rs. 1.783 MILLION.

AUDIT VERSION

103. The Audit reported that the Storage and Enforcement Office Peshawar did not imposed penalty on the contractor at 1% per day for the left over quantity of wheat in the stipulated period and as such the Government sustained a loss of Rs. 1.783 million. Audit was of the view that the loss occurred due to undue favour extended by the management to the

contractor. The loss was pointed out in November 2008, but the management furnished no reply. In the DAC meeting held in November, 2009, the Department furnished no reply.

DEPARTMENT VERSION

104. The Department explained that the plea of Audit regarding imposition of penalty for non-lifting of 705.721 metric tons indigenous wheat by the carriage contractor is not based on fact. The Food Directorate Peshawar issued work order/wheat allocation vide Food Directorate letter No. 1182/FG-433 dated 30-10-2007 with the direction to lift wheat within 26 days, but due to non-availability of wheat at loading point carriage contractor lifted/delivered 1794.279 metric tons wheat, leaving a balance of 705.721 metric tons. Therefore grace period of 28 days (upto 22-02-2008) was granted to the carriage contractor to complete the allocation vide letter No. SOF(Food Deptt)2-4/1461 dated 27/03/2009.

COMMITTEE RECOMMENDATION

105. In view of plausible explanation advanced by the Department, the para was recommended to be dropped.

DP.8.2.19 LOSS DUE THE ALLOWING HIGHER RATES Rs. 1.387 MILLION.

AUDIT VERSION

106. The Audit reported that the District Food Controller Haripur paid transportation charges at higher rates other than the approved rates of a contractor who initially entered into transportation agreement with the Department. This resulted into a loss of Rs. 1.387 million to Government exchequer. Audit held that the loss occurred due to non observance of financial propriety and violation of rules. The irregularity was pointed out in September 2008, the management furnished no reply. In the DAC meeting held in November 2009, the Department replied that the initial contractor failed to lift the allocated stock in the specified time leading to great break down. As a result, NLC was called for lifting the stock in such crises, though at higher rates, while the security of first contractor was seized who had now lodged a civil suit in the court. The DAC was not satisfied with the reply and directed to place the para before the PAC.

DEPARTMENTAL VERSION

107. The Department explained that a sum of Rs. 24,34,438/- was paid to NLC for the transportation of wheat from Punjab to Haripur at the risk and cost of the contractor. Transportation charges bills for Rs. 3,37,755/- has been withheld. A sum of Rs.1 million as security, is lying in the Food Directorate has also not been released. Thus the equal amount has been withheld and Provincial Government has not suffered. Mr. Khalil-ur-Rehman & Co has lodged a Civil Suit in the Court of Senior Civil Judge, Peshawar, Proper attendance is being ensured and Provincial Government is being defended through Government pleader. Last date of hearing was 27-06-2012 and the Court has decided the case in favour of the Department. as and when decided, PAC/Audit will be informed accordingly.

COMMITTEE RECOMMENDATION

108. In view of plausible explanation advanced by the Department, the Para was recommended to be dropped.

DP.8.2.20 LOSS TO THE GOVERNMENT ON ACCOUNT OF PURCHASE OF EMPTY GUNNY BAGS AT HIGHER RATES Rs. 1.245 MILLION.

AUDIT VERSION

109. The Audit reported that during the financial year 2009-10, the Director Food Khyber Pakhtunkhwa purchased a quantity of 119,667 empty gunny bags from M/S Dilawar Khan and company and M.I. Enterprises @ Rs. 112.90 per bag. The payments for the quantity supplied were made as per following details:-

Cheque No.	Date	Supplier	Rate	Quantity	Net amount (Rs)
337609	16-06-2010	Dilawar Khan & Co	112.90	26,667	29,05,329
337677	28-06-2010	-do-	112.90	14,000	15,25,279
337595	09-06-2010	M/I. Enterprises	112.90	1,700	18,52,124
337629	21-06-2010	M/I. Enterprises	112.90	32,000	34,86,352
337680	28-06-2010	M/I. Enterprises	112.90	30,000	32,68,455
Total				119,67	1,30,37,539

110. The record showed that tender was floated in the press wherein three different dates for opening tender were mentioned. In response different rates including lowest rate of Rs. 102.50 per empty gunny bags quoted by M/S Shah and Company was not considered without any reason and the bid was re-tendered. In the 2nd instance higher rates of Rs. 112.90 per empty gunny bags for two different suppliers (negotiated rates) were accepted and accordingly paid. Accepting of higher rates and ignoring the lowest rate put the Government to a

loss of Rs. 1,244.537 million. Audit was of the view that accepting higher rates against the prescribed Government rules was the cause negligence on the part of management. The loss was pointed out in August 2010. The management replied that Federal Government had fixed target of 3,00,000 metric ton wheat to be procured in Khyber Pakhtunkhwa in the year 2009-10 for which adequate number of empty jute bags were required. Proper tenders were floated into press and tenders were held in Food Directorate. On the first occasion, M/S Shah and company offered the lowest rate of Rs. 102.50 per bag of 100 kg capacity having 1,100 gram, but the rate was rejected because the contractor was engaged with previous order and his performance as found poor. In the DAC meeting held on 27-11-2010, the Department replied that the case was in NAB and final position would be intimated as and when the case is decided. The DAC did not agree and directed to place the Para before PAC.

DEPARTMENTAL VERSION

111. The Department explained that the Federal Government had fixed 3,00,000 m tons wheat to be procured in Khyber Pakhtunkhwa in the 2009-10 for which adequate numbers of empty jute bags were required. Proper tenders were floated into press media and tenders were held in Food Directorate. On 26-02-2010, the tender for 100 kg capacity jute bags was opened in the presence of participant's bidders, the tender opening committee and officers of Law and Finance Department, as observer. The lowest rates was received viz Rs. 98.00 per bag (900 grams) the second lowest for 1,100 grams bags was Rs.112.00 per bag. As the rate of 1st lowest bidder was for 900 grams and it was not according to specification, was ignored. The 2nd lowest bidder namely M/S Shah and Co. remained a supplier in the year 2008-09 and his performance was not to the mark, however, being the lowest (for 1100 grams bag) was informed to furnish manufacture certificate and also to provide earnest money as per advertisement published in the newspaper, but all in vain. The tender process was, therefore, rejected with the following observations and put to re-tender on 16-03-2010.

- i. The firm remained the supplier during 2008-09 for the supply of 3,00,000 empty jute bags, however, the performance was not to the mark.
- ii. The firm agreed to supply 100 kg jute bags, however in the start submitted application stating therein that through the country, no jute bags are available and finally offered 95 kg jute bags instead of 100 kg as per agreement executed by the firm. Due to bumper crops in the country and achieve the target of 100,000 metric tons in Khyber Pakhtunkhwa, the Department was compelled to accept the offer.
- iii. The firm was not a manufacturer, therefore, keeping in view the above situation, the rates were rejected and fresh tenders were invited.

112. Tenders were held on next date as already advertised in the press. Efforts were made to perused manufactures to offer their rates, so as to ensure timely delivery of empty jute bags for the procurement campaign. It is however added that this time too the manufacturers offered higher rates. To avoid any objection by Audit, the lowest rates offered by M/s Dilawar Khan and Co. viz Rs. 114/00 per bag was considered the lowest, which was later on reduced to Rs. 112/90 per bag, which is still lower than the approved rates, in Punjab, Sindh and Balochitan.

COMMITTEE RECOMMENDATION

113. As the Department was not in a position to provide record asked for by the Committee the para was therefore kept pending with the direction to the Department to produce the record of 1st, 2nd, 3rd and 4th bidding, comparative statement and ground on which lowest bidder was ignored on 08-10-2012 for detailed scrutiny.

DP.8.2.21 LOSS ON ACCOUNT OF DAMAGED SUGAR Rs. 0.879 MILLION.

AUDIT VERSION

114. The Audit reported that during the financial year 2007-08, the District Food Controller Chitral declared a quantity of 44.448 metric tone sugar equal to 44,448 kg @ Rs.19.78 kg costing Rs.8,79,181/- as damaged in various PRCs and as such the government sustained the loss. Audit held that the cause of loss was negligence and non observance of rules on the part of management. The loss was pointed out in July 2010. The management stated that the matter had already been taken up with Finance Department for write off sanction which would be provided to Audit in the DAC meeting. In the DAC meeting held on 25-11-2010, the Department replied that the AFC Chitral had been directed to physically check the quantity shown as damaged. However, no report of AFC was produced to DAC. The DAC decided to place the Para before the PAC.

DEPARTMENTAL VERSION

115. The Department explained that:-

- i) The sugar 47.558 metric tons got damaged due to prolong retention and higher rates than the market. An inquiry was conducted. Recovery would be effected and sanction for write off would be obtained.

ii) Similarly 17 bags wheat had got damaged due to long storage and ground layers.

COMMITTEE RECOMMENDATION

116. The Committee endorsed the pre-PAC decision and recommended to recover the cost of damages from the concerned staff and cost of 17 bags may be got written off from the Finance Department. If the Department failed to obtain write off sanction than recovery may be made from concerned staff. Para stands. Progress be reported to PAC.

DP.8.2.22 UN-NECESSARY LOAN FROM COMMERCIAL BANKS Rs.6,599.802 MILLION.
LOSS DUE TO PAYMENT OF MARK-UP Rs. 22.250 MILLION.

AUDIT VERSION

117. The Audit reported that during the financial year 2009-10, the Director Food obtained loan from Bank of Khyber and First Woman Bank for the procurement of wheat from local growers at the interest rate of KIBOR +2% per annum. The bank wise detail of the loan was as under:-

S.No.	Name of Bank	Loan amount (Rs. In million)
	The Bank of Khyber	4,599.802
	First Woman Bank	2,000.000
Total		6,599.802

118. The Director Food Khyber Pakhtunkhwa made local procurement apart from the procurement of wheat from the PASSCO/TCP and had been provided with the budget which was utilized accordingly and the surplus budget amounting to Rs. 28,873.032 million was surrendered also. Audit observed that there was no need of obtaining loan from commercial banks and because the funds provided for the procurement of wheat under the relevant head of accounts were more than sufficient for the local procurement of wheat. As such unnecessary loan of Rs. 6,599.802 million was obtained from commercial banks. Furthermore, during the year 2009-10, an amount of Rs. 20.256 million on account of mark-up to the above Banks had also been paid which was a loss to the Government. Audit held that the cause of obtaining unnecessary loan was weak financial management on the part of Department. The irregularity regarding obtaining un-necessary loan was pointed out in August, 2010. The management stated that the Ministry of Food and Agriculture had given a task for procurement of 0.3 million tons wheat from the local growers in the province for the crop year 2010. In Food Account-II sufficient amount was not available to purchase wheat from the growers. Therefore, this office contacted all commercial banks to offer their markup rates for the loan to be obtain. The rates of

Khyber and First Women Banks were lowest and consequently the loan was obtained from them. It is further added that Finance Department had accorded sanction for the payment of 3 lac tons procured wheat from the growers vide letter No. BOVII/FD/9-144/2009-10 dated 03-05-2010.

119. In the DAC meeting held on 27-11-2010, the Department repeated the previous reply. The DAC did not agree and observed that Finance Department had accorded sanction with the direction that the expenditure involved would be met from within the released Budget Grant for 2009-10. However, no mention about the obtaining of loan from commercial banks without observing accounting procedure was made. The DAC decided that the Para be placed before the PAC

DEPARTMENTAL VERSION

120. The Department explained that a high level meeting held under the chairmanship of Additional Secretary-II, (Ministry of Food and Agriculture (MINFA) on 17th December, 2009. A procurement target of 0.3 million tons wheat was given to Khyber Pakhtunkhwa. Food Department Khyber Pakhtunkhwa moved a summary to the Honourable Chief Minister, Khyber Pakhtunkhwa for obtaining approval. After approval from the Chief Minister and cash credit limit approval from Ministry of Finance Division, Islamabad for Rs. 7,125.000 million due to non-availability of amount in Account-II. The Food Department, Khyber Pakhtunkhwa invited all the commercial/Islamic Banks to quote mark-up/profit rates for obtaining loan for procurement of wheat. During competition of the rates the Bank of Khyber and First Women Bank had offered the lowest mark-up rate i.e. 3 months KIBOR+2%, therefore, the loan was obtained from the above Banks. Moreover on the advice of Finance Division Islamabad, State Bank of Pakistan, Karachi authorized the Banks to make all necessary arrangements for making on spot payment to the growers on the receipt of request from the concerned Department.

COMMITTEE RECOMMENDATION

121. The Para was recommended to be dropped subject to verification that the requisite amount was not available in Account-II of the Department at that time.

DP.8.2.23 IRREGULAR AND UN-RECONCILED PAYMENT TO TRADING CORPORATION OF PAKISTAN ON ACCOUNT OF LIABILITIES OF THE PAST. Rs. 1,916.497 MILLION.

AUDIT VERSION

122. The Audit reported that the Director Food Khyber Pakhtunkhwa made the following payments to the General Manager, Trading Corporation of Pakistan on account of pending liabilities of the cost of imported wheat.

Cheque No. and Date	Amount (Rs.)
0337201 11-12-2009	84,52,11,150
0337336 20-03-2010	35,70,95,333
0337337 20-03-2010	35,70,95,333
0337338 20-03-2010	35,70,95,333
Total	1,91,64,97,149

123. During the financial year 2009-10 no wheat had been purchased from the TCP while, the entire payment pertained to the financial years 2007-08 and 2008-09 for which neither any reconciliation with the TCP duly signed by both the parties were carried out nor reasons for the non payment during those years were recorded. Each and every year sufficient budget had been placed at the disposal of the local office and payments had been made accordingly. Like previous years, an amount of Rs. 28,873.032 million provided for procurement of wheat had been surrendered on 28-06-2010 also. Furthermore, during the year 2009-10, the local office had been provided with budget amount to Rs. 5.432 million for the office of the Deputy Director Food at Karachi which had been utilized. Therefore, it was the duty of the said office to carry out reconciliation but the same had not carried out. Audit held that in the absence of proper reconciliation the payment of Rs. 1,916.497 million is held irregular. The irregular and un-reconciled payment was pointed out in August 2010. The management replied that payment made to Trading Corporation of Pakistan was according to actual receipt during 2007-08 and 2008-09.

124. In the DAC meeting held on 27-11-2010 the Department repeated the previous reply. Beside, reconciliation with Trading Corporation of Pakistan was not carried out. Therefore, the DAC did not agree and directed to carry out reconciliation with Trading Corporation of Pakistan and produce it to Audit. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

125. The Department explained that the payment of Rs. 14,22,52,60,510/- on account of pending liabilities for the financial year 2007-08 were made to the TCP. Since, there existed sufficient provision in Account-II of the Food Department, these liabilities would be accumulated.

As regard sufficient in the budget provision it is merely budget cover the adjustment out of Account-II. Actual the total payments for the year 2007-08 and 2008-09 worked out to Rs. 14,22,52,60,500/- as detail below:-

YEAR	QUANTITY (M. TONS)	RATE	AMOUNT
2007-08	328076.717	11,625	3,81,40,08,085
2008-09	555266.796	18,750	10,41,12,52,425
		Total	14,22,52,60,510

126. The above payment had been made to the TCP on the basis of actual receipt of wheat duly acknowledged by them. Reconciliation with TCP had been carried out wherein they claimed excess amount than the actual receipt of wheat as explained above.

COMMITTEE RECOMMENDATION

127. Subject to verification of reconciliation by Audit, the Para was recommended to be dropped.

DP.8.2.24 IRREGULAR PAYMENT TO PASSCO Rs. 1,599.650 MILLION.

AUDIT VERSION

128. The Audit reported that during the financial year 2009-10, the Director Food, Khyber Pakhtunkhwa made payment worth Rs. 1,599.650 million to the PASSCO Punjab on account of incidental charges for the supply of 366,192.499 metric ton of wheat. The rate of incidental charges was Rs. 4,368.33 per ton for which the detailed break-up was required to have been obtained but the same was not obtained from PASSCO. Therefore, the authenticity of the payment of rate of Rs. 4,368.33 per ton could not be ascertained. Thus, the payment of Rs. 1,599.650 million is held irregular. Similarly, during the year 2007-08, the PASSCO authorities had claimed their incidental charges @ Rs. 2,528.72 per ton which were inclusive of the following charges:-

S.No.	Head of Account	Rate per ton (Rs.)
1	Gunny bags	527.20
2	Delivery charges	34.00
3	Taxes and debris (Market fee)	10.00
4	Transportation	11.87

5	Handling charges	8.43
6	Storage charges	130.27
7	Departmental charges.	428.67
8	Financial charges	1,325.15
9	Shortage and unforeseen	-
10	Turnover tax	53.13
Total		2,528.72

129. The above details inclusive of two types of taxes and financial charges which were required to have been included in the departmental charges were, therefore, not required. Moreover the Director Food, Khyber Pakhtunkhwa being the purchaser of the wheat on behalf of the Provincial Government was required to have obtained the details of these taxes/financial charges because these are concerned with commercial entities and not with the Government Departments. Audit held that the irregular payment was made due to negligence on the part of management. The irregular payment was pointed out in August, 2010. The management stated that the rates of incidental charges were approved by mutual understanding between Food Department and PASSCO. In the DAC meeting held on 27-11-2010, the Department replied that PASSCO authorities had been required to provide the break up of incidental charges vide their letter dated 27-09-2010. Copy of the details of incidental charges produced to the DAC during meeting but approval of the Finance Division was not found attached. The DAC found that there were certain un-necessary items included in the list of incidental charges. Therefore, the Department was directed to produce the approval of the Finance Division. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

130. The rates of Rs. 4368.33 of incidental charges approved by mutual undertaking between Food Department and PASSCO MOU signed by both Parties. The detail break-up of incidental charges of Rs. 4,368.33 per ton. The rate of incidental charges for 2009-10 at Rs.4,443.77 had been approved by the Finance Division, Government of Pakistan vide letter No. 1(4)CP(C)2004 dated 4th April, 2011. The increase worked out by Audit seemed on presumption basis (i.e. 75% comparing the rates of incidental charges 2007-08 and 2009-10). Since, there involved any irregularity on the part of the Department.

COMMITTEE RECOMMENDATION

131. The Committee recommended that record may be produced to Audit for verification within a month. It further directed to take action against the person who failed to produce the record to Audit for verification. Para stands. Progress be reported to PAC.

DP.8.2.25 IRREGULAR AWARD OF CONTRACT AND LESS DEPOSIT OF SECURITY BY THE CONTRACTORS Rs. 45 MILLION.

AUDIT VERSION

132. The Audit reported that during the financial year 2009-10, the Director Food advertised a short tender notice in the newspaper on 06-07-2010 for hiring contractors for the transportation of wheat from PASSCO Punjab to different PRCs of the province. The tender notice had the following two clauses.

- i) Each tender shall accompany with earnest money amounting to Rs. 1 million in shape of call deposit/bank draft from any scheduled bank for each Provincial Reserve Centre.
- ii) On approval of rates, the successful bidder shall have to execute contract agreement within one week and to deposit security of one million (in the post office) per station in the name of Director Food, Khyber Pakhtunkhwa, Peshawar failing which the earnest money will be forfeited in favour of the Provincial Government.

133. The record showed that the amount of the earnest money as well as the security deposit was shown as the same i.e. Rs.1 million which is the violation of the Khyber Pakhtunkhwa procurement of Goods and Services Rules, 2003. Audit observed that contractor were extended undue favour by giving the facility of uniform rate on different occasions rather this rate was maintained constant since so many years. Otherwise if 2% is Rs. 1 million then 10% required amounted upto Rs. 5 million in each case. Thus security deposit worth Rs. 60 million was less collected. According to condition No. 8 of the tender notice and clause-2.1 of the contract agreement security deposit will be kept in a post office account duly pledged in the name of Director Food Khyber Pakhtunkhwa while the contractors, name shown below had produced some old TDRs.

NAME OF CONTRACTOR	STATION	TDR/PASS BOOK	NO. & DATE	AMOUNT (Rs.)
Daulat Khan	Nowshera	TDR	13-07-2009	10,00,000
M/S Sohail & Co	Aza Khel	TDR	14-07-2009	10,00,000
Shan Carriage	Charsadda	Pass book	370144 08-12-2009	10,00,000
Muhammad Shafiq	Mardan	Pass book	369569 10-07-2008	10,00,000

Muslim khan	Dargai	Pass book	21-09-2006	10,00,000
Bashir khan & Co	Dir	TDR	24-10-2009	16,00,000
Bashir Khan & Co	Dir	TDR	22-10-2009	4,00,000
Bashir Khan & Co	Swat	TDR	12-10-2009	10,00,000
Abdul Rauf	Haripur	TDR	82758 04-03-2009	10,00,000
Abdul Rauf	Havalian	Pass book	82786 04-03-2009	10,00,000
Abdul Rauf	Mansehra	Pass book	82791 05-03-2009	10,00,000
Ghausud Din & Son	Battagram	Pass book	22600 25-10-2008	10,00,000

134. The above irregularity clearly show that neither the conditions of the tender notice and contract agreement nor provisions of the procurement rules were observed and the contracts were irregularly awarded. Audit held that the violation of procurement rules was the cause of irregular award of contract. The irregularity was pointed out in August, 2010. The management replied that since long a fixed call deposits and security was being obtained at the time of tender and security on its finalization. The contractors had totally refused the enhancement and decided not to offer rates for the transportation of wheat both from Punjab to Khyber Pakhtunkhwa and the local transportation of wheat on PR to PR basis. There was no other alternative than NLC for lifting the wheat. In the DAC meeting held on 27-11-2010, the Department repeated the previous reply. So the DAC considered the reply as irrelevant and decided to place the para before PAC.

DEPARTMENTAL VERSION

135. The Department explained that according to the terms and condition of an advertisement Rs. 1.00 million was to be obtained from the contractors in shape of Call Deposit. The provision was made in Para-3 of the tender notice. All the contractors had provided of all Call Deposits of Rs. 1.00 million. The earnest money deposit of successful bidder shall be counted towards tender security and deposited in the Bank/Treasury which has been done Since, no undue favour had been extended to the contractors and the Audit observation based on vine.

COMMITTEE RECOMMENDATION

136. In view of plausible explanation advanced by the Department, the para was recommended to be dropped.

DP.8.2.26 IRREGULAR PAYMENT DUE TO NON-FULFILLMENT OF CODAL FORMALITIES Rs. 19.052 MILLION.

AUDIT VERSION

137. The Audit reported that during the financial year 2008-09, the Director Food, Khyber Pakhtunkhwa procured a quantity of 226,078 empty gunny bags while payment was made in 2009-10.

Cheque No.	Date	Qty	Rate (Rs.)	Gross amount (Rs.)	Net amount (Rs.)
337048	26-08-2009	33,178	8,250	38,48,398	37,13,608
337080	18-09-2009	93,900	8,250	77,46,750	74,56,614
331703	07-10-2009	36,000	8,250	29,70,000	28,66,050
337220	30-12-2009	63,00	8,250	51,97,500	50,15,587
Total		226,078	8,250	1,97,62,648	1,90,51,859

138. In the short tender notice published in the newspaper on 06-03-2009, it was mentioned that Director Food will have to procure 10,00,000 empty gunny bags in which rates were required. The lowest rate of M/S Shah and Co. was accepted and agreement executed somewhere in April 2009. The shortcomings notice were as under:-

- i) In the contract agreement neither date of signing the contract was mentioned nor the amount of security deposit as required under procurement Rules 2004 was provided to be deposited by the contractor.
- ii) Call deposit of 2% of the bid price amounting to Rs. 1.65 million as required under Serial No. 15 of the Procurement of Goods and Services Rules 2003 was not deposited by the supplier.
- iii) Agreement was executed for 300,000 empty gunny bags, therefore, 10% security amounting to Rs. 24,75,000/- was required to have been deposited but it had not been deposited by the supplier/contractor.
- iv) The expenditure related to the financial year 2008-09 while payment was made in financial year 2009-10. Reasons for non-payment during the due year and creating liabilities for future in violation of para 289 of GFR were also not recorded.
- v) According to condition No.14 of the NIT the supply was required to have been completed within 15 days which was not done. Under size supply was received after moving a summary to the Chief Minister that bags of 100 kg were not available in the market and that the contractor would supply bags of 95 kg instead of 100 kg, it was the contractual obligation of the contractor that he should have supplied the required quantity of empty gunny bags.

139. Thus the payment of Rs. 19.052 million made is held irregular. Audit held that the cause of irregular payment was the violation of Procurement Rule 2004. The irregular payment was pointed out in August 2010. The management stated that during 2008-09, there was acute

shortage of jute bags throughout the country. The tender process was completed and rate of Rs. 86 per bag was accepted. In the meanwhile, the above supplier (M/S Shah & Co.) succeeded to get stay order from the court. Efforts were made to vacate the stay, however, during the stay period, the supplier made 129,900 bags even of 100 kg capacity which were stored in D.I. Khan @ Rs. 82.50 and had been utilized in the recent procurement campaign 2009-10. The rate was Rs. 112.90. So those bags were purchased at Rs. 82.50 i.e. cheaper by Rs. 30.40 per bag. This action was purely in the interest of the provincial exchequer and a sum of Rs. 3.949 million had been saved by the Provincial Exchequer. In the DAC meeting held on 27-11-2010, the Department repeated the previous reply. The DAC did not agree and directed to place the Para before the PAC.

DEPARTMENTAL VERSION

140. The Department explained that during 2008-09, there was acute shortage of jute bags throughout the country, however, tender was floated in the press and as a result M/S Shah & Co, who offered Rs. 82/50 per bag and stood the lowest bidder in the competition, whereas, the approved rate in Punjab and Sindh were Rs. 86/- per bag. The rate was reasonable and in favour of the Provincial Exchequer, therefore, accepted. This was for the first time in the history of the Province where a target of 100,000 metric tons was fixed for Khyber Pakhtunkhwa. The advertisement was made for 10,00,000 empty gunny jute bags, however, in the 1st phase, 3,00,000 bags were fixed as a target and agreement was executed with M/S Shah & Co., the supplier was directed for speedy supply but due to the reasons as explained above, there was acute shortage and therefore, the supplier could not make arrangements. The firm offered 95 kg empty jute bags instead of 100 kg, however, to achieve the target, even the less weight empty jute bags were accepted at lesser rate of Rs. 78/38 per bag. A summary was moved and Provincial Chief approved the summary. Agreement duly signed and call deposit of Rs. 2,00,000/- obtained from the supplier. The supply had been completed during 2009-10 and after obtaining verification certificate from District Food Controllers the payment was made in the year 2009-10.

141. Keeping in view the situation and facts as explained above, the action was taken in the interest of the Provincial Exchequer and no loss has been sustained by the Government.

COMMITTEE OBSERVATION

142. The Committee observed that the Department had violated the procurement rules-2004. Agreement was executed for 3,00,000 empty gunny bags therefore 10% security amounting to Rs. 24,75,000 was required to have been deposited by the contractor which was not done.

COMMITTEE RECOMMENDATION

143. The Committee therefore, directed Sahibzada Fazal Amin, Secretary Social Welfare Department/Acting Secretary Food Department to conduct inquiry in to the matter and fix responsibility. Law, Finance and Audit Departments will assist him. Para stands. Progress be reported to PAC.

DP. 8.2.27 IRREGULAR EXPENDITURE ON THE PURCHASE OF EMPTY GUNNY BAGS Rs. 13.037 MILLION.

AUDIT VERSION

144. The Audit reported that during the financial year 2009-10, the Director Food, Khyber Pakhtunkhwa published a short tender notice in the press on 21-02-2010 regarding purchase of 20,00,000 empty gunny bags of 100 kg capacity. In response to the tender notice various contractor participated in the bid. Against the quoted rates of Rs. 115 & Rs. 114 per bag of two supplier i.e. M/S M.I Enterprises Rawalpindi and M/S Dilawar Khan of Peshawar, uniform rate of Rs. 112.90 was approved in favour of the above two contractors. Contract agreement for the supply of 15,00,000 and 5,00,000 empty gunny bags respectively was signed with both the supplier and the following payment were made.

Cheque No.	Date	Supplier	Rate	Quantity	Net amount (Rs.)
337609	16-06-2010	Dilawar Khan & Co	112.90	26,667	29,05,329
337677	28-06-2010	Dilawar Khan & Co	112.90	14,000	15,25,279
337595	09-06-2010	M.I. Enterprises	112.90	17,000	18,52,124
337629	21-06-2010	M.I. Enterprises	112.90	32,000	34,86,352
337680	28-06-2010	M.I. Enterprises	112.90	30,000	32,68,455
Total				1,19,667	1,30,37,539

145. The following shortcomings were noticed in the above transaction:-

- There exists no provision in the Procurement Rules 2004 for the grant of one contract to two different suppliers. The same was required to have been granted to one supplier. It means a person of choice was benefited.
- According to clause 7 of the Tender Notice, the supplier will have to provide call deposit of 5% of the tender cost. As the bidders had quoted the rates of Rs. 114 and 115 per empty gunny bag which were negotiated and reduced to Rs. 112.90 per empty gunny bags, therefore, they were required to provide call deposit not less than Rs. 11.290 million. However, the contractor had deposited call deposit of Rs. 8,00,000/- and

Rs.8,60,000/- by M/S M.I. Enterprise and M/S Dilawar Khan respectively. Thus, the condition of the NIT was violated, the contractors of choice were given undue favour and the Government was put to risk.

- According to Procurement Rules 2004, minimum rate of security deposit is 10% of the value of the supply order which comes to Rs. 16.935 million and Rs. 5.645 million respectively, while at the time of signing the agreements, these were mentioned as Rs. 4 million and Rs. 8,60,000/- to be deposited in the post office in the name of Director Food. However, the contractors provided call deposits instead of deposits in the post office duly pledged in the name of Director Food. They again failed to deposit the same. This clearly indicates that the deal had been finalized in violation of rules by putting the Government into risk and giving undue favour to the supplier.

146. Since the codal formalities, as required under rules were not fulfilled, therefore, the expenditure of Rs. 13.037 million incurred on the purchase of the empty gunny bags is held irregular. Audit was of the view that the expenditure was irregular because of violation of Procurement Rules 2004 and NIT conditions. The irregularity was pointed out in August 2010. The management stated that the Federal Government had fixed a target of 3,00,000 metric ton wheat during the year 2009-10. Proper tender for the supply of empty gunny jute bags was floated in the press and the process was completed after observing all codal formalities. The lowest rate offered by Dilawar Khan and Co. was Rs. 114.00 per bag which was reduced to Rs. 112.90 per bag and he agreed to supply 2,50,000 bags at the agreed rate, whereas the above numbers of empty jute bags were less than the requirement. To avoid further complication of fresh tender process, the 2nd lowest bidder with a rate of Rs. 115.00 per bag was called and persuaded to further reduce his rate to Rs. 112.90 (the rate of 1st lowest bidder).

147. In the DAC meeting held on 27-11-2010, the Department repeated the previous reply. The DAC did not agree and directed to place the para before the PAC.

DEPARTMENTAL VERSION

148. The Department explained that the Federal Government had fixed 3,00,000 metric tons wheat to be procured in Khyber Pakhtunkhwa in the 2009-10 for which adequate number of empty jute bags were required. Proper tenders were floated into press media and tenders were held in Food Directorate. On 26-02-2010, the tender for 100 kg capacity jute bags was opened in the presence of participants bidders, the Tender Opening Committee and Officers of Law and Finance Department, as observer, The lowest rate was received viz Rs. 98.00 per bag (900 grams) the 2nd lowest for 1100 grams bags was Rs.102.00 per bag. As the rate of 1st lowest bidder was for 900 grams bag and it was not according to specification, hence it was ignored. The 2nd lowest bidder namely M/S Shah and Co. remained a supplier in the year 2008-09 and his performance was not upto the mark, however, being the lowest (for 1100

grams bag) he was informed to furnish manufacture certificate and also to provide earnest money as per advertisement published in the newspaper, but all in vain. The tender process was therefore, rejected with the following observations and put to re-tender on 16-03-2010.

- i. The firm remained the supplier during 2008-09 for the supply of 3,00,000 empty jute bags; however, the performance was not to the mark.
- ii. The firm agreed to supply 100 kg jute bags, however in the start submitted application stating therein that through the country, no jute bags are available and finally offered 95 kg jute bags instead of 100 kg as per agreement executed by the firm. Due to bumper crops in the country and achieve the target of 10,00,000 metric tons in Khyber Pakhtunkhwa, the Department was compelled to accept the offer.
- iii. The firm was not a manufacturer, therefore, keeping in view the above situation, the rates were rejected and fresh tenders were invited.

149. Tenders were held on next date as already advertised in the press. Efforts were made to persuade manufactures to offer their rates, so as to ensure timely delivery of empty jute bags for the procurement campaign. It is however added that this time too the manufacturers offered higher rates. To avoid any objection by Audit, the lowest rates offered by M/s Dilawar Khan & Co viz Rs. 114/00 per bag was considered the lowest which was later on reduced to Rs. 112/90 per bag which is still lower than the approved rate in Punjab, Sindh and Balochitan.

COMMITTEE OBSERVATION

150. The PAC observed that the Department had violated the procurement rules-2004, by giving single contract to two different suppliers and by not obtaining the security as required under Clause-7 of the NIT.

COMMITTEE RECOMMENDATION

151. As another Draft Para No.8.2.26 pertaining to the same purchase had been referred for conducting detail inquiry by Sahibzada Fazal Amin, Secretary Social Welfare Department/Acting Secretary, Food Department for detail probe. The Para was therefore clubbed with Draft Para No.8.2.26 for conducting enquiry. Para stands.

DP.8.2.28 IRREGULAR EXPENDITURE ON TRANSPORTATION CHARGES OF WHEAT Rs. 1.342 MILLION.

AUDIT VERSION

152. The Audit reported that during the financial year 2009-10, the DFC D.I. Khan issued 5000 metric ton wheat to PRC Wana which was shown issued to the flour mills on the dates on which it was issued to PRC. The cost was also deposited in advance, which confirmed that the wheat was directly issued from D.I. Khan to the Flour Mills at Wana on the cost of Government without storing it in PRC Wana. Different employees were deployed at PRC Wana,

while they actually were performing their duties at D.I. Khan. This rendered the expenditure as irregular. Moreover, as all the other offices controlling the activities of South Waziristan Agency are situated in Tank. So the issue of wheat and other administrative control was also required to be perused and watched by DFC Tank. Thus, the Government could be saved from an extra burden of transportation charges from Tank to Wana. Audit held that non observance of financial propriety caused irregular expenditure. The irregularity was pointed out in August 2010. The management furnished no reply.

153. In the DAC meeting held on 25-11-2010, the Department replied that Wana had been declared as PRC and transportation of wheat had been approved by the Governor. Furthermore, the wheat had been issued to the mill owner after depositing the amount at D.I. Khan under the supervision of AFC Incharge. The DAC asked for production of the record of DFC Wana which they could not produced.

DEPARTMENTAL VERSION

154. The Department explained that Wana has since been declared as a PRC and transportation of wheat from D.I. Khan to PRC Wana has also since been approved by the Governor, Khyber Pakhtunkhwa. Waziristan Flour Mills which is situated at Wana comes under the jurisdiction of PRC Wana so as per his demand of wheat for grinding purpose is released through approved carriage contractor on approved rate against the allocated wheat quota by the Government on PR to PR basis Wana Mill, Godown is being used as a storage. Due to law and order situation and at the other hand the said Mill (Waziristan Flour Mill) is situated in F.R. Agency areas Wana. Further, there no any National Bank of Pakistan Branch available in such Agency. The amount in question in light of safe side has been deposited here at D I Khan in advance but according to cost of and without string does not understand, because it is fact and quantity according to fixed quota after depositing the cost of wheat by the Mill Management into the bank is dispatched under the supervision of AFC Incharge PRC on production of Challans through approved carriage contractor for which presence of Incharge PRC Wana is must after receiving stock taken on FG-3 Register.

COMMITTEE OBSERVATION

155. The Committee lamented over the casual and irresponsive attitude of the Department as the decision of DAC for verification of record of DFC Wana was not yet implemented.

COMMITTEE RECOMMENDATION

156. The Committee directed the Department to produce the relevant record for verification to the Verification of Record Committee. Subject to verification of record, the Para was recommended to be dropped.

DP8.2.29 NON-RECOVERY FROM FEDERAL/PROVINCIAL GOVERNMENT ON ACCOUNT OF SUBSIDY ON WHEAT Rs.8,336.712 MILLION.

AUDIT VERSION

157. The Audit reported that the Director Food Khyber Pakhtunkhwa purchased wheat from TCP and PASSCO and subsequently issued to the mill owners. Usually the Government purchase price is higher than the sale price of the wheat. The difference in the rates is termed as subsidy on the wheat which is fully paid by the Government. Audit observed that an amount of Rs. 8,336.712 million is recoverable from the Federal and Provincial Government on account of subsidy. The year-wise break-up of the outstanding subsidy is as under.

YEAR	SETTLED AREAS	FATA	TOTAL Rs. In million)
2006-07	NIL	213.487	213.487
2007-08	2,677.890	732.600	3,410.490
2008-09	1,228.591	1,311.226	2,539.817
2009-10	2,010.331	162.587	2,172.918
Total	5,916.812	2,419.900	8,336.712

158. Audit was of the view that the cause of non recovery was non serious response from Provincial and Federal Governments. The non-recovery was pointed out in August 2010. The management replied that a series of letters were issued to the concerned government but amount had not yet been paid.

159. In the DAC meeting held on 27-11-2010, the Department repeated the previous reply. The DAC did not agree and directed to recover the amount from concerned Governments. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

160. The Department explained that series of letters were issued by this Directorate to the Finance Department Khyber Pakhtunkhwa Peshawar as well as to FATA Secretariat Warsak Road, Peshawar for payment of outstanding subsidy to the quarter concerned. The Secretary Finance Department Khyber Pakhtunkhwa Peshawar and Additional Chief Secretary (FATA), FATA Secretariat, Peshawar had also taken-up the case of outstanding dues with Finance Division Islamabad for payment of subsidy to Food Department Khyber Pakhtunkhwa.

The Chief Minister vide D.O letter No. SOF/Food Deptt:/2-3 dated 20/04/2011 had also requested the Prime Minister of Islamic Republic of Pakistan to direct the Finance Division for release of outstanding subsidy to Provincial Government, Khyber Pakhtunkhwa. The case is pursued vigorously last reminder issued to Finance Department, Khyber Pakhtunkhwa, Peshawar and FATA Secretariat, Peshawar vide Section Officer Food No. SOF(Food Deptt)2-3/10-Vol:IV dated 27-05-2011. Moreover, Draft Para No. 27 for the year 1997-98 and 6.1 for the year 2004-05 on subsidy has already been discussed in PAC meetings.

COMMITTEE OBSERVATION

161. The Committee observed that no efforts for the recovery of amount in question have been made by the Department since 1997-98, furthermore, only one letter to the Prime Minister had been sent by the Chief Minister on 20th April 2011, no reminder was sent since one and a half year. The subsidy has now been stopped to tribal areas. Had it been stopped earlier/on time the out standings would not have been raised.

COMMITTEE RECOMMENDATION

162. The Department was directed to take up the case with Federal Government immediately through the Finance Department for making early recovery or adjustment of the amount involved. Para stands. Progress be reported to PAC.

DP.8.2.30 NON-RECOVERY OF OUTSTANDING DUES AGAINST PAKISTAN RAILWAYS Rs. 39.336 MILLION.

AUDIT VERSION

163. The Audit reported that the following offices of the Food Department had allowed payment in excess of the freight charges to Pakistan Railways. Besides, the quantity of wheat delivered to the destinations was found short. Thus, an amount of Rs.39.336 million, as per detail given below was recoverable from Pakistan Railways:-

S.No.	AP No./Year	Name of Office	Recoverable amount (in million)
1	121 (2006-07)	DFC Bannu	36.290
2	130 (2005-07)	DFC Bannu	1.436
3	126 (2005-07)	DFC Bannu	0.124
4	39 (2005-06) 53 (2007-08)	DFC Charsadda	0.649
5	26 (2007-08)	DFC Kohistan	0.477

6	99 (2006-07)	DFC Mardan	0.302
7	132 (2006-07)	DFC Bannu	0.058
Total			39.336

164. Audit observed that claim for clearance of outstanding amount of Rs.39.336 million was required to have been pursued but no strenuous efforts towards recovery were made by the Department. Audit was of the view that the cause of non recovery was that no rigorous efforts were made by the Food Department. The non-recovery was pointed out in October, 2007 and September, 2008. The management stated that matter for recovery was under process with Pakistan Railways.

165. In the DAC meeting held in August and November, 2009, the Department repeated the previous reply. The DAC directed to recover the amount from Pakistan Railways but no progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

166. The Department explained that the case regarding excessive Railway freight and Transit shortage amounting to Rs. 11,69,24,424/-including the observed amount is under active process with Railway Department of Pakistan, the Provincial Assembly Secretariat, Khyber Pakhtunkhwa has already been informed of the latest position of outstanding against Railways vide SOF(Food Deptt)2-15/1785 dated 08-03-2011. Last reminder issued vide Food Directorate letter No. 1515/AC-148(R/F) dated 20-06-2012. As and when progress of recovery achieved, Audit will be informed accordingly.

COMMITTEE RECOMMENDATION

167. Subject to complete recovery by the Department, the Para was recommended to be dropped.

DP.8.2.31 NON-DEPOSIT OF RENEWAL FEE Rs. 4.196 MILLION.

AUDIT VERSION

168. The Audit reported that during the financial years 2007-10, in the jurisdiction of District Food Controller, Chitral, contractors of different classes had not deposited their annual renewal fee into the Government Treasury through Challans. This resulted into non-deposit of Rs. 4.196 million in Government Treasury. The non-deposit was due to negligence and non-compliance of Government Rules. The non-deposit was pointed out in July 2010. The management stated that record would be consulted and produced to Audit in due course of time.

169. In the DAC meeting held on 25-11-2010, the Department replied that all the registered contractors in Food Department had renewed their registration from the period 2007-08 to 2009-10; however, Challans could not be produced to Audit. The DAC decided that recovery be made. Recovery was not effected till finalization of this report.

DEPARTMENTAL VERSION

170. The Department explained that all Registered Contractors in the Food Department have renewed their registrations for the period from 2007-08 to 2009-10. Registration register will be shown to Audit. As regard the renewal of A-Class contractors is concerned, all A-Class contractors have renewed their registration at Food Directorate. Treasury Challan will be produced to Audit.

COMMITTEE RECOMMENDATION

171. Subject to verification of record by Verification of Record Committee the Para was recommended to be dropped.

DP.8.2.32 NON-RECOVERY OF COST OF EMPTY GUNNY BAGS Rs. 1.291 MILLION.

AUDIT VERSION

172. The Audit reported that during the financial years 2007-10, the District Food Controller, Chirtal, the Public Rationing Centre Koht (Chitral) did not deposit the cost of 25,823 empty gunny bags of Rs. 1.291 million. The amount was recoverable due to shortage of bags at the time of handing/taking of charge. The amount was outstanding against retired official since 2006-07. The non recovery was due to negligence of management. The non-recovery was pointed out in July 2010. The management stated that the case of recovery was under process.

173. In the DAC meeting held on 25-11-2010, the Department replied that DOR Chitral had been requested for the recovery as arrears of land revenue. However, the officials had lodged a civil suit in the Court of Senior Civil Judge, Chitral but the case had not yet been decided. The DAC directed to expedite pursuing the court case. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

174. The Department explained that the case was decided in the Court of Senior Civil Judge, Chitral against the defaulter i.e. Mr. Hasil Murad, Ex-Godown Clerk, on 26/02/2010. Against the decision, the defaulter lodged an appeal in the Court of Additional Session Judge Chitral. The Court returned the case having no jurisdiction of hearing. After that the defaulter

has appealed in Peshawar High Court, Peshawar. The Honourable High Court issued stay order in favour of appellant on 21-04-2011. The next hearing date i.e. 11/06/2011 was attended. However, the case has been transferred to Camp Court Swat, where the case is under process, no hearing date has been fixed so far.

COMMITTEE OBSERVATION

175. The Committee observed that such like Paras were reflected in the Audit Reports since long but neither action has been initiated by the Department nor any efforts had been made as yet to streamline the system.

COMMITTEE RECOMMENDATION

176. As another Draft Para No.8.2.4 pertaining to the same issue had been referred for physical verification by PAC Cell and Audit within (15) days to dig out the factual position and to fix responsibility on the concerned involved in misappropriation. The Department was directed to extend full cooperation to physical verification team. The Para being involving the same issue was clubbed with Draft Para No.8.2.4. Para stands progress be reported to PAC.

DP.8.2.33 NON-RECOVERY FROM THE FLOUR MILLS Rs. 0.841 MILLION.

AUDIT VERSION

177. The Audit reported that during the financial year 2005-06, in the office of District Food Controller Kohat, Rs. 8,41,043/- were found recoverable from various Flour Mills due to sale of wheat at the rate lesser than the approved as shown below:-

Approved rate =	Rs. 452.50 per ton
Sale rate =	Rs. 370.00 per ton.

178. Audit held that the cause of non recovery was negligence on the part of management to observe financial propriety. The non-recovery was pointed out March 2007. The Department replied that the case was under trail in the court of law and after its final decision, Audit would be intimated accordingly.

179. In the DAC meeting held on August 2008, the Department repeated the previous reply. The DAC decided to stand the para till the decision of the court. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

180. The Department explained that actually Rs. 8,17,828/26 was recoverable from the Flour Mills instead of the amount shown in Audit Para. The case was earlier under trail in High Court Peshawar and decided on 26-05-2010 in favour of Food Department. Against the above amount Rs. 6,56,415/- had been recovered as detailed below:-

S.No.	Name of Flour Mills	Amount Due	Amount recovered	Balance amount
1	Aman Flour Mills	1,73,698/-	1,73,698/-	-
2	Bangash Flour Mills	1,61,414/-	-	1,61,414/-
3	Afridi Flour Mills	78,914/-	78,914/-	-
4	Gul Flour Mills	1,88,315/-	1,88,315/-	-
5	Hidayat Flour Mills.	2,15,218/-	2,15,218/-	-
	Total	8,17,828/-	6,56,415/-	1,61,414/-

181. For the balance amount of Rs. 1,61,414/- from the Bangash Flour Mills, the said flour Mills is non-functional and closed since long, however, efforts are being made for early recovery. Major portion of the outstanding dues have been recovered.

COMMITTEE OBSERVATION

182. The Committee observed that no serious efforts were made by the Department to convince the Audit by producing the documentary evidences. The connivance of the Departmental officials with the mill owners was observed by the Committee.

COMMITTEE RECOMMENDATION

183. The Para was, therefore, referred to Sub-Committee comprising the following:-

1. Mr. Muhammad Zamin Khan, MPA Chairman.
2. Mr. Saqib Ullah Khan, MPA, Member.

184. The Sub-Committee will probe the issue in detail and fix responsibility on the officers/officials involved giving loss to the Government. The Committee will submit its report within a month time. Para stands. Progress be reported to PAC.

INTRODUCTION OF SUB-COMMITTEE

185. In pursuance of the decision of Public Accounts Committee made in its meeting held on 8th October, 2012, a Sub-Committee was constituted vide Notification No. PA/KP/PAC/SC-5/2010-11/12/11845-47 dated 02-11-2012 comprising the said Members.

PROCEEDING OF SUB-COMMITTEE

186. A meeting of the Sub-Committee was held on 02-01-2013 in the conference room of Provincial Assembly Secretariat, Peshawar and discussed the Draft Paras in question threadbare and finalized its recommendations as per detail given below.

AUDIT VERSION

187. The Audit reported that during the financial year 2005-06, in the office of District Food Controller Kohat, Rs.8,41,043/- were found recoverable from various Flour Mills due to sale of wheat at the rate lesser than the approved as shown below:-

Approved rate = Rs. 452.50 per ton
Sale rate = Rs. 370.00 per ton.

188. Audit held that the cause of non recovery was negligence on the part of management to observe financial propriety. The non-recovery was pointed out March 2007. The Department relied that the case was under trail in the court of law and after its final decision, Audit would be intimated accordingly.

189. In the DAC meeting held on August 2008, the Department repeated the previous reply. The DAC decided to stand the para till the decision of the court. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

190. The Department explained that the rate of wheat was enhanced from Rs.3,550/- per ton to Rs.4,375/- per ton by the Federal Government on 23-03-1994, a telegram was also issued to DFC Kohat by the Food Directorate, Peshawar but he had received it on 24-03-1994. However, the flour mills deposited the amount on old price, actually Rs.8,17,828/26 was recoverable from the Flour Mills instead of the amount shown in Audit Para. The flour mills were directed to deposit the amount but instead of deposit, they lodged Civil Suit. The case was earlier under trail in High Court Peshawar and decided on 26-05-2010 in favour of Food Department. Against the above amount Rs.6,56,415/- had been recovered and deposited into Government Treasury. The Challans and reconciliation statement verified by Audit in Pre-PAC meeting detailed below:-

S/No	NAME OF FLOUR MILLS	AMOUNT DUE	AMOUNT RECOVERED	BALANCE AMOUNT
1	Aman Flour Mills	1,73,698/-	1,73,698/-	-
2	Bangash Flour Mills	1,61,414/-	-	1,61,414/-
3	Afridi Flour Mills	78,914/-	78,914/-	-

4	Gul Flour Mills	1,88,315/-	1,88,315/-	-
5	Hidayat Flour Mills.	2,15,218/-	2,15,218/-	-
		8,17,828/-	6,56,415/-	1,61,414/-

191. The balance amount of Rs.1,61,414/- from the Bangash Flour Mills, has also been recovered and deposited into the Government Treasury vide Challan No. 1 dated 12/12/2012.

COMMITTEE RECOMMENDATION

192. The Department produced the Challan of recovered amount Rs.1,61,414/- which was verified by the Audit, hence, the Para was recommended to be dropped with the direction to initiate appropriate disciplinary action against the person (s) involved in delaying the recovery of the amount in question from the concerned Mill.

DP.8.2.34 IRREGULAR AND PREMATURE RELEASE OF SECURITY TO THE CONTRACTOR Rs. 5 MILLION.

AUDIT VERSION

193. The Audit reported that during the financial year 2009-10, the Director Food, Khyber Pakhtunkhwa entered into an agreement from Punjab to Bannu, Sarai Naurang, Hangu and D. I. Khan, but released the security against the rules as per detail given below:-

S.No.	Name of contractor	Station	Date of release	Amount (Rs.)
1	Haji Banoor Khan	Punjab to Bannu	03-08-2010	10,00,000
2	Haji Banoor Khan	Punjab to Sarai Naurang	03-08-2010	10,00,000
3	Haji Banoor Khan	Punjab to Hangu	03-08-2010	10,00,000
4	Haji Banoor Khan	Punjab to D.I. Khan	03-08-2010	10,00,000
5	Haji Banoor Khan	Punjab to Kohat	03-08-2010	10,00,000
Total				50,00,000

194. The security was required to have been released after 30-09-2010 which was released prematurely. Thus, the contractor was given undue favour on the risk and cost of Government and the condition of agreement was violated. Audit was of the view that violation of rules caused irregular release of security. The premature release of security was pointed out in August 2010. The management stated that the contractor had performed the services of transportation and delivered entire allocated quantity to the above specified Centres. As nothing was due against the contractor, therefore, the release of security was considered and releases were made after proper acknowledgment and undertaking to the above effect. The observation of Audit was noted for future guidance.

195. In the DAC meeting held on 27-11-2010, the Department repeated the previous reply. The DAC did not agree and directed to obtain the condonation sanction of premature release of security from Finance Department. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

196. The Department explained that Haji Banoor was approved carriage contractor for transportation of wheat from Punjab to Zone-V in the year 2009-10. He deposited a sum of Rs. 50,00,000/- as security in the post office duly pledged in the name of Director Food Khyber Pakhtunkhwa before executing contract agreement. The carriage contractor completed the delivery of allocated quantity of wheat before 30-06-2010. The security deposit was to be returned to the contractor after expiry of a period of one month vide clause-2.4 of the agreement. No Objection Certificates from the DFC obtained and thereafter released the security on 03-08-2010. It may be added that the carriage contractor had ensured quick lifting of allocated quantity and shown extra ordinary performance. The security had been released and there involved no irregularity.

COMMITTEE OBSERVATION

197. The Committee observed that no Government money was involved in the Para, rather main issue involved in the Para was premature release of security to the contractor in violation of clause-2.4 of the Contract Agreement.

COMMITTEE RECOMMENDATION

198. The Committee recommended that disciplinary action should be initiated against the person at fault (s) who made violation of the contract agreement and released security to the contractor. Subject to initiating disciplinary action and its intimation to PAC, the Para was recommended to be dropped.

DP.8.2.35 **UN-ECONOMICAL EXPENDIURE ON CARRIAGE CONTRACT TO WANA Rs. 1.341 MILLION.**

AUDIT VERSION

199. The Audit reported that during the financial year 2009-10, the District Food Controller D.I. Khan incurred an expenditure of Rs. 1.341 million on the transportation of wheat from PRC D.I. Khan to PRC Wana. The expenditure was found uneconomical because all three contractors, namely, Shahid Khan & Co., Haji Banoor Khan & Co. and Haji Musharaf Khan & Co. were one and the same contractors but printed their names on different pads for obtaining

contract by quoting different rates. Audit held that the cause of un-economical expenditure was non transparent tender process. The uneconomical expenditure pointed out in August, 2010. The management furnished no reply.

200. In the DAC meeting held on 25-11-2010, the Department replied that proper procedure for the award of carriage contract had been adopted. Only registered carriage contractors participated and offered rates on printed tender forms. All the three carriage contractors were registered having separate registration numbers and they could get tenders forms. The DAC examined the registration files of the contractor and found that three contractors had given affidavit to each other for performing their contracts. The DAC observed that the process was not transparent and directed to place the para before PAC.

DEPARTMENTAL VERSION

201. The Department explained that proper procedure for the award of carriage contract had been adopted as laid down in the Financial Rules. Only registered carriage contractors participated and offered their rates on printed tender forms delivered by the Food Directorate. The documents (i.e. Tender Forms duly filed, Call Deposit, Affidavit and Comparative Statement etc.) were sent to the Director Food for approval. Due to un-signed Tender Forms of M/s Durrani Services and Seven Star were not included these may be considered as rejected. Three carriage contractors as pointed out in Par-2 of the Audit Para are registered carriage contractors having separate Registration No. and can get Tender Form and also participated in the contract as per contract policy.

COMMITTEE RECOMMENDATION

202. The Para was recommended to be dropped subject to verification of record by the Verification of Record Committee.

DP.8.2.36 LOSS DUE TO NON-SUPPLY OF WHEAT Rs. 1.147 MILLION.

AUDIT VERSION

203. The Audit reported that in the office of District Food Controller, Chitral a quantity of 1,500 metric ton wheat was issued from NRC Azakhel for Darosh Centre Chitral. On receipt of wheat a quantity of 545 bags weighing 47,075 metric ton costing Rs.1.147 million was found substandard/damaged which was returned. However, the same had not been brought to Chitral even after the lapse of one year. Audit was of the view that provision of substandard wheat and negligence in pursuing the recovery of rejected wheat cause the loss. The non-supply of wheat

was pointed out in July, 2010. The management stated that the contractor had already been directed to bring the wheat from the quarter concerned.

204. In the DAC meeting held on 25-11-2010, the Department replied that the substandard quantity had not been accepted by the DFC Chitral and returned to S&EO Azakhel. The DAC did not agree and directed to conduct an inquiry and submit report within two weeks. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

205. The Department explained that a quantity of 1,500.000 metric tons wheat was allocated from NRC Azakhel to PRC Darosh through carriage contractor Haji Sher Afzal. During transportation a quantity of 545 bags weighing 47.075 metric tons wheat were found sub-standard/damaged containing stones etc, which was not accepted by the Incharge and the contractor back, transported the quantity in NRC Azakhel. The above quantity of wheat duly acknowledged by the Incharge NRC Azakhel and kept as "Amant" without making entry in FG-3 register. Inquiry was conducted.

COMMITTEE OBSERVATION

206. The Committee observed that inquiry recommended by the Department was found defective; it further observed that the wheat was lifted and dropped at end destination in presence of DFC representative, how come there found pebbles in wheat bags, it definitely done by the contractor.

COMMITTEE RECOMMENDATION

207. As detail probe in the matter was involved and the enquiry conducted by the Department was found unsatisfactory. The Para was therefore, referred to the Sub-Committee constituted in Draft Para No. 8.2.33 for conducting proper inquiry in the matter.

INTRODUCTION OF SUB-COMMITTEE

208. In pursuance of the decision of Public Accounts Committee made in its meeting held on 8th October, 2012, a Sub-Committee was constituted vide Notification No. PA/KP/PAC/SC-5/2010-11/12/11845-47 dated 02-11-2012 comprising the following Members:-

1. Mr. Muhammad Zamin Khan, MPA Chairman
2. Mr. Saqib Ullah Khan Chamkani, MPA Member

PROCEEDING OF SUB-COMMITTEE

209. A meeting of the Sub-Committee was held on 02-01-2013 in the conference room of Provincial Assembly Secretariat, Peshawar and discussed the Draft Paras in question threadbare and finalized its recommendations as per detail given below:-

AUDIT VERSION

210. The Audit reported that in the office of District Food Controller, Chitral a quantity of 1,500 metric ton wheat was issued from NRC Azakhel for Darosh Centre Chitral. On receipt of wheat a quantity of 545 bags weighting 47.075 metric ton costing Rs.1.147 million was found substandard/damaged which was returned. However, the same had not been brought to Chitral even after the lapse of one year.

211. Audit was of the view that provision of substandard wheat and negligence in pursuing the recovery of rejected wheat caused the loss. The non-supply of wheat was pointed out in July, 2010. The management stated that the contractor had already been directed to bring the wheat from the quarter concerned.

212. In the DAC meeting held on 25-11-2010, the Department replied that the substandard quantity had not been accepted by the DFC Chitral and returned to S&EO Azakhel. The DAC did not agree and directed to conduct an inquiry and submit report within two weeks.

DEPARTMENTAL VERSION

213. The Department explained that a quantity of 15,00,000 metric tons wheat was allocated from NRC Azakhel to PRC Drosh Chitral through carriage contractor Haji Sher Afzal. During transportation a quantity of 545 bags weighting 47.075 metric tons wheat were found sub-standard/damaged contain stones etc, which was not accepted by the Incharge and the contractor back, transported the quantity to NRC Azakhel. The above quantity of wheat duly acknowledged by the Incharge NRC Azakhel was kept as "Amant" without making entry in FG-3 register. It further told that proper inquiry was conducted as per decision of DAC.

214. During the current meeting the Contractor explained that on the directives of DFC Chitral 47.075 metric tons wheat out of the total quantity of wheat 1300 metric tons being indigenous was returned to NRC Azakhel and handed over to the Godown authorities and proper receipts was obtained but security and amount of transportation charges was not released up-till now.

COMMITTEE OBSERVATION

215. The enquiry declared unsatisfactory by the PAC was examined and found satisfactory by the Committee. During the examination of the enquiry report the Committee observed negligence on the part of Food Grain Inspector, Chitral who did not bother to check the quantity and quality of the wheat and even not obtained certificate from Storage & Enforcement Officer (S&EO) NRC Azakhel which was required to be dispatched with the wheat.

216. The Committee also observed that the contractor fulfilled the task assigned to him that is why he was granted NOC/clearness certificate by the DFC Chitral despite awarding NOC/clearness certificate to the contractor, neither his security was released nor he was paid the transportation charges of both sides till date.

217. The Committee further observed that wheat was received by the representative of DFC Chitral and after lapse of three (3) days the DFC Chitral inspected the wheat and found pebbles in it, hence directed the contractor to lift back the wheat to NRC Azakhel, wherein, it was kept as 'Amanat' and he did not ask for the replacement of that quantity of wheat.

COMMITTEE RECOMMENDATION

218. After detailed discussion, the Committee agreeing with recommendation of the Inquiry Officer recommended to:-

1. initiate disciplinary action against the Food Grain Inspector for not fulfilling his responsibility.
2. release forthwith security of the contractor and pay him transportation charges of both sides.
3. affect recovery of Rs.1.147 million pertaining to 47.075 metric ton of wheat alongwith transportation charges of both sides liable to be paid to the contractor from the concerned after fixing responsibility.
4. report progress to PAC Cell with in a month time. Para stands.

DP.8.2.37 NON-ACCOUNTAL OF WHEAT WEIGHING 100,174.090 METRIC TON Rs. 2.003 MILLION.

AUDIT VERSION

219. The Audit reported that during the financial years 2007-10, in the office of District Food Controller Chitral it was observed that a quantity of 100,174.090 metric ton wheat was brought to Chitral which was directly dispatched to PRCs situated in various places. The main stock register was not maintained by the local office and the wheat was taken in the sub-stock registers of each PRC not signed by a responsible officer. In the absence of main stock register, the balances of receipt and issue could not be determined correctly. Moreover, allocation of

wheat was made in May/June and a certain quantity of wheat was brought in the year of allocation also. The supply was required to be made from the 1st July of each in financial year so that accuracy of balance could be exercised. Audit was of the view that the non accountal of wheat was due to weak internal controls on the part of management. The non-accountal was pointed out in July 2010. The management stated that the non-maintenance of main stock register was regretted and it would be maintained in future.

220. In the DAC meeting held on 25-11-2010, the Department replied that the wheat received had been taken by the concerned Incharge of the Centres on their stock registers. The DAC did not agree with the reply of Department and showed grave concern over the non-maintenance of record in the office of DFC Chitral and decided to place the Para before the PAC.

DEPARTMENTAL VERSION

221. The Department explained that as pointed out by the Audit Party, the allocation of wheat from down District to Chitral often made during May/June. Therefore from allocated quantity of wheat from the coming year, some quantities were received during May/June. However, the overall allocated quantities have been received at the destination station of Chitral. It is further mentioned here that after 2009-10, the past practice has been changed and lifting of allocated quantity has been started during July of each year.

COMMITTEE RECOMMENDATION

222. The Department produced the record which was verified by Audit hence, the para was recommended to be dropped.

DP.8.2.38 UN-AUTHENTIC AND UN-ECONOMICAL EXPENDITURE ON ACCOUNT OF TRANSPORTATION CHARGES OF WHEAT Rs.696.227 MILLION.

AUDIT VERSION

223. The Audit reported that during financial years 2007-08, 2008-09 and 2009-10, in the office of District Food Controller, Chitral a sum of Rs. 696.227 million was drawn from Government Treasury on account of transportation charges of wheat. The expenditure was un-authentic and un-economical on the following grounds:-

- Attendance sheet indicating the number of contractors participating in the bid was not maintained, minutes were not recorded thereon and notification regarding constitution of the committee was not provided to Audit.

- The approved rates were not particularly mentioned in the bottom of comparative statements and no official stamps were affixed on it to show as to who were members of the Committee.
- The advertisement was published in the press by the Director Food Peshawar but the comparative statements were prepared by the DFC Chitral and sent to Director Food indicating the lowest bidders through a letter. A copy of the recommended rates of contractors was not provided to Audit.
- The NIT was required to be advertised in three leading newspapers i.e. one in English and two in Urdu but cutting of only one newspaper was available on record which means a wide publicity was not done. It appears that ring system was adopted and the entire system moves round the local contractors showing no transparency in the opening tenders.

224. Audit held that the cause of unauthentic and uneconomical expenditure was the violation of rules and incomplete record. The un-authentic expenditure was pointed out in July 2010. The management regretted that the main stock register was not maintained and it would be maintained in future.

225. In the DAC meeting held on 25-11-2010, the Department replied that all the documents were available but could not be produced to the DAC. The DAC deferred the para for verification of record upto 26-11-2010. No record was produced upto the specified date.

DEPARTMENTAL VERSION

226. The Department explained that the contract were awarded after observing the codal formalities i.e. tender system, tenders opening committee, comparative statement etc. Since, all these formalities were observed and the approval of the Director Food was obtained on the recommendation of the Committee. The documents will be produced to Audit.

COMMITTEE OBSERVATION

227. The Committee observed that record was not produced to Audit despite DAC and Pre-PAC decisions.

COMMITTEE RECOMMENDATION

228. Subject to verification of record by Verification of Record Committee, the Para was recommended to be dropped. The Department was also directed to initiate disciplinary action against the person responsible for non production of record to Audit for verification.

DP.8.2.39 SHORT DEPOSIT ON ACCOUNT OF ISSUANCE OF WHEAT OF LESSER WEIGHT Rs. 26.660 MILLION.

AUDIT VERSION

229. The Audit reported that in the office of District Food Controller, Mansehra, it was observed that during a physical verification of stock and stores, it came to notice that each bag of wheat issued to various mill was of 100 kg instead of actual weight e.g. 103 kg resulting in less deposit of Rs. 26.660 million. Audit held that the cause of less deposit was negligence and weak internal controls of the management. The irregularity was pointed out in August, 2008. The Department furnished no reply.

230. In the DAC meeting held in November 2009, the Department replied that the weight of a bag was not equal because bags weights are usually different from each other. However, while issuing wheat to flour mills spot weight of each bag was made and got signed by mills representatives for the issue of 100 kg per bag. The DAC did not find the reply conclusive and directed to place the para before PAC.

DEPARTMENTAL VERSION

231. The Department explained that physical verification of wheat stock is strictly followed accordingly. The weight of each truck on receipt is always checked on weighbridge with reference to DRs. As regard 100 kg in each bag would not be standard. The entries in FG-3 register are made in accordance with DRs. The numbers of bags and weights were different which would be verified by the Audit/already verified during inspection. As per stock register FG-3 wheat position during year 2007-08 was as under:-

Commodity	O/Balance on 1-7-2007	Receipt during the year	Total	Issued during the year	C/balance on 30-6-2009
Indigenous wheat	15840 B/s= 1594.698	263430 Bags= 26289.751	279260 Bags= 27884.449	187820 Bags= 18720.700	91440 Bags= 9163.749
Imported wheat	-	263037 bags= 21840.200	263037 bags= 21840.200	263037 bags= 21840.200	Nil
Total	15840 B/s= 1594.698	526467 bags= 48129.951	542297 bags= 49724.649	450857 bags= 40560.900	91440 bags= 9163.749

232. However, while issuing wheat to Flour Mills weightment of each bag is made and issue of wheat to the Flour Mills is standardized 100 kg bags. Normally weight in each bag on receipt might be different ranging between 98-106 kg. The entries in the FG-3 register are made after quantity/quality certificates are recorded by the AFC/DFC.

COMMITTEE RECOMMENDATION

233. In view of plausible explanation advanced by the Department, the para was recommended to be dropped.

DP.8.2.40 EXCESS PAYMENT TO CONTRACTORS Rs. 4.882 MILLION.

AUDIT VERSION

234. The Audit reported that the District Food Controller/S&EO Nowshera had either allowed payment to the contractors in excess of rates approved in the contract agreement executed at the time of award of contract or the contract was allowed to NLC instead of already approved contractors, which resulted into excess payment of Rs. 4.882 million to the contractors. The details are as under:

S.No.	AP No./Year	Name of Contractor	Amount paid in excess (Rs. in million)
1	66 (2007-08)	M/S Daulat Khan & Co	4.807
2	77 (2007-08)	M./S Iqbal & Co	0.023
3	70 (2007-08)	M/S Iqbal & Co	0.052
Total			4.882

235. Audit was of the view that the change of contractor caused excess payment in violation of rules. The excess payment was pointed out in January 2009. The management replied that the matter was under investigation for taking corrective action.

236. In the DAC meeting held in November 2009, the Department replied that Khyber Pakhtunkhwa being wheat deficient Province was facing extreme wheat crises. To meet the crises the NLC was engaged in inspite of its rates being higher than the approved rates for contractors and wheat was lifted from different lifting points on emergency basis on the directions of the higher-ups of the Province. The DAC did not agree with the reply and directed to recover the amount. However, no recovery was reported till finalization of this report.

DEPARTMENTAL VERSION

237. The Department explained that during 2007-08 wheat and whet atta crises were in full swing and the demand of general public was enhanced through out the country including Khyber Pakhtunkhwa. The affairs were directly controlled through Federal Food Committee, Islamabad who order for engagement of NLC for quick lifting through their own vehicles as well as HMT vehicles for transportation of imported as well as Indigenous wheat from Karachi and Punjab. M/S Muhammad Iqbal & Co Mardan had transported a quantity of 538.801 metric tons

imported wheat from Karachi to Azakhel and 2892.007 metric tons from Karachi to Nowshera during 2007-08. Payment made to the contractor on approved rates of 2158/- for Azakhel and 2183/- per ton for Nowshera respectively.

238. Due to enhancement in the POL rates carriage contractors submitted applications to increase the rates at par with transportation charges and on ratio of increase rates of POL. A summary was moved to the Honourable Chief Minister which was approved and the rates enhanced from 2158/- for Azakhel and 2183/- for Nowshera to Rs.2200/- per ton. Since the requests of the contractors were acceded by the Provincial Chief Executive and concurrence of the Finance Department obtained.

COMMITTEE OBSERVATION

239. The Committee observed that the similar nature Draft Para No. 7.2 was discussed in the Audit Report of 2009-10, wherein it was decided to conduct inquiry for fixing responsibility by the Inter Departmental Committee (IDC) comprising the representatives of Food, Law and Finance Departments and the light of Article 18(b) of the Constitution of Islamic Republic of Pakistan. The said inquiry was produced to the Committee which was examined by the Committee and was not found satisfactory as it was not conducted in the light of provision of Article 18(b) of Constitution of Islamic Republic of Pakistan.

COMMITTEE RECOMMENDATION

240. It is, therefore, recommended that the Para may be clubbed with Draft Para. No.7.2 (2009-10) and Draft Para. No.8.2.7. (2010-11) for re-conducting inquiry in the light of Article 18(b) of Constitution of Islamic Republic of Pakistan Para stands. Progress be reported to PAC.

241. An IDC was already constituted in the similar Draft Para No. 7.2 (2009-10) which conducted inquiry and submitted its report. In view of the sensitivity of the circumstances and in order to control the law & order situation and in light of direction of Federal Food Committee action was taken by the Department after the approval of competent authority to ensure availability of wheat in the godwons of this Province hence, the IDC requested the PAC to consider the Para for settlement.

242. The said report of IDC was adopted by the PAC in its meeting held on 25-02-2014, hence, the para was settled.

HOME & TRIBAL AFFAIRS DEPARTMENT.

Thirty nine (39) Draft Paras were reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meetings held on 9th & 10th of October 2012 and 20th, 24th and 26th of February 2014. The following were present:-

Public Accounts Committee

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Kiramatullah Khan, Speaker | Chairman |
| 2. | Mr. Abdul Akbar Khan, MPA | Member |
| 3. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 4. | Mr. Mukhtiar Ali, MPA | Member |
| 5. | Mufti Syed Janan, MPA | Member |

Public Accounts Committee (subsequent)

- | | | |
|----|-----------------------------------|----------|
| 1. | Mr. Asad Qaisar, Speaker | Chairman |
| 2. | Syed Muhammad Ali Shah Bacha, MPA | Member |
| 3. | Syed Jafar Shah, MPA | Member |
| 4. | Mr. Muzaffar Said, MPA | Member |
| 5. | Mr. Mehmood Ahmad Khan, MPA | Member |
| 6. | Mr. Abdul Munim, MPA | Member |
| 7. | Mr. Qurban Ali Khan, MPA | Member |
| 8. | Syed Muhammad Ishtiaq, MPA | Member |
| 9. | Arbab Akbar Hayat Khan, MPA | Member |

Law, Parliamentary Affairs and Human Rights Department

Mr. Jamshaid Khan Afridi,
Deputy Secretary.

Finance Department

1. Mr. Razaullah
Additional Secretary
2. Mr. Saif-ur-Rehman Usmani,
Director
3. Mr. Taj Muhammad,
Deputy Secretary, (B-III).

Audit Department

1. Mr. Sikandar Khan,
Director General.
2. Mr. Lal Muhammad,
Director.
3. Mr. Mutahir Rehman,
Deputy Director
4. Mr. Asif Rasheed,
Deputy Director.
5. Syed Bahadar Shah,
Deputy Director
6. Said Hussain,
Deputy Director.
7. Mr. Shad Muhammad Khattak,
Audit Officer.

Home & Tribal Affairs Department

1. Syed Alamgir Shah,
Special Secretary.
2. Mr. Muntazir Khan
Additional Secretary.
3. Dr. Sulaman Khan,
Commandant Elite Force.
4. Mr. Muhammad Asif,
Additional Inspector General, (HQs).
5. Mr. Sajid Ali Khan,
Deputy Inspector General, (CPO).
6. Mr. Quraish,
Assistant Inspector General, (CPO).
7. Mr. Awal Khan
A.I.G Finance.
8. Mr. Husnain
S.P HQs Peshawar
9. Mr. Muhammad Ayub,
Deputy Director Accounts.
10. Mr. Javed Khan,
Budget Officer, (CPO).

Provincial Assembly Secretariat

1. Mr. Amanullah,
Secretary
2. Mr. Atta Ullah Khan,
Acting Secretary.
3. Mr. Amjad Ali,
Additional Secretary.
4. Mr. Inamullah Khan,
Deputy Secretary,
5. Mr. Wakil Khan,
Assistant Secretary.
6. Mr. Asad Ullah Khan,
Secretary. Assistant
7. Mr. Haris Khan,
Assistant Secretary.

2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

3. At the outset, after welcoming the participants, the Chairman asked the Audit Department to start the proceedings but Mr. Saqib Ullah Khan Chamkani, MPA pointed out that the Principal Accounting Officer (PAO) has neither represented personally nor sent any request to the Chairman regarding his inability to attend the meeting. The Chairman realized the issue and told that in the absence of Principal Accounting Officer, the Committee could not examine/discuss the Audit Report pertaining to the Department.

4. The Special Secretary, Home & Tribal Affairs Department told the Committee that Police Department was under the administrative control of Home & Tribal Affairs Department that is why he was representing the Police Department. He further told that funds were released to Police Department through Home & Tribal Affairs Department but the Committee clarified that Principal Accounting Officer of the Department should have represented his Department in the meeting of PAC personally and in case of his inability sent his nominee with prior permission of the Chairman PAC.

5. The Committee after detailed discussion on the issue showed its displeasure over such attitude of the Principal Accounting Officer towards supremacy of Parliament and directed to bring the issue in the notice of Chief Secretary, Khyber Pakhtunkhwa. After this the Chairman under compulsion postponed the sitting of the Committee without taking into consideration of Audit Report with the instructions that the Draft Paras reflected in the working

paper for 9th October, 2012, would be examined on 10th October, 2012. The Committee further directed that tomorrow's meeting should be represented by the Principal Accounting Officer personally or by his representative after getting prior approval of the Chairman, Public Account Committee.

6. On 10th of October 2012, the PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

**DP.10.2.1 UN-VERIFIED EXPENDITURE DUE TO NON-PRODUCTION OF RECORD
Rs.34.105 MILLION.**

AUDIT VERSION

7. The Audit reported that during the financial year 2005-06, in the office of District Police Officer Karak, record pertaining to the expenditure to the tune of Rs. 34.105 million was not produced to Audit.

8. Audit held that the reason for the non-production of record was violation of rules.

9. It was pointed out in May, 2007. The management replied that the record was under enquiry and lying with DIG (Investigation).

10. In the DAC meeting held in July, 2009, the department replied that the record has been returned by the DIG Investigation and is ready for checking. DAC directed to produce the record within 30 days to Audit, which was not produced till finalization of this report.

DEPARTMENTAL VERSION

11. The Department explained that a detailed inquiry had been carried out by the DIG which revealed that out of the total expenditure of Rs. 34.105 million, Rs. 24.687 million were drawn in pay and allowances and Rs. 9.418 million pertained to the commodities & services. The enquiry report containing irregularities, was brought in to the notice of Provincial Police Officer for taking appropriate action against the defaulter Official. The defaulter clerk was issued charge sheet and statement of allegations under removal from services (special power) Ordinance 2000. Mr. Asharaf Noor DIG (E & I) was appointed as enquiry officer to conduct proper Departmental proceedings. The enquiry Officer in his findings held the accused official responsible for misappropriation of Government funds to the tune of Rs: 1, 58,824/- and recommended recovery of the said amount in lump sum or in installment. The enquiry officer further recommended the defaulter clerk for minor punishment being a Junior Clerk who should have not been posted as accountant on a senior position of great responsibility. The official had been awarded minor punishment and recovery had been made from him.

12. Audit desired to provide the record of the whole financial year in Director General, Audit office for verification. In the pre-PAC meeting, Audit agreed to conduct audit for the year 2004-05 during visit of Audit party for audit DPO Tank for the year 2011-12.

COMMITTEE OBSERVATION

13. The Committee observed failure of the Department in producing record to Audit in violation of Section 14 of the Auditor-General Ordinance, 2001.

COMMITTEE RECOMMENDATION

14. The Committee recommended for conducting detailed Audit alongwith initiation of disciplinary action under E&D Rules against the responsible (s) for non-production of record to Audit within a month time. Para stands. Progress be reported to PAC Cell.

DP.10.2.2 OVERPAYMENT DUE TO PURCHASE OF WEAPONS ON HIGHER RATES Rs.438.772 MILLION.

AUDIT VERSION

15. The Audit reported that during the financial year 2009-10, the Provincial Police Officer Khyber Pakhtunkhwa purchased heavy ammunitions through supply order No. 4930 dated 11.05.2009 from M/S Majeed & Sons and payment for Rs. 355.972 million was made through Cheque No.333379 dated 29-10-2009.

16. The lowest rates offered by other dealers were rejected due to the reason that they had put condition of NOC to be arranged by the Police Department. So the contract was awarded to M/S Majeed & Sons, and the department extended support in the issuance of NOC to M/S Majeed & Sons from the Ministry of Interior Division.

17. In another case i.e. purchase of 9MM and 69,000 magazines of SMG (7.62 x 39 MM) valuing Rs. 82.8 million, the NOC was also arranged by the Police Department. Thus the contractor was overpaid Rs. 438.772 million on account of accepting higher rates which needs to be recovered.

18. Audit held that the cause of overpayment was weak financial controls on the part of management.

19. The overpayment was pointed out in October 2010. The Management furnished no reply.

20. In the DAC meeting held on 20-01-2011 the Department replied that the Police Department purchased various weapons/ammunitions and other store from M/S NORINCO

China through his agent M/S Majeed & Sons which were selected after completion of all codal formalities. The rate of M/S Shahid Trader representing M/S SINSHIDIA Company China was rejected due to the reason that the brand and quality of the manufacturer was not known. The lowest rates of M/S Zafar Azfar representing M/S Poly Technologies China were also not considered due to its poor performance in the previous contract and restriction imposed by the Ministry of Commerce for not awarding contract to the third party. The Police Department extended its support to issue NOC in favour of M/S NORINCO from Ministry of Interior in accordance with the clause I (c) of para 16 (A) of the Import Policy Order 2008. The chairman of the DAC recommended to settle the Para. However, Audit did not agree to the recommendations of chairman on the following grounds:

21. When NOC was arranged by the Police Department in favour of Majeed & Sons, why such facility was not extended to the other lowest bidders.

22. The contention of the Police Department was that the performance of Zafar Azfar was not satisfactory in past, is not only contradictory but also incorrect, as payment of Rs.21.313 million was made to the said firm for the supply of ammunitions through Cheque No.0457704 dated 28-06-2010.

DEPARTMENTAL VERSION

23. The Department explained that Police Department purchased heavy weapons/ammunition from M/S NORINCO China through his agent M/S Majeed & Sons which were selected after completion of all codal formalities. These items were selected for standardization and compatibility of weapons/ammunition, attributality towards any failure/defects of weapons for the purpose of warrantee/guarantee claim and to avoid compromising the quality of the requisite arms/ammunitions.

24. The rates of M/S Shahid Traders representing M/S XINSHIDAI company China was rejected due to reasons that the brand and quality of the manufacturer was not known, further the items were refurbished and hence were not of the quality and standard required by the Police Department. The lowest rate for three (03) items offered by M/S Zafar Azfar representing M/S Poly Technologies China were also not considered due to their poor performance in the previous contracts and restriction imposed by the Ministry of Commerce for not awarding the contract to the third party.

25. The Police Department extended cooperation in support to issue NOC in favour of M/S NORINCO from Ministry of Interior in accordance with clause (IC) of Para 16 (A) of the

Import Policy Order 2008, circulated to all Ministries, Divisions and Provincial Governments. According to the import Policy, Arms and Ammunitions cannot be imported through third party. Therefore, the NOC was arranged and orders placed with manufacturers M/S NORINCO China which was in line with the Import Policy. The Police Department in another case, had given undertaking to the Ministry of Commerce that the Police Department would not import arms & ammunition through third party.

26. The Department clarified that:-

1. NOC was issued by the Ministry of Interior & Commerce. In the previous contract of 9 MM ammunition awarded to M/S Zafar Azfar & Co, the above Ministries had refused to issue NOC to M/S Zafar Azfar & Co being a third party which was against the import policy of the Federal Government.
2. NOCs to M/S Majeed & Sons being representative of M/S NORINCO China was issued by the above Ministries on the ground that supply order would directly be issued to the manufacturer i.e. M/S NORINCO China for the supply of heavy weapons.
3. M/S Zafar Azfar was awarded contract for the supply of 9MM ammunition during 2008-09 vide supply order No. 13076/LC (Import) dated 29-09-2008 however, the firm supplied the above items on 07-08-2009 which caused abnormally delay due to non clearance of the items from custom Authorities.

COMMITTEE OBSERVATION

27. The Committee observed that no supporting documents were furnished with the working paper. The same were produced during the meeting which could not be examined by the Committee in view of its bulky volume. Without examining the supporting documents, the Committee tried to examine the para but could not arrive at conclusion as the Departmental officer were also not found fully prepared and could not respond to the queries raised by Committee members and Audit.

COMMITTEE RECOMMENDATION

28. In view of the above, the Committee deferred consideration of the draft para alongwith other remaining Draft Paras with the direction to the PAC Cell to examine the supporting documents and prepare brief on each Draft Para for facilitation of the Committee in its next meetings fixed for 5th, 6th & 7th of November, 2012.

29. The Department was directed to avoid such practice of late submission of working papers/supporting documents to the Committee.

30. The remaining Draft Paras pertaining to the Department were placed on the schedules of PAC meetings time and again but could not be examined by the Committee due to the fact that the requisite record was in custody of NAB authorities.

31. The subsequent PAC constituted on 17-01-2014 took up for consideration the following Draft Paras in its series of meetings held on 20th, 24th and 26th of February 2014 and made recommendations on each Para as under:-

DP.10.2.2 OVERPAYMENT DUE TO PURCHASE OF WEAPONS ON HIGHER RATES Rs.438.772 MILLION.

DP.10.2.3 OVERPAYMENT DUE TO PURCHASE ON HIGHER RATES Rs.336 MILLION.

DP.10.2.4 UNECONOMICAL EXPENDITURE ON PURCHASE OF WEAPONS, AMMUNITION AND OTHER STORES Rs.4.334.00 MILLION.

DP.10.2.5 UNDUE FINANCIAL AID TO THE SUPPLIER AS 70% ADVANCE OF THE CONTRACT Rs.2668.047 MILLION.

DP.10.2.6 NON-IMPOSITION OF PENALTY ON LATE SUPPLY OF AMMUNITIONS Rs.190.550 MILLION.

DP.10.2.7 LOSS DUE TO PURCHASE ON HIGHER RATES Rs.718.130 MILLION.

DP.10.2.8 LOSS DUE TO PURCHASE ON HIGHER RATES Rs.84.141 MILLION.

DP.10.2.9 LOSS DUE TO PURCHASE OF OTHER STORE ON HIGHER RATES Rs.19.241 MILLION.

DP.10.2.10 LOSS DUE TO PURCHASE ON HIGHER RATES Rs.58.650 MILLION.

**DP.10.2.11 LOSS DUE TO AWARD OF CONTRACT AT HIGHER RATES Rs.4.334 MILLION.
NON ACCOUNTAL OF STORE Rs. 15.393 MILLION.**

DP.10.2.12 LOSS DUE TO PURCHASE ON HIGHER RATES Rs.2.853 MILLION.

DP.10.2.13 LOSS DUE TO AWARD OF CONTRACT AT HIGHER RATES Rs.2.322 MILLION.

32. The Audit Department read out its plaint mentioned in the D.P No. 10.2.2. In response, the Department pointed out that all the draft paras mentioned above are of similar nature involving the same issue and are under consideration in the National Accountability Bureau (NAB) court, hence the matter being sub-judice may be kept pending. The contention of the Department was supported by the Audit Department as well as by the Law Department. The Law Department added that any observation/recommendation of the Committee at this stage would influence the case(s) pending for consideration in the Court of Law. The Members of Committee were also of the view to keep the said Draft Paras pending till the decision of the Court of Law. However, the Committee also wanted to know the latest position of the case(s) pending before the court of law and to ascertain as to whether all the amounts involved the above mentioned Draft Paras have been incorporated in the cases under consideration in the

court of law or otherwise. Hence, suggested for obtaining complete detail from the NAB Authorities in this regard.

COMMITTEE OBSERVATIONS

33. The Committee noted with heavy heart that though the Police of our Province is facing huge challenges in the current security scenario, even then number of black sheeps are found in the Department so there would be no sympathy for those who have been found involved in such cases and would be strictly dealt with to avoid such practices in future.

COMMITTEE RECOMMENDATIONS

34. The Committee kept the Paras pending with the direction to the PAC Cell to arrange a special meeting soon after the ensuing Session of the Provincial Assembly in which the NAB Authorities, Audit, Finance and Law Departments may be invited so that a comprehensive briefing may be obtained about.

DP.10.2.14 LOSS DUE TO NON-RECOVERY OF HRA Rs.1.890 MILLION.

AUDIT VERSION

35. The Audit reported that according to Rule-8 of Government of Khyber Pakhtunkhwa (NWFP), S&GAD (Estate Office) Notification No.EO/S&GAD/34-M dated 30-01-1980, all Government accommodations shall be allotted subject to the deduction of House Rent Allowance and 5% of the basic pay.

36. During the financial year 2005-06, in the Office of Chief Capital Police Officer Peshawar, it was noticed that there are forty (40) Police Stations having at least two (2) quarters each i.e. one for SHO operation and one for SHO investigation but all the SHOs are drawing House Rent Allowance and 5% of basic pay is also not deducted from their monthly salary resulting into a loss of Rs.1.890 million to the Government.

37. Audit held that House Rent Allowance is not allowed to those SHOs under the rules who are allotted residential quarter. As such Government rules have been violated.

38. The loss was pointed out in January 2007. The management replied that the presence of SHOs is necessary round the clock and such hired quarters have been arranged by the SHOs being used for rest purpose and not for residential purposes with family. Every Police station does not have such quarter.

39. In the DAC meeting held in July 2009, the Department repeated the previous reply. The DAC directed to conduct inquiry, as the reply was not acceptable. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

40. The Department explained that enquiry has been conducted and submitted to the Director General, Audit, Khyber Pakhtunkhwa vide this office letter No.1439-40/AC, dated 16-11-2011. As per enquiry report the SP/HQ Peshawar vide his letter No.17549 dated 11-11-2011 has stated that the quarters at Police Station are used by SHOs for rest purpose after operational duties and not as family accommodation.

41. It further explained that a similar nature Draft Para No.9.6 of 2009-10 was discussed in PAC and the Committee was apprised of the factual position. The Committee has therefore recommended to drop the para with the direction to the Department to stop forth with deduction of House Rent Allowance from the Police personal throughout the Province as the quarters being in deplorable conditions, lacking all basic facilities do not falls into the definition of the residential accommodation and are used for rest by the Police Officers after the operational duties.

COMMITTEE OBSERVATION

42. The Committee considered its previous decision given in the Draft Para No. 9.6 (2009-10) and report of the inquiry conducted by the Department on the direction of DAC. The Committee accepted the contention of the Department in principle but was of the view to have visits of Police Stations to carry out physical verification of the said accommodations.

COMMITTEE RECOMMENDATIONS

43. Decision on the Draft Para was kept pending till the submission of the report of physical verification by the Sub-Committee comprising the following:-

- | | | |
|----|--------------------------|----------|
| 1. | Syed Jafar Shah, MPA | Chairman |
| 2. | Mr. Qurban Ali Khan, MPA | Member |
| 3. | Mr. Muzafar Said, MPA | Member |

DP.10.2.15 SUSPICIOUS EXPENDITURE ON THE PURCHASE OF ORDINANCE STORE Rs.48 MILLION.

AUDIT VERSION

44. The Audit reported that according to para 96 of GFR Vol-I read with Rule 290 of the Treasury Rule, strictly prohibits incurrence of expenditure hastily during the month of June just to avoid laps of funds.

45. During the financial year 2009-10, the Provincial Police Officer (IGP) Khyber Pakhtunkhwa has incurred an expenditure of Rs.48 million on the purchase of Gabion Barrier and payment made on 28-06-2010 to M/S Al Moiz Trading Corporation Peshawar Cantt:

46. Supply order was issued to the dealer vide letter No. 69S0 dated 25-06-2009 and in the NIT it was categorically stated that rate of supply should be valid up to 30-06-2009. However, no supply was made even till the month of May 2010. Audit was of the view that payment was made on 28-06-2010 for Rs.32.160 million and No.0408013 dated 14-06-2010 for Rs. 15.840 million just to avoid lapse of funds. No penal action was taken against the supplier for such delay in supply, as supply order was issued during 2008-09 and supply was made in June 2010. Audit apprehends that expenditure was suspicious.

47. Audit held that supercilious expenditure was due to weak financial controls on the part of management. The irregularity was pointed out in October 2010. The management furnished no reply.

48. In the DAC meeting held on 20-01-2011, the Department replied that the tenders were called during the year 2008-09 and supply order issued on 25-06-2009. However no payment was made to the firm till 20-06-2009. The payment was made to the firm in June 2010 and store was taken on stock accordingly. The Gabions have been issued/distributed to the District/Unit in accordance with their requirements. The Chairman DAC (IGP) recommended to settle the para. However, Audit did not agree with the decision of DAC.

49. Instructions contained in the NIT that rate would be valid upto 30-06-2009 were got violated. The Department stated that the supply order was issued on 25-06-2009, but no payment was made to the supplier during that year. Audit observed that when supply order was issued why payment could not be made. Instead of re-tendering payment was made to the firm on 28-06-2010 just to avoid funds from lapse which itself created doubt. Distribution of store was not shown to audit in the stock register of the respective District.

DEPARTMENTAL VERSION

50. The Department explained that the observation raised in the Para was explained to the audit as per detail below:-

- i. The supply order mentioned in the Para was issued to the firm on behalf of NAS (US) Embassy as payment was released by them to the firm directly.
- ii. The firm was issue another supply order vide No.12503/C1 dated 15-12-2009 for supply of additional quantity of 10,000/- No. Gabions berries on the same terms & condition. Payment was accordingly made to the firm on completion of supply during the same financial year 2009-10. Hence no delay was made in the supply and payment. The Para may please be dropped.

COMMITTEE RECOMMENDATION

51. As per Draft Paras No. 10.2.2 to 10.2.13.

DP.10.2.16 SUSPICIOUS EXPENDITURE DUE TO PURCHASE OF MAGAZINES SMG AK-47 (7.62X39MM)- Rs. 82.8 MILLION.

AUDIT VERSION.

52. The Audit reported that during the year 2008-09, the Provincial Police Officer (IGP) Khyber Pakhtunkhwa incurred an expenditure of Rs. 82.8 million, as per detail given below on the purchase of 69,000 Magazines through M/S Majid & Sons for a quantity of 23,000 Sub Machine Gun (SMG) already purchased.

Cheque No.	Dated	Quantity	Rate (Rs.)	Rs. in million
319870	04-06-2009	15,000	1,200	18.00
319807	30-06-2009	15,000	1,200	18.00
328875	30-06-2009	39,000	1,200	46.80
Total				82.80

53. According to the instruction manual of the said SMG provided by the supplier, each gun would be supplied with four magazine i.e. one in gun and three extra magazines. From the above it was clear that the required magazines were provided by the supplier with the already supplied SMGs. The said expenditure was thus suspicious and double drawl. Audit held that the expenditure was due to weak financial control on the part of management. The suspicious expenditure was pointed out in October, 2010. The management furnished no reply.

54. In the DAC meeting held on 20-01-2011, the Department replied that the Police Department purchased 23,000 SMGs AK-47 from M/S NORINCO China. The firm has not offered extra magazines with SMGs as was evident from the tender documents and rates quoted by firm. The Chairman DAC (IGP) recommended to settle para. Audit however,

disagreed with the recommendation of the Chairman DAC as according to the instructions manual each gun was supplied with four magazines.

DEPARTMENTAL VERSION

55. The Department explained that the Police Department purchased 23000 SMGs AK 47 from M/S NORINCO China. The firm has not offered extra magazine with SMGs as evident from the tender documents and rates quoted by firm. Beside the above all the firms participated in tender have not offered spare Magazine in their rates. It is also mentioned that POF Wah in its fresh quotation quoted the price of SMG/MP5 & G-3 with single magazine and for extra magazine quoted separate price of Rs.2,500/- and Rs.2,000/-.

56. The matter with regard to the supply of extra magazine was discussed with the representative of M/S NORINCO who demanded Rs.1,600/-for each spare magazine. The proposal/invoice of the firm was placed before the Purchase Committee which was rejected and decided to call fresh tenders through vide publicity. Accordingly fresh tenders were called for and the magazines were purchased @ Rs.1,200/- which was more economical. The (03) extra magazines were the basic requirement with the SMGs for utilization in case of emergencies, hence no suspicious purchase were made. All the 69000 magazines taken on stock register, already shown to audit during the meeting held with Director General, Audit. As decided in the DAC meeting, audit may verify the brochure of M/S NORINCO China to clear the reservations.

COMMITTEE RECOMMENDATION

57. As per Draft Paras No. 10.2.2 to 10.2.13.

DP.10.2.17 NON RECEIPT OF STORE Rs. 279.20 MILLION.

AUDIT VERSION

58. The Audit reported that the Provincial Police Officer Khyber Pakhtunkhwa incurred an expenditure of Rs.279.200 million on the purchase of 8 million rounds of 7.62 x 39M.M ammunitions @ Rs.34.90 against the supply order issued on 13-03-2010. Verification of stock register etc revealed that the store was not received to the Department till the date of Audit i.e. 26-10-2010.

59. The supply order and sanction for the incurrence of expenditure was issued by the Director General PCU, a Project of Police Department established for the construction of different Police Stations and having no concern with the ammunition/weapons as it was the sole responsibility of the IGP Khyber Pakhtunkhwa.

60. Audit held that the cause of non-receipt of store was weak management control. The non-receipt of store was pointed out in October 2010. The management furnished no reply.

61. In the DAC meeting held on 20-01-2011 the Department replied that the arms/ammunitions including eight million rounds were purchased by DG PCU for Police force. The firm is being penalized for the delay. However, no progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

62. The Department explained that the Provincial Government has approved a project for Police Department in the name of PCU (Project Coordination Unit) under the Administrative control of IGP, Khyber Pakhtunkhwa. The Project has the following functions:-

- i. To procure, Arms and Ammunition, Equipment and Transport etc for the Police Force.
- ii. To construct Police Lines, Police Stations and Police posts for the Police Department.

63. The Provincial Government approved a PC-I for Rs.2000.000 million for the procurement of above mentioned items.

COMMITTEE RECOMMENDATION

64. As per Draft Paras No. 10.2.2 to 10.2.13.

DP.10.2.18 NON ACCOUNTAL OF STOCK Rs. 388.272 MILLION.

AUDIT VERSION

65. The Audit reported that during the financial year 2009-10, the Provincial Police Officer Khyber Pakhtunkhwa incurred an expenditure of Rs. 388.272 million on the purchase of 8.089 Bullet Proof jackets each @ Rs.48,000/- from Shahid Traders. The instance purchase was in addition to the purchase of 30,000 Jackets costing Rs.1.650 million also supplied during the same financial year which were taken on stock but still lying un-issued. The entries of earlier purchase of 8.089 jackets were not available in the stock register. Non-accountal of stock tantamount to misappropriation.

S/No.	Cheque No. & Date	Quantity of Jackets	Rate (Rs.)	Amount (Rs. in million).
1	0373830 12/02/2010	2714	48,000	130.272
2	0401332 08/04/2010	2812	48,000	134.976
3	0457942	2563	48,000	123.024

	28/06/2010			
Total				388.272

66. Audit held that the cause of non-accountal was weak internal controls on the part of management. The non-accountal was pointed out in October 2010. The management furnished no reply.

67. In the DAC meeting held on 20-01-2011 the Department replied that all purchases were made after completion of codal formalities. The current available stock was 75% of the total police force and hence no wasteful expenditure was made. The DAC directed to produce stock register. However, the photocopy of stock register revealed the receipt and issue of 7,000 jackets till 20-01-2010 and where about of the remaining jackets were unknown. Therefore, the matter is placed before PAC.

DEPARTMENTAL VERSION

68. The Department explained that the Police Department purchased 15000 Bullet Proof Jackets in 2008-09 @ Rs. 48,000/- per jacket after completion of all codal formalities as laid down in procurement rules. Payment to the firm was released in installments on availability of fund as per detail shown in the audit Para. 3000 bullet proof jackets were purchased in 2009-10 @ Rs.55,000/- after completion of all codal formalities. Record entry of 15000 and 30000 Bullet proof jackets are available in stock register.

69. All these purchases were made to equip the Police Force to fight militancy and terrorism effectively. The current available stock is 75% of the total Police Force, hence no wasteful expenditure was made. All bullet proof jackets have been taken on stock and distributed among the District units as per distribution list. Original record i.e. stock register could be verified by Audit.

COMMITTEE RECOMMENDATION

70. As per Draft Paras No. 10.2.2 to 10.2.13.

DP.10.2.19 SUPPLY OF LOW STANDARD MATERIAL Rs. 35 MILLION.

AUDIT VERSION

71. The Audit reported that the Provincial Police Officer Khyber Pakhtunkhwa issued supply order to M/S Shaheer Trading Co. Peshawar for supply of 5,000 anti riot suits (Full body protection) costing Rs. 35.000 million on 25-03-2010 with the condition that supply shall be

made within (60) days. It is astonishing to note that the lowest rates of two firms were rejected without any reason.

72. The dealer however supplied 2,000 suits till the scheduled date while the rest was pending till 30-06-2010. During the last week of the financial year 2009-10 the remaining 3,000 anti riot suits were also supplied. A Committee arranged the inspection of these suits but due to low quality the supply was rejected and directed the person(s) to lift back the store. From the above it was apprehended that he was favored, as on the one hand his higher rates were accepted and on the other he supplied low standard suits.

73. Since the previous 2,000 anti riot suits were shown distributed so Audit could not ascertain the accuracy and authenticity of the earlier supply. Audit therefore holds that same would be position of the previous supply. Audit held that the cause of low standard supply was weak financial controls and violation of rules on the part of management. The supply of low standard material was pointed out in October 2010. The Management furnished no reply.

74. In the DAC meeting held on 20-01-2011 the Department replied that all the supplied quantities were inspected by the Committee with the approved sample and all the codal formalities were completed. The DAC directed to produce stock register copy of proceeding of the Committee, test and trial report and distribution of the suits, which was not furnished till finalization of this report.

DEPARTMENTAL VERSION

75. The Department explained that the Police Department purchased 5000 Anti Riot suits after completion of all codal formalities as laid down in the Procurement Rules. The sample provided by the first lowest M/S Al-Moiz Trading Corporation Peshawar and second lowest Shayan-e-Sarhad Enterprises were found of sub standard quality. The sample of third lowest firm M/S Shaheer Trading Co Peshawar was selected by the Committee being better in quality.

76. In this regard it is submitted that Police Department has a standard procedure. All the supplied quantities are checked/examined by the Inspection Committee with the approved sample and the Committee is authorized to accept the supplied quantity if found according to the approved sample or reject the same if found sub-standard. In the instance case, the 1st batch of 2000 Anti Riot Suits were accepted by the Committee as evident from the Inspection Committee report proceeding. The 2nd batch of 3000 Anti Riot suits was rejected by the Inspection Committee on the grounds mentioned in proceeding of Inspection Committee.

The firm again supplied 3000 of Anti Riot suit which were examined and accepted by the Inspection Committee as per proceeding.

COMMITTEE RECOMMENDATION

77. As per Draft Paras No. 10.2.2 to 10.2.13.

DP.10.2.20 UN-AUTHORIZED DEPOSIT OF PUBLIC MONEY INTO BANK ACCOUNT Rs.5.156 MILLION.

AUDIT VERSION

78. The Audit reported that while auditing accounts record of Regional Coordination Officer Kohat for the year 2008-09, it came to notice that public money amounting to Rs.5.156 million was deposited into bank account bearing No.2226-5 opened in National Bank Kohat as evident from the bank statement for 2008-09. Depositing the public money into private bank account is unauthorized because approval of Finance Department to open bank account for the transfer of public money was not obtained. The Cheque issued by DAO Kohat should have been issued/utilized on the purpose for which the amount was drawn instead of depositing into private bank account.

DEPARTMENTAL VERSION

79. The Department explained that the amount from DAO Kohat was drawn through cross cheques which cannot be en cashed in ordinary manner but it requires depositing in NBP account (Profitless) to ensure the safety of cash and avoid any loss if kept in hand.This procedure is prevailing in the entire Province .The Bank account was transitory and short term for the above noted purpose.

COMMITTEE OBSERVATIONS

80. The Committee observed that the amount was kept in private bank account without the authorization of Finance Department. The Committee also observed that the amount was drawn in advance in lump sum from the Accounts Office, hence, pre-audit of the vouchers etc was not done.

COMMITTEE RECOMMENDATIONS

81 As the Department could not respond to the queries of the Committee, therefore, a Sub-Committee comprising the following was constituted to thrash out the issue in detail and to evolve proper mechanism for the same.

1. Mr. Samiullah Khan, MPA Chairman
2. Mr. Mehmood Ahmad Khan, MPA Member

Note: (The Committee will submit its report within (15) days)

DP.10.2.21 IRREGULAR EXPENDITURES ON ACCOUNT OF SPECIAL REPAIR OF OFFICE BUILDINGS Rs. 0.80- MILLION.

AUDIT VERSION

82. The Audit reported that in the Office of District Police Office Abbottabad, expenditure of Rs.8,00,000/- was shown incurred on special repairs of Government buildings under the Head A-13303 during the financial year 2009-10. The tenders were not accepted by the competent authority i.e. I.G/AIG Police.

83. According to Rule 157 of FTR (Note-2) the payment was required to be made to the contractor through crossed cheque where as in the instant case the amount was drawn vide cheque No.0265381 dated 17-10-2009 for Rs.800,000/- in favour of DDO and also no actual payee receipt of the concerned contractor was produced to audit. Work order indicating dates of commencement and completion were not available on record. Moreover, completion certificates were without any dates.

84. The tender notice was required to be advertised through Director Information for wide publicity through national dailies but it was not done and there was a cutting of only one un-reputed/demi local news paper "Roznama Subah".

85. No sealed quotations were obtained as quoted in the advertisement as no envelopes thereof were available on record. As per tender notice the quotations were called from the Government approved/pre-qualified contractors but no such proof/certificate of the C&W Department was shown to Audit. Measurement Book for the work done as required under paras 208 & 209 of CPWA Code (From No.23) was not maintained/shown to Audit. Technical Sanction of the competent authority was not shown to Audit.

86. The codal requirements/conditions required for obtaining Technical Sanction of the competent authority as listed under S.No.17.3(d) of the Delegation of Powers under the

Financial Rules and the Power of Re-appropriation Rules,2001 were not fulfilled. Audit held that the irregularity occurred due to weak financial control.

The loss was pointed out in August 2010. The management stated that the reply would be given after checking of record.

87. In the DAC meeting held on 25-10-2010 the Department replied that all the codal formalities were followed. The DAC did not agree and the matter was reported for appropriate action to the PAC.

DEPARTMENTAL VERSION

88. The Department explained that in the light of Administrative approval of the Provincial Police Officer tender/quotations were called/accepted/ Pre-Audit cheque was issued by the District Accounts officer in favour of DDO and payment was made to concerned contractor. Actual receipt, work order and completion certificate with dates are available. The tender notice was advertised through Assistant Director Information, Abbottabad. Sealed quotations with envelopes are available on record. Certificate of C&W Department is available. Measurement book of the work done is available.

89. Technical sanction and PC-I of C&W Department are available. A representative along with record was deputed to produce the same for verification in the office of DG Audit who was returned as the concerned person was not available in the office. They verbally directed the representative that in future convenient date be fixed with the DG Audit Office and then the relevant record be produced. There after the DG Audit office was addressed to fix convenient date for verification of record who deputed a Audit Officer and complete record had been verified.

COMMITTEE RECOMMENDATION

90. In view of the satisfaction of Audit, the Para was recommended to be dropped with the direction to the Department not to repeat such lapses in future and to produce record for verification in time.

DP.10.2.22 IRREGULAR EXPENDITURES ON ACCOUNT OF SPECIAL REPAIR OF OFFICE BUILDINGS Rs. 0.50- MILLION.

AUDIT VERSION

91. The Audit reported that the District Police Office Abbottabad incurred expenditure of Rs.500,000/- on special repairs of office buildings during 2009-10 vide Cheque No.363675 dated 20-03-2010 in which the following irregularities were noticed:-

92. The tenders were accepted by the DPO who was competent to accept tenders of works upto Rs.50,000/- hence the acceptance of tenders for expenditure of Rs.500,000/- was beyond his competency. Actual payee receipts were also not shown to Audit. As per condition of tender notice the works were to be awarded to approved/pre-qualified Government contractors, but no such proof/certificate of the Works Department was produced to audit in respect of the approved contractor. Measurement Book of the work done was not maintained/shown to audit. Audit held that the irregularity was occurred due to non-observance of rules. The loss was pointed out in August 2010. The management stated that the reply would be given after checking of record.

93. It was discussed in DAC meeting held on 25-10-2010 the Department replied that the codal formalities were fulfilled. The DAC did not agree with the reply of the Department and directed that the connected documents relating to all aspects of work and answers to satisfy all the queries raised by the Audit be produced to Audit for verification. The directions of the DAC were not complied with till finalization of this report.

DEPARTMENTAL VERSION

94. The Department explained that in the light of Administrative approval of the Provincial Police Officer tender/quotations were called/accepted. Actual payee receipts are available on record. Certificate in respect of approved contractor of the C&W Department is available on the record. Measurement book of the work done is available.

95. A representative along with record was deputed to produce the same for verification in the office of DG Audit who was returned as the concerned person was not available in the office. They verbally directed the representative that in future convenient date be fixed with the DG Audit and then the relevant record be produced. There after the DG audit office was addressed to fix convenient date for verification of record and all relevant record has been verified.

COMMITTEE RECOMMENDATION

96. In view of the satisfaction of Audit, the Para was recommended to be dropped with the direction to the Department not to repeat such lapses in future and to produce record for verification in time.

**DP.10.2.23 IRREGULAR/UNAUTHORIZED EXPENDITURE ON ACCOUNT OF VEHICLE
Rs.1.8 MILLION.**

AUDIT VERSION

97. The Audit reported that in the Office of District Police Office Abbottabad a heavy amount of Rs.1.800 million was incurred during financial year 2009-10 vide Cheque No.366091 dated 27-06-2010 on repair of accident Parado Jeep bearing Registration No. A-8929 Model 2008.

98. The Financial Sanction for the above expenditure was accorded by a Category-I Officer of the Police Department vide sanction order No.5510-11/C-III dated 25-06-2010 under S.No.17-12 of the Delegation of Powers under the Financial Rules and the Powers of Re-appropriation rules 2001. Under the said rules the sanctioning authority was competent to repair work upto 150,000 or 50% of the book value of the vehicle. The expenditure was thus beyond the competency of even the Administrative Department and sanction of Finance Department was required to be obtained before incurring the expenditure/under taking the repair work.

99. The codal formalities/conditions before the said repair work denoted under S.No.12-17 of the Delegation of Powers mentioned above were also not fulfilled. Audit held that the irregularity was occurred due to violation of rules. The loss was pointed out in August 2010.

100. In the DAC meeting held on 25-10-2010 the Department replied that all the codal formalities were fulfilled. The DAC did not agree with the reply of the Department and directed that history of the case along with all the connected/relevant documents be produced to audit in support of the Department reply for verification which was not done till finalization of this report.

DEPARTMENTAL VERSION

101. The Department explained that the repair work was carried out after adopting all codal formalities in the light of Delegation of Powers. Relevant documents were produced in DAC meeting which remarked that the record be sent for verification. A representative along with record was deputed to produce the same for verification in the office of DG Audit who was not available in the office. They verbally directed the representative that in future convenient date be fixed with the DG Audit Office and then the relevant record be produced. There after the DG Audit office was addressed to fix convenient date for verification of record but, so far no date had been fixed.

COMMITTEE RECOMMENDATION

102. In view of plausible explanation advanced by the Department, the Para was recommended to be dropped.

DP.10.2.24 IRREGULAR EXPENDITURE Rs. 5.359 MILLION.

AUDIT VERSION

103. The Audit reported that during the financial year 2005-06, the District Police Officer Mardan incurred an expenditure of Rs.5.359 million on the construction of various Offices at Police Line Mardan. The amount was provided for repair work but was spent on new construction. Furthermore, the contractor was not registered with C&W Department. Amount was drawn before the issue of work order. Measurement Book and satisfactory work completion certificate were also not produced. Moreover, the PPO instead of Works Department accorded Technical Sanction. Audit opines that the expenditure so incurred was irregular and against the rules. The irregularity was pointed out in May 2007. The management stated that detailed reply would be given later on.

104. In DAC meeting held in July, 2009, the Department replied that all the codal formalities were followed. DAC directed to produce record within 15 days. No record was produced till finalization of this report.

DEPARTMENTAL VERSION

105. The Department explained that the building of Police Line was too old and most parts were in horrible condition. Due to the devastation of earth quake of 08-10-2005, immediate major repair cannot be ignored; therefore, proper case was moved for special repair as well as re-construction with the consultation of C&W Mardan. All codal formalities have been observed and the record is available, as regard grant of Technical sanction by the PPO. The PPO has the power to accord Technical Sanctions vide serial No.17.3 (d) of DOP 2001. Photocopy of the registration of contractor along with all relevant record was brought to DG Audit office for verification but they still were not available due to their engagement in field. During the meeting, the Department explained that the funds amounting to Rs. 700, 000/- was released by the Federal Government for each Police Station through out the Province along with the instructions by the Provincial Government to utilize the same on Police Station by the SHO concerned. It was not regular budget but was given by Federal Government once.

COMMITTEE RECOMMENDATION

106. In view of plausible explanation advanced by the Department, the Para was recommended to be dropped with the direction to the Department to avoid such practices in future.

DP.10.2.25 IRREGULAR EXECUTION OF REPAIR WORK AND NON DEDUCTION OF INCOME TAX Rs. 0.882 MILLION.

AUDIT VERSION

107. The Audit reported that during the financial year 2005-06, District Police Officer Abbottabad spent Rs.840,000/- on special repair. The special repair was carried out on three quotations basis from different contractors, but measurement book was not prepared/maintained of actual work done in accordance with the laid down procedures

108. No information regarding the full name of work as given in the estimates, name of contractor, number and date of agreement, date of written order and commencement of work, date of actual completion and date of measurement etc, were available. No AC bill along-with paid vouchers showing Cheque No. & date on which the amount was drawn, was available on record. Mode of payment to contractor was not known. Work completion certificate of PS Donga Gali was not available on record. Income tax @ 5% of Rs.42.000/- was also not deducted.

109. Audit held that the irregularity was occurred due to violation of rules. The irregularity was pointed out in January 2007. The management replied that all formalities have been completed and are on record.

110. In the DAC meeting held in July 2009, the Department repeated the previous reply. The DAC directed the Department to produce record to Audit within 15 days for verification. No record was produced till finalization of this report.

DEPARTMENTAL VERSION

111. The Department explained that it is correct that MB was not prepared/maintained but work done detail in the bill of contractor duly verified by the sub Engineer W&S/C&W Department is available. All the information are available on the record. AC bill was submitted to DAO paid vouchers are available on record mode of payment to contractor is available on record. Work completion certificate is available on record. Concerned contractor was addressed to deposit the income tax. A representative along with record was deputed to produce the same for verification in the office of DG Audit who was returned as the concerned person was not available in the office. They verbally directed the representative that in future convenient date be

fixed with the DG Audit office and then the relevant record be produced. There after the DG Audit officer was addressed to fix convenient date for verification of record and the record has been shown to Audit, who verified the same.

COMMITTEE RECOMMENDATION

112. In view of the verification of Income Tax documents by Audit, the Para was recommended to be dropped.

DP.10.2.26 IRREGULAR EXPENDITURE ON ACCOUNT OF CONSTRUCTION OF BUILDING Rs. 8.766 MILLION.

AUDIT VERSION

113. The Audit reported that during the financial years 2004-06, the District Police Officer Bannu, drew Rs. 8.766 million on account of construction of building under devolution transition fund. However; PCI, working plan, administrative approval, detail estimates, technical sanction, tender forms, comparative statement, agreement deed, work order, work completion certificate etc. were not found available.

114. The contractor/supplier's bills were copied on body of the measurement book on same shape instead of actual work done. The amount was drawn in cash instead of crossed cheque. Audit held that the irregularity was occurred due to violation of rules. The irregularity was pointed out in May 2007. The management furnished no reply.

115. In the DAC meeting held in July 2009, the Department replied that all the work done was purely on self help basis and hence, no codal formalities were required to be followed. The DAC directed to produce the record for verification within 30 days which was not done till finalization of this report.

DEPARTMENTAL VERSION

116. The Department explained that at the result of DAC meeting held on 03-08-2009 to 04-08-2009 and receipt of its minutes pertaining to the past financial year 2005-06, original record of Advance Paras No.143 to 160 for the year 2005-06 was produced for verification through Mr. Muhammad Tariq the than pay officer of this office was handed over to Mr. Muhammad Riaz, Senior Auditors of DAC section. The Audit had verified all the record.

COMMITTEE RECOMMENDATION

117. In view of plausible explanation advanced by the Department, the Para was recommended to be dropped with the direction to the Department to avoid such practices in future.

DP.10.2.27 NON-CONDUCTING OF POLICE TRAINING INVOLVING EXPENDITURE Rs. 54.333 MILLION.

AUDIT VERSION

118. The Audit reported that the Finance Department has allocated and released funds to the extent of Rs.54.333 million during the financial year 2009-10 for the training charges of the Police Personnel. Despite the release of funds during the month July 2009, no training could be conducted particularly during the War & Terrors situation in the country for which the training of latest technology and heavy weapons purchased by the Police Department was utmost necessary. The amount reserved for such training was however diverted to the purchase of weapons in the excess/surrender and revised estimates. This adversely affected the activities of the Police Force as they were deprived of an opportunity to successfully attack on terrorist during the crucial time. As a result many of our brave Police Jawan and Officer lost their lives during attacks from the terrorists.

119. Audit held that the non-conducting the training was due to mismanagement on the part of Department. The irregularity was pointed out in October 2010. The Management furnished no reply. In the DAC meeting held on 20-01-2011 the Department replied that Finance Department released Rs.80.875 million under Head Training Charges during 2009-10 for the training of new recruits and Elite Force in the Army Centers regularly depending on the availability of premises from the Army. During 2009-10, sufficient numbers of police personnel including new recruits and Elite Force were trained in the Army Training Centers. The remaining amount could not be utilized on the training due to non-availability of training centers by the Army authority. The Chairman DAC recommended to settle the Para however, Audit was of the view that the amount should have been surrendered instead of purchase of weapons in anticipation of trained personnel.

DEPARTMENTAL VERSION

120. The Department explained that Finance Department released Rs80.875 million under Head Training Charges during 2009-10 for the training of new recruits and Elite

Force in the Army Training Centers. The training of new recruits and Elite Force were conducted in Army Centers regularly depending on the availability of premises from the Army. During 2009-10 sufficient number of Police Personnel including new recruits and Elite Force were trained in the Army Training Centers.

121. The following funds were released to various units for training charges which have been utilized as per detail below:

Comdt:PTC Hangu	Rs 20.502m
DIG CID	Rs0.232m
Comdt: Elite Force	Rs 11.153m
Total	Rs 31.887m

122. The remaining amount of Rs 48.986 could not be utilized on retraining as the premises were occupied by the Army for their own training, hence a sum of Rs.33.827 million were re-appropriated to meet the requirements of Police Department and Rs.15.159 million were surrendered to the Finance Department. In the light of above facts proper training of Police Force was conducted during 2009-10 as evident from the utilization of funds.

COMMITTEE OBSERVATION

123. During discussion on Para, the Committee observed that sufficient amount under the Head TA/DA has not been granted to Police Department due to which the Police Department could not clear all the TA/DA cases of Police personal in time.

COMMITTEE RECOMMENDATION

124. In view of the plausible explanation advanced by the Department, the Para was recommended to be dropped with the direction to the Finance Department to fulfill the needs of Police Department especially in TA/DA.

DP.10.2.28 NON-RECOVERY OF COST OF STORE FROM OTHER AGENCY Rs.17.450 MILLION.

AUDIT VERSION

125. The Audit reported that the Provincial Police Officer Khyber Pakhtunkhwa issued 500000 ammunitions for LMG 7.62 x 39 MM costing Rs.17.450 million to the Frontier Constabulary on loan basis during 01-10-2009. The FC being a law enforcement agency is an independent entity which is financed by the Federal Government and sufficient provision is always, made under the object ammunitions etc. each and every year.

126. Audit was of view that if there was urgent need of such ammunitions than its cost should have been recovered from the organizations. After a lapse of one year neither the ammunition has been returned, nor its cost recovered.

127. Audit held that the cause of non-recovery was weak financial controls and mismanagement on the part of Department. The non-recovery was pointed out in October 2010. The management furnished no reply.

128. In the DAC meeting held on 20-01-2011 the Department replied that the Rs.5,00,000/- ammunitions was issued to FC on loan basis on the request of commandant FC. The Commandant has been approached for return of the said ammunition on urgent basis which will be intimated to Audit as and when received. The DAC did not agree and directed to recover the ammunitions or its cost. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

129. The Department explained that Police Department issued 50000 (fifty Thousand) SMG 7.62x39mm round to Frontier Constabulary on loan basis on the request of Commandant FC. It is clarified that the ammunition has been mentioned as 500000 (Five Hundred Thousand only) instead of 50000 (Fifty Thousand) which needs to be corrected. The same was endorsed by Audit it further explained that the Commandant FC was approached vide this Office Letter No. 2148/LC (import) dated 06/12/2010 for return of ammunition to the Police Department on urgent basis. Commandant FC has returned 50000 ammunition back to Police Department and taken on stock register which can be shown to Audit for verification.

COMMITTEE RECOMMENDATION

130. In view of plausible explanation advanced by the Department that recoupment of 50,000 rounds of ammunition from F.C was made, hence the Para was recommended to be dropped.

DP.10.2.29 NON-DEDUCTION/LESS DEDUCTION OF INCOME TAX Rs.10.435 MILLION.

AUDIT VERSION

131. The Audit reported that the Provincial Police Officer Khyber Pakhtunkhwa made payment of Rs.2161.495 million to M/S Majeed & Sons for the purchase of Heavy

Weapon/ammunition. However, income tax deduction amounting to Rs.10.435 million was less made from the bills of the suppliers (detail below):-

S/No.	Cheque No & date	Total payment	Tax deducted	Tax required	Less deduction
1.	33379 29/10/2009	2161.495	65.217	75.652	10.435
	0458294 28/06/2010				

132. Audit held that the less deduction of income tax was due to undue favour to the contractor and financial mismanagement on the part of Department. The non-deduction was pointed out in October 2010. The management furnished no reply.

133. In the DAC meeting held on 20-01-2011 the Department replied that the cheques amounting to Rs.1155 millions were released to the firm on account of advance payment duly sanctioned by Finance Department hence, no income tax deduction was required. The Department deducted Income tax @ 3.5% on contract cost excluding the sales tax which has already been deducted in the contractor bill hence, no less deduction has been made. DAC directed to produce evidence in support of the reply. Bill No.50 was produced showing deduction of income tax of Rs.65.217 million whereas income tax on total payment of Rs.2161.495 million works out as Rs.75.652 million thus Income tax on the advance payment was proved not deducted.

DEPARTMENTAL VERSION

134. The Department explained that Income Tax amounting to Rs. 65.217 million was deducted from the supplier claim @ 3.5% excluding sales tax. However as per Audit observation Income Tax shall be deducted from the claim including sales tax. which comes to Rs. 75.652 million. The less deduction of Rs. 10.435 million may be recovered. In compliance with audit observation, the firm has been directed to remit the amount of Rs. 10.435 million on a/c of less deduction of income tax for onward deposit into Government Treasury. The firm informed that the period of 2009-10 was exempted period for deduction of Income Tax, hence further deduction deposit of additional amount of Rs. 10.435 million are not required. The issue was referred to the Chief Commissioner Income Tax, Peshawar for guidance and verification to take further action accordingly. The progress will be intimated to audit in due course of time.

COMMITTEE RECOMMENDATION

135. The issue involved in the Para is pending for consideration in the National Accountability Bureau (NAB) Court hence sub-judice. Therefore, it was recommended to club the Para with other similar nature of Paras No. 10.2.2 to 10.2.13.

DP.10.2.30 NON-RECOVERY OF GOVERNMENT DUES Rs.39.938 MILLION.

AUDIT VERSION

136. The Audit reported that during audit in the Office of the District Officer Kohat for 2009-10, it was noticed that Government dues amounting Rs.39.938 million were lying outstanding against various agencies since long.

137. Audit held that the non-recovery was caused due to violation of rules. The non-recovery was pointed out in August 2010. The management furnished no reply.

138. In the DAC meeting held on 25-10-2010 and 26-10-2010, the Department replied that the issue is under active process between CPO and Government of KP. The DAC directed that the issue may be resolved by making active correspondence with the agencies concerned against whom the observed amount is outstanding and strenuous efforts may be made in this regard.

DEPARTMENTAL VERSION

139. The Department explained that an amount of Rs. 76,76,549/- has been received from OGDCL Shakardara. Copy of the challan No. 28 dated 11/10/2011 duly verified by DAO Kohat can be verified. As regard outstanding amount against Pakistan Railway, WAPDA, Microwave and Municipal Committee Thall; correspondence is also being made through CPO for the recovery of the said amount and a separate Draft Para No. 8.1 (2008-09) has been referred to the sub-committee of the PAC.

COMMITTEE OBSERVATION

140. The Committee observed that similar nature of Draft Paras have previously been referred to Sub-Committee to recommend ways & means for the recovery of outstanding amounts against the Federal Institutions.

COMMITTEE RECOMMENDATION

141. In view of the above, a Sub-Committee comprising the following was constituted for detail examination of the issue (s) involved in the Para:

1. Mr. Muzaffar Said, MPA Chairman

2. Syed Mohammad Ishtiaq, MPA Member

142. The Committee will work out the actual amount pending for recovery against the Federal Institutions and also device mechanism for early recovery of the long out standing dues within a month time.

**DP.10.2.31 NON-DEPOSIT OF GOVERNMENT DUES IN THE GOVERNMENT TREASURY
Rs.21.265 MILLION.**

AUDIT VERSION

143. The Audit reported that in the Office of District Police Officer Kohat for 2009-10, it was noticed that Rs.21.265 million shown recovered in the quarterly statement for the month of December 2009 on account of Government dues "Police Guards supplied to Railway Department". When asked for production of relevant challan, it was told that the said dues were recovered by the CPO Peshawar and credited to the relevant Head of account. Audit was of the view that the police personnel were paid salaries from public fund and recouped amount should be deposited into the Government Treasury. Audit held that non-deposit was due to non-observance of financial rules. The non-deposit was pointed out in August 2010. The management furnished no reply.

144. In the DAC meeting held on 25-10-2010, the Department replied that the adjustment statement will be shown to Audit. The DAC directed that the authority letter issued by the CPO to DPO Kohat under which the recovery has been shown made be produced to Audit which was not done till finalization of this report.

DEPARTMENTAL VERSION

145. The Department explained that the outstanding amount against Pakistan Railway has already been referred to the Sub-Committee of PAC which is being dealt with at CPO level.

COMMITTEE RECOMMENDATION

146. As per Draft.Para No. 10.2.30.

**DP.10.2.32 NON RECOVERY OF GOVERNMENT ARMS AND AMMUNITIONS
Rs.0.770 MILLION.**

AUDIT VERSION

147. The Audit reported that during Audit in the Office of the District Police Officer Kohat for 2009-10, it was noticed that arms and ammunitions costing Rs.7,70,500/- approx: were issued to the Officers and after their posting in other districts, the Government arms etc were not returned back to Kot Incharge.

148. Audit was of the view that the non-recovery was due to weak internal control. The irregularity was pointed out in August 2010. The management furnished no reply.

149. In the DAC meeting held on 25-10-2010, the Department replied that a special messenger has been deputed to collect the weapons from the Officers concerned. The DAC directed recovery of the un-recovered arms and ammunitions. The recovery status was not intimated to Audit till finalization of this report.

DEPARTMENTAL VERSION

150. The Department explained that the weapons were issued to the Officers of the Police Department on duty during the period of posting in Kohat region. The same have not been deposited by them while transferred to other districts. The correspondence was made through DIG Kohat to recover the weapon which will be recovered shortly. The department admitted laxity on the part of dealing hands.

COMMITTEE RECOMMENDATION

151. On the assurance of the Department that recovery would be made well with in a month time, the Committee recommended to do the needful by 24th of March 2014 positively. Para stands till complete recovery of arms and ammunitions from the concerned Police Officers. Progress be reported to PAC Cell.

DP.10.2.33 NON-EXECUTION OF REPAIR WORK COSTING Rs.0.762 MILLION.

AUDIT VERSION

152. The Audit reported that during Audit in the Office of District Police Officer Kohat for 2009-10, it was noticed that Rs.81,303/- on account of petty repair work was drawn through Cheque No. 387499 dated 28-06-2009 while repair work was not actually done in police station Billitang as physically checked on 09-08-2010 by the Audit Officer along with pay Officer. All existing items were shown purchased/repared through this bill.

153. Rs. 1,37,975/- was drawn through Cheque No.387499 dated 28-06-2009 on account of petty repair in police station Janna while various items costing Rs.1,23,611/- were not actually carried out as physically checked on 09-08-2010 by the Audit Officer along with Pay Officer except items 1-3 of the bill costing Rs. 14,364/-.

154. Special repair work costing Rs.95,987/- (Item 14-24) part of Rs.2,82,000/- drawn through Cheque No.386287 dated 14-05-2010 were not actually done as physically checked on 09-08-2010 by Audit Officer along with Pay Officer.

155. Special repair work costing Rs.4,61,445/- (Item 6-19) part of Rs.6,58,000/- drawn through Cheque No. 389561 dated 28-06-2010 were not actually done by the local management as physically checked on 09-08-2010 by the Audit Officer along with Pay Officer.

156. Repair work position of other Police Station would be as same which could not be physically checked due to shortage of time and law & order situation. Audit was of the view that irregularity was occurred due to non-observance of the financial rules. The irregularity was pointed out in August 2010. The management furnished no reply.

157. In the DAC meeting held on 25-10-2010, the Department replied that work in all three Police Stations completed which may physically be checked. The DAC directed that thorough enquiry be conducted into the matter and findings thereof may be produced to Audit within one month which was not done.

DEPARTMENTAL VERSION

158. The Department explained that the detail estimate duly sanctioned of each work, technical sanction, administrative approval and detail measurement of the work is ready to be checked by the PAC.

159. All the works as stated in the Audit observation has been completed according to the DAC directives. All the executed works got checked by the CPO engineer and certificate thereof has been submitted to the DG, Audit vide this office memo No. 9857/PO dated 19/10/2011.

COMMITTEE OBSERVATION

160. The Committee observed that if the Finance Department released the requisite funds at the fag end of the financial year i.e. 28-06-2009 then how come it would be possible for the Department to disburse the same with in two (2) days. The Committee also observed that the issue required to be probed in detail so that similar nature of issue (s) could be settled once for all.

COMMITTEE RECOMMENDATION

161. In view of the above observations, a Sub-Committee comprising the following was constituted:

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| 1. | Syed Jafar Shah, MPA | Chairman |
| 2. | Mr. Qurban Ali Khan, MPA | Member |

3. Mr. Abdul Munim, MPA

Member

DP.10.2.34 NON-RECOVERY OF OUTSTANDING DUES Rs.82.440 MILLION.

AUDIT VERSION

162. The Audit reported that District Police Officer Nowshera, has not recovered outstanding recoverable amount of Rs.82.440 million from the Pakistan Railways and Pakistan Broadcasting Corporation High Power Transmitter-I Peshawar on account of cost of deployment of Police force/guards to them.

163. Audit held that the non-recovery was due to weak internal control and mismanagement on the part of Department. The non-recovery was pointed out in November 2009. The management stated that detailed reply would be given later on.

164. In the DAC meeting held in December 2009, the Department replied that correspondence is being made with Pakistan Railways and Pakistan Broadcasting Corporation for the recovery of the dues outstanding against them. No progress regarding the recovery status was intimated to Audit till finalization of this report.

DEPARTMENTAL VERSION

165. The Department explained that the matter is under consideration of a Sub-Committee of PAC.

166. The current position of outstanding against various Departments including Pakistan Railway and PBC has been submitted to the Secretary to Government of Khyber Pakhtunkhwa Home & Tribal Affairs Department Peshawar vide this Office letter No. 41/B-II dated 04-01-2012.

COMMITTEE RECOMMENDATION

167. As per Draft Para No. 10.2.30.

DP.10.2.35 NON-DEPOSIT OF AUCTION MONEY INTO GOVERNMENT REVENUE Rs.1.206 MILLION.

AUDIT VERSION

168. The Audit reported that the District Police Officer Abbottabad received a sum of Rs.1.206 million on account of auction of trees, building materials, and rent of shops. The said amount was subsequently deposited in private account instead of Government account. It was further observed that some of the receipts were expended on various objects for which no

authority to incur expenditure there from was available. The Department cannot incur expenditure directly from receipts.

169. Audit held that the irregularity occurred due to weak internal control. The irregularity was pointed out in July, 2007. The management stated that reply would be furnished after checking the records.

170. In the DAC meeting held in January, 2009, the Department replied that auction money of raw material amounting to Rs.7,12,000/- had been deposited in the Government Treasury vide TR No.12 dated 13-09-2007 while the other amount was utilized on the welfare of Police personnel. The DAC did not agree and directed to conduct inquiry. An internal inquiry was conducted, according to which the DPO concerned was directed to deposit the subject amount within three days but no compliance was reported till finalization of this report.

DEPARTMENTAL VERSION

171. The Department explained that the major amount of Rs. 16,80,000/- on account of auction of raw material of demolish building has already been deposited. In this regard an inquiry was conducted by the DDA CPO, Peshawar who admitted the deposit of the auction amount the rest of the amount on account of rough boundary walls, tress, constructed and planted on self help basis by the police Jawans in the past has been spent on their welfare particularly on their shuffling and temporary rehabilitation during construction of new building which took above 5 years. Since the remaining amount of Rs.6,69,347/- after depositing in the official account called District General purpose fund account has been expended, therefore, there is no amount available to be deposited. It will be therefore, in the fitness of things that these irregularities which was made purely for the welfare of Jawans particularly on the family of martyred Police Officers due to the terrorism may kindly be waved off and Para treated as dropped please.

172. Similar cases have already been discussed in PAC meeting in connection with rent etc of cabin/shops temporarily erected over the police land and monthly income thereof, was utilized on welfare of the Jawans. Resultantly such like observation were recommended to be dropped and status quo was maintained for the welfare of Department.

COMMITTEE OBSERVATION

173. The Committee observed that the Department has not complied with the provisions of Article 118 of the Constitution of the Islamic Republic of Pakistan which requires that all money received by or on behalf of the Provincial Government shall be deposited in the

Provincial Consolidated Fund. The Committee also observed that the previous PAC has already made its recommendations in similar nature of Draft Para but has not been complied with by the Department to date.

COMMITTEE RECOMMENDATION

174. In view of the above, the Department was directed to initiate disciplinary action against those who failed to implement the earlier decision of PAC to date, a Sub-Committee comprising the following was constituted to make in depth examination of the issue involved in the Para so that issue involved could be resolved:-

1. Mr. Muzaffar Said, MPA Chairman.
2. Syed Jafar Shah, MPA Member.

DP.10.2.36 UN-AUTHORIZED EXPENDITURE ON RETENTION OF VEHICLES IN EXCESS OVER THE AUTHORIZED STRENGTH OF VEHICLES Rs.3.664 MILLION.

AUDIT VERSION

175. The Audit reported that the Secretary to Government of Khyber Pakhtunkhwa Home and Tribal Affairs Department against the authorized strength of 12 vehicles incurred expenditure on 20 vehicles, including purchase of two (2) XLI cars. The incurrence of expenditure of Rs.3.664 million on purchase and maintenance of eight extra vehicles was unauthorized as the Additional Chief Secretary was provided one Prado Jeep A-2009, the Home Secretary one corolla car XLI A-8640, the four Additional Secretaries four cars bearing Registration No.A-8503, A-2009 XLI A-1004 and A-22423, the four Deputy Secretaries four cars bearing Registration No.A-0175, A-8313,A-295, A-8529, for General Administration one car bearing Registration No.A-1130 and for Staff Duty one Coach No.A-8729 and three motor cycles.

176. Audit held that the irregularity was due to non-observance of Government orders. The irregularity was pointed out in August 2010. The management stated that reply would be furnished after verification of record.

177. In the DAC meeting held on 29-12-2011, the Department replied that the 2 vehicles were purchased for Additional Secretaries as they were entitled for 1300 CC car but 1000 CC cars were in use of Add: Secretaries till the purchase of new vehicles. DAC did not agree and directed to furnish approval of the Competent Authority with a week, as the retention of vehicles in excess over and above the sanctioned strength was not allowed. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

178. The Department explained that in fact the actual authorization of vehicles in the Home Department is 12. The expenditure of Rs. 3,39,876/- on repair and Rs. 6,96,509/- on POL has been made on 6 vehicles including the newly purchased XLI Cars cannot be taken as expenditure on POL and repair, as these vehicles were purchased separately at the cost of Rs. 26,28,000/- which should be deducted from the total amount of Rs. 3.664/- million. It is a known fact that Home Department is dealing with the law and order in the Province which some times involve huge expenditure on POL and repair of vehicles. Therefore, it is also a fact that in 2009-10 the insurgency was in full swing in Khyber Pakhtunkhwa and Home Department remained busy both at the Official and field level with various organizations and could not do away with the use of Official vehicles. Secondly, Home Department may not be considered at par with other Departments in consumption of vehicles and its fueling. Similarly, Administration Department was approached to allow this Department for retention of vehicles over above and sanctioned strength. Keeping in view the above explanation to Draft Para may be considered as settled.

COMMITTEE OBSERVATION

179. The Committee observed that over and above the sanctioned strength of 12 vehicles, the Department used 20 vehicles without obtaining proper authorization.

COMMITTEE RECOMMENDATION

180. The Committee constituted a Sub-Committee comprising the following to carry out detailed examination of the issue involved in the Para and to suggest appropriate recommendations to the Committee so that fool proof recommendations to the Government could be made to avoid such type of practices in all the Government Departments in future. Para stands.

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| 1. | Syed MuhammadAli Shah Bacha, MPA | Chairman. |
| 2. | Arbab Akbar Hayat Khan, MPA | Member. |

DP.10.2.37 UN-AUTHORIZED EXPENDITURE ON PURCHASE OF XLI CARS Rs.2.628 MILLION.

AUDIT VERSION

181. The Audit reported that the Secretary to Government of Khyber Pakhtunkhwa Home and Tribal Affairs Department incurred expenditure of Rs.2.628 million on

advance payment to M/S Frontier Motors Peshawar for two XLI Cars vide cheques No.40156 dated 13/04/2010 and No. 400892 dated 30/03/2010 without sanction of the Finance Department for advance payment and wide publicity through press.

182. The rules of direct contracting was also not applicable as neither payment was made to the Indus Motors Co. Ltd. Karachi nor price list of the company was shown provision of vehicles to the Civil Secretariat staff was the responsibilities of the Administration Department and the condition for supplementary grant were also not fulfilled which made the expenditure unauthorized.

183. Audit held that unauthorized expenditure was caused due to weak financial control and mismanagement on part of the Department. The irregularity was pointed out in August 2010. The Department stated that reply would be furnished after verification of record.

184. In the DAC meeting held on 29/12/2010, the Department replied that M/S Toyota Frontier Motors is the sole authorized dealer of Toyota Corolla Motors in the Province therefore, purchase were made in the most economical manner from the actual manufacturer in according with the price list. The DAC did not agree as the incurrence of expenditure without sanction for the advance payment vide publicity through press non production of company price list non arranging of the cars provision from the Administration Department pool non fulfilling of the condition for supplementary grant and non issuance of cheque in the name of M/S Indus Motors Karachi was unauthorized and directed to produce the same within a week. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

185. The Department explained that it procured two XLI Cars 1300 cc for Additional Secretaries at the cost of Rs. 2.628 million, after proper approval of the Competent Authority. As regards purchase of vehicles from single contractor and not advertising the same in the news paper as well as web site it is submitted that there is only one authorized dealer of Indus Motors Company in Khyber Pakhtunkhwa. Therefore, tenders were not floated in the news papers. It did not mean to favour a single contractor. Ex-post facto sanction has been obtained from the Finance Department for advance payment to M/S Frontier Motors Peshawar. Secondly, the Transport Committee of the Administration Department had also issued NOC for purchase of the vehicles.

COMMITTEE RECOMMENDATION

186. The explanation advanced by the Department being based on facts was accepted and the Para was recommended to be dropped.

DP.10.2.38 UN-AUTHENTIC EXPENDITURE BY NON SUBMISSION OF ADJUSTMENT ACCOUNT AND NON PRODUCTION OF ACTURAL PAYEE RECEIPT Rs. 843.398 MILLION.

AUDIT VERSION

187. The Audit reported that the Secretary to Government of Khyber Pakhtunkhwa Home & Tribal Affairs Department incurred expenditure of Rs. 820.041 million and Rs. 23.942 million under the object other compensation and released to the payment from PLA and designated account No. 581-9 in NBP Civil Secretariat Peshawar to the District Coordination Officers for the compensation to the affectees of bomb blasts and war against terror. Adjustment account for the payment and actual payee receipts/disbursement account was not furnished. In absence of which the chances of misappropriation of public money could not be ruled out thus the expenditure was unauthorized.

188. Audit was of the view that unauthentic expenditure was due to non-observance of Government rules and orders. It was pointed out in August, 2010 the Department stated that reply would be furnished after verification of record.

189. In the DAC meeting held on 29/12/2010, the Department replied that all the concerned have been asked to furnish the requisite adjustment accounts/APRs for ruling out the chances of misappropriation. The DAC directed to furnish adjustment account with in a week. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

190. The Department explained that the available record to some extent was scrutinized by Audit authorities in DAC meeting. However, the rest/remaining APRs in compliance of DAC direction were sent to D.G Audit for verification through covering letter. But the Audit authorities have refused to accept the same by verbal direction to the Dak Messenger of Home Department.

191. The Department further explained that all the relevant record was available and could be verified.

COMMITTEE RECOMMENDATION

192. Contention of the Department was accepted therefore, the Para was recommended to be dropped subject to verification of record by Audit with in a month time.

DP.10.2.39 DOUBTFUL SUPPLY OF ANTI-RIOT TO VARIOUS DISTRICTS Rs. 3.850 MILLION.

AUDIT VERSION

193. The Audit reported that during the financial year 2009-10 in Office of PPO 550 Anti riot suits were shown issued to three districts namely Mardan, Haripur, Kohistan but acknowledgement of these Anti Riot Suits from these relevant Districts were not received. Supply of 550 x 7000 x per item Rs. 38,50,000/- was doubtful as neither acknowledgement receipts of the anti riot suits per stock register was available on the record of local office. The doubtful supply was pointed out in October 2010. The management furnished no reply.

194. In DAC meeting held on 20-01-2011, the Department replied that the record and acknowledgements of DPO Mardan, Haripur, Kohistan was shown to audit during discussion of Audit observations. The Chairman DAC recommended to settled the para after producing the relevant record to audit for verification. The Department produced the relevant record to audit for verification. The Department produced three Nos receipts showing issue to the DPO Kohistan, Mardan, Haripur respectively but the same could not be verified/accepted as stock register were not provided till finalization of this report.

DEPARTMENTAL VERSION

195. The Department explained that record and acknowledgement of DPO Mardan, Haripur, and Kohistan was shown to Audit during discussion of Audit observations. Stock register was also available which contain necessary entry of the stock issued to the said Offices which can be verified.

COMMITTEE RECOMMENDATION

196. Requisite record was produced to Audit which verified it hence, the Para was recommended to be dropped.

COMMUNICATION & WORKS DEPARTMENT

Thirty eight (38) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meetings held on 16th, 17th and 22nd of October 2012, The following were present:-

Public Accounts Committee

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Kiramat Ullah Khan, Speaker | Chairman |
| 2. | Mr. Abdul Akbar Khan, MPA | Member |
| 3. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 4. | Mr. Mukhtiar Ali, MPA | Member |
| 5. | Mufti Syed Janan, MPA | Member |
| 6. | Mr. Muhammad Zamin Khan, MPA | Member |

Law, Parliamentary Affairs and Human Rights Department

Mr. Jamshaid Khan Afridi,
Deputy Secretary.

Finance Department

Mr. Masoud Khan,
Deputy Secretary.

Audit Department

1. Mr. Sikandar Khan,
Director General.
2. Mr. Lal Muhammad,
Director.
3. Mr. Mutahir Rehman,
Deputy Director
4. Mr. Masood-Ul-Hassan Saeed,
Assistant Audit Officer.

Communication & Works Department

1. Engineer Zahid Arif,
Secretary.
2. Engineer Muhammad Uzair,
Deputy Director, (PKHA).
3. Mr. Ghulam Yazdani
Executive Engineer, (PBMC)
4. Mr. Mir Azam Khan,
Deputy Director (PKHA)

5. Mr. Sardar Babadar,
Section Officer.

Provincial Assembly Secretariat

1. Mr. Attaullah Khan,
Acting Secretary.
 2. Mr. Amjad Ali,
Additional Secretary.
 3. Mr. Inamullah Khan,
Deputy Secretary,
 6. Mr. Wakil Khan,
Assistant Secretary.
2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

DP.2.2.1 MISAPPROPRIATION OF Rs.2 MILLION.

AUDIT VERSION

3. The Audit reported that during the financial year 2009-10, the Executive Engineer Provincial Building Maintenance Cell (PBMC) incurred an expenditure of Rs.2 million on the supply and installation of Diesel Generator for new block in Circuit House Mardan. The specification for the items required in the installation of generator was neither mentioned in the contract agreement nor in the NIT. No detail of civil work required for RCC foundation for installation of generator was found mentioned.
4. Audit held that the amount had been misappropriated due to not mentioning specification of installation items in the NIT and contract agreement.
5. The misappropriation was pointed out in October, 2010. The management stated that the detailed specification of the work including generator capacity (60 KVA), made by a reputable foreign company (FG Wilson of UK), engine of Perkins, Canopy for making the generator completely soundproof were already mentioned alongwith foundation of RCC and complete earthing system with single core 35 mm which were sufficient for the execution of work.
6. In the DAC meeting held on 25-11-2010, the Department repeated the previous reply. The DAC did not accept the reply and directed the Department to furnish detailed documentary evidence to Audit.

DEPARTMENTAL VERSION

7. The Department explained that detail specification of the work including Generator capacity (60 KVA), made by a reputable foreign company (FG Wilson of UK), engine of Perkins, Canopy for making the generator completely sound proof supplied by the same company, etc were already described along-with foundation of RCC and complete earthing system with Single core 35 mm, these specifications were sufficient for execution of a work. In support of the reply, certificate of the Care-Taker would be produced to Audit.

COMMITTEE OBSERVATION

8. The Committee observed that if the requisite record had been produced to Audit for verification at the time of audit or during the DAC & Pre-PAC meetings, the issue would have been settled there & then.

COMMITTEE RECOMMENDATION

9. In view of the above, the para was recommended to be dropped with the direction to the Department to produce record to Audit in time so that such petty nature of issues may not be brought before the PAC in future and to initiate action against those responsible (s) for non-production of record to Audit in violation of section-14 of Auditor-General, Ordinance 2001.

DP.2.2.2 NON-PRODUCTION OF RECORD – Rs.3.06 MILLION.

AUDIT VERSION

10. The Audit reported that during the financial year 2009-10, the Executive Engineer PBMC incurred an expenditure of Rs.3.060 million on the Supply & Maintenance of Diesel for the 220-KVA Generator for the MPA Hostel Peshawar. The relevant logbook of the generator was demanded but the same was not produced:-

Voucher No & Date	Diesel	Rate (Rs)	Contractor	Amount (Rs. in million)
13/D 11-11-2009	27069 Liters	65.70	Haider Zaman	1.860
	Over hauling	---	---	0.977
	Repair of Generator 125 KVA misc	---	---	0.135
				0.088
Total				3.06

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11. Log book/consumption register showing number of hours of the generator was used for, liters per hour consumed by the generator were required to be verified by Audit.
12. Audit observed that the entire expenditure of Rs.3.060 million was irregular as the same could not be verified due to non-production of logbooks and other relevant record.
13. Audit held that the non-production of record was because the management which was unable to maintain proper record due to weak controls.
14. The non-production of record was pointed out in October, 2010. The management stated that logbooks were maintained by the generator operator and were available with the Comptroller MPA's Hostel for checking. It was further added that before release of funds, logbook was checked by the Standing Committee No.4 on House & library and also by the Finance Department.
15. In the DAC meeting held on 25-11-2010, the Department repeated the previous reply. The DAC did not accept the reply and directed to place the para before the PAC as record was not produced to audit.

DEPARTMENTAL VERSION

16. The Department explained that as per practice, Log-books are maintained by the Generator Operator and the Comptroller of MPA's Hostel. Log Book produced to Audit but could not verified due to lack of time. It added that log book was available & could be verified by the Committee. It further added that before release of funds, Log Book was checked by the Standing Committee No.4 on House & library and also by the Finance Department.

COMMITTEE OBSERVATION

17. The Committee noted with concern the non-production of record to Audit & held it a punishable offence under E&D Rules as provided in section-14 of the Auditor General Ordinance, 2001. The Committee observed that the Department advanced the same reply before DAC & Pre-PAC which was not accepted.

COMMITTEE RECOMMENDATION

18. Therefore, a Sub-Committee comprising Mufti Syed Janan, MPA as Chairman & Mr. Saqib Ullah Khan Chamkani, MPA as Member, was constituted to carry out Physical Verification of Generators with logbook and other relevant documents & submit report to PAC within ten days.

DP.2.2.3 OVERPAYMENT TO A CONTRACTOR ON ACCOUNT OF LABOUR COST Rs.18.340 MILLION.

AUDIT VERSION

19. The Audit reported that during the financial year 2009-10, the Managing Director Frontier Highways Authority paid Rs.10.549 million to M/S Contech (Pvt) Ltd through IPC-13 for a work, "Construction of Topi Bypass Road Balance Work" on 01-04-2010. The payment was made for escalation of labour, though it was the responsibility of contractor to bear the increase in labour cost as per terms of the agreement. As such the payment made to the contractor on account of escalation of labour was an overpayment.

20. The authority allowed escalation of Rs. 7.791 million to M/S Raja Naik Muhammad & Co. including escalation of Rs.1.381 million for labour in a work "widening & improvement of Ghazi Seri Kot Road package-II km 8-12 (4km)" in violation of contract agreement executed under the Contract Act. Moreover, neither price factor for other items i.e. POL, Steel, Cement and Bitumen was mentioned in the tender documents nor documentary evidence for ex-factory rates was available for payment of Rs.6.41 million (7,791,054 (-) 1,381,392) on account of escalation for these items. Therefore, the payment of escalation worth Rs.7.791 million was termed as overpayment.

21. This resulted in overpayment was due to violation of the contract agreement.

22. The overpayment was pointed out in October, 2010. The management replied that the payment of escalation on account of labour component was part of other specified items of escalation to contractor.

23. In the DAC meeting held on 21-11-2011, the Department repeated the previous reply. The DAC did not agree and directed to recover the overpayment.

DEPARTMENTAL VERSION

24. The Department explained that the payment of escalation on account of labour component was part of other specified items of escalation to contractor as provided in the

Appendix-C to clause-70 of the COC vol-I and was admissible accordingly. Not only the labour but all other items were subject to price adjustment because of any rise or fall in the prices of those items. The case in light of DAC decision was referred to C&W Department to get clarification from the Finance Department on the issue. The C&W Department issued clarification through a notification dated 30-05-2005 that the escalation for labour component was allowed with retrospective effect i.e. 01-07-2005. Therefore, overpayment was not involved.

COMMITTEE OBSERVATION

25. The Committee observed that the contention of the Department was different from the one advanced by Audit duly supported by the Finance Department. The Audit contention was that escalation had not been allowed on labour after December, 2005, whereas the Department contended that escalation had been allowed on labour after the said date by the competent authority i.e. Chief Minister after approval of summary moved by the Department. The Finance Department was of the view that escalation was allowed only once in December, 2005 on the remaining portion of on going schemes. After notification of CSR 2009, the escalation has not been allowed for new works. Since there was no clause of escalation in contract agreement, therefore, the Finance Department supported the Audit contention. The Committee noticed that whether the practice of allowing escalation was still in vogue and other contractors would have taken benefit of it or otherwise.

COMMITTEE RECOMMENDATION

26. The Committee, therefore, kept the para pending with the direction to Finance Department to examine the issue & apprise the Committee of the factual position to enable the Committee to arrive at a just decision.

**DP.2.2.4 OVERPAYMENT DUE TO DEVIATION FROM THE CONTRACT AGREEMENT
Rs.8.472 MILLION.**

UN-AUTHORIZED PAYMENT OF ESCALATION Rs.31.612 MILLION.

AUDIT VERSION

27. The Audit reported that during the financial year 2008-09, the Managing Director Frontier Highways Authority, Peshawar, carried out an item of work "formation of embankment from borrow pit excavation in common material" of 200,542 m³ @ Rs.146.83 per m³ with 80% premium under a work "construction of 18 km road from Indus Highways to Gambila bridge via Manjiwala-pharkhel".

- i. Out of total available earth of 6700 m³ a quantity of 60,389 m³ @ Rs.77.94 plus 80% above valuing Rs.8.472 million from excavation in common material was not used in the embankment to minimize the cost of the work, though the same was also provided in the BOQ, work order and contract agreement.
- ii. Payment for Rs.87,265/- was made for removal of 209 trees of different girth but neither its sale proceeds were deposited nor the timber was handed over to Forest Department.
- iii. Escalation costing Rs.31.612 million was paid to the contractor for the extended period, while the work still could not be completed by him within the stipulated period. So the fault was on the part of contractor.

28. This resulted in un-authorized payments made in violation of rules.

29. The overpayment, unauthorized payment and non-availability of timber were pointed out in August, 2009. The management stated that unsuitable earth was not used. Escalation was paid in the light of Government notification dated 30th June, 2005. Trees removed from the sites and were taken away by the land owners.

30. In the DAC meeting held in February 2010, the Department repeated the previous reply. The DAC did not agree and directed to provide relevant record in support of reply for verification. Laboratory tests record was produced which was found without client name, material name, location, contract number, sample and date.

DEPARTMENTAL VERSION

31. The Department explained that the available material from the roadway excavation, drainage/anti-erosion and retaining walls etc had been adjusted and properly deducted from the overall filling involved from borrow area as per actual x-section of the road. However, the quantity of 35811 m³ pointed out by the Audit pertained to the un-suitable material removed from the site which could not be utilized in the work due to its weaker characteristics confirmed after proper laboratory tests. The deduction of suitable excavated material available from excavation of culverts drain and retaining wall had been affected in various IPCs. The rate of Rs. 146.83 m³ pointed out by the Audit had been allowed for embankment formation from borrow excavation only and not for any other item as contended by the Audit.

- i. As far as the payment of escalation was concerned, it had been made as per clause-70 of the contract agreement under the true letter and spirit of the Government notification dated 30-06-2005 read with Finance Department notification dated 30-12-2005 duly amended vide W&SD circular No. SO(G)W&S/11/129/2005 dated 02-01-2009. Therefore, no irregular payment was involved under the head of escalation.
- ii. The trees removed from the site belonged to the local land owners and therefore were taken away by them being the legitimate owners of these trees. Most of the trees were date trees, which had no worth after cutting and thus the local land owner sustained great loss due to cutting of these trees.

COMMITTEE OBSERVATION

32. Regarding first portion of the para, the Committee observed that there was confusion in the last report annexed with the working paper as it showed issue date of 15-07-2008 whereas the Department contended that the same was issued before payment was made i.e. 2006.

33. Regarding third portion of the para, it was observed that it involved the same issue as contained in Draft Para No.2.2.3.

COMMITTEE RECOMMENDATION

34. First and second portions of the para was recommended to be dropped after convincing reply advanced by the Department.

35. Third portion involving escalation was kept pending till the clarification to be made by Finance Department in DP No.2.2.3.

DP.2.2.5 OVERPAYMENT DUE TO INCORRECT APPLICATION OF RATES Rs.27.054 MILLION.

AUDIT VERSION

36. The Audit reported that during the financial year 2008-09, the Managing Director Frontier Highways Authority over paid Rs.27.054 million for certain items of work at rates higher than those provided in the CSR 1999. The excessive rates for different items of works were self prepared. This resulted in overpayment due to violation of schedule rates.

37. The overpayment was pointed out in August, 2009. The management stated that a feasibility design and BOQ was prepared by the design consultant.

38. In the DAC meeting held on 02-02-2010, the Department repeated the same reply. The DAC directed to produce detailed record for verification. On verification, it was noticed that all the items were paid on special rates without considering the approved rates basis available in CSR 1999.

DEPARTMENTAL VERSION

39. The Department explained that feasibility, design and BOQ was carried out/prepared by the design consultants keeping in view the site condition.

(AP-106)

40. The rates as mentioned in the BOQ were combination of two items of work which was explained as under:-

1. Removal of unsuitable/surplus common material specification 106 A&B, CSR-1999 items 3-59 A&B = $56.17 + 289.69 = 345.86/2 = 172.93$.
2. Formation of Embankment specification item, 108 A&B, and as per CSR-1999, items 3-61 A&B i.e. $Rs.71.32+317.75=389.07/2= Rs.194.54$.
3. Structural Excavation specification 107 A&B CSR-1999 items No.3.60 A&B $47.61+349.72=397.33/2= Rs.198.67$.

(AP-109) S/No.01

41. In the BOQ, rate of Rs.292/- per cm was provided for an item of work "Providing & laying of filling dry hand pack stone with filler material in slushy area including compaction completed in all respect as directed by the Engineer". However, at site, due to non-availability of stone, the consultant again proposed to carryout, "Formation of Embankment from Borrow Excavation in River Bed Material" and rate of Rs.189/- per CM was fixed as non BOQ items. Upto 50th & Final Bill, the work for 19805.12 M³ was carried out at site & the payment come to Rs.37,43,172/-. If the payment would have been allowed at Rs.292/- M³, it would have raised to Rs.57,83,095/- & excess of Rs.20,39,923/- was however also saved. Overpayment was not involved. Rather saving had been made.

S/No.2 (AP-109)

42. Special material was required in the embankment and the available excavated material was un-suitable & not fit for re-use. Therefore, the Audit plea that re-handling of the available material at Rs.9/-M³ in the embankment was no where justified.

43. Keeping in view the above, no overpayment was involved.

COMMITTEE OBSERVATION

44. The Committee observed that separate approved rates for earth & rock excavation were mentioned in CSR 1999 but the Department made payment on special rates by calculating average of both rates (Soil & rock rates) which was not justified.

COMMITTEE RECOMMENDATION

45. To have a clear picture of the issue, the Committee therefore, kept the para pending till Physical Verification of site to be carried out by Mr. Saqib Ullah Khan Chamkani, MPA on 17-10-2012 accompanied by representatives of Audit, Department and PAC Cell to ascertain the factual position. Report of the verification be submitted to PAC.

46. On 18-10-2012 the physical verification of site was carried out by the Honorable Member of the Committee alongwith representatives of Audit, Finance and PAC Cell. The Honorable Member during the meeting of PAC held on 22-10-2012 reported that most of the portion of excavation pertained to rock, hence, special rates were verified and the para was recommended to be dropped.

DP.2.2.6 OVERPAYMENT TO CONTRACTOR ON ACCOUNT OF ESCALATION FOR THE EXTENDED PERIOD-Rs.4.285 MILLION.
NON-DEDUCTION OF INCOME TAX-Rs.3.635 MILLION.

AUDIT VERSION

47. The Audit reported that the Managing Director FHA awarded a work, "Construction of Chukitan-Barawal Road District Dir Phase-IV (3.32km) to M/S Sadat & Co. The completion period of work was 24 months from 15-03-2007 to 14-03-2009. The contractor could not complete the work by the stipulated time and extension in time limit from 15-03-2009 to 14-02-2010 was granted vide Notification No.1329/35-FHA dated 07-10-2009. However, 22nd running/bill of the contractor including escalation of Rs.4.285 million for the extended period for which the contractor dated 03-06-2010 revealed that Rs.58.927 million was paid to the contractor was not entitled. This resulted in overpayment to the contractor.

48. Similarly, neither 6% income tax of Rs. 3.536 million (value 58,926,867 X 6%) was deducted from the bills of the above contractor nor payment at reduced rates was made to the contractor due to his carrying out the project in tax free zone. This resulted in overpayment to the contractor. Audit held that overpayment to the contractor was because of violation of rules.

49. The overpayment was pointed out in October, 2010. The management stated that escalation was paid to the contractor according to the contract provision and Government orders. The period from 15-03-2009 to 14-02-2010 was extremely bad for residents of the area where all kinds of activities were at standstill due to militancy. Income Tax was not deducted on the valid authority of tax Department.

50. In the DAC meeting held on 21-01-2011, the Department repeated the previous reply. The DAC directed to produce the documentary evidence in support of reply however, the same was not produced till finalization of this report.

DEPARTMENTAL VERSION

51. The Department explained that:-

1. Escalations were paid to the contractors according to contract provision and Government orders. The extension was granted for completion of work on the basis of solid grounds. The period from 15-03-2009 to 14-02-2010 as mentioned in the para was extremely bad for the residents of the area where militancy prevailed and all kind of activities were stopped/suspended.
2. The contractor had produced a certificate for exemption from tax. Therefore, the same was not deducted on the valid authority of tax Department. Therefore, overpayment was not involved.

COMMITTEE RECOMMENDATION

52. In view of plausible explanation advanced by the Department, the para was recommended to be dropped.

DP.2.2.7 OVERPAYMENT ON ACCOUNT OF CONSTRUCTION OF RCC BRIDGE- Rs.1.227 MILLION.

AUDIT VERSION

53. The Audit reported that during the financial year 2008-09, the Managing Director Frontier Highways Authority overpaid Rs.1.277 million due to allowing enhanced rates than those available in the CSR for the following two items under a scheme "Construction of RCC Bridge over River Kurrum". The Detail is as under:-

S/No	Name of item	Paid rate (Rs)	Admissible rate (Rs)	Difference (Rs)	Quantity (M³)	Total (Rs)
1.	Formation of embankment from borrow excavation	168.85	148.83	20.02	33.645	673.572
2.	Random rubble masonry in 1:4	1,089.89	947.73 142.16		2.059	292.707
Total						966.279
Add 27% above						260.895
Grand Total						1,227,174

54. The Audit held that the overpayment was due to allowing rates higher than those in CSR 1999.

55. The overpayment was pointed out in August, 2009. The management stated that the BOQ rates of the work included 15% premium on CSR 1999 which was within the permissible limit of CSR 1999.

56. In the DAC meeting held on 02-02-2010, the Department repeated the previous reply. The DAC directed to produce the decision of the Rates Advisory Committee and agreement for verification. During verification it was noticed that the approval of 46.2% above

that of the advisory Committee was produced but it was not valid as the meeting of Rates Advisory Committee was not attended by any member from the Finance Department.

DEPARTMENTAL VERSION

57. The Department explained that the BOQ rates of the work included a 15% premium on CSR-1999 as allowed by the Government at that time. The rates of Rs.168.83/- PM³ instead of 146.83 and Rs.1089.89/- PM³ instead of 947.73 as pointed out by the audit were just 15% above and were well within the permissible premium allowed by the Government over CSR-1999 at the time of tendering. Therefore, no overpayment was involved due to mis-application of rates as contended by the Audit.

COMMITTEE OBSERVATION

58. The record was produced before Audit which was verified.

COMMITTEE RECOMMENDATION

59. In view of plausible explanation advanced by the Department and verification of record by Audit, the para was recommended to be dropped.

DP.2.2.8 LOSS DUE TO UNAUTHORIZED PAYMENT TO SKILLED AND UNSKILLED LABOUR-Rs.75.993 MILLION.

AUDIT VERSION

60. The Audit reported that during the financial year 2008-09, the Managing Director Frontier Highways Authority (FHA) made payment of Rs.75.993 million to different contractors on account of escalation charges of skilled and unskilled labour despite the fact that escalation in labour cost was not provided in the above letter which resulted into loss to Government Treasury as detailed below:-

Voucher No.	Date	Amount (Rs)
346	10-06-2009	25,331,127
349	12-06-2009	9,705,292
299	22-04-2009	1,590,414
294	15-04-2009	21,729,743
087	17-09-2008	5,398,301
355	16-06-2009	722,756
362	27-06-2009	6,323,756
359	24-06-2009	2,671,582
340	03-06-2009	2,520,428
Total		75,993,399

61. Audit was of the view that the loss occurred due to violation of standing orders of the Government.

62. The loss was pointed out in August, 2009. The management stated that in the initial orders for escalation dated 30-06-2005, the factor for adjustment of labour (skilled/unskilled) was not included. Later on, the Government of Khyber Pakhtunkhwa, Finance Department issued proper orders vide No.BOI/1-7/2005-06/FD(CSR) dated 30-12-2005, for its payment which were followed accordingly.

63. In the DAC meeting held on 02-02-2010, the Department repeated the previous reply. The DAC did not agree with the plea however, the Department was directed to provide the relevant record to Audit for verification within 15 days which was not produced till finalization on this report.

DEPARTMENTAL VERSION

64. The Department explained that in the initial orders for escalation dated 30-06-2005, the factor for adjustment of labour (skilled/unskilled) was not included. Later on, the Government of Khyber Pakhtunkhwa, Finance Department issued proper orders vide No.BOI/1-7/2005-06/FD(CSR) dated 30-12-2005, which was inclusive of labour component and were followed accordingly. Moreover, the C&W Department issued clarification that labour component was also inclusive of the orders dated 30-06-2005.

COMMITTEE OBSERVATION

65. The Committee observed that similar nature of Draft Para No.2.2.3, has already been referred to Finance Department for clarification.

COMMITTEE RECOMMENDATION

66. The para was therefore, clubbed with DP No.2.2.3.

DP.2.2.9 LOSS DUE TO AWARD OF WORK AT NON-SCHEDULE ITEMS RATES- Rs.32.786 MILLION.

AUDIT VERSION

67. The Audit reported that during the financial year 2009-10, the Executive Engineer Provincial Building Maintenance Cell (PBMC) incurred an expenditure of Rs.26.335 million and Rs.6.451 million on the maintenance and repair of Chief Minister House and payment was made to contractors vide voucher No.7-C dated 06-02-2010 and 13-C dated 18-02-2010 respectively.

The total expenditure of Rs.32.786 million was termed as loss to Government because payment for the items purchased was either made at non-scheduled items rates or higher than the market rates and in certain cases the items were not taken on the inventory register. The detail is as under:-

- i. The rates paid were three times higher than the market rates. For example payment of Rs.3.795 million was made for 230 yard HT cable @ Rs.16,500. The rate of copper cable for 382 yards was claimed at Rs.22200 per yard. Energy savers of 85 watt were paid @ Rs.720 per item. Moreover, paint of 1,003 flower pots was carried out @ Rs.550 each Rs. 1.180 million had been paid for the re-cushioning of five seater sofa set while the maximum rate of such items was not more than Rs.1,00,000/- in the local market of VIP Cushion Maker. Similarly, Rs.4,32,000/- paid for twenty four brass gamlas were on very higher side. Rs.482,400 had been paid for re-cushioning of chair & polishing while such work could be carried out at a maximum rate of Rs.50,000.
- ii. The purchase of items like pillow, towel, bed sheet, quilt authentic was also made but the said purchase was not taken on the inventory register.

68. Audit was of the view that the loss occurred due to non-observance financial propriety.

69. The loss was pointed out in October, 2010. The management stated that the cost of gamlas painting amounting to Rs.351,050 had been recovered and credited to Government revenue. The rates for almost all the items had been analyzed by the Sub-Engineer/SDO and that the purchased items were covered under the scheme approved for the purpose and funds released specifically by the Government. The items were on the choice and demand of the authorities in the Secretariat which were required to maintain the prestige of the House & Secretariat. All items supplied were borne on the inventory of the client.

70. In the DAC meeting held on 15-11-2010, the Department repeated the previous reply. The DAC did not accept the reply because the release of fund did not mean that codal formalities should not be followed.

DEPARTMENTAL VERSION

71. The Department explained that the cost of gamlas painting amounting to Rs.3,51,050/- had been recovered and credited to Government Revenue vide T.E No.2/11/2010.

72. The items purchased were covered with cost/rate under the scheme approved by the Provincial Government through DSC/DDWP which was technically sanctioned. Funds for the purpose were released specifically by the Government. The items were on the choice and demand of authorities in the Secretariat which were required to maintain the prestige of the

House & Secretariat. The work was awarded through open tender and on the lowest bid offered bases. All items supplied were born on the inventory of the client and must have been checked in the detailed audit there and satisfactory certificate issued by the client would also be produced to Audit.

COMMITTEE OBSERVATION

73. The Committee observed that the Department had only made recovery without initiating action against those involved in the misdeed.

COMMITTEE RECOMMENDATION

74. The Committee therefore, recommended to conduct enquiry in the matter fix responsibility and initiate appropriate action against the defaulters within a month. Para stands. Progress be reported to PAC.

75. The Department conducted inquiry and furnished report to PAC Cell wherein the Inquiry Officer recommended that as the recovery has been made vide T.E dated 02.11.2010 since dates of the Audit Objection and of the said transfer entry confirm that the T.E for recovery of Rs. 351,050/- has been made in pursuance of the Audit Objection as pointed out during audit in October 2010 therefore, in light of the explanation as per CPWA code no one of the PBMC can be held responsible for any irregularity as action of recovery from the contractor has been made. The works carried out in the best interest of State and for the prestige/dignity of resident/secretariat and approved rates were allowed for executions and the items were also taken in inventory register. All the payment made to the contractor as per approved PC-I and T.S duly approved by the Competent Authority hence, no excess/irregular expenditure was found to have been made neither violates the codal formalities. The Inquiry Officer recommended to drop the Para.

76. The Inquiry report was considered and found satisfactory therefore, the Para was decided to be settled.

DP.2.2.10 LOSS DUE TO ALLOWING UNAUTHORIZED ESCALATION TO THE CONTRACTOR Rs. 17.653 MILLION.

AUDIT VERSION

77. The Audit reported that the Managing Director Frontier Highways Authority awarded a work "Dualization of Road from Khalifa Gul Nawaz Hospital Bannu to Domail including Bridges and Link Road to Agriculture Research Centre" to a contractor in November, 2006 with the completion of project within 36 months. However, the work could not be

completed within the stipulated period despite the availability of sufficient funds. Seven months extension in time limit from 28-11-2009 to 30-06-2010 was granted by the competent authority. However, 23rd running bill of the contractor revealed that Rs.17.653 million was paid to the contractor on account of escalation for the extended period without valid authority, resulting into a loss of Rs.17.653 million to the public exchequer.

78. Audit held that the loss occurred due to the violation and disregard for Government orders.

79. The loss was pointed out in October, 2010. The management stated that the said clause did not prohibit the payment of escalation to the contractor for the extended period. The delay in completion was not due to the fault of contractor but due some other factors like acquisition of land, clearance of site from the utilities and litigation by the owners of the land.

80. In the DAC meeting held on 21-01-2011, the Department repeated the previous reply. The DAC directed to produce the documentary evidence in support of reply; however the same was not produced till finalization of this report.

DEPARTMENTAL VERSION

81. The Department explained that escalation was allowed to contractors in light of notifications No. SOG/W&S/11-129/2005 dated 30-06-2005 and 30-12-2005 through which clause 5-A was made part of the contract agreement. The said orders did not prohibit the payment of escalation to the contractor for the extended period except if the extension was due to contractor fault. Moreover, the delay was not on the part of contractor but it involved some other factors which had been explained in the request of the contractor recommended by the consultant and approved by the competent authority. It was also added that the land dispute with one Dr. Sharif v/s Government was still pending in the Court of Law at Bannu. In the instant case, removal of encroachment in Domail Bazar by the help of Army authorities, also necessitated the time extension where the contractor was not at fault. Since, escalation was payable to contractors in the extended period when the contractor was not at fault and the payment was well covered in the contract agreement, therefore, no overpayment was involved. Complete record was produced to Audit for verification. .

COMMITTEE OBSERVATION

82. The Committee observed that similar nature of Draft Para No.2.2.3, has already been referred to Finance Department for clarification.

COMMITTEE RECOMMENDATION

83. The para was therefore, clubbed with DP No.2.2.3.

DP.2.2.11 LOSS TO GOVERNMENT EXCHEQUER ON ACCOUNT OF EVASION OF INCOME TAX Rs. 9.191 MILLION.

AUDIT VERSION

84. The Audit reported that in accordance with agreement executed between M/S Fazal Karim & Co. and M/S Khattak Allied Construction Co. notified by FHA vide No.38-FHA/424 dated 14-02-2007 in respect of above work, all responsibilities, commitments, obligations and rights were transferred to M/S Khattak Allied Construction & Co.

85. The Managing Director Frontier Highways Authority awarded a work "Improvement and Construction of Road from Mayaar to Asmaar District Dir Section-IV (KM 23+0 80 to KM 25+200)" to a contractor M/S Fazal Karim & Co. at a total cost of Rs.96.583 million on 05-10-2006. The agreement was executed with the above contractor and clause-I-10(4) was made part & parcel of it under which it was provided that all taxes and duties were included in the rates/prices. However, after entering into agreement with FHA, the contractor assigned the work to another contractor M/S Allied Khattak Construction & Co. and the assignment of contract was notified by FHA wherein all obligations and rights of the former contractor were transferred to the later. Rs.89.455 million were paid to M/S Khattak Allied Construction & Co. up to 9th running bill but income tax of Rs.5.367 million (89,455,173x6%) was not deducted from their bills on the wrong contention, that the former contractor was exempt from income tax. Audit observed that this work was originally awarded to M/S Fazal Karim Construction Co. and then assigned to M/S Khattak Allied Construction & Co. on consideration that income tax exemption facilities available to M/S Fazal Karim Construction & Co. being PATA resident shall be used by M/S Khattak Allied Construction & Co. to save the deduction of income tax without realizing that all taxes were included in the rates/prices and even PATA contractors were not exempted under such circumstances.

86. Similarly, all taxes included in the rates/prices of contractor M/S Ghulam Muhammad Khan & Co. made part and parcel of the agreement under clause-I-10(4) of package-I of the above work but income tax of Rs.3.823 million (63,723,620 x 6%) was not deducted from their bills (14th IPC) by the consultants.

87. Audit was of the view that the loss occurred due to the violation of contract agreement and weak internal controls.

88. The loss was pointed out in October, 2010. The management stated that the BOQ was inclusive of all taxes and levies of Government but it was open for all contractors whether they were resident or non resident and tenders were accepted after wide publicity. However, inclusion of rates in the BOQ was the NIT requirement whereas non-deduction of taxes from resident of FATA/PATA was the Government Policy on which base they usually won the bid quoting their rates lesser than the non resident contractors and through this way the contractor got the benefit of exemption. M/S Khattak Allied was the assignee of M/S Fazal Karim and according to the agreement the contract as well as other conditions of the assignment were equally applicable to Khattak Allied.

89. In the DAC meeting held on 21-01-2011, the Department repeated the previous reply. The DAC did not agree with reply of the Department and decided to affect recovery. However, no progress was shown till finalization of this report.

DEPARTMENT VERSION

90. The Department explained that M/S Khattak Allied was assignee contractor of M/S Fazal Karim & Co and according to the agreement the contract as well as other conditions of the assignment were equally applicable to M/S Khattak Allied. Since M/S Fazal Karim was the original contractor who was the resident of the Malakand Division and non-deduction of tax facility had been extended to him, therefore, income tax was not deducted from the assignee contractor M/S Khattak Allied under the same contract agreement. Moreover, according to the Law Department orders dated 12-02-2002, income tax from the assignee contractor shall not be deducted if the original contractor is exempted from the tax deduction. The contractor had logged his case in the Court of law and decision was pending.

91. M/S Ghulam Muhammad Khan & CO was resident Contractor of Malakand Division and had produced exemption certificate issued by the Department, Hence income tax was not deducted from their bills and loss was not involved.

COMMITTEE OBSERVATION

92. The Committee observed that no stay order by the court of law has been issued, therefore, the Department should have recovered the amount of income tax from the contractor as per DAC decision.

COMMITTEE RECOMMENDATION

93. The Committee, therefore, upheld the decision of DAC. Para stands. Progress be reported to PAC.

**DP.2.2.12 LOSS TO THE PUBLIC EXCHEQUER DUE TO SUBLETTING THE WORKS
Rs.2.747 MILLION.**

AUDIT VERSION

94. The Audit reported that the Managing Director, Frontier Highways Authority, awarded contract of the work, "Improvement and Widening of Batkhela-Totakan-Qulangi Road District Malakand Package-I Km 0+000 to Km 10+000 and link-10.583 Km and link-21.817 Km total 12.400 Km" to contractor M/S Raja Naik Muhammad & Bros, of District Mansehra, at a cost of Rs.213.774 million in May, 2009.

95. The contractor sublet the work to another contractor M/S Fazal Karim & Co. of Malakand Agency by executing assignment agreement for shifting all the obligations and rights to the later contractor. However, 6% income tax of Rs.2.063 million was not deducted from the contractor bill (IPC-4), though it was the obligation of the former contractor which resulted into a loss of Rs.2.063 million to the public exchequer.

96. Similarly, income tax of Rs.684,068/- was not deducted in the 4th IPC of package-II of the same work in respect of M/S Ghulam Muhammad Khan & Co. resulting into loss to public exchequer.

97. Audit was of the view that the loss occurred due to the violation of contract agreement and weak internal controls.

98. The loss was pointed out in October, 2010. The management stated that Raja Naik Muhammad & Brothers, were residents of Nikka Pani Darband Mansehra which was a tribal area and exempted from tax. The other contractor was exempted from income tax because he was the resident of PATA.

99. In the DAC meeting held on 21-01-2011, the Department repeated the previous reply. The DAC directed to produce the documentary evidence in support of reply; however, the same was not produced till finalization of this report.

DEPARTMENT VERSION

100. The Department explained that M/S Raja Naik Muhammad and Brothers were residents of "Nikka Pani Daraband, Mansehra" which was a tribal area and exempted from tax deduction. Similarly, M/S Fazal Karim & Co was the resident of Malakand Division/PATA.

According to law of the land, tax jurisdiction had not been extended to FATA/PATA. Therefore, income tax was not deducted from the assignee contractor. M/S Ghulam Muhammad had produced exemption certificate, therefore, income tax was not deducted from his bill. Loss was not involved and record was also produced to Audit for verification.

COMMITTEE OBSERVATION

101. The Committee observed that the second contractor belonged to PATA, therefore, he should be exempted from tax after verification of his locality/address.

COMMITTEE RECOMMENDATION

102. Subject to verification of address of the contractor as to whether he belongs to PATA or otherwise, the para was recommended to be dropped.

DP.2.2.13 LOSS TO PUBLIC EXCHEQUER DUE TO NOT OBSERVING TRANSPARENCY IN TENDERS Rs. 2.708MILLION.

AUDIT VERSION

103. The Audit reported that the Managing Director Frontier Highways Authority Peshawar, put a work, "Improvement and Rehabilitation of Chapper-Darband Road Haripur SH:Package-I KM 0-10" to tender. Seventeen contractors participated in the process. The rebate of 16.20% on BOQ cost of Rs.85.190 million offered by M/S Fazal Karim & Co. Mansehra, was the lowest. However, his bid was rejected on the plea that he had not furnished 8% additional security. The work was awarded to the 2nd lowest bidder M/s Shinghar Construction & Co. at 11% rebate but 8% additional security obtained from him was released and instead work performance guarantee for Rs.11.482 million was accepted which was irrelevant and had nothing to do with additional security. As a result of not observing transparency in the tenders, the public exchequer was put to a loss of Rs.2.708 million.

104. The loss was pointed out in October, 2010. The management stated that M/S Fazal Karim did not furnish 8% additional security and 15% performance bond. His 2% call deposit was forfeited and the work was awarded to the 2nd lowest contractor who deposited 8% additional security. Every thing was done in transparent manner and no loss was sustained.

105. In the DAC meeting held on 21-01-2011, the Department repeated the previous reply. The DAC directed to produce the NIT to verify as to whether 8% security was released

during the execution of work or not. The Department did not produce the same till finalization of this report.

DEPARTMENT VERSION

106. The Department explained that it was decided in the DAC meeting to show record to Audit that 8% Additional Security of M/S Sheenghar was not released 8% additional Security in shape of pay order vide No. 0460615 dated 01-06-2009 from NIB Bank was received and deposited in PKHA account which was still in custody, whereas record was also produced to Audit.

107. In the light of the position explained above, everything had been done in a transparent manner and no loss to the Government was involved.

COMMITTEE RECOMMENDATION

108. In view of plausible explanation advanced by the Department, the para was recommended to be dropped.

DP.2.2.14 LOSS DUE TO PUBLIC EXCHEQUER DUE TO NON-APPLICATION OF DE-ESCALATION CLAUSE FOR RATIONALIZATION OF SCHEMES COST-Rs. 1.779 MILLION.

AUDIT VERSION

109. The Audit reported that the Managing Director Frontier Highways Authority, awarded a work, "Dualization of Road from Charsadda (Nisatta) Interchange to Farooq Azam Chowk 5KM" to a contractor M/S NIC (Pvt) Ltd on the basis of Composite Schedule of Rates, 2008 on 20-12-2008 as provided in PC-I, Technical Sanction & BOQ of above work. Meanwhile, the Finance Department approved the Composite Schedule of Rates, 2009 (Qtr-I) w.e.f 01-04-2009 and directed all the stakeholders to apply de-escalation clause to the already approved PC-I and tenders to rationalize the cost. However, the above orders were not implemented in case of nine items, which led to a loss of Rs.1.065 million to public exchequer.

110. Similarly, another work, "Package No.43/2008-09 Special Repair to D.I.Khan Darya Kan Road (S-D) SH Km-7 to 29 (23 km)" was awarded to contractor M/S Masood Construction & Co. Bannu, on the basis of Composite schedule of rates, 2008 in December, 2008 but de-escalation clause in respect of three items was not applied to rationalize the cost resulting into a loss of Rs.704,846 to Government Treasury.

111. Audit held that the loss occurred due to non-rationalization of rates according to the above quoted notification of Finance Department.

112. The loss was pointed out in October, 2010. The management stated that escalation/de-escalation was a part of contract agreement and was applied according to standard procedure.

113. In the DAC meeting held on 21-01-2011, the Department repeated the previous reply. The DAC directed to take clarification of the Finance Department. However, no progress was shown till finalization of this report.

DEPARTMENT VERSION

114. The Department explained that escalation/de-escalation was part of contract agreement and was applied simultaneously according to standard procedure. Moreover, the Finance Department had clarified that the rates of contracts executed six months prior to issuance of the notification dated 30-03-2009 pertained to the de-escalation as per rules/laid down producer and not reduction in rates vide No. BO(1)FD/1-7/2008-09Vol:I/CSR dated 02-03-2011.

COMMITTEE OBSERVATION

115. The Committee observed that similar nature of Draft Para No.2.2.3, has already been referred to Finance Department for clarification.

COMMITTEE RECOMMENDATION

116. The para was, therefore, clubbed with DP No.2.2.3.

DP.2.2.15 UN-NECESSARY EXPENDITURE ON REPAIR WORK-Rs. 11.604 MILLION.

Audit Version

117. The Audit reported that during the financial year 2009-10, the Executive Engineer Provincial Building Maintenance Cell (PBMC) incurred an expenditure of Rs.11.604 million on the addition/alteration and special repair of Speaker's chamber, Opposition Leader's Chamber & CM's Bathroom in the Provincial Assembly Secretariat. Though the expenditure of Rs.15.00 million and Rs.50.00 million had already been incurred on the original work of Provincial Assembly Building and there was no need of further expenses at the cost of public exchequer. The expenditure of Rs.11.604 million was therefore, unnecessary as detailed below:-

Voucher No. & Date	Contractor	Work Location	Amount (Rs. in million)
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8/D 10-06-2010	M/S Haider Zaman	Electrification Marble etc.	3.904
9/D 10-06-2010	-do-	Speaker chamber	3.786
10/D 10-06-2010	-do-	Chamber & CM bathroom	3.914
Total			11.604

118. Audit was of the view that the un-necessary expenditure was incurred due to observing no financial propriety.

119. The un-necessary expenditure was pointed out in October, 2010. The management stated that the PC-I for the work was approved by the Provincial Government through DSC/DDWP. Funds were specifically released for the purpose, hence the work was executed and expenditure incurred on conservation and restoration of assets of Government which may not be termed as wasteful, un-necessary and loss.

120. In the DAC meeting held on 25-11-2010, the Department repeated the previous reply. The DAC did not accept the reply. No progress was reported till finalization of this report.

DEPARTMENTAL VERSION

121. The Department explained that the PC-I for the work was prepared on the demand of Provincial Assembly and after approval of the scheme by the Provincial Government through DDWP; funds were specifically released for the purpose. Hence the technically sanctioned work was executed and expenditure incurred after fulfilling of codal requirements. As a result of scheme implementation, the Assets were conserved and building maintained to the highest standards required for visiting dignitaries. The endeavors may not be termed as wasteful, un-necessary and loss.

COMMITTEE RECOMMENDATION

122. In view of explanation advanced by the Department the Committee was convinced and the para was recommended to be dropped.

DP.2.2.16 BLOCKAGE OF PUBLIC MONEY DUE TO UNJUSTIFIED EXPENDITURE-Rs.18.234 MILLION.

AUDIT VERSION

123. The Audit reported that during the financial year 2009-10, the Executive Engineer Provincial Building Maintenance Cell (PBMC) incurred an expenditure of Rs.18.234 million of the furnishing of Pakhtunkhwa House Islamabad in May, 2010. The furnishing included the items like ACs weighing 1 ¹/₂ ton, sofa set, TV Trolleys, double bed and other luxurious items

which were shown purchased due to being damaged in the bomb blast in front of Marriot Hotel without requisition from incharge of the house. The items purchased were not actually damaged except window panes because each room of the house was fully furnished therefore, no further items were required to be purchased. No inventory of these items was shown to Audit on the plea that the PBMC purchased these items & handed over then to incharge of the house. Therefore, the expenditure of Rs.18.234 million incurred was nothing but the blockage of public money.

124. Audit was of the view that the blockage of public money was because of negligence and mis management on the part of Department the blockage of public money was pointed out in October, 2010. The management stated that PBMC executed the approved schemes which were prepared on the request of the client. In the instant case a proper scheme was also approved by the Provincial Government through DSC/DDWP and funds were specially released for the purpose to furnish the House according to the policy of the Provincial Government. Auction of unserviceable material was conducted by the Administration Department through its Committee. The PBMC supplied the purchased items to the Comptroller who maintained inventory.

125. In the DAC meeting held on 15-11-2010, the Department repeated the previous reply. The DAC did not agree with the reply as the items purchased were luxurious and shown damaged during blast without proper verification. No progress was reported till finalization of this report.

DEPARTMENTAL VERSION

126. The Department explained para wise replies which are as under:-

1. Apart from the damages, employees were also martyred in the House.
2. After occurrence of huge human & material losses, it was decided by the Government to re-furnish the House to the highest standards.
3. It is true that contract was awarded after open tender floated in the press according to approved cost of the schemes.
4. The record of purchase items is available and complete inventory is maintained by the comptroller of the House being custodian. A copy of the Handing/Taking-over certificate shall be produced to Audit.
5. The damaged items were auctioned by the Committee in the Administration Department and during audit of that Department, the Audit Party may have gone through these documents of auction and the received auction money.

COMMITTEE OBSERVATION

127. The Committee observed that no damage report & proper demand from the Khyber Pakhtunkhwa House, was found on record which should have been produced before it.

COMMITTEE RECOMMENDATION

128. The Committee, therefore, held that Mr. Saqib Ullah Khan, MPA and PAC Cell, shall pay visit to the House in the next week to Physically check the furnishing items purchased with inventory and verify the damage report & demand for replacement of items etc.

DP.2.2.17 UN-AUTHORIZED PAYMENT OF Rs. 1,000.535 MILLION.

AUDIT VERSION

129. The Audit reported that during the financial year 2007-08, the Managing Director Frontier Highways Authority, Peshawar, incurred an expenditure of Rs.1000.535 million on the following five works without obtaining technical sanctions from the competent authority. The detail is as under:-

S/No	NAME OF WORK	EXPENDITURE (Rs. IN MILLION)
1	Construction of Mayyar to Asmar Road	467.128
2	Construction of Zera Bridge	28.673
3	AM&R Charsadda Mardan Section	4.000
4	Lighting of Balambat Bridge package-15	0.880
	Total	1000.535

DEPARTMENT VERSION

132. The Department explained that Technical Sanction for the work as shown in Draft Para had already been accorded which was produced to Audit & verified.

COMMITTEE OBSERVATION

133. The Committee observed that Technical Sanction was accorded after award of contract which was clear violation of the instructions of the PAC issued from time to time.

COMMITTEE RECOMMENDATION

134. The Committee, therefore, directed the Department to hold enquiry in the matter, fix responsibility and action may be initiated against those who committed the irregularity of awarding contract before according Technical Sanction. It also directed the Department to stop this practice forth with and to follow rules & regulations in true spirit. Para stands till initiation of disciplinary action.

**DP.2.2.18 UN-AUTHORIZED EXPENDITURE DUE TO MISUSE OF FINANCIAL POWERS
Rs.434.025 MILLION.**

AUDIT VERSION

135. The Audit reported that according to S/No.21.1 (b) & (c) of Delegation of Power Rules 2001 the Superintending Engineer/Director Public works of BPS-19 was empowered to accord Technical Sanction upto Rs.1 million for the special and ordinary repair to non-residential and residential building respectively. These powers were substituted and enhanced by the Honorable Governor Khyber Pakhtunkhwa through a notification issued on 06-06-2006. According to the notification, the Director Works of BPS-19 had been delegated full power.

136. During the financial year 2009-10, in the office of Executive Engineer Provincial Building Maintenance Cell (PBMC) Peshawar, an expenditure of Rs.434.025 million, was incurred on the repair works after obtaining approval from the Director Works who was BPS-18 officer and was not competent to accord sanction in the light of above laws. Therefore, the technical sanctions for Rs.434.025 million accorded by the Director Works PBMC being BPS-18 officer were invalid.

S/No.		Rs.
1.	134 cases of residential Sanction	30,35,80,520
2.	41 cases of Non-residential	13,04,44,904
	Total	43,40,25,424

137. Audit held that the unauthorized expenditure was due to the misuse of financial powers.

138. The irregularity was pointed out in October, 2010. The management stated that PBMC was a cell which was detached from Administration Department and attached with C&W Department w.e.f. 01-07-2009 without any other change in the powers exercised by its officers.

140. In the DAC meeting held on 15-11-2010, the Department repeated the previous reply. The DAC did not accept the reply because PBMC was now under the control of Administrative Secretary of C&W Department so the rules and powers of the Department should have been exercised.

DEPARTMENTAL VERSION

141. The Department explained that in fact, full powers to accord Technical Sanction were delegated on 06-06-2006 by the Honorable Governor Khyber Pakhtunkhwa to the Director copy of which would be produced to Audit for confirmation as well as verification. It was also explained that in compliance with the decision of Provincial Government, posting of the Officer was issued to perform his duty as a Director PBMC copy of which would also be produced to Audit for verification. The Finance Department also clarified that powers of technical sanction were delegated to designated posts & not to persons under the delegation of powers Rules, 2001.

COMMITTEE RECOMMENDATION

142. In view of plausible explanation advanced by the Department and clarification made by Finance Department, the para was recommended to be dropped.

DP.2.2.19 UNAUTHORIZED PAYMENT OF ESCALATION Rs.316.856 MILLION.

AUDIT VERSION

143. The Audit reported that during the financial year 2008-09, the Managing Director, Pakhtunkhwa Highways Authority paid escalation of Rs. 316.856 million to various contractors in contravention of the above rules during extended period which was unauthorized. Audit was of the view that the payment made was unauthorized due to violation of standing orders of the Government.

144. The irregularity was pointed out in August 2009. The Management stated that the escalation orders dated 30-06-2005 and last premium allowed vide letter dated 30-12-2005 by Finance Department for the ongoing schemes and escalation was allowed as per orders.

145. In the DAC meeting held on 02-02-2010 the Department repeated the previous reply. The DAC directed that agreement, amount of de-escalation paid and other relevant record should be produced for verification within seven days. No record was produced till finalization of this report.

DEPARTMENT VERSION

146. The Department explained that relevant record was produced to Audit vide No. 699/FHA/Accts/AP 2008-09 dated 23-08-2010 as per DAC directives. A reminder was also issued so as to communicate the result of verification which was awaited. It also explained that

the extension in time limit was granted only when the situations were beyond the control of the contractors. Escalation was paid according to the provision of contract agreements.

COMMITTEE OBSERVATION

147. The Committee observed that similar nature of Draft Para No.2.2.3, has already been referred to Finance Department for clarification.

COMMITTEE RECOMMENDATION

148. The para was therefore, clubbed with DP No.2.2.3.

DP.2.2.20 **UN-AUTHORIZED PAYMENT OF MOBILIZATION ADVANCE** **Rs.**
80.142 MILLION

AUDIT VERSION

149. The Audit reported that during the financial year 2008-09, the Managing Director Khyber Pakhtunkhwa Highways Authority, paid 10% instead of 2% Mobilization Advance of Rs. 80.142 million to thirteen contractors which was unauthorized and undue extension of benefit to the contractors. Audit held that the violation of Government orders caused the unauthorized payment. The irregularity was pointed out in August 2009. The Management stated that 10% advance was allowed in the light of letter of acceptance. The advances were recovered in six to sixteen installments.

150. In the DAC meeting held on 02-02-2010, the Department repeated the previous reply. The DAC did not agree and directed to produce the relevant record for verification. During verification, the Department produced letter No.SO(DEV-II)2-8/2008-09/FD dated 14-04-2009 wherein 10% mobilization advance was allowed with effect from 14-4-2009. All the advances were paid before the issue of notification and therefore, the relaxation given in the letter was not applicable to those advances. No record was produced till finalization of this report.

DEPARTMENT VERSION

151. The Department explained that:

- a. For the developmental works, the bidding documents of Pakistan Engineer Council were used and both the parties i.e. the employer and the contractor were responsible to abide by the relevant contract clauses. It was further explained that according to clause 60-12(a) of the condition of contract, Mobilization Advance equal to 10% of tender price stated in the letter of acceptance would be paid.
- b. According to clause 60-12(c) of the C.O.C Vol-I, the recovery was 15% of the IPS amount According to Para 60-12(g), the recovery of interest 8% which was recovered from the contractors.

152. Therefore, grant of Mobilization Advance equal to 10% of the bid was not unauthorized rather according to contract agreement. Record was also provided to Audit for verification.

FINANCE COMMENTS

153. The Finance Department clarified that upto 10% mobilization advance could be allowed by the Administrative Secretary & produced notification dated 29-10-2004 in this regard.

COMMITTEE RECOMMENDATION

154. In view of clarification made by Finance Department, the para was recommended to be dropped.

DP.2.2.21 UN-AUTHORIZED/EXCESS EXPENDITURE OF Rs.1.915 MILLION.

AUDIT VERSION

155. The Audit reported that during the financial year 2009-10, the Executive Engineer PBMC awarded contract without BOQ costing Rs.1.641 million to M/S Maqsood Contractor for the M&R/Special Repair of the rented House for Minister's residence as per detail given below:-

Voucher No & Date	Contract Agreement	BOQ Cost (Rs)	Expenditure (Rs)
3/D 03-03-2010	115/2008-09	16,41,000	35,55,700

156. Instead of M&R Special Repair of building, the expenditure was incurred on the purchase of six Refrigerators each @ Rs.52,000, two Split ACs two ton each of Rs.1,08,000/-, Sofa sets, double beds and other luxury items which did not fall under the category of M&R. The inventory register of the above items was also not produced to Audit.

157. Audit observed that the award of work without BOQ put the contractor at liberty to execute the items of his choice which was violation of the rules. Thus the expenditure of Rs.1.915 million so incurred was held un-authorized.

158. Weak internal controls resulted in un-authorized/excess expenditure of Rs.1.915 million.

159. The irregularity was pointed out in October, 2010. The management stated that the scheme for subject work was approved and funds were released specifically for the purpose. The Provincial Ministers' Houses are maintained and furnished under the Act-1975.

160. In the DAC meeting held on 25th November 2010, the Department repeated the previous reply. The DAC did not accept the reply.

DEPARTMENTAL VERSION

161. The Department explained that the scheme for the work was approved and funds released specifically for the purpose out of the allocated budget under Function cum object classifications “residential building (Special repairs lump sum)”. The Provincial Ministers’ houses were maintained and furnished under the Act 1975 allowing Refrigerator, AC’s and furnishing for their residences. Since the scheme was executed after fulfillment of all codal formalities, hence there was no fault on part of the executing agency. It was not possible to award work without BOQ to a contractor and contractor was not at liberty to execute work on his choice Copies of NIT, BOQ and contract would be produced to Audit for verification.

COMMITTEE RECOMMENDATION

162. In view of plausible explanation advanced by the Department, the para was recommended to be dropped.

DP.2.2.22 UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF CONSTRUCTION OF POLICE POST AT MARDAN-Rs.1.498 MILLION.

AUDIT VERSION

163. The Audit reported during the financial year 2009-10, the Executive Engineer PBMC Peshawar incurred an expenditure of Rs.1.498 million on the construction of Police Post at Mardan. It may be added that the construction works in District Mardan did not fall under the jurisdiction of the PBMC because it was the duty of Provincial Building Construction Division. The main function of the PBMC is maintenance and repair of the buildings. Thus the expenditure of Rs.1.498 million was un-authorizedly incurred.

164. Audit was of the view that the expenditure was un-authorized because it was outside the jurisdiction of PBMC.

165. The irregularity was pointed out in October, 2010. The management stated that the work was done as approved in the PC-I by the Provincial Government and funds were released after the fulfillment of all codal formalities. PBMC had therefore, performed its duty and had successfully implemented the scheme.

166. In the DAC meeting held on 25-11-2010, the Department repeated the previous reply. The DAC did not accept the reply. No progress was reported till finalization of this report.

DEPARTMENTAL VERSION

167. The Department explained that the work was executed as approved in the PC-I by the Provincial Government and funds released for specific purpose and with fulfillment of all codal formalities. PBMC had therefore performed its duty and had successfully implemented the scheme. Since approved scheme was implemented, hence jurisdiction had not been crossed by PBMC. It was further added that another work execution in Mardan had also been entrusted to PBMC therefore, this work was not outside its jurisdiction.

COMMITTEE RECOMMENDATION

168. In view of plausible explanation advanced by the Department, the Para was recommended to be dropped with the instruction not to repeat such practice in future.

DP.2.2.23 EXCESS EXPENDITURE INCURRED ON MAINTENANCE AND SPECIAL REPAIR Rs.11.739 MILLION.

AUDIT VERSION

169. The Audit reported that during the financial year 2009-10, the Executive Engineer Provincial Building Maintenance Cell incurred an expenditure of Rs.17.477 million on annual operation maintenance & repair (AOM&R)/special repair on residential buildings detailed below against the admissible limit of Rs.6.5 million. As such, the expenditure of Rs.11.739 million was in excess of the authorized limit:-

S/No	No. of Bungalow	Admissible expenditure (Rs)	Actual expenditure (Rs)	Excess (Rs)
1.	24 Old Jamrud Road	5,00,000	17,12,810	12,12,810
2.	21 Old Jamrud Road	5,00,000	19,89,567	14,89,567
3.	22 Old Jamrud Road	5,00,000	29,33,424	24,33,424
4.	19 Gunner Lane	5,00,000	19,04,979	14,04,979
5.	9-Race Course Garden	5,00,000	17,06,966	12,06,966
6.	1-A Khyber Colony	5,00,000	9,31,766	4,31,766
7.	5-SAQ Road	5,00,000	16,61,731	11,61,731
8.	3/9 Jheel Road	5,00,000	7,69,983	2,69,983
9.	R.C. Garden No. Nil	5,00,000	7,99,935	2,99,935
10.	Park Lane Bungalow	5,00,000	8,47,000	3,47,000
11.	Hashtnagri Gate Garden	5,00,000	7,28,000	2,28,000
12.	1/A-5 Khyber Colony	5,00,000	10,58,000	5,58,000

13.	Hashtnagri Gate No. Nil	5,00,000	11,95,000	6,95,000
	Total	65,00,000	1,74,76,960	1,17,39,161

170. Audit held that the excess expenditure was incurred due to negligence and weak control on the part of management.

171. The excess expenditure was pointed in October, 2010. The management stated that the expenditure mentioned at No.9, 10,11 and 13 in the table was not on one residence. The expenditure incurred on any work in PBMC had the approval of Provincial Government through DSC/DDWP. Funds for the work were released by the Finance Department before making any expenditure by the PBMC.

172. In the DAC meeting held on 15-11-2010, the Department repeated the previous reply. The DAC did not agree with the reply as instructions of the Secretary Finance had been violated.

DEPARTMENTAL VERSION

173. The Department explained that expenditure mentioned at No.9,10,11 and 13 was not on one residence. After Cabinet' decision made in 1998, the expenditure incurred on any work if more than Rs.0.5 million carries approval of the Provincial Government through DDWP. The PC-I were cleared by the Finance and P&D Departments before issuance of Administrative Approval and funds for the work released by the Finance Department before making any expenditure. These approvals and subsequent payments were thus with approval of the Finance Department & hence instructions of Secretary Finance were not violated by executing agency.

174. Since expenditure incurred on approved schemes after all codal formalities were fulfilled, thus neither was excess nor un-authorized. Copies of Administrative Approvals would be produced to Audit for verification.

COMMITTEE OBSERVATION

175. The Committee observed that Finance Department have not recorded reasons on any case at the time of release of funds which was its responsibility.

COMMITTEE RECOMMENDATION

176. The Committee, therefore, recommended the para to be dropped, subject to recording reasons by the Finance Department on each case.

DP.2.2.24 IRREGULAR EXPENDITURE ON FURNISHING OF DIFFERENT BUILDINGS
Rs.58.118 MILLION.

AUDIT VERSION

177. The Audit reported that during the financial year 2009-10, the Executive Engineer Provincial Building Maintenance Cell incurred an expenditure of Rs. 58.118 million on furnishing of different residential buildings. The details are as under:-

Voucher No & Date	Nature of Work	Amount (Rs. in million)
Expenditure on Ministers Residences		
58-D 22-06-2010 71-D 23-06-2010 90-D 25-06-2010 24-D 12-06-2010	Furnishing Electrification Furnishing Special Repair	9.215
Expenditure on Speaker's House		
47-D 21-06-2010 51-D 21-06-2010 80-D 24-06-2010 2.D 11-01-2010	Generator AC Furniture Items Jogging Machine etc;	9.395
Expenditure on Chief Minister's House		
8&9-C 08-02-2010	AC, Furniture & other misc, items	33.476
Expenditure on Shahi Mehman Khana		
23-E 16-04-2010 20,21 & 22-E 14-06-2010 23-E 17-06-2010	Split AC, repair of Sofa sets, digital telephone exchange	6.032
	Total	58.118

178. Audit observed that the expenditure on the above items did not fall under the category of maintenance and repair of buildings, because the purchase of various items was for furnishing purpose. The expenditure was therefore, unjustified.

179. Audit held that the expenditure was irregular because it was outside the mandate of PBMC.

180. The irregularity was pointed out in October, 2010. The management stated that the PBMC executes works/schemes for which PC-I are approved and funds released. In the

instant case, the scheme was approved by the Provincial Government through DSC/DDWP and funds were released specifically for the purpose.

181. In the DAC meeting held on 15-11-2010, the Department repeated the previous reply. The DAC did not accept the reply because the Ministers' residences were duly furnished every year and all kinds of urgent and essential items were not required to be replaced.

DEPARTMENTAL VERSION

182. The Department explained that the PBMC used to execute schemes for which PC-I were approved and funds released. In the instant case also, the schemes were approved by the Provincial Government through DDWP and funds released specifically for the purpose out of the allocation made in the budget. Since all codal formalities were fulfilled in respect of the above mentioned schemes, hence were executed. It added that all kinds of essential items were not replaced rather the deficient ones were provided on the demand of the entitled residences only. Therefore no fault was on part of PBMC as no rule violated. Inventory registers were maintained for all locations which was also shown to Audit Party on the spot.

183. During the meeting, the Department conceded that the most of the works did not fall under its jurisdiction, however, the Department compelled to execute such works on the directions of competent authority as such works could easily be carried out by the Administrative Departments. In this regard, the Department has moved summary to Chief Secretary to evolve mechanism for the Department to execute such works by themselves.

COMMITTEE OBSERVATION

184. The Committee observed that provision of furnishing items neither fall under M&R nor the task of Communication & Works Department, the same should be executed through Administration Department or by every Department itself.

COMMITTEE RECOMMENDATION

185. The Committee, therefore, directed the PAC Cell to approach Chief Secretary on behalf of the Committee to decide the matter on merit within one month with further direction to Finance Department to stop release of such funds till the decision by Chief Secretary.

**DP.2.2.25 UN-AUTHENTIC/IRREGULAR EXPENDITURE ON GOVERNMENT HOUSES-
Rs.2.510 MILLION.**

AUDIT VERSION

186. The Audit reported that during the financial year 2009-10, the Executive Engineer Provincial Building Maintenance Cell incurred an expenditure of Rs.2.510 million on following furnishing items.

Item	Measurement	Rate (Rs)	Amount (Rs)
Synthetic carpet	7754 sft	65	504,010
Curtain cloth	1166 yards	500	583,000
Re-cushioning of sofa 3 seater	16	4,500	72,000
Re-cushioning of sofa 3 seater	10	6,000	60,000
Re-cushioning of sofa 5 seater	9	16,000	144,000
Other misc items	---	---	1,147,138
Total			2,510,148

187. The expenditure was shown incurred on Government buildings at Nathiagali in lump sum without specific detail of buildings. The relevant MB could also not be produced to Audit. The inventory register demanded for the confirmation of stock entry was also not available. Therefore, the authenticity of the expenditure could not be ascertained and was termed as unauthentic. Moreover, the main duty of the cell is to carry out the maintenance and repair of the Government buildings and not the furnishing of the said buildings. Therefore, audit observed that the expenditure of Rs.2.510 million was un-authentic.

188. Audit was of the view that the expenditure was un-authentic/irregular because it was outside jurisdiction of PBMC in addition to the violation of rules.

187. The unauthentic expenditure was pointed out in October, 2010. The management stated that the Government houses in the Natiagali needed proper maintenance, both building and furnishing wise. These items were purchased through open tenders and their MB and registers were available and would be presented to Audit.

188. In the DAC meeting held on 25-11-2010, the Department repeated the previous reply. The DAC did not accept the reply because costly and luxurious items were purchased while the Government house had already been fully furnished.

DEPARTMENTAL VERSION

189. The Department explained that the houses in the Nathiagali needed proper maintenance both building wise and furnishing wise to make these liveable for users. The supplied items were neither having high cost nor luxurious rather were need based.

190. These items in para were purchased against approved scheme through open tender and their MB and registers were made available to the audit party. Copies of the NIT and MB-N. 348 Page to 128 would be produced to Audit for verification.

191. These items are handed over to the caretaker and taken on their inventory register. Therefore, the expenditure was not unauthentic/irregular and was not outside the jurisdiction of PBMC.

COMMITTEE RECOMMENDATION

192. The requisite record was produced to Audit which was verified hence, the para was recommended to be dropped.

DP.2.2.26 UN-AUTHENTIC EXPENDITURE – Rs.1.6 MILLION.

AUDIT VERSION

193. The Audit reported that during the financial year 2009-10, the Executive Engineer Provincial Building Maintenance Cell incurred an expenditure of Rs.1.6 million on the construction of Gazebo Garden in the Chief Minister House vide Voucher No. 29-C dated 11-06-2010. The payment was made in lump sum without showing detail of the work done by the contractor in the bill/MB. Non incorporation of detail of work done in bill/MB rendered the expenditure as un-authentic.

194. Audit was of the view that the expenditure was un-authentic because of no detail of work mentioned in the bill/MB.

195. The un-authentic expenditure was pointed out in October, 2010. The management stated that the construction of special and naïve items involving special workmanship were contracted on lump sum or Turkey basis and this case also fell in that type of construction. The drawing/photo, pre-approved by the competent authority, in Chief Minister House was implemented.

196. In the DAC meeting held on 25-11-2010, the Department repeated the previous reply. The DAC did not accept the reply.

DEPARTMENTAL VERSION

197. The Department explained that the construction of special and naïve items involving special workmanship were contracted on lump sum or turkey basis and this case also fell in that type of construction. The work was approved by the DDWP, technically sanctioned and was implemented after all codal formalities were fulfilled. The drawing/photos were pre-

approved by the competent authority in Chief Minister House which were implemented/constructed. The expenditure was therefore, not un-authentic.

COMMITTEE OBSERVATION

198. The Committee observed that payment was made to the contractor in lump sum which was also admitted by the Department with the remarks that construction of “Gazebo” was specialized work for which technical contractor was engaged from Punjab.

COMMITTEE RECOMMENDATION

199. The Committee taking lenient view, recommended, the para to be dropped with the direction to the Department to avoid in future the practice of payment in lump sum.

DP.2.2.27 IRREGULAR EXPENDITURE INCURRED THROUGH UN-QUALIFIED STAFF-Rs.176 MILLION.

AUDIT VERSION

200. The Audit reported that during the financial year 2009-10, the XEN PBMC incurred an expenditure of Rs.176 million on the M&R/SR as well as original ADP works such as “Construction of new block in Circuit House Mardan” costing Rs.48 million. The work had been carried out/supervised by the Sub-Engineer of BPS-11 posted in OPS on the post of SDO who performed dual duties of Sub-Engineer as well as SDO.

201. They had recorded entries in the MBs and further requirements of Checked Measurement Book (CMB) having a volume of expenditure worth Rs.176 million, being the duty of SDO had been avoided and thus the expenditure incurred by those officers were irregular. The detail of the expenditure is as under:-

Name of the S/Engineer	Name of Work	Expenditure (Rs. in million)
M/S Nigarul Haq	M&R SR to Provincial Assembly/Shahi Mehman Khana, MPA Hostel, Pakhtunkhwa House Islamabad, Speaker House and Minister Residences.	104.000
Muhammad Riaz	AOM&R to all Residence in Nathiagali, Pakhtunkhwa House Abbottabad and Circuit House Mardan.	72.00
	Total	176.00

202. Audit was of the view that the irregular expenditure was incurred due to misuse of financial powers.

203. The irregularity was pointed out in October, 2010. The management stated that the above mentioned sub-Engineers had been posted by the Provincial Government and performed their duties to the satisfaction of the occupants/users of the Provincial Government residential and non-residential buildings.

204. In the DAC meeting held on 15-11-2010, the Department repeated the previous reply. The DAC did not agree with the reply as there was no shortage of staff in C&W Department. Qualified SDOs were available to be posted in the specific places. The Committee agreed to place the para before the PAC.

DEPARTMENTAL VERSION

205. The Department explained that the above mentioned two SDOs were posted in OPS by the Provincial Government and performed their duties to the satisfaction of the occupants/users of the Government residential and non-residential buildings. Copies of posting orders would be produced to Audit for verification.

COMMITTEE RECOMMENDATION

206. In view of ex-post facto sanction accorded by the XEN and regularization of misuse of financial powers, the para was recommended to be dropped with the direction to the Department to avoid in future such irregularities.

DP.2.2.28 IRREGULAR EXPENDITURE Rs.1.145 MILLION.

AUDIT VERSION

207. The Audit reported that during the financial year 2009-10, the Executive Engineer Provincial Building Maintenance Cell (PBMC) Peshawar made an advance payment of Rs.1.145 million to the Sui Gas authorities vide voucher No.91-C dated 23-06-2010 for Gas connection but the Sui Gas authorities had not fulfilled their commitment till the date of audit.

208. Audit holds that the payment was made in advance just to avoid lapse of fund which was violation of rules. The local office failed to obtain the completion report of the work.

209. Audit was of the view that the expenditure was irregular because of violation of rules.

210. The irregularity was pointed out in October, 2010. The management stated that advance payment for obtaining fresh Gas connection is always made to the Sui Gas authorities and in the instant case also payment was made for Sui Gas connection which was provided. Sui Gas appliances had also been installed in the house.

211. In the DAC meeting held on 25-11-2010, the Department repeated the previous reply. The DAC did not accept the reply as the documentary evidence in confirmation of work done by the Sui Gas Department was not produced. The Committee directed to place the para before the PAC.

DEPARTMENTAL VERSION

212. The Department explained that payment of Rs.1.145 million was made vide voucher No.91-C dated 23-06-2010 to contractor and not Sui Gas authorities as observed in the para. The Sui Gas authorities had fulfilled their commitment and provided Gas Connection on time on the directive of the Honorable Mr. Speaker Provincial Assembly.

213. Since payment was made after fulfillment of codal formalities hence no rules violated by the PBMC. A copy of the certificate of Care-Taker was produced to Audit during the meeting which was verified.

COMMITTEE RECOMMENDATION

214. In view of plausible explanation advanced by the Department and production of work completion certificate duly verified by Audit, the para was recommended to be dropped.

DP.2.2.29 WASTEFUL EXPENDITURE INCURRED ON CENTRAL HEATING SYSTEM-Rs.6.534 MILLION.

AUDIT VERSION

215. The Audit reported that during the financial year 2009-10, the XEN PBMC incurred expenditure of Rs.6.534 million on the Central Heating system Pakhtunkhwa House at Nathiagali. The work was awarded with a BOQ cost of Rs.5 million to the contractor. There was no justification of the installation of such a costly system in Pakhtunkhwa House, Nathiagali as being seasonal spot casually visited by VVIPs, electricity and LPG Heathers available there could render the same facility.

216. Audit was of the view that the expenditure was wasteful because it was against the rules of financial propriety.

217. The wasteful expenditure was pointed out in October, 2010. The management stated that works in VVIP designated Houses are carried out on the demand and instructions of the Chief Minister Secretariat. The PC-I of the scheme was vetted by the authorities in CM Secretariat, approved by the purpose and work executed upon completion of codal formalities. The items including heat disbursers were of high quality and on the choice of authorities in the Secretariat.

218. In the DAC meeting held on 15-11-2010, the Department repeated the previous reply. The DAC did not accept the reply because the above facility did not fall under the category of annual maintenance and repair. The Committee directed to place the para before the PAC.

DEPARTMENTAL VERSION

219. The Department explained that the works in VVIP designated Houses were carried out on the demand and instructions of the CM Secretariat. The PC-I of the scheme was vetted by the authorities in CM Secretariat, approved by the Provincial Government through DDWP, funds released specifically for the purpose and work executed upon completion of codal formalities & technical sanction. The items including heat disbursers were of high quality and on the choice of authorities. The expenditure was not wasteful as similar heating systems were installed in even private houses in Nathiagali.

COMMITTEE OBSERVATION

220. The Committee observed that the expenditure incurred on Central Heating System installed in Pakhtunkhwa House, Nathiagali was on higher side.

COMMITTEE RECOMMENDATION

221. The Para was recommended to be dropped with the direction to the Department to conduct Departmental Inquiry to ascertain as to whether the expenditure incurred was justified and rates were in conformity with market rates or otherwise.

222. The Department conducted inquiry and furnished report to PAC Cell wherein the Inquiry Officer recommended that the central heating system executed and completed satisfactorily in the Pakhtunkhwa House at Nathia Gali and payments have been made for the purpose after fulfillment of all codal formalities and rates for the items have analyzed by the competent engineer with the market rates and PC-I approved by the competent forum. The work carried out in the best interest of State and for the prestige/dignity of the House and no wasteful

expenditures incurred on the House. Hence no excess/irregular expenditure was found to have been made neither violated the codal formalities and recommended to drop the Para.

223. The Inquiry report was considered and found satisfactory therefore, the Para was decided to be settled.

DP.2.2.30 EXCESS EXPENDITURE OVER AND ABOVE THE ESTIMATED COST Rs.6 MILLION.

AUDIT VERSION

224. The Audit reported that during the financial year 2009-10, the XEN PBMC incurred an expenditure of Rs.10.021 million on repair work of the Pakhtunkhwa House Islamabad due to bomb blast in front of Marriot Hotel and payment was made to the contractor vide voucher No.7-D dated 07-06-2010.

225. The record revealed that the estimate BOQ for the work of Pakhtunkhwa House Islamabad was prepared for Rs.4 million which was subsequently shown enhanced up to Rs.10 million without any justification. Similarly, the expenditure of Rs.10 million was also incurred till 4th & final bill and payment was made to a contractor M/S Kamil Shah. As a result excess expenditure of Rs.6 million was incurred over and above the estimated cost of Rs.4 million. Furthermore, the work for Rs.4 million was also awarded to the contractor as was evident from the tender documents. Therefore, the sanction for enhancement of the contract was also required which was not found obtained.

226. Audit held the expenditure as excess over and above the estimate cost due to violation of provision in CPWD code.

227. The excess expenditure was pointed out in October, 2010. The management stated that due to emergent nature work, the scheme was tendered but afterward was enhanced as per approved scope in the PC-I.

228. In the DAC meeting held on 25-11-2010, the Department repeated the previous reply. The DAC did not accept the reply and directed to place the para before the PAC.

DEPARTMENTAL VERSION

229. The Department explained that due to emergent nature of work, the scheme was tendered immediately after blast. Afterward the tender cost was enhanced as per approved increased scope of the work.

230. The sanction for enhancement of the contract was required which was accorded by the Competent Authority, hence regular payment made was upto the approved value and not more than that. Copies of the enhancement approval and voucher No.7/D dated 07-06-2010 would be produced to Audit for verification.

COMMITTEE RECOMMENDATION

231. The issue pertaining to Khyber Pakhtunkhwa House, Islamabad was involved in the para, therefore, the para was clubbed with Draft Para No.2.2.16 for carrying out physical verification of the work done by Mr. Saqib Ullah Khan, MPA and PAC Cell within 15-days.

DP.2.2.31 EXECUTION OF SUB-STANDARD WORKS Rs.115.975 MILLION.

AUDIT VERSION

232. The Audit reported that during the year 2009-10, the Managing Director Pakhtunkhwa Highways Authority incurred an expenditure of Rs. 115.975 million on the construction of "Dualization of 8.5 km Road from Kohat to Indus Highways" through a contractor M/S Karcon. Originally the work was allotted to M/S Faisal & Co with estimated cost of 105.359 million. M/s Karcon was approved as sub-contractor for the execution of asphalt wearing course. After execution of the work, it was declared as substandard and accordingly Rs. 2.176 million recovery was made. It was required to reconstruct the road on the risk and cost of the former contractor which was not done. The same road was advertised for an item of work "Additional wearing course:"

233. In this regard, an inquiry was conducted and the inquiry officer mentioned in his report that the final bill of the contractor was under process with the consultant. The recovery would be made and shown to the Audit as and when it is finalized. Audit was of the view that the substandard work was executed due to negligence and weak controls on the part of management. The substandard work was pointed out in August 2009. The management stated that occurrence of minor damages was a routine matter and can be rectified by the contractor.

234. In the DAC meeting held on 02-02-2010, the Department was directed to produce completion cost, inquiry report, detail of recovery for damages and rectification and its subsequent releases however, recovery for damage, its rectification and detail of releases were not produced till finalization of this report.

DEPARTMENT VERSION

235. The Department explained that: -

- i) Verification of Advance Para was conducted by the Audit team in the office of the PKHA. Record relating to remaining Advance Paras was submitted to Director General Audit for verification which report has not been furnished. Non-production of record is not acceptable.
- ii) Similar nature Draft para No. 9.1 for 2005-06 was discussed in the PAC meeting held on 14-07-2010 at Frontier House Abbottabad. After detailed discussion the Draft Paras was recommended to be settled. Although, the Draft Para of the same contents has already been settled.

COMMITTEE RECOMMENDATION

236. The para was recommended to be dropped subject to verification by Audit that no loss to Government was involved.

DP.2.2.32 DOUBTFUL EXPENDITURE DUE TO ALLOWING PAYMENT WITHOUT WORK DONE AND ON EXORBITANT RATES-Rs.4.997 MILLION.

AUDIT VERSION

237. The Audit reported that during the financial year 2009-10, the Executive Engineer PBMC allowed payment of Rs.4.997 million to the contractor vide voucher No.74-D dated 24-06-2010 on account of installation of 100 KVA Generator. The following irregularities were noticed:-

1. The work cabling for 100 KVA Generator already installed in the Pakhtunkhwa House Islamabad was awarded to a Government contractor M/S Kamil Shah for further extension to the new block of the House.
2. During physical verification of the work the construction & cabling was not found provided to the new block and payment was made to the contractor for the not actually done.

238. Audit observed that the payment made to the contractor without work done was required to have been recovered which was not done. The entire expenditure was therefore held as doubtful.

239. Audit was of the view that the expenditure so incurred was doubtful because it was carried out in violation of the prescribed rules.

240. The doubtful expenditure was pointed out to the Department in October, 2010. The management stated that the work was physically complete and Generator was connected to both S-I and S-II blocks but the batteries had worn out on the day of physical verification. New batteries had been installed in the generators which are now functioning normally.

241. In the DAC meeting held on 25-11-2010, the Department repeated the previous reply. The DAC did not accept the reply and directed to complete the work and produce completion report. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

242. The Department explained that the work was physically completed at the time of making payment and generator connected to both S-I and S-II blocks but the batteries were worn out. New batteries were installed in the generator which was functioning normally as it was before burning out of batteries. A completion certificate of comptroller Pakhtunkhwa House Islamabad was produced during the meeting of PAC which was verified by Audit.

COMMITTEE RECOMMENDATION

243. In view of verification made by Audit, the para was recommended to be dropped.

DP.2.2.33 NON-ACCOUNTAL OF STORE PURCHASED Rs.7.744 MILLION.

AUDIT VERSION

244. The Audit reported that during the financial year 2009-10, the XEN PBMC incurred an expenditure of Rs. 7.744 million on the account of Sony TV (29``) @ Rs.90,000 1 split AC @ Rs.120,000 and 1.5 ton AC @ Rs.82,000 and many other items as detailed below:-

Voucher No.& Date	Place	Particular	Amount (Rs. in million)
44-D 18-06-2010	Special repair to Civil Secretariat	TV sets & ACs etc	1.418
11-D 10-06-2010	MPA Hostel	TV sets, cables and ACs etc	1.457
12&13-D 10-06-2010	-do-	Telephone exchange and misc items	4.869
Total			7.744

245. The expenditure had been charged to the object special repair of Civil Secretariat Peshawar. The payment of these items could not be justified as there was no need of these items like Air-Conditioner etc. While these items were already installed in the room of every authorized & even un-authorized officer. Moreover, after installing new items, the existing old items we required to have been taken on old stock inventory register which was not available on the record of local office.

246. Audit held that the items purchased were not accounted for to conceal misclassification and mis-appropriation of assets.

247. The non-accountal of stores was pointed out in October, 2010. The management stated that the whole expenditure was not on the purchase of AC as indicated in the subject of the Para. A copy of the voucher was therefore attached in which the T.V was purchased for the

Minister Information Department, one A.C for security control room of Establishment & Administration Department and another A.C for the staff of the Chief Secretary.

248. In the DAC meeting held on 25-11-2010, the Department repeated that previous reply. The DAC did not accept the reply as the expenditure had already been charged to the special repair while the luxury items purchased had no concern with the special repair. The Committee agreed to place the para before the PAC.

DEPARTMENTAL VERSION

249. The Department explained that the whole expenditure was not on purchase of A.C. as indicated in the subject of the para. A copy of the relevant voucher was produced to Audit according to which the T.V was purchased for Minister Information, one A.C for security control room established in Administration Department and the other A.C for the staff of the Chief Secretary. The expenditure was made on approved scheme for which funds were specifically provided and classification of funds was not done by the executing agency. The need of work was the demand of user/administrative controlling body & not PBMC.

250. Further these items were installed where old one were not existing. Clarification of funds was done by the funds releasing Department.

COMMITTEE RECOMMENDATION

251. The para was recommended to be dropped subject to verification of record by Audit.

DP.2.2.34 FICTITIOUS REPAIR OF RESIDENTIAL QUARTERS RS.9.554 MILLION.

AUDIT VERSION

252. The Audit reported that during the financial year 2009-10, the XEN Provincial Building Maintenance Cell Peshawar incurred expenditure to the tune of Rs.9.554 million on the repair of residential quarters. The expenditure was doubtful and fictitious on the following ground:-

1. Most of the work of quarters was executed in the month of June to avoid lapse of funds.
2. In most of the quarters the repair work was either not carried out or partially carried out as certificates for the work done were not obtained from the occupants of the quarters which are mandatory for the contractor to obtain payment from the PBMC.
3. All the works were executed without Technical Sanction of the competent authority as required under rules.

253. Same was the position of the repair works carried out in the Civil Colony Gulshan Rehman Colony, Warsak Road Colony etc, where heavy expenditure had been shown incurred but certificate for the work done was not obtained from the occupants.

254. Audit was of the view that the expenditure was fictitious because it was carried without fulfilling the prior legal requirements like technical sanction and work completion certificates.

255. The payment on fictitious repair work was pointed out in October, 2010. The management stated that payments to most of the contractors were made in June but that was done on the release of funds at that time by the Provincial Government. It is not true that work was not carried out but most of the people had new and fresh demands for work which were not covered under the approved schemes. Technical Sanction was accorded for all the executed works.

256. In the DAC meeting held on 15-11-2010, the Department repeated the previous reply. The DAC did not accept the reply and directed to place the para before the PAC.

DEPARTMENTAL VERSION

257. The Department advanced the following para wise replies to the general observations made:-

- i. It is true that payments to most of the contractors were made in June as it was possible on the release of funds at that time.
- ii. It is not true that work was not carried out. During long process of approval of PC-I & other codal formalities most of the people have new and changed demands which are not covered under the approved schemes which is probably the reason for nothing this generator type of para without quoting specific rule violation.
- iii. Obtaining certificates of work completion from occupants is neither codal requirement nor absolve the official of their responsibilities. It is just obtained to minimize complaints of the occupants.
- iv. Technical Sanction was accorded for all the executed works and all works executed after fulfillment of codal formalities.

COMMITTEE RECOMMENDATION

258. In view of verification of documents by Audit, the para was recommended to be dropped.

DP.2.2.35 DOUBLE DRAWL OF AMOUNT Rs.0.737 MILLION.

AUDIT VERSION

259. The Audit reported that during the financial year 2009-10, the Executive Engineer PBMC incurred an expenditure of Rs.1.474 million on the supply of shafoon curtain cloth for Shahi Mehman Khana Peshawar. The amount was drawn twice and shown as two separate of work in the bill.

260. Audit observed that the two items of work were one and the same; therefore, it caused an overpayment of Rs.737,250 to a contractor. Moreover, inventory register was demanded which could was also not produced.

Voucher No.& Date	Contractor	Description	Quantity	Rate (Rs)	Amount (Rs)
23-E 16-04-2010	M/S Jee Cons	Shafoon curtain	1,500 yards	491	737,250
	M/S Jee Cons	Shafoon curtain	1,500 yards	491	737,250
Total					14,74,500

261. Audit was of the view that the double drawl of amount occurred due the mutual connivance between the XEN and the contractor.

262. The double drawl was pointed out in October, 2010. The management stated that the curtains supplied were double and hence payment was made each curtain which was according to measurement at site.

263. In the DAC meeting held on 25-11-2010, the Department repeated previous reply. The DAC did not accept the reply and directed to place the before the PAC.

DEPARTMENTAL VERSION

264. The Department explained that the curtains supplied and fixed were on the choice as selected by the then Secretary Administration Department and were provided by the Karachi Interior blue area Islamabad. The curtains were double i.e one beneath the other and hence payment was made for each curtain which was according to measurement at site. The payment made was regular and there was no double drawl or overpayment to the contractor.

COMMITTEE OBSERVATION

265. The Committee observed that Government money was utilized on un-necessary items which caused loss to Government.

COMMITTEE RECOMMENDATION

266. The Committee, therefore, recommended to initiate action leading to recovery of Rs.7,37,250/- from those responsible for wasteful expenditure. Para stands. Progress be reported to PAC Cell.

DP.2.2.36 NON-RECOVERY OF INCOME TAX FROM THE CONTRACTOR BILLS Rs. 6.391MILLION.

AUDIT VERSION

267. The Audit reported that during the financial year 2009-10, the Director Pakhtunkhwa Highways Authority paid Rs. 106.523 million to contractors for a work, "Construction of Road from G.S. Marbal to Barikot Sub Head Karakar Police Post to Barikot Section-IV" upto 12th R/Bill in August 2009. However, 6% income tax of Rs. 6.391 million (106.522,948x6%) was not deducted from the bills on the plea that the contractors belonged to PATA, through Section-83 of the income Tax Ordinance is quite clear about the resident of contractors (co) as clarified by the Income Tax authorities from time to time. As the contractor's resident was at Peshawar as was evident from acceptance of tender letter dated 22-08-2003 and work order dated 29-08-2003 in respect of above work, income tax was recoverable in terms of section-83 of the Ordinance.

DEPARTMENT VERSION

268. The Department explained that M/S Amir Muqam & Co was a PATA based contractor and his domiciles as well as residence was of Malakand Division. As the Tax deduction law had not been extended to Malakand Division and the resident contractors were exempted from tax deduction, therefore, no tax deduction was involved under the law. Moreover, the contractor had produced exemption certificate. In compliance to DAC directives, the case had already been referred to the income tax authority but their reply was awaited.

COMMITTEE RECOMMENDATION

269. Subject to verification of exemption certificate of contractor by Audit, the para was recommended to be dropped.

DP.2.2.37 NON-DEDUCTION OF INCOME TAX FROM THE BILLS OF CONTRACTOR Rs. 1.479 MILLION.

AUDIT VERSION

270. The Audit reported that in accordance with Assignment Agreement, Frontier Works Organization hereby accepts the assignment of the contract as per terms of this

Assignment Agreement and agrees to assume from and after the date of execution here of all of Mohammad Construction Co. (MCC) rights, duties and obligations in, to and under contract.

271. During the financial year 2009-10, the Managing Director, Frontier Highways Authority awarded a work, "Construction of Mingora Bypass Road" to M/S Mohmand Construction Co. The said contractors executed this work to the extent of Rs.136.604 million. However, due to un-favourable conditions in Swat the contractor assigned the balance work to Frontier Works Organization and assignment agreement was executed with the organization through which all rights, obligations were transferred to the later. The FWO executed the balance work valuing Rs.24.644 million (20th IPC) but 6% income tax of Rs.1.479 million was not deducted from their bills though it was included in the rates, agreement of the former contractor and obligations shifted to the later.

272. Audit was of the view that the income tax was not recovered from the contractor in violation of the contract agreement.

273. The non-deduction of income tax was pointed out in October, 2010. The management stated that FWO had furnished exemption certificate of the Income Tax Department.

274. In the DAC meeting held on 21-01-2011, the Department repeated the previous reply. The DAC did not agree as the FWO was not qualified for taking exemption in the particular case. The DAC directed that recovery be made. No progress was shown till finalization of this report.

DEPARTMENT VERSION

275. The Department explained that in light of DAC directives, income tax worth Rs. 709,505/- had already been deducted from the Frontier Works Organization.

COMMITTEE RECOMMENDATION

276. In view of recovery made duly verified by Audit, the para was recommended to be dropped.

DP.2.2.38 UN-AUTHORIZED PAYMENT TO CONTRACTORS ON ACCOUNTS OF ESCALATION Rs. 118,563 MILLION.

AUDIT VERSION

277. The Audit reported that the Managing Director, Frontier Highways Authority awarded eight works to different contractors with the completion period/time frames mentioned

in the work orders. The contractors could not complete the works in the stipulated period and extension was granted accordingly. However, escalation of Rs.118.563 million was also allowed to the contractors in the extended period which was unauthorized.

278. Audit was of the view that the payment was unauthorized because it was against the Government orders.

279. The irregularity was pointed out in October, 2010. The management stated that the orders dated 30-06-2005 for payment of escalation to contractors did not prohibit the payment of escalation to contractors during extension except due to fault of contractor. The delay was due to land disputes, site clearance.

280. In the DAC meeting held on 21-01-2011, the Department repeated the previous reply. The Committee directed to produce the documentary evidence in support of reply. However, the same was not produced till finalization of this report.

DEPARTMENT VERSION

281. The Department explained that in compliance to DAC directives, the whole record was furnished to Audit for verification. No further quarries were made/reported before converting the Advance Para into Draft Para. However, the PAC orders dated 30-6-2005 did not prohibit the payment of escalation to contractors during extension excepts due to fault of contractor as was evident from the Para 7 of the said orders. Moreover, delay in completion of works was not due to contractor's failure but cause due to impediments on the site such as Land disputes, obstruction due to forest trees, telephone cables, SNGPL pipes, electricity poles and water supply pipelines laid all along the road sides. The removal of these impediments usually takes a long period which caused delayed in completion of work for which the contractors were not at fault. Therefore, no unauthorized payment was involved.

COMMITTEE OBSERVATION

282. The Committee observed that similar nature of Draft Para No.2.2.3, has already been referred to Finance Department for clarification.

COMMITTEE RECOMMENDATION

183. The para was therefore, clubbed with DP No.2.2.3.

ENVIRONMENT DEPARTMENT

Twenty two (22) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meetings held on 12^h & 13th of November 2012, The following were present:-

Public Accounts Committee

- | | | |
|----|------------------------------------|-----------------------|
| 1. | Mr. Kiramatullah Khan, Speaker | Chairman |
| 2. | Mr. Arshad Abdullah, Law Minister | By Special Invitation |
| 3. | Mr. Muhammad Zamin Khan, MPA | Member |
| 4. | Mr. Mukhtiar Ali Khan, MPA | Member |
| 5. | Syed Muhammad Ali Shah Bacha, MPA | Member |
| 6. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |

Law, Parliamentary Affairs and Human Rights Department

Mr. Jamshaid Khan Afridi,
Deputy Secretary.

Finance Department

Mr. Saif-ur-Rehman Usmani,
Director.

Audit Department

1. Mr. Sikander Khan,
Director General.
2. Mr. Lal Muhammad,
Director.
3. Mr. Mutahir Rehman,
Deputy Director.
4. Mr. Masood-Ul-Hassan Saeed,
Assistant Audit Officer.

Environment Department

1. Syed Said Badshah Bukhari,
Secretary.
2. Mr. Sajid Khan,
Director.
3. Mr. Gul Muhammad,
Chief Conservator.
4. Mr. Safdar Ali Shah,
Conservator.

5. Mr. Inayat Ullah,
DFO, (Chitral).
6. Mr. Ejaz Qadir,
DFO, (Galyat).
7. Mr. Muhammad Ghani,
DFO, (Kalam).
8. Mr. Muhammad Shakeel,
DFO, (Wildlife).
9. Mr. Muhammad Jamshid Khan,
DFO, (Battagram).
10. Mr. Muhammad Faique Khan,
DFO, (Peshawar).
11. Mr. Farhatullah,
DFO, (Kohat).

Provincial Assembly Secretariat

1. Mr. Amjad Ali,
Additional Secretary.
 2. Mr. Assadullah Khan,
Assistant Secretary.
2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

DP.5.2.1 LOSS TO GOVERNMENT DUE TO NON-FINALIZATION OF COURT CASES Rs.1.579 MILLION.

AUDIT VERSION

3. The Audit reported that in the Office of Divisional Forest Officer Kohat, 2,447 prosecution cases valuing of Rs. 1.579 million were pending in court. These cases were not pursued properly resulting into loss of Rs. 1.579 million to the Government.
4. Audit held that negligence on the part of management to pursue the cases caused the loss.
5. The loss was pointed out in January 2009. The Management stated that reply would be given later on.
6. In the DAC meeting held on 29.10.2009, the Department replied that post of Forest Magistrate has been abolished and the forest offence cases have been transferred to civil court. Due to other civil and criminal cases, no priority was given to forest offence cases. The DAC

decided to stand the para till finalization of court cases. No progress was reported till finalization of this report.

DEPARTMENTAL VERSION

7. The Department explained that as a result of devolution during 2001, the posts of Special Magistrate were abolished and the forest prosecutions were lying pending for alternative arrangements to be made by the concerned quarters.

8. Later on the duty for disposal of forest Offence cases were entrusted to the Civil Judges who had much pendency of other criminal as well as civil cases. Hence the disposal of Forest Offence cases did not receive much priority.

9. However this Office had requested the concerned courts/quarters on several occasions for expenditure/disposal of the prosecution cases vide this Office letter No. 1791/G dated 18-05-2000, 2300-02/G dated 23-09-2000, 1077/G dated 09-10-2000. 839/G dated 27-10-2001 and 900/G dated 06-11-2001. Moreover special meeting on 29-05-2012 for criminal Justice Co-ordination Committee chaired by the Justice and Session Judge Kohat has been arranged for speedy disposal of prosecution cases.

10. However, out of 2447 Nos PC cases valuing Rs.15,79,232/- , 2332 cases amounting to Rs. 8,66,077/- has been decided from 8/1999 to June 2012, hence, disposal of the PC cases was in progress.

COMMITTEE RECOMMENDATION

11. In view of explanation advanced by the Department that cases are pending in the court of Law, the Para was kept pending till the decision of court(s) of Law with the direction to the Department to approach the District Liaison Committee through District Public Prosecutor for entrusting the pending cases to Special Magistrate for its speedy disposal. The Department was further directed to pursue the cases regularly in the court(s) of Law through a responsible officer not below BPS-17 and to submit progress to the PAC Cell accordingly.

DP. 5.2.2 **UNAUTHORIZED EXPENDITURE WITHOUT APPROVAL OF ANNUAL WORK PLAN Rs.17.298 MILLION.**

AUDIT VERSION

12. The Audit reported that during the financial year 2008-09, the Project Manager PAMP Chitral incurred an expenditure of Rs. 17.298 million on various activities without approval of the work plan by the competent authority.

13. Audit was of the view that expenditure without approval of the work plan by the competent authority was unauthorized.

14. The unauthorized expenditure was pointed out in October 2009. The Management stated that annual work plan was prepared and submitted to the concerned quarters.

15. In the DAC meeting held on 29.10.2009, the Department replied that annual work plan for 2008-09 could not be finalized and approved due to the fact that the period in question was the extended period of project and additional budget was not clear. The DAC directed that the case for the approval of annual work plan to be taken up with the competent forum. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

16. The Department explained that the original project period expired on 31-12-2007 but considering the good progress and achievement of the management of project in the Khyber Pakhtunkhwa as compared to Baluchistan and Kashmir, the project period was extended for two years. However budget availability and flow of funds during the extended period remained uncertain and debatable till closure of the project. Although the project management prepared and submitted work plan to the competent forum as monitoring too/document during the extended project period and all the activities envisaged in the plan were considered as target fixed for the management in the interest of achievement of the objectives of the project. Performance of the management was accordingly reviewed in light of the proposed plan, although the same was not approved due to unclear position of the funds as explained above.

17. The project had already been expired and all the targets of the PC-I had been achieved without any deviation from the scheme to the satisfaction of the higher ups and donor agency.

COMMITTEE RECOMMENDATION

18. In view of the explanation advanced by the Department duly verified by Audit, the Para was recommended to be dropped.

DP.5.2.3 UN-AUTHORIZED DEPOSIT IN PLS BANK ACCOUNT Rs. 23.184 MILLION.
AUDIT VERSION

19. The Audit reported that during the financial year 2006-07, in the Office of Divisional Forest Officer Mardan, it was noticed that Rs. 23.184 million on account of duty, being revenue of the Department upto January 2007, had been deposited in PLS account No. SDA 4170-008 in the Bank of Khyber Mardan. The deposit of amount pertaining to the Government revenue in the bank might have adversely affected the ways and means of Provincial Government. Moreover, the amount had unauthorizedly been mixed up with Forest Development Fund and Government revenue in the aforesaid bank account.

20. Audit was of the view that the deposit of Government money in bank is violation of Government rules and was unauthorized.

21. The irregularity was pointed out in November 2007. The management replied that detailed reply would be furnished after consulting the record.

22. In the DAC meeting held on 20-12-2008, it was decided that FDF amount be transferred to its proper head of account and verified by audit. No progress was intimated till finalization of this report.

23. Audit recommends transferring the amount to Government treasury along with the profit.

DEPARTMENTAL VERSION

24. The Department explained that as already replied, the amount in question lying in PLS account had been split up and transferred to proper Budget Sub-head as under:

S/No	Budget Sub-head	Particular	TC No. & Dated	Amount
1.	G-12417 FDF	FDF	36 dated 9.2.2009	Rs. 59,39,877/-
2.	G-12417 FDF	FDF	37 dated 9/2/2009	Rs. 53,06,346/-
3.	G-12417 FDF	FDF	38 dated 9/2/2009	Rs. 11,25,000/-
4.	G-12417 FDF	FDF	87 dated 7/2/2009	Rs. 31,265/-
			Total:	1,24,02,488/-
5.	G-10402 FR	Revenue	415 dated 30/6/2010	Rs.90,48,000/-

6.	G-10402 FR	Revenue	414 dated 20/6/2010	Rs. 42,11,000/-
			Total	1,32,59,000/-
			G-Total	Rs.2,56,61,488/-

25. The difference in amount i.e. Rs. 02,477/- was due to the amount deposited after Audit period.

COMMITTEE RECOMMENDATION

26. As whole of the amount has been credited to proper head of accounts duly verified by the Audit, therefore, the para was recommended to be dropped, with the direction to the Department to avoid such practice in future, the Department was also directed to issue instructions to all concerned to deposit the revenue receipts in proper heads of account.

DP.5.2.4 UN-AUTHORIZED RETENTION OF GOVERNMENT MONEY REALIZED ON ACCOUNT OF VARIOUS OBJECTS Rs. 9.787 MILLION.

AUDIT VERSION

27. The Audit reported that accounts record of Divisional Forest Officer Kohat revealed that a sum of Rs. 9.787 million was realized on account of various objects as detail below:-

Object	Receipts (Rs)
Transportation of timber	9,03,770
FDC/Golden Jubilee	54,82,510
	2184608
Compensation offences cases	320,990
Sale of mazri leaves	834372
Miscellaneous	60549
Total	9,786,799

28. However, it was noticed that the said Government money was kept in P-deposit of the Divisional Forest Officer rather than depositing it into Government treasury.

29. The cause of unauthorized retention was violation of rules.

30. The irregularity was pointed out in November 2008. The management furnished no reply.

31. In the DAC meeting held on 20.12.2008, it was decided to transfer the amount to its proper head of account. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

32. The Department explained that total amount realized had been credited to proper head of accounts and the record was shown to Audit which was verified. The Audit endorsed the statement of the Department.

COMMITTEE RECOMMENDATION

33. As whole of the amount has been credited to proper head of accounts duly verified by the Audit the para was recommended to be dropped, with the direction to the Department to avoid such practice in future, the Department was also directed to issue instructions to all concerned to deposit the revenue receipts in proper heads of account.

DP.5.2.5 UN-AUTHORIZED EXPENDITURE FROM THE FREEZE ACCOUNT Rs.1.845 MILLION.

AUDIT VERSION

34. The Audit reported that during the financial year 2007-08, the Divisional Forest Officer Cooperative Society Abbottabad illegally drew Rs. 1.845 million from the frozen account.

35. The cause of unauthorized expenditure was the violation of Government rules.

36. The irregularity was pointed out on 24-07-2008. The Management stated that reply would be given after consulting the record.

37. In the DAC meeting held on 28-10-2009, the Department could not advance any cogent reason, therefore, the DAC directed to conduct inquiry within a month. No inquiry was conducted till finalization of this report.

DEPARTMENTAL VERSION

38. The Department explained that in this regard, the Department had continuously pursued the case with the Manager Cooperative Bank Peshawar to lodge an FIR against the defaulters as per decision of PAC. A series of reminders were issued to the Manager, Cooperative Bank Peshawar for doing the needful. The Manager Cooperative Bank Peshawar referred the case to Registrar Cooperative Society Khyber Pakhtunkhwa Peshawar vide his letter No. 9-Gen/AC/2011 dated 16-09-2011 for further appropriate action.

39. In response, the Registrar Cooperative Society Khyber Pakhtunkhwa Peshawar vide order No. 3161-64/RCS/T-56, dated 03-11-2011 appointed Mr. Izzat Gul, District Officer Cooperative Society as Enquiry Officer to probe into the un-authorized/illegal withdrawal of funds amounting to Rs. 1.845 million from the frozen account from the Battal and Kalmaira

Forest Cooperative Societies Mansehra and fix responsibility against the persons responsible in the light of enquiry already conducted by the Environment Department.

40. The Deputy Registrar (Admn) for Registrar Cooperative Societies Khyber Pakhtunkhwa has supplied the enquiry report vide his letter No.307/RCS/T-56(A) dated 30-01-2012 in which the Enquiry Officer has fixed the responsibility on the then Ex-Manager of the Frontier Provincial Cooperative Bank Mansehra for un-authorized withdrawal/payment of amount out of frozen Account.

41. Mr. Akif Kazmi, District Officer, Cooperative Societies Battagram was assigned the task to conduct the Audit of the concerned Forest Cooperative Societies and submit report within one month.

42. Accordingly, the General Manager Frontier Provincial Cooperative Bank Ltd. Peshawar was directed by the Deputy Register (Admn) for Registrar Cooperative Societies Khyber Pakhtunkhwa to proceed against the staff responsible for illegalities in the case under the Law & Rules of the FPCBL.

43. The DFO Patrol Squad Forest Division Mansehra was regularly pursuing the case and requested to Deputy Registrar (Admn) for Registrar Cooperative Societies KPK and General Manager Frontier Provincial Cooperative Bank Ltd: Peshawar vide last reminder No.600/PSM, dated 08-06-2012 to lodge an FIR against the responsible staff as per decision of PAC, but no action had yet been initiated against the responsible Ex-Officers till to date.

COMMITTEE OBSERVATION

44. The Committee observed that the representative of Cooperative Bank and other concerned were not present.

COMMITTEE RECOMMENDATION

45. The Para was kept pending till next meeting.

46. The Para was again placed before the PAC in its meeting held on 13th of November 2012 for examination. The Committee made the following Observations and Recommendations.

COMMITTEE OBSERVATION

47. The Committee observed that it had already disposed off similar Draft Para No. 3.5 (2008-09) with the recommendation to lodge FIR against the defaulters with in three (3) days under intimation to PAC which was not implemented to date.

COMMITTEE RECOMMENDATION

48. In view of the above the PAC directed the Department to conduct detailed inquiry into the matter for fixing responsibility on person(s) who failed to implement the PAC decision under intimation to PAC Cell. The Department was further directed to implement the earlier decision of the Committee with in a month. Para stands, progress be reported to PAC Cell.

DP. 5.2.6 UNAUTHORIZED EXPENDITURE ON ACCOUNT OF PURCHASE OF FEEDS Rs.1.510 MILLION.

NON-DEDUCTION OF SALES TAX Rs.37,640/-.

AUDIT VERSION

49. The Audit reported that during the financial year 2007-08, the Divisional Forest Officer Wildlife Mansehra incurred an expenditure of Rs. 1.510 million on account of purchase of feed for birds without adopting open tender system and approval of the Competent Authority.

50. The feed valuing Rs. 0.235 million was not taken on stock register, which indicated that the same had not been purchased. Sales tax amounting to Rs.37,640/- was also not recovered from the suppliers.

51. Audit was of the view that negligence on the part of management and violation of rules caused irregularity.

51. The irregularity was pointed out in August 2008. The Management furnished no reply.

52. In the DAC meeting held on 29-10-2009, the Department replied that food of quality i.e. protein, mineral etc; consists of variety of needs to be changed during different seasons of the year and according to behavior of the birds; while open tender system did not guarantee the quality of feed. The DAC did not agree and directed that relaxation/condonation/regularization of the Administrative Department be obtained besides recovery of sales tax. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

53. The Department explained that according to the record of Mansehra Wildlife Division Rs. 1.076 millions were incurred on the purchase of feed during 2007-08, instead of

1.510 millions as mentioned in the Audit Para. As a matter of fact, the feed was purchased in short intervals to get fresh stock to avoid any fungal or bacterial outbreak and to keep the required and desirable protein, vitamins and minerals intact. Since purchases were made as per requirement and storage of feed was detrimental to the Health of animals and birds, therefore Departmental Committee in regular and routine purchase was not workable. It further added that feed prices were fixed through out Pakistan with pre-planned formulation for poultry. Specific production of feed for few numbers of pheasants was not cost effective. Besides, floating tender for already existing fixed market price of poultry feed was mere escalation of rates upto 30%. Therefore, to avoid the losses to the Government exchequer, existing fixed price feed was purchased from local market as per requirement and protein and other essential ingredients enhanced according to the requirements of the birds. This practice was highly cost effective and economized the budget. Therefore open tender was avoided to save the losses through introduction of middle man for products whose fixed prices were available throughout country.

54. The feed value of 0.235 million was taken into feed consumption register, rather in stock register, since, it was an consumable item and could not be entered into Stock Register.

COMMITTEE RECOMMENDATION

55. The PAC endorsed the pre-PAC decision and directed the Department to produce condonation, relaxation or regularization to Audit for verification and to conduct inquiry for fixing responsibility and initiate appropriate disciplinary action against the responsible for in ordinate delay in implementing DAC decision.

DP.5.2.7 NON-RECOVERY OF FINE IMPOSED ON JFMC ALONG WITH INTEREST Rs.11.117 MILLION.

AUDIT VERSION

56. The Audit reported that the Divisional Forest Officer Hazara Tribal Battagram did not recover the fine amounting to Rs. 8.174 million imposed on various JFMCs by the Secretary Environment during 2004, which was required to have been recovered within 90 days. In addition to that compound interest on the unpaid fine worth Rs. 2.943 million was also not recovered from the defaulters.

57. Audit was of the view that negligence on the part of management to pursue the court case was the cause of non-recovery.

58. The non-recovery was pointed out in September 2007. The management stated that reply would be given later on.

59. In the DAC meeting held on 28-10-2009, the Department replied that the case was in the court of District & Session Judge Battagram. The DAC decided that the para will stand till the decision of court. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

60. The Department explained that according to clause-7 (a) of agreement executed between Chairmen of the JFMCs narrated in the para, fine was imposed against which they approached to the court and the cases were subjudice till now, in High Court Circuit Bench Abbottabad.

61. So for imposition of compound interest @ 1.2% was concerned, it was crystal clear from clause-8 of agreement that:- "The amount of fine on this account shall be paid by the JFMC within 90 days of the receipt of the order and in case of default, shall pay 1.2% of compound interest per month on un-paid amount provided that the case is not subjudice with the designated Arbitration".

62. As the cases were subjudice with the Arbitrator i.e. Secretary Environment Department Government of Khyber Pakhtunkhwa and now in High Court Circuit Bench Abbottabad therefore 1.2% compound interest was not warranted in the case.

COMMITTEE RECOMMENDATION

63. The para was kept pending till next meeting.

64. The Para was again placed before the PAC in its meeting held on 13th of November 2012 for examination. The Committee made the following Recommendations.

COMMITTEE RECOMMENDATION

65. The Para was kept pending till the decision of High Court with the direction to the Department to take disciplinary action against those who failed to produce record during the meeting and against those who made inordinate delay in recovery of the amount of fine within 90 days required period.

DP.5.2.8 NON-DEPOSIT OF SALES TAX Rs.9.155 MILLION.

AUDIT VERSION

66. The Audit reported that during the financial year 2007-08, the Divisional Forest Officer, Mansehra deducted general sales tax of Rs. 9.155 million from the bills of the timber contractors. The amount of sales tax was neither deposited into relevant heads of the sales tax

account in the Government Treasury nor paid to the Sales Tax Department and the amount was kept in the P-deposit.

67. Audit held that weak internal control of management in the maintenance of accounts was the cause of non-deposit of sales tax.

68. The non-deposit of sales tax was pointed out in August 2008. The Management stated that sales tax deducted from Joint Forest Management Committee (JFMCs) was ordered by the President of Pakistan to be returned to purchaser contractors and sales tax for the wood of Government Forest would be remitted to Sales Tax Department.

69. In the DAC meeting held on 05-01-2010, the Department repeated the previous reply. The DAC did not agree and directed that the sales tax was deducted from the owners of un-demarcated private wood lots. The court decided to refund the amount of sales tax as total sales tax value did not exceed five million. The DAC further directed to produce the list of plaintiffs by that day i.e. 05-01-2010 but nothing was produced in this regard.

DEPARTMENTAL VERSION

70. The Department produced the factual position regarding retention of Rs.9.155 million in P-Deposit Register (Form No.5) showing disbursement of total amount properly to the quarter concerned.

71. It explained that an amount of Rs.81,965/- on account of 15% Sales Tax pertaining to Kathai JFMC was still lying balance in P-Deposit Register of Agror Tanawal Forest Division which could not be paid/refunded due to no response by it. However, the PAC was requested to decide either the amount would be paid to Sales Tax Department conditionally for further disbursement to the JFMC by him as and when approached or the same may be kept in P-Deposit of this Office and would be paid to JFMC as and when applied for.

COMMITTEE RECOMMENDATION

72. The explanation of the Department being plausible was accepted and the Para was recommended to be dropped with the direction to the Department to disburse the remaining balance of Rs.81,965/- laying the P-deposit till 31st December, 2012 if not paid/refunded the same may be deposited into Government Treasury under intimation to PAC Cell.

DP.5.2.9 NON-RECOVERY OF GOVERNMENT DUES Rs. 3.554 MILLION.

AUDIT VERSION

73. The Audit reported that in the Office of Divisional Forest Officer Swat, a sum of Rs. 3.554 million was outstanding as on 30-06-2008 against Forest Development Corporation on account of 40% Government share, amount of duty, fine and Forestry Development Fund. No efforts seemed to have been initiated for the recovery of such dues.

74. Audit was of the view that the amount was not recovered due to negligence on the part of management.

75. The non-recovery was pointed out in April 2009. The management stated that all efforts would be made for early recovery of outstanding dues.

76. In the DAC meeting held on 29-10-2009, the Department replied that an amount of Rs. 3.299 million had been recovered and the remaining dues would be recovered soon. The DAC directed that challans of recovery be produced and balance amount of Rs.2,55,490/- also be recovered. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

77. The Department explained that the entire outstanding amount against FDC i.e. Rs.3,554,484/- had been recovered and also intimated to the concerned quarter vide this Office letter No. 1469/G, dated 18-10-2010 from FDC as per detail given below:

S/No	TC No. and date	Amount
1.	No. 1 dated 23-06-2009	Rs. 32,98,986(copy enclosed)
2.	No. 154 dated 31-12-2009	Rs. 154,040/- (copy enclosed)
3.	No.36, dated 14-11-2009	Rs. 102,987/- (copy enclosed)
	Total	Rs. 35,56,013/-

78. Keeping in view of the above exposition, there was nothing any outstanding against FDF.

COMMITTEE RECOMMENDATION

79. As the entire outstanding amount had been recovered and duly verified by Audit, the para was recommended to be dropped.

DP.5.2.10 NON-RECOVERY OF FINE FROM FOREST CORPORATION FUND Rs.2.045 MILLION.

AUDIT VERSION

80. The Audit reported during the financial years 2005-06 & 2006-07, in the office of Divisional Forest Officer Kohistan at Sheringal, it was noticed that the Environment Department

imposed fine to the tune of Rs.2.045 million on Forest Development Corporation due to violation of the clauses of their contract agreement. The same was not recovered till June 2007.

81. In one case due to damage in forest, the Conservator of Forest Malakand, after a thorough enquiry, imposed fine of Rs. 1.242 million, which was subsequently reduced to Rs. 677,748/- by another Conservator. In the arbitration, Secretary Environment reduced it arbitrarily to Rs. 451,332/- with the direction to pay the same upto 30-06-2007 positively. The FDC failed to deposit the same till 31-07-2007.

82. Audit opined that as the FDC failed to observe the arbitration decision, therefore, full penalty amount should be recovered moreover no cogent reason for reduction in the penalty by Secretary Environment was given.

83. Audit was of the view that the amount was not recovered due to negligence and violation of financial rules by management.

84. The non-recovery pointed out in July 2007. The management stated that the FDC Authorities had regularly been reminded but they failed to deposit the outstanding dues and obey the directives of high ups.

85. In the DAC meeting held on 20-12-2008, the Department replied that the decision of arbitration had been challenged by the FDC in the Court. The DAC decided to stand the para for PAC.

DEPARTMENTAL VERSION

86. The Department furnished the detail of fine imposed on FDC as below:-

Lot No.	Fine imposed	Reduced Secretary Arbitrary by Envt.
1) 57/M	Rs. 2,920,257	Rs. 15,92, 865
2) 517/M	Rs.12,42,000	4,51,832
Total:	Rs.41,62,257	Say Rs.2.045 M

87. Each lot is briefly discussed as under:

1) **Lot No. 57/M**

88. Fine amounting to Rs. 2,920,257.00 was imposed by the Department. The recovery was discussed in an arbitration and the penalty was reduced to Rs. 1,92,565.00. The decision was challenged by FDC in the Court. The case was still under trial in the High Court

Peshawar. This Office remained to the FDC vide letter No. 2318/G, dated 16-05-2012 for payment of the outstanding dues. In response the MFO, FDC vide his letter No. 33987 dated 25-05-2012 reported that the case was subjudice in the Peshawar High Court. To this effect a copy of the appeal filed by the Department in the Peshawar High Court was shown to the Committee.

2) Lot No.517/M

89. Fine of Rs.4,51,832/- had been recovered from FDC. The amount was deposited into Government treasury, vide treasury challan No.22 dated 21-10-2011 and booked into account under proper head of revenue.

COMMITTEE RECOMMENDATION

90. The para was kept pending till next meeting.

91. The Para was again placed before the PAC in its meeting held on 13th of November 2012 for examination. The Committee made the following Recommendations.

COMMITTEE RECOMMENDATION

92. The PAC recommended that the amount already recovered may be got verified by Audit and the case for recovery of the remaining amount of Rs. 15,92,865/- pertaining to lot No. 57/M may be perused vigorously in the Court of Law. Para stands, progress be reported to PAC.

DP.5.2.11 NON-DEPOSIT OF GOVERNMENT REVENUE Rs.1.351 MILLION.

AUDIT VERSION

93. The Audit reported that the Divisional Forest Officer Wildlife Peshawar received Rs. 1.351 million as donation from Shikar Safari Culb USA for conservation and development of wildlife resource in the Province upto June 2009. This amount should have been deposited into revenue of the Provincial Government, which was not done.

94. Audit held that the non-deposit of amount in the Government treasury was due to negligence and weak internal control on the part of management.

95. The Non-deposit was pointed out in September 2009. The management stated that detailed reply would be furnished.

96. In the DAC meeting held on 26-12-2009, the Department replied that the amount was received from Shikar Safari Club USA as donation with the condition that the same should be spent only on conservation and development of wildlife resource of province, which had accordingly been spent. The DAC did not agree and directed that Rs.1.351 million be credited to the Government revenue.

DEPARTMENTAL VERSION

97. The Department explained that the amount was not realized as compensation or fine for violation of Wildlife Act, 1975, rather it had been received as donation by Shikar Safari Club USA with the condition that it should be spent only on the Conservation and Development of Wildlife Resources of the Province. In order to fulfill the condition the said amount was kept in P-Deposit for further utilization. For this purpose a PC-I titled "Conservation and Development of Wildlife in NWFP" was prepared and approved by the Government of Khyber Pakhtunkhwa. Accordingly the Department was spending the said amount on the Conservation and Management of Wildlife as per approved PC-I. It further added that observation of same nature was also taken by the external Audit back in 2006-07 and para was settled by the DAC in its meeting held on 26-12-2012, on the ground that decision regarding the utilization of the donated funds was decided by the Wildlife Management Board in the meeting held on 25-10-1997. The decision of the Wildlife Management board is reproduced below.

98. The amount of Rs. 4.5 million realized as donation and trophy hunting fee and lying in P-Deposit should be used for captive breeding programs for birds as well as animals and to supplement the Wildlife Parks. A project may be prepared and considered by suitable forum.

99. Therefore, the contention of Audit regarding unauthorized retention of Government revenue was not based on facts and that the Department had made not violated a Government Rules.

COMMITTEE RECOMMENDATION

100. The para was kept pending till next meeting.

101. The Para was again placed before the PAC in its meeting held on 13th of November 2012 for examination. The Committee made the following Recommendations.

COMMITTEE RECOMMENDATION

102. The PAC endorsed the decision of DAC and recommended that Rs.1.351 million be credited to the Government Revenue and to initiate action against the responsables for making abnormal delay in implementation of the PAC decision. Para stands, progress be reported to PAC.

DP.5.2.12 NON-DEPOSIT OF FINE INTO THE GOVERNMENT TREASURY Rs.0.821 MILLION.

AUDIT VERSION

103. The Audit reported that during the financial year 2007-08, the Divisional Forest Officer Gallies Abbottabad realized revenue amounting to Rs.820,600/- on account of fine/compensation collected from forest offenders, but the same was not deposited into Government treasury.

104. Audit held that negligence and weak control on the part of management was the cause of non-deposit of fine.

105. The non-deposit was pointed out in August 2008. The management stated that amount would be transferred to proper head of account and result be intimated to audit.

106. In the DAC meeting held on 05-01-2010, the Department could not advance any cogent reason, therefore, the DAC directed to place the para before PAC.

DEPARTMENTAL VERSION

107. The Department explained that the amount of Rs. 7,34,568/- on account of compensation cases have been remitted into Government Treasury vide Treasury Challan No. 32 dated 2-06-2008 and No. 95 dated 09-06-2008.

108. Only a sum of Rs. 86,139/- on account of compensation money of following compensation cases was not deposited by the sub-Divisional Forest Officer, Abbottabad.

S/No	Name of Sb-Division	CC No. and date	Amount of Compensation
1.	Abbottabad Forest Sub-Division	86/2007-08	45999
2.	Abbottabad Sub-Division	88/2007-08	40140
		Total:	86139

109. The SDFO was directed vide this Office letter No. 117/B&A dated 10-07-2012 (copy enclosed) to deposit the Government money immediately explaining the cause of delay and also directed as to why disciplinary proceeding may not be initiated against him for non-depositing the Government money since long. Further progress will be intimated before the PAC.

COMMITTEE RECOMMENDATION

110. In view of the explanation advanced by the Department duly endorsed by Audit, the para was recommended to be dropped, subject to depositing of Rs. 86,139/- by the Sub-Divisional Forest Officer Abbottabad in the Government treasury under intimation to PAC Cell within a month time.

DP.5.2.13 IRREGULAR RETENTION OF TIMBER Rs.101.839 MILLION.

AUDIT VERSION

111. The Audit reported that the Divisional Forest Officer Hazara Tribal Battagram confiscated, 110,296.57 CFT and 17,001,67 CFT timber illicitly cut by the JFMC in excess of the quantity marked for the purpose. The same was transported to FDC Goharabad for auction, which was not yet auctioned.

112. Audit held that negligence on the part of management to pursue the Court case was the cause of irregularity.

113. The irregularity was pointed out in September 2008. The management stated that reply would be given later on.

114. In the DAC meeting held on 28-10-2009, the Department replied that the case was subjudice in Accountability Court Peshawar due to which the timber in question could not be disposed off. The timber would be auctioned as and when the case is decided. The DAC directed that latest position of timber be produced to audit within 15 days. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

115. The Department explained that the detailed of confiscated timber taken by the Audit is not correct and the correct figures are as under:-

1. Timber confiscated prior to NAB (F) intervention = 17002-cft
2. Timber confiscated after

NAB (F) intervention. = 92000-cft
Total: = 109002-cft

116. On vacations of restrictions from the Accountability as well as Civil Courts, 34582.98-cft timber out of above was put to open auction and sold out by earning Rs.1,13,91,312/- detailed as per attached statement out of which Rs. 25,27,807/- stand transferred to proper head of receipts while Rs. 88,63,505/- on account of sale value is lying pending in P-Deposit due to court cases.

COMMITTEE RECOMMENDATION

117. The para was kept pending till next meeting.

118. The Para was again placed before the PAC in its meeting held on 13th of November 2012 for examination. The Committee made the following Recommendations.

COMMITTEE RECOMMENDATION

119. The Para was kept pending with the direction to the Department to conduct detailed inquiry into the matter and report to PAC Cell within one month.

DP.5.2.14 IRREGULAR GENERATION OF FDF RS.28.543 MILLION AND DRAWL OF Rs.0.757 MILLION.

AUDIT VERSION

120. The Audit reported that according to Rule 3 of Khyber Pakhtunkhwa Forestry Development Fund (Management and utilization) Rules 2006, an account shall be opened in the Government treasury for proper maintenance of fund and all money generated through various sources. No money from the fund shall be withdrawn unless the bill/cheques were signed by both Chief Conservator of Forest and Director Budget and Accounts.

121. During the financial year 2006-07, in Office of the Divisional Forest Officer Mardan, it was noticed that the Forest Development Fund had been placed in PLS account No. SDA 0417000-8. A balance of Rs. 28.543 million was lying in that account as on 30-06-2007. Moreover, Rs. 756,860/- were drawn during 2006-07 without joint signatures either on the bill or Cheque by the Chief Conservator of Forests and Director Budget & Accounts. The account had also not been rendered to FDF Committee as required under the above rules.

122. Audit held that violation of rules and prescribed procedures caused the irregularity.

123. The irregularity was pointed out in November 2007. The management replied that detailed reply would be furnished after consulting the record.

124. In the DAC meeting held on 22.12.2008, the Department replied that rules on the subject had not yet been enclosed. The funds for plantation approved by the Competent Authority were accordingly incurred. The DAC decided that FDF amount be deposited into its proper head within a week and verified by audit. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

125. The Department explained that as decided in the DAC meeting held on 22/12/2008, an amount of Rs.12402488/- of FDF transferred/deposited under FDF head i.e. G-12417 FDF vide Treasury Challan Nos. and dates as under:-

S/No	Total amount in A/C	Transferred to Budget Sub-head G-12417 FDF	Amount
1.	Rs.28.543	i)36 dated 9.2.2009	Rs.5939873/-
		ii)37 dated 9.2.2009	Rs.5306346/-
		iii)38 dated 9.2.2009	Rs.1125000/-
		iv)87 dated 7.2.2009	Rs.1125000/-
		Total:	Rs.31265/-

COMMITTEE RECOMMENDATION

126. As whole of the amount had been deposited into its proper Head of account and duly verified by Audit, the para was, therefore, recommended to be dropped.

DP.5.2.15 IRREGULAR RETENTION OF GOVERNMENT REVENUE Rs.10.140 MILLION. AUDIT VERSION

127. The Audit reported that during the financial year 2006-07, in office of the Divisional Forest Officer Agror Tanawal, it was noticed that Government revenue amounting to Rs.10.140 million was retained in P-Deposit as on 30-06-2006.

128. Audit held that the cause of irregularity was negligence on the part of management.

129. The irregularity was pointed out in August 2007. The Management replied that after checking the record, action would be taken and the Audit would be informed.

130. In the DAC meeting held on 16-12-2008, the Department replied that sales tax was refunded on the advice of the Income Tax/CBR. The DAC decided that relevant recovery in light of CBR directives be produced to Audit for verification. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

131. The Department explained that total amount realized had been credited to proper head of accounts and the record was shown to Audit which was verified. The Audit endorsed the statement of the Department.

COMMITTEE RECOMMENDATION

132. As whole of the amount had been deposited into its proper Head of account and duly verified by Audit, the para was, therefore, recommended to be dropped.

DP.5.2.16 IRREGULAR GENERATION OF FDF Rs.1.832 MILLION AND DRAWL OF Rs.0.605 MILLION.

AUDIT VERSION

133. The Audit reported that according to Rules 3 of NWFP Forest Development Fund (Management and utilization Rules 2006), an account shall be opened in the Government treasury for proper maintenance of fund and all money generated through various sources shall be credited in the account. No money from the fund shall be withdrawn unless the bill/Cheque is signed by both Chief Conservators of Forest and Director Budget and Accounts.

134. During the financial year 2006-07, in the Office of Divisional Forest Officer Kalam, it was noticed that the Forest Development Fund had been kept in PLS Account No. 03668-00-7 and 02250-00-4 and a balance of Rs.1.833 million was lying in these accounts.

135. Moreover, an amount of Rs.604.595/- was drawn during 2006-07 without joint signature either on the bills or Cheque by the CCF and Director Budget & Accounts. The accounts had also not rendered to the FDF Committee as required under the above rules.

136. Audit held that the violation of rules on the part of management caused irregularity.

137. The irregularity was pointed out in April 2008. The management stated that detailed reply would be furnished later on.

138. In the DAC meeting held on 16-12-2008, the Department replied that the accounts was temporarily opened on the directives of the Competent Authority as stop gap

arrangement to run the developmental activities till finalization of the FDF accounting procedure. The DAC decided that the FDF amount be transferred to its proper head as per new accounting procedures. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

139. The Department explained that the plea of Audit for drawl of Rs. 6,04,595/- during 2006-07 as shown in the observation is not correct. Actually an amount of Rs.275691/- was drawn during 2006-07 (Cheque wise detail attached as Annex-I). Thus total amount of FDF comes as Rs. 21,08,051/- (Rs. 2,75,691/-+ 18,32,360). The position of the actual amount is clarified as under:-

140. YPO for utilization of total amount of Rs.10.00 Million for Malakand Circle, including Rs.729400/- for Kalam Forest Division was approved by the competent authority in its meeting held on 14-2-2007 circulated vide Internal Audit Officer Environment Department No.B&A/Bud/FDF/2006-07/350608, dated 10-03-2007 (Minutes of the meeting attached at Annex-II). In light of the approved YPO, the Division wise position of physical as well as financial targets was circulated by the Conservator of Forest Malakand vide his No.12876-84/B&A, dated 4-4-2007.

141. Against the said provision an amount of Rs. 9,63,246/- has been spent and monthly case accounts submitted to higher ups in time (month wise detail of ex pdr: etc attached as annexure-IV). The expenditure in excess than provision was made on watch and ward of nurseries in the best interest of Government. In case the expenditure not incurred, already spent amount will have wasted.

142. By deducting the spent amount there remains an amount of Rs.11,44,805/- (Rs. 1,83,236/- + 2,75,691/-= 9,32,246). However, by counting bank profit there was balance amount of Rs.11,60,807/- which has been credited to its proper Head of account (G-12417) vide T.C No.1 dated 02-02-2009 duly reconciled by the DAO Swat (copy of reconciliation statement attached at annex-VI). Keeping in view the above exposition, the observation may kindly be settled please.

COMMITTEE RECOMMENDATION

143. As the amount pertaining to FDF has been deposited in to proper Head of account duly verified by Audit, the Para was therefore, recommended to be dropped.

DP.5.2.17 **FICTITIOUS EXPENDITURE ON ACCOUNT OF DEPLOYMENT OF LABOURS**
Rs.1.955 MILLION.

AUDIT VERSION

144. The Audit reported that according to para 283 of Federal Treasury Rule Vol-I, every head of an office is personally responsible for the amount drawn on a bill signed by him or on his behalf until he has paid it to the persons entitled to receive it and obtained a legally valid acquaintance on the office copy of the bill.

145. During the financial year 2007-08, the Divisional Forest Officer Gallies Abbottabad incurred an expenditure of Rs.1.955 million on account of engagement of labour for cultivation works etc. Audit raised the following observations: -

- i. In various cases the thumb impressions affixed on the muster rolls were by one person.
- ii. Thumb impressions affixed on the muster rolls differ with later muster rolls of the same persons.
- iii. Photocopies of CNIC were not available.
- iv. Neither approved plan nor demand and deployment of labour were available on record.

146. Audit held that fictitious expenditure was caused by weak control and mismanagement of the officers concerned.

147. The irregularity was pointed out in August 2008. The Management stated that reply would be given after verification of record.

148. In the DAC meeting held on 05-01-2010, the Department replied that labour was engaged according to work done, therefore, no appointment orders were required. However, detailed cost estimates approved by the Competent Authority. The DAC did not agree and directed to conduct enquiry within 30 days. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

149. The Department explained that the Audit though raised an observation on payment of Rs. 19,55,620/- to daily labours employed on Forest Nurseries as well as on plantation but no proper detail showing relevant vouchers annexed with the Audit para enabling this office to prepare reply with full justification. However, it is clarified that the Muster Rolls are maintained on proper format approved by the Government (Annex-I) as well as in accordance with the instructions contained in para-15.17 of Forest Manual vol-II (Anex-II). The amount charged in the Muster Rolls was paid to the laboureres by the concerned SDFO/RFO after obtaining proper thumb impressions on the identification of concerned work Incharge. The presumption of Audit that the thumb impression was fixed by one person is incorrect. The

appointment order by the competent authority for hiring of labours on daily wages basis was not required under the rules. Actual demand for provision of labour was also not required as the labours were engaged according to work to be done on daily basis. However, the competent authority has approved the detailed cost estimates for each and every work/ activity on monthly basis. Moreover, photo copies of NIC as contended by the audit were neither required nor mandatory under the rules. During the year 2007-08 payment has been made to daily labours on account of raising of nurseries out of FDF which is generated for the same purpose.

S/No	Name of Nursery	Location	Area
1.	FDF Nursery	Jabrian	2 Acre
2.	Normal nursery	Jabrian	3 Acre
3.	Banda Ali Khan Nursery	Banda Ali Khan	2 Acre

150. Following different species of plants were raised/produced in the above nurseries and accordingly utilized in different plantation areas, as under:-

S/No	Name of Nursery	No. of plant raised Spp	No.	No. of plants utilized. Name of Forest	Spp	No.
1.	FDF Nursery	Chir	152645	Kakul RF	Chir	21750
		Deodar	1290	Larhi RF	Chir	32848
		Eucalyptus	85565	Maira 3(i)(ii)	Chir	32843
		Ligastum	1450	Bakot-7	Robinia	30450
		Walnut	30	Bagnetar	Chir	17400
				Gaz		
		Omamental	4400		Eucaplyptus	4350
		Kichnar	84185	Chtri 4(i)	Chir	7830
		Lple lple	13000		Chir	4350
		S.Total:	342565			151821
2.	Normal Nursery	Chir	80000	Chatri 4 (ii)	Eucalyptus	15334
		Eucalyptus	65000	Anderseri I (ii)	-do-	14790
		Kail	2000	Tajwall 2 (i)(ii)	Chir	15225
		S.Total	147000			45349
3.	Banda Ali Khan	Chir	191750		Kail	6525
		Deodar	39500	Surjal (i)	Deodar	9570
					Chir	12180
				Bakot 3 (i)(ii)	Chir	21750
					Deodar	21750

				Malkot Guz	Chir	8700
				Tajwal 4 (ii)	Chir	8700
				Bagan 12 (i)(ii)	Chir	52200
				Tajwal 4(ii)	Chir	13050
		Sub-Total	231250			154725
		Total	720815			351895

151. It is further added that the contention of auditor regarding the factitiousness of labours engagement and payment can also be verified through Inspection of plantation areas physically on the ground in the compartments mentioned above which a defiant proof for engagement of laborers and payments thereof. Similarly these plantation areas have accordingly been measured through GPS which further strengthen the matters based on base fact. The GPS results will be presented before the audit if required.

COMMITTEE RECOMMENDATION

152. The Para was recommended to be dropped, with the direction to the Department to fix responsibility on the person for making in ordinate delay in conducting inquiry and its submission to Audit.

DP.5.2.18 UN-ACKNOWLEDGMENT PAYMENT TO THE ROYALTY HOLDERS Rs.39.872 MILLION.

AUDIT VERSION

153. The Audit reported that during the financial year 2006-07, in Office of Divisional Forest Officer Kohistan at Sheringal, the DFO Sheringal had shown payment of Rs.39.872 million to DOR Dir on account of 60% royalty for further payment to the owners.

154. To verify the acknowledgement of the recipients, the requisite documents i.e. acknowledgements of the recipients were demanded but the same were not available on record.

155. Audit was of the view that weak control and negligence on the part of management was the cause of absence of acknowledgements by the recipients.

156. When pointed out in July 2007, the Management replied that the actual payee's receipts would be obtained from Office of the DOR Dir Upper.

157. In the DAC meeting held on 22-12-2008, the Department replied that due to dispute between the royalty secessionists, full amount has not yet been paid and is still pending in BOR. The DAC decided that documentary proof as well as complete acknowledgements be produced to Audit. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

158. The Department explained that it is submitted that total actual payee's receipts amounting to Rs.39.872 million have been obtained from the Office of the District Officer Revenue Dir Upper (attested copies of actual payee's receipts are enclosed page No. 03 to 95).

COMMITTEE OBSERVATION

159. The PAC observed that during the DAC meeting held on 22-12-2008, the Department was directed to produce documentary proof as well as complete acknowledgement receipts to Audit for verification which could not be verified till date even after the laps of 04 years.

COMMITTEE RECOMMENDATION

160. In view of the above the Department was directed to conduct detail inquiry into the matter and to initiate action leading to recovery against the responsible within a month. Para stands, progress be reported to PAC.

DP.5.2.19 DOUBTFUL EXPENDITURE ON VDC PLANTATION Rs. 1.308 MILLION.

AUDIT VERSION

161. The Audit reported that during the financial year 2006-07, the DFO Sheringal had incurred an expenditure of Rs.1.308 million on commercial land by planting 250,925 plants thereon. The local office had nursery in office premises. Nursery journal was examined and it was noticed that these plants were not issued from the nursery. In the absence of issue of the requisite number of plants from the nursery, the expenditure of Rs.1.308 million was doubtful.

162. Audit was of the view that the expenditure was doubtful due to weak internal control of the management.

163. The doubtful expenditure was pointed out in July 2007. The Management replied that the concerned official had been directed to make necessary entries of the materials in form-7. The result will be intimated to Audit.

164. In the DAC meeting held on 20-12-2008, it was decided that record be produced to Audit for verification. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

165. The Department explained that it is submitted that actually 284,725 and not 250,925 plants were planted during the year, 2005-06 and 2006-07. The plantations were

carried out through concerned Village Development Committee and payment made through crossed Cheque. Proper entries of plants issue have been made in the nursery journal, which had been verified by Audit.

166. A statement showing comparison between plants shown by audit, plants recorded in nursery journal and plants as per actual bills are attached (page No.37).

167. Besides, explanation of the concerned Official has been called for not making proper entries in nursery journal in time.

COMMITTEE RECOMMENDATION

168. The Para was recommended to be dropped, subject to verification of field position by Director Planning and Monitoring as decided during pre-PAC meeting.

DP.5.2.20 NON-AUCTION OF TIMBER Rs.21.087 MILLION.

AUDIT VERSION

169. The Audit reported that during the financial year 2006-07, in the Office of Divisional Forest Officer Chitral, scrutiny of timber form-7 revealed that the following timber amounting to Rs.21.086 million was lying in the forest:-

1.	Deodar poles-	108
2.	Deodar trees-	7682 CFT
3.	Deodar Logs-	12544.6 CFT
4.	Deodar scants-	3616 CFT

170. The above timber was lying in the forest and was deteriorating with the passage of time. No efforts were made for the transportation and auction of the same to avoid loss to Government assets.

171. Audit held that negligence on the part of management was the cause of non-auction of timber.

172. The non-auction of timber was pointed out in July 2007. The management furnished no reply.

173. In the DAC meeting held on 22.12.2008, the Department replied that auction was in process. The purchaser had not yet deposited the amount. The DAC decided to hold auction and treasury challans be produced to Audit for verification. No progress was intimated to Audit till finalization of this report.

DEPARTMENTAL VERSION

174. The Department explained that the confiscated timber of Chitral Forest Division was already auctioned and the amount had since been remitted by the purchasers through the following treasury challan noted against each and no loss has been occurred to Government.

S/No	T.C No. & date	Amount
1	No. 05 dated 18-08-2007	Rs. 7,67,052/-
2	No. 12 dated 22-09-2007	Rs. 3,88,689/-
3	No. 04 dated 22-09-2007	Rs. 3,71,010/-
4	No. 05 dated 26-9-2007	Rs. 3,87,336/-
5	No. 05 dated 26-09-2007	Rs. 3,35,204/-
6	No. 05 dated 26-10-2007	Rs. 7,83,308/-
7	No. 05 dated 22-10-2007	Rs. 3,44,057/-
8	No. 04 dated 22-10-2007	Rs. 3,46,761/-
9	No. 06 dated 22-10-2007	Rs. 2,73,145/-
10	No. 12 dated 31-10-2007	Rs. 3,82,751/-
11	No. 06 dated 2-11-2007	Rs. 4,17,013/-
12	No. 02 dated 10-11-2007	Rs. 2,12,876/-
13	No. 39 dated 13-11-2007	Rs. 3,68,815/-
14	No. 41 dated 13-11-2007	Rs. 3,65,715/-
15	No. 40 dated 13-11-2007	Rs. 3,15,577/-
16	No. 10 dated 14-11-2007	Rs. 3,40,254/-
17	No. 03 dated 10-11-2007	Rs. 7,38,753/-
18	No. 05 dated 23-11-2007	Rs. 3,47,602/-
19	No. 04 dated 23-11-2007	Rs. 3,85,958/-
20	No. 10 dated 27-11-2007	Rs. 4,10,600/-
21	No. 01 dated 29-11-2007	Rs. 6,39,502/-
22	No. 13 dated 28-11-2007	Rs. 8,03,800/-
23	No. 09 dated 01-12-2007	Rs. 3,35,037/-
24	No.236 dated 06-12-2007	Rs. 10,42,132/-
25	No. 22 dated 06-12-2007	Rs. 2,16,107/-
26	No. 03 dated 15-12-2007	Rs. 2,33,273/-
27	No.21 dated 28-04-2008	Rs. 14,25,200/-
28	No. 01 dated 29-04-2008	Rs. 96,100/-
29	No. 11 dated 26-04-2008	Rs. 10,72,108/-
30	No. 07 dated 14-05-2008	Rs. 7,81,435/-
31	No. 10 dated 15-05-2008	Rs. 7,20,794/-
32	No. 19 dated 15-05-2008	Rs. 7,53,963/-
33	No. 04 dated 19-05-2008	Rs. 3,71,761/-
34	No. 08 dated 19-05-2008	Rs. 9,49,835/-
35	No. 11 dated 20-05-2008	Rs. 3,29,370/-
36	No. 05 dated 23-05-2008	Rs. 3,60,802/-
37	No. 06 dated 24-05-2008	Rs. 1,91,752/-
38	No. 06 dated 02-06-2008	Rs. 6,35,602/-
39	No. 11 dated 03-06-2008	Rs. 3,52,186/-
40	No. 10 dated 03-06-2008	Rs. 2,79,985/-
41	No. 21 dated 07-06-2008	Rs. 1,57,035/-
42	No. 09 dated 16-06-2208	Rs. 1,53,223/-

43	No. 26 dated 16-06-2008	Rs. 2,29,122/-
44	No. 03 dated 17-06-2008	Rs. 3,94,204/-
45	No. 04 dated 18-06-2008	Rs. 3,28,495/-
46	No. 06 dated 19-06-2008	Rs. 2,33,012/-
	Total	2,10,88,311

COMMITTEE RECOMMENDATION

175. In view of plausible explanation of the Department and verification of original challans showing deposit of 2,10,88,311/- by Audit. The Para was recommended to be dropped.

DP.5.2.21 UNNECESSARY RETENTION IN P-DEPOSIT ON ACCOUNT OF 20% DEPARTMENTAL CHARGES/FOREST DEVELOPMENT CHARGES 15.233 MILLION.

AUDIT VERSION

176. The Audit reported that during the financial year 2006-07, in the Office of Divisional Forest Officer Battagram, Rs.15.233 million were realized on account of 20% Departmental/managerial charges@ Rs.6 on fire & Rs.8 on Kail per cft on account of sale of timber upto June 2007, but contrary to the above rule, the amount was kept in P-Deposit.

177. Audit was of view that money was retained in P-Deposit due to negligence on the part of management.

178. The unnecessary retention was pointed out in July 2007. The management stated that reply would be given after verification of record.

179. In DAC meeting held on 16-12-2008, it was decided that as per provision of section 104 of the Forests Ordinance 2002, the managerial charges would be deposited to FDF. The Divisional Forest Officer Hazara Tribal transferred FDF amount to its proper head of account immediately. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

180. The Department explained that under provision of Section 104 of Forest Ordinance 2002 all kind of the money realized on account of FDF shall not be credited to Forest receipts. Moreover in pursuance with the decision of the DAC meeting held in September 2005 and according to the directives as contained in Government of Khyber Pakhtunkhwa Environment Department letter No.B&A/Audit/DAC/WP/2003-04/6037 dated 19-09-2005 (Annex-I) all sort of amount generated as FDF has been kept in P-Deposit which was later on transferred to proper Head G-12417 (FDF) in accordance to internal Audit Officer Environment

Department No.B&A/08-09/Bud/FDF/Vol-III dated 20-11-2008 (Annex:2) vide treasury challan No. 11 dated 20-01-2009.

COMMITTEE RECOMMENDATION

181. In view of plausible explanation of the Department and verification of original record showing deposit of Rs. 2,69,73,502/- in Government Treasury by Audit the Para was recommended to be dropped.

DP.5.2.22 MISAPPROPRIATION OF AMOUNT OF FINE Rs.0.511 MILLION.

AUDIT VERSION

182. The Audit reported that according to Rule 104 of Section 2 (s) of the Forest Ordinance 2002, the amount recovered in the Forest offence cases should be deposited in the Forest Development Fund.

183. During the financial year 2006-07, in the office of Divisional Forest Officer Sheringal (Kohistan), it was noticed that Civil Judge Sheringal had decided 21 prosecution cases and imposed fine to tune of Rs.511,300/-.

184. To verify the deposit of the said fine in FDF account, the relevant record i.e. bank statement etc, was examined. It was noticed that the amount was not deposited in the said account. Non-deposit of fine in the FDF account meant the amount was misappropriated.

185. Audit was of the view that the case of misappropriation was violation of rules and negligence on the part of management.

186. The misappropriation was pointed out in July 2007. The management furnished no reply.

187. In the DAC meeting held on 22-12-2008, it was decided that the DFO Dir Kohistan should get a copy of the challans from forest magistrate, incorporate it in the accounts and show it to audit within 30 days. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

188. The Department explained that it is submitted that the said para was endorsed to the Civil Judge/Forest Magistrate at Sheringal vide this Office letter No. 711-12/G, dated 18-10-2007 for providing original challans. In reply the Civil Judge/Forest Magistrate, vide his letter No. 189 dated 06-11-2007 (Copy enclosed page No.5) told that total fine imposed during financial year, 2005-06 and 2006-07 was Rs.584,900.00, out of which an amount of

Rs.176,920.00 have been paid as Award to the deserving Forest officials under the relevant Rules. The remaining amount of Rs.407,980.00/- was deposited in Government Treasury under proper Head of Forest Remittances "8102000" and G-10402". The monthly Reconciliation Statement from District Accounts Officer Dir Upper since July, 2005 to June 2007 received from Civil Judge/Forest Magistrate is attached.

COMMITTEE RECOMMENDATION

189. In view of plausible explanation of the Department and verification of original record showing deposit of Rs. 4,07,980/- in Government Treasury by Audit the Para was recommended to be dropped.

ADMINISTRATION DEPARTMENT

Twenty five (25) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meetings held on 28th & 29th of January 2013, The following were present:-

Public Accounts Committee:

1.	Mr. Kiramatullah Khan, Speaker	Chairman
2.	Mr. Abdul Akbar Khan, MPA	Member
3.	Mr. Saqib Ullah Khan Chamkani, MPA	Member
4.	Mr. Fazal Shakoor Khan, MPA	Member
5.	Mr. Muhammad Zamin Khan, MPA	Member
6.	Mr. Mukhtiar Ali, MPA	Member
7.	Mufti Syed Janan, MPA	Member

Law, Parliamentary Affairs and Human Rights Department

Mr. Jamshaid Khan Afridi,
Deputy Secretary.

Finance Department

1. Mr. Bashir Khan,
Additional Secretary (Dev:).

2. Mr. Muhammad Naseem,
Deputy Secretary.
3. Mr. Nadir Rana,
Deputy Secretary.

Audit Department

1. Mr. Sikandar Khan,
Director General.
2. Mr. Lal Muhammad.
Director.
3. Mr. Mutahir Rehman,
Deputy Director.
4. Mr. Jan Israr,
Deputy Director.
5. Mr. Mahmood ul Hassan Saeed,
Assistant Audit Officer.

Administration Department

1. Mr. Hifzur- Rehman,
Secretary.
2. Mr. Muhammad Qasim Jan,
Estate Officer.
3. Mr. Nadir Khan,
Comptroller.
4. Col (R) Liaqat Ali Raja,
Askari Aviation.

Provincial Assembly Secretariat

1. Mr. Amanullah,
Secretary
2. Mr. Amjad Ali,
Additional Secretary.
3. Mr. Inamullah Khan,
Deputy Secretary,
4. Mr. Asadullah Khan,
Assistant Secretary.
5. Mr. Shahid Rehman,
Assistant Secretary.

2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

DP. 6.2.1 **EMBEZZLEMENT OF FUNDS DRAWN FROM GOVERNMENT TREASURY THROUGH FAKE BILLS Rs. 5.780 MILLION**

AUDIT VERSION

3. The Audit reported that during the financial year 2009-10 the transport wing of the Establishment and Administration Department of Khyber Pakhtunkhwa drew Rs. 5.780 million from the Government treasury through fake bills as per details given below.

NAME OF DEALER	AMOUNT (Rs)
New Toyota Auto Workshop Bara road Peshawar	7,35,695/-
Inayat Auto work shop Tehkal road Peshawar	20,05,310/-
Mercedez Auto workshop University road Peshawar	11,41,700/-
Dawar Auto workshop G.T. road Shuba Bazar Peshawar	11,43,700/-
Afaq Auto Workshop	7,53,450/-
Total	57,79,855/-

4. During verification of payment on the addresses printed on invoices it was noticed that no such workshops existed. The amount was drawn on fake bills in their name and thus embezzled.

5. Audit held that the cause of embezzlement was due to weak internal controls and mismanagement on the part of Officers concerned.

6. The embezzlement was pointed out in August 2010. The management endorsed the Audit findings.

7. In the DAC meeting held on 07-12-2010, the Department stated that inquiry had been conducted. The bills amounting to Rs. 5.780 million had been entertained by Ex-Section Officer Transport and Ex-Cashier. On the basis of documentary evidence proper disciplinary action was initiated against them, 50% of the embezzled amount was ordered to be recovered from them, and they were dismissed from service. The DAC did not agree with the reply furnished by the Department and directed to place the para before PAC.

DEPARTMENT VERSION

8. The Department explained that the para is based on the enquiry of Department added that prior to audit observation, it on the recommendations of the Enquiry

Committee/Officers has taken departmental action against Mr.Amir Muhammad Khan Durrani the then Section Officer (Transport), Mr.Balqias, Mr.Mustafa Kamal, Ex-Assistants/Cashiers and Mr.Ejaz Hussain, Ex-Assistant/Caretaker of Transport Section. Resultantly their services were dismissed and 50% of the amount was ordered to be recovered from them. For recovery of the embezzled amount Senior Member, Board of Revenue and Provincial Police Officer, Khyber Pakhtunkhwa have accordingly been informed for compliance. However, the accused officer/officials have filed appeals before the Services Tribunal, which are still subjudice before the Tribunal.

PAC OBSERVATIONS

9. The Committee observed that only 50% of the embezzled amount was ordered to be recovered from the responsables, which too was not recovered to date and that the requisite criminal proceedings were not initiated against the delinquent.

10. The Committee also observed lack of internal financial control system in the Department.

PAC RECOMMENDATIONS

11. As the Department was unable to provide the enquiry report hence the para was deferred till tomorrow (29-01-2013) with the direction to the Department to furnish the same.

12. On dated 29-01-2013, the Department contended that it conducted many inquiries in similar issue, therefore, it would not be possible to examine each and every inquiry during the meeting.

13. The Committee, directed that criminal case regarding embezzlement of Government money may be registered against the accused Officials and referred the Para to Inter Departmental Committee (IDC) comprising the representatives of Administration, Finance and Audit Departments. The Secretary, Administration Department was nominated as chairman of the IDC.

14. The terms of reference of IDC shall be as under:-

- To examine action of the Department in each Draft Para.
- To see as to whether any favour was ever or is being extended to the accused officials.
- To see as to whether any recovery was actually realized and if not, the reason thereof.
- To see as to whether the case is being vigorously perused in the court and if not, the reason thereof.
- To see that why criminal proceedings were not initiated against the accused officials.

- To see as to whether recovery made by the NAB from the accused official, has come to the Provincial Government Treasury.

15. The IDC will submit its report to PAC within one month.

DP.6.2.2 EMBEZZLEMENT ON ACCOUNT OF HIRING OF RENTAL CARS Rs. 1.164 MILLION

AUDIT VERSION

16. The Audit reported that during the financial year 2009-10, the section Officer transport wing of the Establishment & Administration Department, Khyber Pakhtunkhwa drew Rs. 1.694 million from the Government treasury through Cheque No. 0323254 dated 29-06-2009 on account of hiring charges of twenty Parado vehicles for the protocol duties of VVIPs for seven days at Shandoor festival.

17. Out of the total amount paid, the dealer, namely Sajid Enterprises was paid Rs. 5,31,000/- (as was evident from his acknowledgment) while the remaining balance was neither paid to the dealer nor deposited in the Government treasury, therefore, the balance amount of Rs. 1.164 million was embezzled.

18. Audit was of the view that the cause of embezzlement was due to weak controls and mismanagement on the part of Officers concerned.

19. The embezzlement was pointed out in August 2010. The management furnished no reply, however, endorsed the Audit findings during discussion.

20. In the DAC meeting held on 07-12-2010, the Department stated that the charges of fictitious, unauthorized and doubtful expenditure on account of hiring charges, POL and repair of vehicles etc, had been proved against the Officials. The Officials had been dismissed from services and recovery had been ordered. The Officials had gone into appeal against the decision and the case was subjudice. The DAC did not agree and directed to affect recovery.

DEPARTMENT VERSION

21. The Department explained that an amount of Rs.18,03,374/- has been incurred during the financial year, 2008-09 on account of hiring of vehicles for Shandur Festival and not for 2009-10. As such prior to audit observation departmental action, on the recommendation of the Inquiry Committee has already been taken against the accused officer/officials. They have been dismissed from services by the competent authority and for recovery of the embezzled amount Senior Member, Board of Revenue and Provincial Police Officer, Khyber Pakhtunkhwa have accordingly been informed for compliance.

PAC OBSERVATIONS

22. The Committee observed that proper procedure for recovery of the embezzled amount was not adopted.

PAC RECOMMENDATIONS

23. Same as per DP No. 6.2.1

DP.6.2.3 MIS-APPROPRIATION OF Rs. 4 MILLION

AUDIT VERSION

24. The Audit reported that during the financial year 2007-08 and 2008-09 in the office of Secretary to Government of Khyber Pakhtunkhwa Establishment & Administration Department (Transport Wing), an expenditure of Rs.17.80 million and Rs.19.939 million was incurred on the repair and replacement of various parts of vehicles etc. Neither the stock register of the old parts was maintained nor the parts could be shown as auctioned. This means that the amount realized from the sale of old parts valuing approximately Rs. 4 million was misappropriated.

25. Audit held that weak controls and mismanagement on the part of Officers concerned was the cause of misappropriation.

26. The misappropriation was pointed out in October 2008. The Department stated that detailed reply would be furnished after the consultation of original record.

27. In the DAC meeting held on 11-01-2010, the Department stated that inquiry Committee was investigating the issue of misappropriation on account of expenditure incurred on the repair and POL of the vehicles. However, auction of condemned store items were held on 19-07-2009 and an amount of Rs. 2,66,590/- was generated and deposited in the Government Treasury. The DAC directed to show the result of the inquiry to Audit.

DEPARTMENT VERSION

28. The Department explained that the para specifically pertains to disposal of un-serviceable stores/old parts of financial years, 2007-08 and 2008-09 through auction. The figures are based on presumptive assessment of Rs.4.00 million by audit. It is pointed out that old parts have already been disposed off through open auction held on 19-07-2009 and an

amount of Rs.2,66,590/- has been deposited into Government Treasury. Keeping in view the amount fetched through auction of old parts as mentioned above, presumptive assessment of audit i.e. Rs.4.00 million seems to be unjustified.

PAC OBSERVATIONS

29. The Committee observed that the Audit observation was based on presumption and was not realistic.

PAC RECOMMENDATIONS

30. In view of the above the Para was recommended to be dropped.

DP.6.2.4 MIS-APPROPRIATION ON ACCOUNT OF POL Rs.1.49 MILLION

AUDIT VERSION

31. The audit reported that during the financial year 2007-08, the Secretary Establishment & Administration Department incurred an expenditure of Rs. 9,87,200/- on the POL of vehicle bearing registration No-A-1106, used for Chief Minister & other VIP duties. There was a great difference between the actual & recorded meter reading in the logbook. Actual meter reading on 13-10-2010 was 192,284 KM but the log book meter reading was 2,47,561 KM on 03-03-2006. Similarly, there was a difference of 54,977 Kilometers upto 03-03-2006. After 03-03-2006 to October 2008, 5,000 liters petrol was drawn but meter reading was not recorded in the log book. MPG certificate, duty order and approval of VIP duties were also not produced.

32. Besides, an expenditure of Rs. 5,02,440/- was incurred on the POL of vehicle bearing registration No. A-1029-NR. Its meter reading on 20-07-2008 was 471642 Kilometers and 3,530 liters POL were shown consumed from 20-07-2008 to 15-07-2009. The vehicle average POL consumption was 5 km per litre and thus on 15-07-2009 the meter reading was required 4,89,292 km but same was shown as 4,47,422 km. Thus there was a difference of 41,870 Kms involving 8,374 liters POL worth Rs.5,02,440/- which was misappropriated.

33. Audit was of the view that weak controls and mismanagement on the part of Officers concerned was the cause of misappropriation.

34. The misappropriation was pointed out in October 2008 and October 2009. The management stated that detailed reply would be given after verification of the original record.

35. In the DAC meeting held on 22.12.2009 and 11.01.2010, the Department replied that the matter of vehicles. POL consumptions and repair etc, was under the process of inquiry. The DAC directed to intimate the result of the inquiry.

DEPARTMENT VERSION

36. The Department explained that the issue has thoroughly been checked/investigated by the Enquiry Officer. As per his report no misappropriation was involved because of the reason that POL for both the vehicles bearing No.A-1106 and A-1029 NR were consumed according to the MPG of vehicles as per following details:-

Vehicle No.	Period	Ltr/KM	Amount
A-1106	04-03-2006 to 18-10-2008	2556 Ltr 10559 Km	Rs.1,58,825/-
A-1029 NR	20-07-2008 to 15-07-2009	4068 Ltr 25012 Km	Rs.2,52,785/-
		Total Amount	Rs.4,11,610/-

37. So far as calculated figures of audit i.e. Rs.1.49 million in terms of liters and kilometers of both the vehicles are concerned, the same were based on presumption.

PAC OBSERVATIONS

38. The Committee observed that if the speed meter was defective, it should have been physically shown to the audit team during audit. It also observed that the issue pertaining to defectiveness of speed meter was not raised during the DAC meeting. The Committee further observed that the inquiry conducted in this regard was defective, as it just calculated the POL consumed and divided it on the presumptive mileage.

PAC RECOMMENDATIONS

39. In view of the above the Para was referred to Inter Department Committee (IDC) comprising of the Administration, Finance and Audit Departments to sort out the issue(s) involved in the Para and report progress to PAC Cell within a month. The Administration Department will be the convener of the IDC.

DP.6.2.5 MISAPPROPRIATION OF FURNITURE & EQUIPMENTS Rs. 0.817 MILLION

AUDIT VERSION

40. The audit reported that during the financial year 2008-09, the following Office furniture and other equipments were transferred to the Establishment & Administration Department (Estate Office) Government of Khyber Pakhtunkhwa from the Offices/places mentioned below:-

S/No.	Location	Type of furniture	Amount (Rs)
1.	Cabinet room & Dinning Hall	Air conditioners, sound system etc.	
2.	Frontier House Islamabad	13 National Window type Air-Conditioners	
3.	Civil Secretariat	Office chairs, Sofa Sets & Cupboard etc.	3,64,729/-
4.	-do-	-do-	3,32,433/-
5.	-do-	14 Metal Detectors	1,00,000/-
6.	-do-	Air Conditioners, Air Coolers, Heaters, Photo State Machine etc.	-
7.	Frontier House Swat	Assets declared as RCO Office	-
8.	Cabinet room	Carpet	1,00,000/-

41. Neither account of inventory for the above items was maintained nor physical verification carried out by Establishment & Administration Department on their receipt. So, the items valuing more than Rs. 8,17,162/- have been misappropriated.

42. Audit held that weak controls and negligence on the part of Officers concerned was the cause of misappropriation.

43. The misappropriation was pointed out in August 2009. The Department furnished no reply.

44. In the DAC meeting held on 19-12-2009, the Department replied that the Official concerned was informed on 11-12-2009 but his reply was awaited. The DAC directed to conduct inquiry and fix responsibility within 15 days.

DEPARTMENT VERSION

45. The Department explained as under:-

A.P No. 20

46. The supply and disposal of office furniture and other equipments is the sole responsibility of PBMC. The subject para has been conveyed to the Assistant Director PBMC.

A.P No.23

47. According to Ex, AEO, 12 numbers Air conditioners along with unserviceable items lying in old education Block, were kept in 18-RCG in the presence of the then Estate Officer, as the said block was declared for demolition for construction of Abdul Wali Khan Complex. House No.18-RCG was in occupation of Mr. Aman Hoti, Ex-Care Taker, Administration Department since 2008. On contact Mr. Aman Hoti denied about the said Air

conditioners. An inquiry was ordered and Mr. Ghazi Khan, Section Officer (E-V), Establishment Department submitted the said report which could be shown to the Committee.

A.P No.24

48. The unserviceable items was auctioned by the Section Officer (Admn) Administration Department after fulfillment of all codal formalities and the amount got through auction were also deposited into the Government exchequer.

A.P No.25

49. With regard to office chairs, sofa set, cupboard etc an inquiry was conducted by Mr. Ghazi Khan, Section Officer (E-V) Establishment Department which could be shown to the Committee.

A.P No.27

50. O4-Metal detectors had been distributed to different gates of Secretariat for security purposes and the remaining 10 metal detectors were in safe custody and available on the stock of Estate Office. Physical verification of the items could be carried out by the Committee.

A.P No.32

51. An inquiry into the matter of Air Conditioners, Air Coolers, Heaters, Photostat Machine had already been conducted by Mr. Ghazi Khan, Section Officer (E-V), Establishment Department, however, the remaining items were auctioned by section Officer (Admn), Administration Department who deposited the auction amount into the Government Treasury.

A.P No.37

52. The assets of the Khyber Pakhtunkhwa House, Swat were auctioned by the Commissioner, Malakand on 10-09-2008 and the amount was deposited into the Government Treasury.

A.P No.116

53. Supply and disposal of office furniture and other equipments was the sole responsibility of PBMC. The subject para had been conveyed to the Assistant Director PBMC.

PAC OBSERVATIONS

54. The Committee noted that proper inquiry in the issue was not conducted despite the DAC decision taken on 19-12-2009.

PAC RECOMMENDATIONS

55. The Committee recommended for conducting a proper inquiry to fix responsibility and initiate action leading to recovery. Para stands. Progress be reported to PAC Cell within two months.

DP.6.2.6 NON-PRODUCTION OF CONFISCATED VEHICLES LIST/STOCK REGISTER Rs. 30 MILLION

AUDIT VERSION

56. The Audit reported that during the financial year 2009-10 the Secretary Administration had written a D.O. letter to the Secretary Excise & Taxation Khyber Pakhtunkhwa in which it was pointed out that a list of 161 confiscated vehicles had been forwarded by the Excise and Taxation Department to the transport wing of the Administration Department. It was observed that neither its supporting documents showing type, make, model, registration was furnished by the Excise & Taxation Department nor stock register was maintained by the transport section of Establishment & Administration Department.

57. The Secretary Administration had, therefore, issued a D.O. letter to the Excise Department for making proper reconciliation so as to ascertain the factual position of the vehicles as the record of Transport wing was quite silent.

58. Audit was of the view that the cause of non-production was the concealment of facts.

59. The non-production of the record was pointed out in August, 2010. The management furnished no reply.

60. In the DAC meeting held on 07-12-2010, the Department replied that the issue of reconciliation of vehicles was under process and would shortly be settled. The DAC did not agree with the reply of the Department and decided to complete the process of reconciliation of vehicles.

DEPARTMENT VERSION

61. The Department explained that list of 161 confiscated vehicles of Excise & Taxation Department has already been provided to Audit Team during audit of 2009-10. However, the same, showing complete details/status of each and every vehicle along with registration #, Chassis #, Engine #, Make and Model has been provided in the working paper for perusal of the Committee. Keeping in view the position explained in the list, there seems no approximate misappropriation of Rs.30.00 million. Moreover, out of 161 confiscated vehicles, 93 vehicles have so far been auctioned, 14 vehicles returned back to E&T Department and 04 vehicles were converted into Buses for provision to the Educational Institutions. As per list, remaining 50 vehicles are at the disposal of various Offices/Officers for official duties. It is pointed out that the issue of allotment of confiscated vehicles to Offices/Officers is subjudice before the Peshawar High Court as and when decided, Audit would be informed.

PAC OBSERVATIONS

62. The Committee observed that the Administration Department was not accused in the issue rather the Excise & Taxation Department was responsible for not sending supporting documents showing type, make, model and registration etc. to the Administration Department.

PAC RECOMMENDATIONS

63. In view of the above the Para was recommended to be dropped.

DP.6.2.7 LOSS DUE TO UNAUTHORIZED USE OF VEHICLES Rs. 24.354 MILLION

AUDIT VERSION

64. The Audit reported that according to Transport Committee report 2005, Establishment & Administration Department was authorized for the use of 83 vehicles but the Department incurred an expenditure of Rs. 23.264 million on POL & Rs. 12.076 million for the repair of 267 vehicles. The list of the vehicles with user's name was not produced. The list of 267 vehicles was prepared from the POL bills paid during 2007-08.

65. Audit held that expenditure of Rs. 24.354 million for the POL and repair of vehicles in excess of the entitlement was unauthorized and caused loss to the Government.

66. The Loss was pointed out in October 2008. The Department stated that detailed reply would be given after the verification of the original record.

67. In the DAC meeting held on 11.01.2010 the Department replied that inquiry Committee was investigating the issue. The DAC directed to provide findings of the inquiry Committee.

DEPARTMENT VERSION

68. The Department explained that in order to trace out the factual position Audit has been requested to produce the list of 267 vehicles so that the instant issue could properly be checked and responded. Response of Audit was awaited.

PAC RECOMMENDATIONS

69. As the Audit Department failed to provide the requisite list and was not able to prove its contentions during the meeting, therefore, the Para was recommended to be dropped.

DP.6.2.8 LOSS DUE TO TRAINING IN PRIVATE INSTITUTE Rs. 22.959 MILLION.

AUDIT VERSION

70. The Audit reported that during the financial year 2009-10 the Administration and Establishment Department outsourced services of Institute of Management Sciences for the training of the 177 newly recruited P.M.S Officers at the cost of Rs. 40.659 million and paid Rs. 14.517 million in advance to the institute. The outsourcing in private institute at the exorbitant rate of Rs. 2,29,711/- per trainee without competition resulted in loss of Rs. 22.959 million to the public exchequer as compared to the rate of Rs. 1,00,000/- per trainee in the Pakistan Provincial Services Academy.

71. Apart from it, the Institute as evident from its prospectus was purely professional University rendering services in the field of BBA, MBA, IT and ACCA, etc, and the above training could only be carried out in the Pakistan Provincial Services Academy.

72. Audit held that providing training to the public sector officers in an unsuitable private sector institute at exorbitant cost caused the loss.

73. The loss was pointed out in august 2010. The management furnished no reply.

74. In the DAC meeting held on 07-12-2010 the Department furnished no plausible explanation, even reply for the DAC was not prepared. Therefore, the Committee directed to place the para before PAC.

DEPARTMENT VERSION

75. The Department explained that after the promulgation of PMS Rules 2007, a requisition for filling of 194 posts of PMS BS-17 falling in the initial quota was placed before the Khyber Pakhtunkhwa Public Service Commission. In the month of December 2009, Khyber Pakhtunkhwa, Public Service Commission recommended 181 candidates for their appointment as PMS BS-17, officers. Soon after receiving the recommendation Establishment Department

approached PPSA so as to get a suitable date for commencement of the training session for the newly recruited PMS BS-17 officers. They were also asked to intimate the number of candidates they can accommodate at a time in their academy. In response to that PPSA informed that they will be able to start the pre-service training course initially for a batch of 50 PMS officers in the 1st week of June, 2010.

76. At that time, PPSA had limited capacity and it would have taken about two years to complete the training of 181 PMS BS-17 officers. As the Establishment Department was facing acute shortage of BS-17 officers in the field as well as in Civil Secretariat, therefore, it could not afford such a delay. On the other hand IM Sciences in its technical proposal had submitted a plan for training of all 181 PMS probationers in one batch. Besides this IM Sciences had a sophisticated learning environment as compared to PPSA which is in tune with the corporate culture. Training of probationers at IM Sciences equipped the officers with modern techniques of management which are relevant to the public sector. Moreover, at IM Sciences the cost of training per trainee was Rs.2,29,711/- inclusive of boarding, lodging and food & transportation, whereas at PPSA it was one lac exclusive of boarding, lodging and food.

77. As PPSA, the only training Institute had shown its inability to impart pre-service training to all the probationers in one batch, therefore, Establishment Department was left with no other option out to opt IM Sciences, a summary in this regard in consultation with Finance Department was submitted to Chief Minister, Khyber Pakhtunkhwa being the competent authority in the instant case for his approval. Finance Department in Para-08 of the summary gave its opinion that service can be availed from the IM Science in terms of Rules 36 (a) of the Khyber Pakhtunkhwa Procurement of Goods. Works & Services Rules, 2003 without going into the process vide publicity/tendering, as the services to be acquired from the Institute fall within the ambit of specialized category. After approval accorded by the Chief Minister, Khyber Pakhtunkhwa the subject training was outsourced.

78. Moreover, two advance Paras i.e. Para No.37 & 38 pertaining to the Establishment Department regarding payment of Rs.10.369 million and irregular expenditure amounting to Rs.1,81,46,165/- to IM Sciences were discussed in the meeting of DAC held on 27th October, 2011.

PAC RECOMMENDATIONS

79. In view of the explanation advanced by the Department during the meeting, the Committee was satisfied and recommended the Para to be dropped.

DP.6.2.9 LOSS DUE TO NON RECOVERY/LESS RECOVERY OF HOUSE RENT FROM OCCUPANTS OF GOVERNMENT ACCOMMODATION AND UNAUTHORIZED RETENTION OF OFFICIAL BUNGALOW Rs. 12.521 MILLION

AUDIT VERSION

80. The Audit reported that during the financial years 2008-09 and 2009-10, the Establishment & Administration Department Government of Khyber Pakhtunkhwa allotted the residential accommodations to the following officers/officials. However, house rent was either not recovered or recovered less which resulted into a loss of Rs. 3.761 million to the public exchequer.

S/No	Accommodation No.	Occupant Name & Designation	Particulars	Amount (Rs)
1.	01-Race Course Garden	Mr. Zafarullah Khan, Ex-Joint DG. IB	Rent was deposited against old pay scale instead of revised pay scale from 12/08 to 08/09.	3,64,198/-
2.	13-Race Course Garden	Mr. Khalid Khan Umarzai, Ex-Spl. Secretary, Home & T.A.	He occupied the house on 8 th April, 2008 and was transferred as Commissioner Mardan in January 2009 & occupied the Commissioner Residence without vacating the present house and thus occupied double accommodation.	4,80,000/-
3.	5-Park Road	Mr. Syed Akhtar Ali Shah, Ex: D.I.G. Police	The officer was allotted the house on 13 th September, 2005 and was transferred as D.I.G. in April, 2008 and lived in the D.I.G. Mardan residence without vacating the house and thus he occupied two Govt. Residence.	7,00,000/-
4.	72-C(a) Civil qtr.	Mr. Rafiq Naz, Ex-Stenographer Agriculture Department.	He died on 16 th February, 2008 but his family neither vacated the Quarter nor paid the rent.	98,000/-
5.	8-Nishter Abad.	Mr. Afsar Said Ex-Chief Planning Officer	He proceeded on leave for three years without pay from 22 nd April, 2008 and did not pay the rent.	3,50,000/-
6.	6/9-Jail Road	Mr. Zubair Shah Ex-Secretary,	He retired on 16-5-08 and neither vacated the house	7,00,000/-

		Auqaf.	nor paid its rent at market rate.	
7.	-do-	Mr. Iftikhar Ali Shah, Ex-Chairman Governor Inspection Team	He retired on 14-6-06 but neither vacated the house on 14-9-06 nor paid its rent.	2,50,000/-
8.	15-Race Course Garden	Mujahid Din Syed Gillani, Ex-Contractor Eng:PTV	He vacated the house on 13-6-08 without depositing its suigas bills amounting to Rs. 80,360 and reconciliation of rent payments from 2006.	80,360/-
9.	S-1/13 Civil Qtr.	Syed Shafaat Hussain, PA to Deputy Secretary Benevolent fund Board.	He being not a civil servant was to pay rent at market rate instead of pay scale.	7,38,696/-
			Total	37,61,254/-

81. Similarly, 17 other Officers had forcefully retained the residential bungalows allotted to them after their transfer out from Peshawar. According to the policy they must vacate the existing allotted Banglows and also pay standard rent in case of retention of Government accommodation. These Officers were transferred to different stations such as Islamabad, Mardan, Kohat, AJK, Swat, Abbottabad, D.I. Khan etc. They remained there for more than one year where they had also occupied their designated residences or allotted Bungalows but in spite of this they were reluctant to vacate the residences at Peshawar. Therefore, they had occupied two residences for which they were not entitled. Against these Officers the recoverable amount is Rs. 8.760 million.

82. Audit held that the loss occurred due to negligence, weak controls and extension of undue favour to the occupants on the part of management.

83. The loss was pointed out in August 2009 and August 2010. The management furnished no reply.

84. In the DAC meeting held on 19-12-2009 and 07-12-2010, the Department replied that the case for vacation had actively been processed and few houses had been vacated and allotted to other Officers while a few houses could not be vacated. The DAC directed that case for vacation may be finalized and also recovery may be effected and intimated to audit.

DEPARTMENT VERSION

85. The Department explained that: -

1. Mr. Zafrullah Khan, Ex-Joint DG, IB has vacated House No.01-RCG. The officer has regularly deposited House Rent in Government Treasury and deposited Rs.3,00,000/- on 03-12-2009 and Rs.1,00,000/- on 11-10-2010 and Rs.1,00,000/- on 17-10-2011 as arrears of House Rent of House No.01-Race Course Garden.
2. Vacation Notices were issued to the officer, however the designated house of Commissioner Mardan Division was in the possession of District Nazim Mardan due to which the officer did not occupy the designated house of Commissioner Mardan. Later on the officer was transferred to Kohat and due to worst law and order situation and operations against the militants the officer requested for retention of Government accommodation at Peshawar as the Division was not a family friendly station and the competent authority allowed as a special case.
3. Vacation Notices have served upon the officer, however, the officer has requested the competent authority that he successfully accomplished the task in Malakand, Michini and Shabqadar against Militants and subsequently arrested scores of militants in Mardan region, therefore, he became a target list of the terrorists, therefore, he may be allowed to retain government accommodation at Peshawar for his family, and the competent authority approved the request. The officer has now posted in Peshawar.
4. Mr.Rafiq Naz, Stenographer, Water Management Department died during service on 16-02-2008, after expiry of grace period the competent authority allowed his family to retain Government accommodation on 09-07-2009, extension was granted to the family to retain Government accommodation till 15-08-2009 with the condition that the family will deposit house rent @ of 2,500/- per month with effect 14-01-2009. Accordingly the family deposited Rs.17,500/- in Government Treasury. Later on the daughter of Mr.Rafiq Naz, Mst. Asima Rafiq was appointed as J/Clerk in Water Management Department and on the approval of preferential/out of turn allotment Committee, quarter was allotted to Mst.Asima Rafiq, J/clerk, Water Management Department.
5. Mr.Afsar Said has availed three years extra ordinary leave with effect from 22-04-2008. According to allotment rules a Government servant availing extra ordinary leave for more than one year leave, can retain Government accommodation for one month, therefore, notices were issued to the officer for vacation of Government accommodation. Later on the leave was reduced from three years i.e. 1095 days to 344 days which are less than one year. The arrears of 5% deduction Rs.23,106/- was recovered from the pay of the officer. The officer has now retired form service and vacated Government accommodation.
6. Mr. Zubair Shah, Ex-Secretary has deposited Rs.1,89,090/- in Government Treasury as normal rent.
7. Mr.Iftikhar Ali Shah, Ex-Chairman, Governor Inspection Team has vacated Government accommodation, the recovery is in process.
8. Mr. Mujahid Bin Syed Gilani has vacated Government accommodation and deposited house rent through challan in Government Treasury which had been reconciled with Treasury Office.
9. Mr. Shafat Hussain, P.A Benevolent Fund Cell was served a notice to deposit rent at market rate i.e. Rs.33,700/- per month as per decision of DAC, however, he filed a civil suit in the court which is still pending in the Court.

86. During the meeting, the Department explained that the issue was thoroughly discussed in a series of meetings and the occupants were finally directed to vacated the houses upto 31st 2010. Otherwise recovery at market rate will be charged.

87. All the occupants vacated the residences before the dead line and made payment of house rent and 5% maintenance charges accordingly.

PAC RECOMMENDATIONS:

88. The Para was recommended to be dropped subject to completion of the remaining recovery duly verified by Audit.

DP.6.2.10 LOSS TO GOVERNMENT DUE TO CONVERSION OF FRONTIER HOUSE BANNU INTO COMMISSIONER HOUSE Rs. 9.00 MILLION

AUDIT VERSION

89. The Audit reported that during the financial year 2009-10, the Administration and Establishment Department declared the rest house of Bannu as Office cum residence of Regional Coordination Officer. High cost Electrical appliances such as windows and split Air Conditioners, refrigerators, T.V sets as well as furniture like sofa sets, double beds, dinning tables, carpets crockery and other items were received by the representative of the Commissioner Office Bannu but it was not known as to where were these items dumped.

90. Audit has however, calculated approximate cost of the above items worth Rs. 9 million. The said expenditure had been incurred by the PBMC especially on the Frontier House Bannu. However, the mandate of the PBMC is the repair and maintenance of the Provincial building, and not the furnishing of houses/buildings.

91. The XEN PBMC was also contacted in this regard but no record of expenditure was available which could have been produced to Audit.

92. Audit held that weak internal controls and the mismanagement of the officers concerned led to the loss.

93. The loss was pointed out in August 2010. The management furnished no reply.

94. In the DAC meeting held on 07-12-2010, the Department replied that this observation had been forwarded to the XEN PBMC; however, the response was not shown. The DAC directed that the details may be provided within a week time.

DEPARTMENT VERSION

95. The Department explained that:-

A.P No.54

96. As it is evident from the Audit Para that the items were received by the representative of Commissioner Office, therefore the Administration Department is in the view that the Audit office may approach the Commissioner office Bannu about the issue.

97. Besides this, PBMC now comes under the Administrative control of C&W Department, therefore, the para may be dropped from account of Administration Department. A part from this, the Director, PBMC was repeatedly requested for reply but so far no response received. Furthermore, Commissioner, Bannu was also asked for providing of list/detail but so far no response received.

PAC RECOMMENDATIONS:

98. In view of the explanation advanced by the Department, the Committee was convinced and recommended the Para to be dropped.

DP.6.2.11 LOSS DUE TO NON-RECOVERY OF ROOM(S) RENT OF GOVERNMENT REST HOUSE Rs. 1.369 MILLION

AUDIT VERSION

99. The Audit reported that during the financial year 2008-09, the Secretary Establishment & Administration Department (Estate Office) Government of Khyber Pakhtunkhwa provided rooms to the following Officers in Shahi Mehman Khana Peshawar, on the date and room number noted against each. However, the room rent of Rs. 1.369 million was not recovered resulting into loss to the Government.

S/No	Name	Designation	Room No.	Period	Amount (Rs)
1.	Abdul Majeed Niazi	PSO to CM	12	01.04.08 to 31-08-08	5,18,000/-
2.	Shah Jehan	PS to CM	8	-do-	5,18,000/-
3.	M/S Nemroz Khan	Minister Auqaf	10+17	05.07-08 to 19.07.08	45,000/-
4.	Noorul Hadi	Protocol Officer to C.M	16	01.01.09 to 31.03.09	54,000/-
5.	Mehboob Anwar	Joint Secy (Admn)	4	19.01.09 to 04.03.09	21,000/-
6.	Hasham Babar Mathra	Private person	13	01.02.09 to 31.09.09	2,13,000/-
				Total	13,69,000/-

100. Audit held that the loss occurred due to negligence, weak controls and extension of undue favour to the occupants by the management.

101. The loss was pointed out in August 2009. The Department furnished no reply.

102. In the DAC meeting held on 19-12-2009, the Department replied that caretaker Shahi Mehman Khana Peshawar was informed on phone as well as letters dated 11 & 12/12/2009 but the reply was awaited. The DAC was informed that Rs. 21,000/- had been recovered but they could not produce the bank statements. The DAC directed to recover the amount. No recovery was reported to audit till finalization of this report.

DEPARTMENT VERSION

103. The Department explained that according to the written statement of Care Taker, Shahi Mehman khana that proper record has checked and found that no written record has trashed out regarding allotment of rooms to the under mentioned named officers.

- i. Mr.Abdul Majeed Niazi, PSO to Chief Minister, Khyber Pakhtunkhwa.
- ii. Mr. Nemroz Khan Minister for Auqaf.
- iii. Mr. Noorul Hadi, Protocol Officer to Chief Minister.
- iv. Mr. Mehboob Anwar, Joint Secretary Administration.
- v. Mr. Hashim Babar Mathra, Private Person.

104. It is also stated by the Care Taker that only one Mr.Mehboob Anwar, Joint Secretary (Admn:) has paid the rent charges while remaining officers have served with a notices but no response has yet been received. As far as Advance Para No.43 is concerned the appointment of the Care Taker is the subject of Section Officer (Admn;) Administration Department.

PAC OBSERVATIONS

105. The Committee observed with heavy heart the non-payment of Government accommodation dues on the part of senior Officers.

PAC RECOMMENDATIONS

106. The Committee recommended to affect complete recovery within a month and the Department was directed to deal with such issues strictly and in future affect recovery in time.

DP.6.2.12 LOSS DUE TO UN-AUTHORIZED USE OF GOVERNMENT VEHICLES Rs. 1.040 MILLION

AUDIT VERSION

107. The Audit reported that during the financial year 2008-09, the Secretary to Government of Khyber Pakhtunkhwa, Establishment & Administration Department Peshawar, incurred an expenditure of Rs. 1.040 million on the POL & repair of vehicle No.A-5133 from September, 2005 to April, 2008. The vehicle was shown under the use of Chief Minister Secretariat but the designation & name of the Officer who used the vehicle was not shown. Approval of the competent authority and handing taking over of the vehicle to the CM Secretariat was also not available. Moreover, the Chief Minister Secretariat had its own authorized budget & vehicles. The use of Establishment & Administration Department vehicle for such a long period and charging the expenditure to the E&A budget was unauthorized.

108. Audit was of the view that loss incurred due to weak internal controls, negligence and mismanagement.

119. The irregularity was pointed out in August 2009. The management furnished no reply.

110. In the DAC meeting held on 22/12/2009, the Department replied that keeping in view the duties of the PSO-II to the CM, he had been allowed the vehicle from the pool on the direction of the CM's Secretariat. The DAC did not agree and directed to fix responsibility.

DEPARTMENT VERSION

111. The Department explained that through internal investigation it is pointed out that the expenditure on account of POL & repair of vehicle bearing Registration No.A-5133 is spread over a long period of almost four years (01-11-2005 to 30-04-2008), as per following detail:-

POL	Rs.7,61,460/-
Repair	Rs.2,79,244/-

112. The vehicle in question was a pool vehicle and the entries in the log book/history sheet were found in order keeping in view the authentication of the Caretakers/staff concerned. So far as the period of placement of the vehicles in question with PSO-II to Chief Minister is concerned the same has already been incorporated in Draft Para No.2.22, of the Audit Report 2009-10 and subsequently discussed in the PAC meeting on 31st May, 2012 and the PAC recommended to drop the para subject to verification of complete recover.

PAC RECOMMENDATIONS

113. Subject to Audit verification of complete recovery and its depositing in proper head of account in the Government Treasury, the para was recommended to be dropped.

DP.6.2.13 LOSS DUE TO MISSING OF 35 MOTOR CYCLES AND VEHICLES

AUDIT VERSION

114. The Audit reported that during the financial year 2008-09 and 2009-10, the Secretary Establishment & Administration Department Peshawar, was handed over 35 Motor Cycles by the P&D Department from various closed projects for auction. However, the stock register and whereabouts of these vehicles were not shown to Audit. Moreover, five vehicles were received from Finance Department and other Departments as well but the whereabouts of these vehicles were also not available.

115. The Finance Department Khyber Pakhtunkhwa also handed over a number of vehicles in good running condition being surplus due to purchasing new vehicles.

116. During the verification of record of transport wing neither detail of these vehicles was available in their record nor they physically existed in the pool, general car parking or at other place.

117. Audit was of the view that the loss was caused by weak internal controls and mismanagement on the part of officers concerned.

118. The non-existence of vehicles was pointed out in August 2009 and August 2010. The management furnished no reply.

119. In the DAC meeting held on 22/12/2009 and 07/12/2010, the Department replied that vehicle bearing registration No.A-1063 was at the disposal of Provincial Disaster Management Authority. No.A-3028 and A-1419 were auctioned in 34th phase of auction. The care taker had been directed to trace out the remaining vehicles. The DAC directed to trace out the missing vehicle and bring those on the stock/pool of the transport wing.

DEPARTMENT VERSION

120. The Department explained that out of 35 motor cycles 29 had been auctioned, 03 are in running condition and being used by the it and only (3) three motor cycles were left which were being located.

COMMITTEE OBSERVATION

121. The Committee appreciated the efforts of the Department to locate 32 out of 35 motor cycles.

COMMITTEE RECOMMENDATION

122. The Para was recommended to be dropped, subject to verification of 35 motor cycles and the remaining vehicles by Audit within a month time.

DP.6.2.14 NON-DEPOSIT OF RECEIPTS INTO GOVERNMENT TREASURY-Rs.3.028 MILLION.

AUDIT VERSION

123. The Audit reported that during the financial years 2008-09 and 2009-10, the Administration Department Khyber Pakhtunkhwa realized an amount of Rs.6.056 million on account of room rent charges of the Frontier House Islamabad., 50% of the receipt realized should have been deposited into the Government treasury while the remaining 50% be credited to the designated account for incurrence of expenditure on the Frontier House as and when required.

124. Audit was of the view that the cause of non-deposit was negligence and weak controls of Department.

125. The irregularity was pointed out in August 2009 and August 2010. The management furnished no reply.

126. In the DAC meeting held on 19.12.2009 and 07.12.2010, the Department stated that the case was being processed for the drawl of money from designated account and depositing the same in the Government Treasury. The DAC did not agree and directed that the Government share of Rs.3.028 million be recovered and deposited into Government Treasury. No further progress was intimated by the Department till finalization of this report.

DEPARTMENTAL VERSION

127. The Department explained that NAB has recovered the misappropriated amount of 6.453 million (rental income of Khyber Pakhtunkhwa House Islamabad) from Mr. Mohammad Raheem Khan Ex-Additional Secretary, Administration Department vide their letter No. 1/353/IW-II/NAB(KP)24 May 2012. Hence the subject amount (Rs. 3.028 million) which is included in the total amount of Rs.6.453 million has been recovered. During the meeting the Secretary, Administration Department told that the practice of depositing 50% of monthly

revenue receipts of Khyber Pakhtunkhwa, House Islamabad into the designated bank account of Deputy Secretary, Administration Department has now been stopped and they have been allotted impress amount of Rs.5,00,000/- for petty repairs & day to day expenditures.

PAC RECOMMENDATIONS

128. In view of the explanation advanced by the Department, the Para was recommended to be dropped, subject to verification that the amount has been recovered and deposited in the Provincial Government Treasury.

DP.6.2.15 NON-RECOVERY OF ROOM RENT OF KHYBER PAKHTUNKHWA HOUSE-Rs.1.275 MILLION.

AUDIT VERSION

129. The Audit reported that two furnished rooms of the Pakhtunkhwa House had been occupied by the officials of Information Department of Provincial Government for the last two years without paying any room rent charges.

130. The rent of two rooms calculated @ 600 per night, needs immediate recovery from the person residing in Khyber Pakhtunkhwa House.

Period	Rent	Amount (Rs.)
24 month-720 days	1,200 per day	8,64,000

131. Similarly, two other rooms were also allotted to the following persons in Pakhtunkhwa House Islamabad during 2007-08 but room rent of Rs.4,11,000/- was not recovered.

S/No	Name	Period	Amount (Rs.)
1.	Mr. Lal Khan, MNA	11-4-2008 to 18-09-2008 @ Rs.1800/-Per night 160X1800	2,88,000
	Mr.Waqar Khan, Sub-Engineer.	10-3-2008 to 10-07-2008 @ 1000/Per night 123x1000-123000	1,23,000
		Total	4,11,000

132. Audit held that the cause of non-recovery was negligence and undue favor extended by the management to the occupants of rooms.

133. The non-recovery of room rent was pointed out in October 2009 and August 2010, the Department replied that detailed reply would be given after the verification of original record.

134. In the DAC meeting held on 06-06-2010 and 07/12/2010, the Department replied that the officers had already been intimated to pay the outstanding amount and both the rooms were allowed to Information Department on the verbal directives of the Secretary Administration. The matter was being taken up with the information Department either to vacate or get approval of the competent authority. The DAC directed to recover the Government dues. However, no recovery was reported till finalization of this report.

DEPARTMENTAL VERSION

135. The Department explained that out of Rs.2,88,000/- recovery of Rs.99, 000/- has been made so far from Mr. Lal Muhammad Khan, MNA whereas remaining recovery is under process. Moreover, two rooms were allotted to Information Department for establishing of media centre with the approval of competent authority.

136. During the meeting the Department explained that there is no 2nd opinion about affecting recovery from the defaulters.

PAC RECOMMENDATIONS

137. The Committee recommended affecting complete recovery from the defaulters within a month and getting the same verified by Audit. In case of non-recovery criminal proceedings under the law be initiated against the concerned defaulters.

DP.6.2.16 UNAUTHORIZED RETENTION OF TEN 1300cc CARS-Rs.13 MILLION.

AUDIT VERSION

138. The Audit reported that during the financial year 2009-10, the Establishment & Administration Department of Khyber Pakhtunkhwa allowed the Registrar Peshawar High Court to purchase 10 Toyota Corolla Altas 1800 CC Cars. Sanction was also accorded and funds were released by the Finance Department on mutual understanding that the ten existing 1300cc Toyota Corolla XLI latest model valuing Rs.13 million would be returned to the Administration Department being surplus.

139. The Administration Department therefore issued reminder with the intention that the requirement of the Peshawar High Court was 17 vehicles. Ten vehicles were purchased as referred to above while in addition to above 7 more 1800 CC Altus Cars were purchased for the

Honorable Judges and with that the total strength reached to 17 cars which fulfilled their requirements. The Administration Department had therefore issued reminder for return of ten old 1300cc Toyota Corolla XLI vehicles.

140. Audit held that the old vehicles retained were unauthorized because of violation of rules.

141. The unauthorized retention of vehicles was pointed out in August 2010. The management furnished no reply.

142. In the DAC meeting held on 07-12-2010, the Department stated that the Registrar Peshawar High Court had already been requested to return ten 1300cc Toyota Corolla XLI Cars. The DAC directed to collect the surplus vehicles from the quarter concerned. No further progress was intimated by the Department till finalization of this report.

DEPARTMENTAL VERSION

143. The Department explained that the issue of replacement of 1300cc vehicles with 1800 CC Toyota Altus cars for Judges of the Peshawar High Court has directly been taken up with the Finance Department by the Peshawar High Court through a summary. The Administration Department did not process the procurement or replacement of vehicles of Peshawar High Court consequently; Finance Department had been approached by the Peshawar High Court on 15-06-2010 with the request to handover 10x vehicles 1300cc XLI cars to Administration Department.

144. As and when the issue is resolved between Finance Department and Peshawar High Court, this Department would then be in a position to takeover the vehicles from the Peshawar High Court.

PAC OBSERVATIONS

145. The Committee observed non-relevance of Administration Department with the issue rather the issue was between the Finance Department and Registrar Peshawar, High Court. Moreover, the Law Department being the Administrative Department of High Court was bypassed while processing the case for purchasing of vehicles, by the Registrar, High Court Peshawar.

146. The Committee also observed un-authorized retention of ten (10) numbers of old 1300cc cars by the Registrar, Peshawar, High Court.

PAC RECOMMENDATIONS

147. In view of the above, the Para was referred to IDC comprising Administration, Finance and Audit Department to sort out the issues involved in the Para as well as to ascertain whether 1800cc cars were authorized to the users of Peshawar, High Court. The Secretary Administration Department was nominated as Chairman of the IDC. The IDC was also directed to make arrangements for the recoument of vehicles in question from the Registrar High Court Peshawar within a month.

**DP.6.2.17 IRREGULAR EXPENDITURE ON THE PURCHASE OF SECURITY SYSTEM-
Rs.12.89 MILLION**

AUDIT VERSION

148. The Audit reported that during the financial year 2008-09, the Establishment & Administration Department Government of Khyber Pakhtunkhwa incurred an expenditure of Rs.12.89 million on the purchase of security system which was held as irregular on the following grounds:

- i) The procurement was not advertised.
- ii) The supply was for SYNO equipments made in Japan, whereas, after their physical verification, the equipments were found to have not been imported from Japan.
- iii) The UPS supplied was substandard and had the capacity to run only two computer systems rather than nine computer system for which it actually was required.
- iv) No layout map was provided by the supplier for present and further checking of the system.
- v) Out of the total amount a sum of Rs.1.188 million was paid in the next financial year for cabling and ducting but no additional equipments i.e. cameras were shown installed.
- vi) LCDs and UPS valuing Rs.4.395 million were shown supplied by the firm but the same were not taken on proper stock.

149. Audit held that the expenditure was irregular because it was incurred against the prescribed rules.

150. The irregularity was pointed out in October, 2008 and August 2009. The management furnished no reply.

151. In the DAC meeting held on 19-12-2009, the Department replied that letters had been issued to the officials concerned but the reply was awaited. The DAC was informed that inquiry was already in process. The DAC directed to fix responsibility.

DEPARTMENTAL VERSION

152. The Department explained that in view of the prevailing Law & order situation and terrorist activities of the miscreants in the Province, the Provincial Government approved

security arrangement for Govt: Offices/buildings in Peshawar. In this regard a high level meeting was held on 8th June.2007 under the Chairmanship of Secretary Administrations has and it was decided that as already security equipments has been purchased for Governor's House. The Provincial Govt: should also adopt that pattern of Governor's House to avoid wastage of time and to complete installation of security system as early as possible. Minutes of the meeting & summary duly approved by Governor is attached. As far as poor standard of equipments is concerned, the Administration Department has withheld the remaining amount.

153. Recommendations of the Committee are as under:

- a. The Department should obtain exemption of rules from competent authority regarding violation in awarding the contract.
- b. Ten percent security deposits must be retained from the final payments amounting to Rs.3.00 millions (Three millions) i.e.10% of the total of the total cost of project.
- c. The warranty period offered by firm is ten years and against that period the 8% Security i.e.Rs.2.400 millions or bank guarantee of said amount must be retained for the warranty period and the remaining 2% should be released after three months after decision of the case.
- d. The cables should be laid at least 18 inches below ground surface.
- e. The excessive length of cable adopted should be reduced to 50% as no economical approved plan for cable was adopted to save the Government exchequer from loss.
- f. The defective equipments pointed out during inspection should be replaced.
- g. The rates which were negotiated must be revised and after proper survey of the markets for non branded equipments rates should be re-fixed or it should be reduced by 35% and also the excessive rates of cables should be reduced to Rs.6/-with 15% profit for cable.
- h. The firm have completed the work well in time and the Department should arrange their payment after completion the above requirements with in shortest possible time so that further payment to firm is facilitated without delay.

PAC OBSERVATIONS

154. The Committee observed that the provisions of GFR was all the way violated, supervisory role not performed properly, no one has pointed out the irregularities made by the contractor which seems that undue favour was extended to the contractor.

PAC RECOMMENDATIONS

155. In view of the above, the Committee recommended that losses made by making above 35% payments to the contractor be recovered form the concerned after fixing responsibility besides Departmental/disciplinary action be taken against the responsible (s) according to the quantum of their responsibilities.

DP.6.2.18 UNJUSTIFIED EXPENDITURE ON THE REPAIR OF NEWLY PURCHASED VEHICLES Rs.5.199 MILLION.

AUDIT VERSION

156. The Audit reported that during the financial year 2008-09, in the office of the Secretary to Government Khyber Pakhtunkhwa, Establishment & Administration Department Peshawar, thirty two Toyota Corolla vehicles were purchased for Provincial Ministers in October 2008 and there was no need of its repair due to being newly purchased but expenditure of Rs.5.199 million was incurred on their repair which was unjustified.

157. Audit held that the expenditure was unjustified because it was unnecessarily incurred on newly purchased vehicles.

158. The irregularity was pointed out in August 2009. The management furnished no reply.

159. In the DAC meeting held on 22.12.2009 the Department replied that inquiry was under process. The DAC directed to fix responsibility.

DEPARTMENTAL VERSION

160. The Department explained that vehicle were purchased in October, 2008 and upto the end of Financial year, i.e. June 2009 an amount of Rs.16,36,437/-has been incurred on repair and maintenance of these vehicles on completion of codal formalities. Rest of the amount has been incurred on repair and maintenance of other vehicles of pool/E&A Departments.

PAC RECOMMENDATIONS

161. Same as per Draft Para No.6.2.1.

DP.6.2.19 UNAUTHORIZED EXPENDITURE ON REPAIR OF VEHICLES-Rs.2.071 MILLION.

AUDIT VERSION

162. The Audit reported that during the financial year 2008-09, the Establishment & Administration Department Government of Khyber Pakhtunkhwa incurred an expenditure of Rs.2.071 million on the repair of the following vehicles which was unauthorized due to the observations noted against each.

S.No.	Vehicle No.	Observations
1.	A-4144	Rs.57,030 was spent on its engine overhauling within a period of 7

		months without fixing responsibility.
2.	A-1415	Rs.31,980 spent on its overhauling in Peshawar while it was on duty in Khyber Pakhtunkhwa House Islamabad.
3.	A-3213	Rs.39,250 were spent on engine overhauling of the vehicle in use of Provincial building maintenance cell (P&M)
4	A-3049	Rs.36,500 spent gear box of the vehicle in use of the above PBMC
5	A-3054	Rs.14, 500 spent on head of the vehicle not on its strength.
6	A-1258	35,000 spent repair of the vehicle not on its strength.
7	A-4149	Rs.37, 000 spent repair of the vehicle not on its strength.
8	A-1173	Rs.38, 600 spent repair of the vehicle not on its strength.
9	A-2947	Rs.33, 000 As against S.No.2 above.
10	A-3344	Rs.3,913 spent on repair of the vehicle when it was in C.M Sectt:
11	CL-835	Rs.37, 100 As against S. No.2 above.
12	KKF-2	Rs.72, 240 spent on POL on the vehicle not on its strength.
13	A-1301	Rs.53, 900 spent on replacement of steering box in 648/08 while the vehicle was purchased in 2007.
14	-	Rs. 1.377 million spent for registration of vehicle but the vehicles were not registered.
15	A-1114	Rs.26.525 spent on its repair in Peshawar vehicle it was in Mardan on the date.
16	A-1189	Rs.37,200 spent on its POL without entry in log book and detail of duty.
17	A-1665	Rs.107,460 spent on its POL without entry in log book and detail of duty.
18	A-1291	Rs. 132,940 spent on its POL without entry in log book and detail of duty.

163. Audit held that the expenditure was unauthorized because of weak controls and mismanagement on the part of officers concerned.

164. The irregularity was pointed out in August 2009. The management furnished no reply.

166. In the DAC meeting held in December 2009 the Department replied that repair from private workshops was carried out on loan basis after the fulfillment of all codal formalities. The DAC directed to fix the responsibility on the persons at fault as a result of the inquiry already initiated.

DEPARTMENTAL VERSION

166. The Department explained that expenditure incurred on repair and POL of vehicles mentioned in the Para is based on approval of the competent authority and completion of codal formalities and no unauthorized expenditure was involved.

PAC RECOMMENDATIONS

167. Same as per Draft Para No.6.2.1.

DP.6.2.20 UN-AUTHORIZED PAYMENT ON ACCOUNT OF TRAINING-Rs.1.805 MILLION

AUDIT VERSION

168. The Audit reported that during the financial year 2008-09, in the office of Secretary to Government Khyber Pakhtunkhwa Establishment & Administration Department, payment of Rs.1.805 million was made to Askari Aviation on account of training flights of 32.27 hours @ Rs.55,935 per hour.

169. As per appendix-I SNo.6 of purchase agreement of MI-171 Helicopter, 102,509 Euro were paid for training charges of flight and technical personals. The training was also confirmed/certified by the Askari Aviation vide letter No.MI-171 Hel-A-090106 MT 59 dated 06.01.2009.

170. In the presence of already trained staff, the extra payment for training had no justification. However, Rs.1.805 million was again paid to Askari Aviation which was unauthorized.

171. Audit was of the view that the payment was unauthorized because it was made against the Government financial propriety rules.

172. The unauthorized payment was pointed out in October 2009. The management stated that detailed reply would be given after verification of record.

173. In the DAC meeting held on 18-12-2009, the Department replied that payment of Rs.1.805 million made to Askari Aviation as variable hourly charges of 32.27 hours flight of the helicopter made in connection with the test flight, training of pilot, flight crew before flight acceptance of the helicopter. The DAC was of the view that payment for training has already been made in Euro as per purchase agreement: so, directed to conduct inquiry and fix responsibility.

DEPARTMENTAL VERSION

174. The Department explained that under the agreement, a sum of Euro 102509 was paid to Ulan Ude Aviation Plant Russia to organize training for the technical personnel of Khyber Pakhtunkhwa flight for the MI-171 Helicopter which was conducted in Pakistan after transportation of the Helicopter.

175. The expenditure of Rs.18,15,091/-was incurred on test flight of MI-171 Helicopter being mandatory CAA requirements to the effect that whenever a new equipment is inducted, transition training on the new equipment for rating/monitoring/supervision of the flying activity of the civil registered aircraft must be carried out by the pilots.

PAC RECOMMENDATIONS

176. Same as per Draft Para No.6.2.1.

DP.6.2.21 UNAUTHORIZED ADVANCE PAYMENT ON ACCOUNT OF TA/DA-Rs.1.083 MILLION.

AUDIT VERSION

177. The Audit reported that during the financial year 2008-09, Secretary to Government of Khyber Pakhtunkhwa, Establishment & Administration Department Peshawar, paid TA advance of Rs.1.082 million to the Staff of Askari Aviation Authority Rawalpindi. The payment of TA/DA was the responsibility of the Firm. The unauthorized payment, therefore, needs recovery as it was not covered under the agreement.

178. Audit held that the advance payment was unauthorized because it was not covered under the clauses of agreement.

179. The irregularity was pointed out in August 2009. No reply was furnished.

180. In the DAC meeting held on 18-12-2009, the Department replied that the payment was the responsibility of the KPK Government being the buyer of the Helicopter under the contract agreement. The DAC directed that recovery be made as there was no provision in the agreement with the Askari Aviation for such payment.

DEPARTMENTAL VERSION

181. The Department explained that the expenditure incurred in connection with the acceptance activity of MI-171 Helicopter in UUAP Russia in accordance with the provision of agreement between Ulan Ude Aviation Plant Russia and Govt: of Khyber Pakhtunkhwa.The subject activity was catered for by Askari Aviation on behalf of the Provincial Government.

PAC RECOMMENDATIONS

182. Same as per Draft Para No.6.2.1.

DP.6.2.22 UNAUTHORIZED APPOINTMENT OF CARE TAKER IN THE SHAHI MEHMAN KHANA.

AUDIT VERSION

183. The Audit reported that the Ex-Deputy Secretary Administration Department Khyber Pakhtunkhwa had issued appointment order of one care taker and posted him in Shahi Mehman Khana.

184. The appointment order was found fake because the official was not drawing any salary for the last two years i.e. from his date of appointment from the Accountant General Khyber Pakhtunkhwa/any other source.

185. In Shahi Mehman Khana there were 17 Rooms fully furnished and equipped with AC and other basic facilities, but their receipts were not more than Rs.40, 000 per month.

186. If receipts are calculated at the prescribed rate of Rs.1,000 and Rs.600 per night for VIP and Ordinary Rooms respectively, even then the receipts would not have been less than Rs.354,000 per month.

VIP	Rate of VIP per night	Receipt	Ordinary Rooms	Ordinary Rate/year	Receipt	Total
4	1000	(4X1000x30) 120,000	13	600	13x600x30= 234,000	354,000

187. The posting of an unauthorized and private person as care taker in the Shahi Mehman Khana, make the Government assets insecure as movable property worth millions of rupees was lying there.

188. Audit was of the view that the cause of unauthorized appointment of care taker was to utilize the Government resources for own benefit by the person at fault.

189. The unauthorized appointment was pointed out in August 2010. The management furnished no reply.

190. In the DAC meeting held on 07-12-2010, the Department stated that the House remained closed due to repair and renovation. The allotment of rooms had started few months back and receipts were being deposited. The matter of care taker was also being dealt with. The DAC directed to investigate the matter.

DEPARTMENTAL VERSION

191. The Department explained that it conducted an Inquiry regarding illegal appointment of Mr. Shah Farooq, as Caretaker whereas the concerned officer were found guilty and recommended for stoppage of two increments however, it is pointed out that the concerned officer has already been removed from services. Besides this the revenue of the room rents are concerned, it depends upon 100% occupancy of the house which is impossible.

PAC RECOMMENDATIONS

192. In view of the corrective measures taken by the Department, the Para was recommended to be dropped.

DP.6.2.23 SUSPICIOUS EXPENDITURE ON HIRING OF RENTAL CARS-Rs.3.302 MILLION.

AUDIT VERSION

193. The Audit reported that during the financial years 2007-08, 2008-09 and 2009-10, the Secretary to Government Khyber Pakhtunkhwa Establishment & Administration Department (Transport Wing) incurred an expenditure of Rs.3.302 million on hiring vehicles which was unauthorized / fictitious due to reason noted against each:

S/No	Cheque No.& Date	Amount (Rs.)	Remarks
1	0123983 20-11-2007	5,25,000	Open tender system was not adopted. More than 100 vehicles were available in the pool of Admn: Dept: Then why the vehicles were hired incomplete check from book.
2	323257, 323258, 323259, 323269, 323390, 29-06-2009	15,24,045	The demand for provision of vehicles for the Judges or other concerned and the duly performance certificates from Registrar/Protocol officer were not available on record. Neither such a large bench of 04 or 06 Judges was formed nor the Judges stayed for 22 days at Peshawar. The vehicles consumed 32 liters per day covering a distance of 400 Km per day is unbelievable. The Protocol Wing of the Administration Department had neither certified the provision of vehicles nor mentioned the visit of the honorable Judges in monthly progress report. Moreover, hiring charges of Rs.82, 060 for vehicle No.IDN-1723 were paid twice. In some cases the dates of hiring and place of duty not shown.

3	328356 27-06-2009	51,640	Demand for vehicle, purpose, date of hiring of vehicles, Log book & vehicle No.etc not available on record.
4	Do	81,460	Paid Rs.14, 260 for POL in addition to the daily rate of Rs.3.200/-.Sanction was accorded for 3 vehicles for 7 days, while payment made for 1 vehicle was for 21 days, Supreme Court demand for vehicle duty performance certificate actual payees receipt not on record cash memo of POL in one and same handwriting and amount also drawn vide FVC No.602.
5	323381 6/2009	41,600	Date of hiring of vehicle not mentioned, Departmental demand for the vehicle, duty performance certificate, vehicle registration No. Purpose of renting the car and POL consumed, was not on record.
6	323259 29-06-2009	28,420	Purpose of hiring and POL consumption not on record verification from driver/POL assistant & care taker.
7	323289 29-06-2009	23,113	Hired vehicles registration Nos, differ with those recorded on cash memos.
8	323390 29-06-2009	47,152	Eight vehicles were hired on acting president visit to Peshawar on 14.09.2008.Rs.23, 150/- were spent on filling POL & CNG in the vehicle while the president stayed for just 3 hours.
9	0370457, 0401487, 040188, 0412525, 10-12-2009 13-04-2010 17-04-2010 01-06-2010	9,79,598	A sum of Rs.979,598 and payment shown made to different car dealers for hiring cars on daily rent basis during the year 2009-10.The rented cars were hired from the Local market just to extend financial benefit to the dealer with out any fulfillment of codal formalities i.e. tender/quotations. Therefore, the expenditure is held as suspicious/doubtful.
	Total	33,02,028	

194. Audit was of the view that the expenditure was suspicious because of its invalid record and illogical nature.

195. The irregularity was pointed out in October 2008 and August 2010, the management stated that detailed reply would be given after the verification of the original record.

196. In the DAC meeting held on 22-12-2009, 11-01-2010 and 07-12-2010, the Department replied that disciplinary action against defaulter was under process. The DAC directed that result of inquiry be intimated to audit.

DEPARTMENTAL VERSION

197. The Department explained that due to non-availability of required standard of vehicles in the pool, the competent authority has approved hiring of vehicles from the open/Local market. In so far as inviting the tenders through press is concerned, due to shortage of time and timely completion of the demand, the same was impossible. However the local market has been checked and quotations were obtained from the market. As regard fictitious expenditure on account of hiring (financial year, 2007-08, 2008-09) an inquiry was conducted against the officers/officials and they have been dismissed from services.

PAC RECOMMENDATIONS

198. Same as per Draft Para No.6.2.1.

DP.6.2.24 DOUBTFUL EXPENDITURE OF Rs.6.881 MILLION.

AUDIT VERSION

199. The Audit reported that during the financial year 2008-09, the Secretary Establishment & Administration Department (Transport Wing) incurred an expenditure of Rs. 6.881 million on POL and repair of 23 vehicles. The expenditure was doubtful on the following grounds:-

- i) The user of the vehicle was not known as no one had signed the logbook.
- ii) The duty performed, the distance covered and the meter readings were not recorded in the logbook.

200. Audit held that the expenditure was doubtful because it was incurred without following any codal formalities required for making it valid.

201. The irregularity was pointed out in August 2009. The management stated that detailed reply would be given later on.

202. In the DAC meeting held on 22-12-2009, the Department replied that inquiry was under process. The DAC also directed to fix responsibility.

DEPARTMENTAL VERSION

203. The Department explained that actions against the defaulting officer/officials involved have already been taken and for recovery of the embezzled amount Senior Member, Board of Revenue and Provincial Police Officers have been asked for compliance.

PAC RECOMMENDATIONS

204. Same as per Draft Para No.6.2.1.

DP.6.2.25 EXCESS EXPENDITURE ON THE REPAIR OF VEHICLES-Rs.2.036 MILLION.

AUDIT VERSION

205. The Audit reported that during the financial year 2007-08, the Secretary Establishment & Administration Department Peshawar incurred an expenditure of Rs.2.465 million on the repair of vehicles against the budget provision of Rs.0.428 million resulting in excess expenditure of Rs.2.036 million against the budget provision.

206. Audit held that excess expenditure was incurred in violation of rules due to weak budgetary controls and negligence on the part of management.

207. The irregularity was pointed out in August 2008. The Management stated that detailed reply would be given latter on.

208. In the DAC meeting held on 11-01-2010, the Department replied that the Finance Department had shown wrong budget allocation and necessary corrections were made later on. The DAC did not agree and directed that inquiry may be conducted.

DEPARTMENTAL VERSION

209. The Department explained that total budgetary allocation under Head was Rs.4,28,500/-and the same has been utilized during the financial year 2007-08, as per record no extra expenditure under the relevant Head had been incurred. Copy of Final Grant for the financial year 2007-08 along with summary of Finance Department was produced during the meeting.

PAC RECOMMENDATION

210. In view of the explanation advanced by the Department, the Para was recommended to be dropped.

ELEMENTARY & SECONDARY EDUCATION DEPARTMENT

Four (04) Draft Paras reflected in the Auditor General's Report for the year 2010-11 against the Department were examined by the Committee in its meeting held on 25th of February 2014, The following were present:-

Public Accounts Committee

1.	Mr. Asad Qaisar, Speaker	Chairman
2.	Syed Mohammad Ali Shah, MPA	Member
3.	Syed Jafar Shah, MPA	Member
4.	Mr. Muzaffar Said, MPA	Member
5.	Syed Mohammad Ishtiaq, MPA	Member
6.	Arbab Akbar Hayat Khan, MPA	Member
7.	Mr. Qurban Ali Khan, MPA	Member
8.	Mr. Abdul Munim, MPA	Member
9.	Mr. Samiullah Khan, MPA	Member
10.	Mr. Mehmood Ahmad Khan, MPA	Member

Law, Parliamentary Affairs and Human Rights Department

Mr. Jamshaid Khan Afridi,
Deputy Secretary.

Finance Department

Mr. Razaullah,
Additional Secretary.

Audit Department

2. Mr. Lal Mohammad,
Director.
3. Sayed Bhadar Shah,
Director Audit.
3. Mr. Mahmood-ul-Hassan Saeed,
Assistant Audit Officer.

Elementary & Secondary Education Department

Mr. Afzal Latif,
Secretary.

Higher Education Department

1. Mrs. Farah Hamid Khan,
Secretary.
2. Mr. Suhail Shahzad,
Vice Chancellor, Hazara University.

Works and Services Department

1. Mr. Najmul Islam,
XEN, Swat.
2. Mr. Asghar Khan,
XEN, Mardan.

Provincial Assembly Secretariat

1. Mr. Amanullah,
Secretary.
 2. Mr. Amjad Ali,
Additional Secretary.
 3. Mr. Inamullah Khan,
Deputy Secretary.
 4. Mr. Shahid Rehman,
Assistant Secretary.
2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

DP.3.2.7 OVER-PAYMENT DUE TO ALLOWING HIGHER RATES Rs.2,81,066/-.

AUDIT VERSION

3. The Audit reported that during the financial year 2008-09, the Project Manager, Capacity Building of Elementary Teachers Training Institute, Peshawar and Executing Agency Deputy Director, Works and Services (C&W) Department, Mardan incurred an expenditure of Rs.3.399 million on special repair of RITE (M) Mardan vide voucher No. 20-B dated 20/06/2009. An item of work "Earth filling as in lawn" was paid @ Rs. 127 M³ for a total quantity of 2,743.03 M³. The rate of the particular item was approved @ Rs. 38.17 M³ up to 5 km in the CSR 1999/No. lead of earth borrowed from outside was recorded in the MB No. 1331. By allowing of higher rates than approved rate caused overpayment of Rs.281.066 which needs recovery:-

S/No.	Total quantity	Rate paid	Rate	Difference	Amount (Rs.)
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	of work done		admissible		
1.	2743.03 m ³	127 m ³	38.17 m ³	88.83 m ³	2,43,663.35
				Add 15.35% above	37,402.32
				Total	2,81,066

4. This resulted in over-payment due to allowing higher rates than the approved ones. The overpayment was pointed out in October 2009. The management stated that the matter would be referred to the executing agency for justification.

5. In the DAC meeting held on 12-10-2010 the management replied that the earth was not available in the near source and brought from site beyond 13 km. The DAC did not agree with the departmental reply as no extra lead was recorded in the MB and the analysis made on first occasion did not show 13 km. The Committee directed to recover the over-paid amount. No progress of recovery was reported till finalization of this report.

DEPARTMENTAL VERSION

6. The Department explained that the earth filling brought from outside beyond 13 km in average, has been paid to the contractor, because the surrounding area to the College is cultivated land, having no earth available nearby. Rate analysis based on CSR 1999 for the item of work paid is reproduced as under:-

1.	CSR No.03-6-b	Earth filled in lawn i.e. dressing and compaction with suitable earth borrowed.
2.	CSR No.03.18.a	Transportation of earth all types beyond 250 m & 500 m Rs. 20.18 per M ³ .
3.	CSR No. 03.18.b	Transportation of earth all types for every 100 m extra lead beyond 500 m upto 15 km Rs. 3.31 per M ³ .
4.	CSR No. 03.18.c	Transportation of earth all types for every 50 m extra lead beyond 1.5 km upto 8 km Rs. 2.84 per M ³ .

7. The above detail analysis of rate for item amply reveals that correct rates for item has been paid to the contractor which has been duly approved in PC-I/DCE of scheme for which Administrative Approval has been accorded vide CBETTI/PM/1-8/2006-07/183-84 dated 23-06-2007.

COMMITTEE OBSERVATION

8. The Committee observed that if the same rates were mentioned in the BOQ and tender documents, then the question of over payment does not arise.

COMMITTEE RECOMMENDATION

9. After detailed examination the Para was recommended to be dropped subject to verification of BOQ & Tender Documents by the Audit Department within one week.

DP.3.2.12 LOSS DUE TO MANIPULATION IN TENDER DOCUMENTS Rs 0.461 MILLION.

AUDIT VERSION

10. The Audit reported that during the financial year 2008-09, the Project Manager of Capacity Building of Elementary Teachers Training Institute Peshawar and the executing agency i.e. Deputy Director Works and Services Swat incurred an expenditure of Rs. 4.267 million on special repair of RITE, Barikot Swat vide voucher No. 3-SH dated 17-12-2008. The works was put to tender to be opened on 06-08-2007. The lower rates offered by M/S Muhammad Daud @ 5% above for civil work and 10% above for water supply were manipulated and enhanced to 55% above and 40% above and the work was awarded to M/S Nisar Ahmad @ 23.40% plus 23% above. This resulted into an over-payment of Rs. 4,61,103/- as per detail given below.

S/No.	Total amount of civil work done (Rs.)	Premium allowed	Premium admissible	Difference	Overpaid Amount (Rs.)
1.	25,05,996	23.4%	5%	18.4%	461,103

11. Audit held that the loss occurred due to weak controls and mutual connivance between the contractor and the management. The loss was pointed out in October 2009. The Department replied that the matter would be referred to the executing agency for justification.

12. In the DAC meeting held on 12-10-2010 the Department replied that no manipulation had been made by the Department, however, cutting had been made by the contractor himself. The DAC did not agree and directed to recover the loss. No further progress was intimated to Audit till finalization of this report.

DEPARTMENTAL VERSION

13. The Department explained that maximum contractors of this area are illiterate and during filling of the tender rates in the forms they write the rates by themselves, due to secrecy of the tender rates, hence cutting/over-writing were made in the tender forms. In this case the cutting has been made by the contractor himself and no cutting/over-writing in the tender register was made. Therefore, no over-payment is involved.

COMMITTEE OBSERVATION

14. The Committee observed that requirement of clause 12 of the NIT to write down the figures of the amount in words was not followed by the Department while considering the bid of the contractor. In case the Department would have followed the said requirement the Audit Department would have not objected on the issue of over writing. The Committee further observed that allowing such over writing falls within the meaning of cheating and dishonesty for which Section 419 and 420 of the Pakistan Penal Code (PPC) could be applied on the responsible (s). Moreover, the Committee was confused about the response of the Department and version of Pre-PAC as both were not in conformity with each other.

COMMITTEE RECOMMENDATION

15. The Committee upheld the decision of DAC and recommended to conduct inquiry for fixing responsibility and to initiate action leading to recovery of loss sustained by the Government and to take appropriate action against the responsible (s) within a month time.

DP.3.2.20 UN-AUTHORIZED PAYMENT OF 50% ADVANCE ON ACCOUNT OF PRINTING CHARGES TO KHYBER PAKHTUNKHWA TEXT BOOKS BOARD OF Rs. 22.574 MILLION.

AUDIT VERSION

16. The Audit reported that during the financial year 2007-08, the Directorate of Elementary & Secondary Education Peshawar paid advance amount of Rs.22.574 million to the Sales Manager Khyber Pakhtunkhwa Text Book Board, Hayatabad vide cheque No.0216289 dated 28-06-2008 for the printing of free text books for students. 50% payment was made in advance to the Sales Manager Text Books Board Hayatabad. Main stock register, showing receipt of the books from the Text Books Board and its proper issuance to all 24 Districts in Khyber Pakhtunkhwa, was neither maintained nor shown to Audit. Most of the books were still not supplied.

17. Audit was of the view that the payment was made in violation of the prescribed rules. The un-authorized advance payment was pointed out in November, 2008. The

Department replied that 50% advance payment was made to Text Books Board for mobilizing/enabling the Text Books Board to print text books. The stock register would be shown to the DAC and that payment was made to Text Book Board for the supplied books only.

18. In the DAC meeting held on 13-03-2010, the Department repeated the same reply. The management failed to produce the sanction of Finance Department for advance payment and sanction of the competent authority for incurrence of the said expenditure. They failed to produce the stock register showing receipt of the books from Text Book Board and its further distribution to the Districts. The DAC did not agree with the Department and directed to verify the record. Record was verified but no condonation sanction was obtained from the competent authority till finalization of this report.

DEPARTMENTAL VERSION

19. The Department explained that as per approved PC-I, the 50% advance of Rs. 2,25,742/- was paid to the Text Books Board against the tentative bill.

20. Later on, on the receipt of actual and reconciliation with the Text Books Board the 50% advance of Rs.2,25,742/- was adjusted in the bill.

COMMITTEE RECOMMENDATION

21. Ex-post facto sanction of the Finance Department for making advance payment was produced by the Department during the meeting which was verified by the Audit hence, the Para was recommended to be dropped.

DP.3.2.30 EXCESS EXPENDITURE OVER AND ABOVE THE BUDGET ALLOCATION **Rs. 35.965 MILLION.**

AUDIT VERSION

22. The Audit reported that during the financial year 2007-08, the Project Manager, "Provision of Free Text Books" (Directorate of Elementary & Secondary Education Peshawar) incurred an expenditure of Rs. 458.461 million on the Printing and Publication of books under the object head A-03902-against the allotted budget of Rs.422.496 million. This resulted into an excess expenditure of Rs. 35.965 million.

23. Audit was of the view that excess expenditure against the budget allocation was due to violation of rules.

24. The excess expenditure was pointed out in November 2008. The Department did not furnish any reply.

25. In the DAC meeting held on 13-10-2010, the Department stated that the project was yet in progress and the liability for the year should be adjusted in the next year. The DAC did not agree and recommended the Para to be placed before the PAC.

DEPARTMENTAL VERSION

26. The Department explained that total liability of the Text Books Board, Khyber Pakhtunkhwa for the Financial Year 2007-08 has been recorded as 282.962 million and reflected in the approved PC-I for the year 2008-09. Payment of the liabilities was made to Text Books Board. The liability of Text Books Board amounting to Rs.348.754 million for the year 2008-09 was reflected in the approved PC-I of 2009-10 as well as in the audit copy and the payment of liability was made to the Text Books Board vide cheque No. 0370160 dated 5-12-2009. The Audit vide Advance Para No. 180/2008-09 objected to the entrance into liability of Rs. 248.754 million in excess of the allocated amount. After verification of the relevant record the Para has been settled by the Director General Audit, Khyber Pakhtunkhwa.

COMMITTEE OBSERVATION

27. The Committee observed that the issue involved in Para relates to Appropriation Accounts which might have been reflected therein.

COMMITTEE RECOMMENDATION

28. In view of the above, the Para was recommended to be dropped as it does not come within audit preview.

ENERGY & POWER DEPARTMENT

Two (02) Draft Paras pertaining to the Department were included in the schedule of PAC meetings time and again but could not be examined and were kept pending.

FOLLOW UP BUSINESS

The PAC took up for consideration the following inquiry reports.

INQUIRY REPORT ON DP No.1.6 (2007-08) REGARDING UNAUTHORIZED OCCUPATION OF TWO GOVERNMENT HOUSES & SUBLETTING TO THIRD PERSON

The Para was earlier discussed by the PAC in its meeting held on 16-11-2011 wherein the Department was directed to conduct inquiry for fixing responsibility on the persons involved in the misdeed.

2. The Department conducted inquiry wherein the Inquiry Officer made the following recommendations/conclusions:-

(a) Dr. Ghufanullah, Director General (Research), L&DD, Khyber Pakhtunkhwa, Peshawar, had not occupied two Government residences during his tenure as Station Director LR&DS Jaba, District Mansehra; and

(b) He had not sub-letted any Government residence to third person.

3. The above mentioned conclusion of Inquiry Report was accepted by the PAC in its meeting held on 10-07-2012 and recommended the Para to be dropped.

INQUIRY REPORT ON DP NO.1.6 (2009-10) REGARDING UNAUTHORIZED PURCHASE OF VEHICLE Rs.1.531 MILLION

The PAC in its meeting held on 16-11-2011 while examining the accounts of Agriculture Department observed that the Department committed irregularity which needs to be inquired therefore, the Committee recommended that inquiry may be conducted in the case and responsibility be fixed on the person (s) involved in the misdeed.

2. Accordingly, the Department conducted inquiry which was examined by the Committee in its meeting held on 10-07-2012 and it recommended the following:-

I. The Director General Agriculture Extension Khyber Pakhtunkhwa, Peshawar may obtain ex-post facto sanction from Provincial Planning & Development Department and Finance Department in accordance to note (b) of S/No. 5 of the Delegation of Power Rules 2001.

II. Administrative Department may issue reprimand to Director General Agriculture Extension Khyber Pakhtunkhwa, Peshawar for this un-authorized purchase for which neither the Project Director nor Director General was entitled to use 1800cc motor car and surrender Honda Car to the Government.

INQUIRY REPORT REGARDING AQUARIUM HOUSE, SHERABAD.

**DP.5.8 WASTEFUL EXPENDITURE DUE TO VIOLATION OF PC-I RS.11.259 (M).
(2009-10)**

The Para was earlier discussed by the PAC in its meeting held on 13/02/2012, wherein the Department was directed to conduct a detailed inquiry in the issue for fixing responsibility and to initiate action for the recovery of loss occurred, within two months.

2. The Department submitted the inquiry report which was examined by the PAC in its meeting held on 09-07-2012. The Committee showed its satisfaction on the report. In view of the above, the Para was recommended to be dropped with the direction that multipurpose Hall constructed at Sherabad be made functional.

REPORTS OF SUB-COMMITTEES

The PAC took up for consideration the report of following Sub-Committee:-

1. **SUB-COMMITTEE ON AGRICULTURE DEPTT: PERTAINING TO** _____ **D.P NO.**
1.3 (2007-08)

The Report of Sub-Committee was presented by Mr. Saqib Ullah Khan Chamkani, MPA/Chairman in the PAC meeting held on 10-07-2012 and the following recommendations of Sub-Committee were adopted:-

- I. Fresh fair and free Inquiry be conducted by the Department against all the concerned involved in the embezzlement and fix responsibility according to the quantum of their responsibility followed by initiating action leading to recovery within a month.
- II. The said Cashier may be removed from employment on daily wages forthwith and the amount paid to him since his re-induction may be recovered from the officer who kept him on daily wages.
- III. The current Director General, Livestock (Research) be suspended from services immediately for misleading, not providing complete facts to the Committee and for re-employment of a person already removed from services on account of embezzlement.
- IV. The Law Department was directed to bring these facts into the notice of Services Tribunal to have fair judgment.
- V. Concealment of facts.
- VI. Independent enquiry by the Anti Corruption establishment

The following reports of the Sub-Committees were laid before the PAC in its meeting held on 25-02-2014 which were examined and adopted unanimously. Details of the Reports are as under:-

2. REPORT OF SUB-COMMITTEE NO.8 (2003-04) PERTAINING TO WORKS & SERVICES (C&W) DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 01-12-2008, a Sub-Committee was constituted vide Notification No.PA/NWFP/PAC/SC-8/2003-04/C&W/09/3541-43 dated 02-02-2009 comprising the following members.

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Mukhtiar Ali, MPA | Chairman |
| 2. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 3. | Mr. Muhammad Zamin Khan, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to probe into the matter, examine in detail the issues mentioned in Grants No.14 & 16 for the year (2003-04) pertaining to Communication & Works Department and to submit its report within one month.

PROCEEDINGS

3. Two meetings of the Sub-Committee were held on 08-08-2012 and 13-08-2012. The Sub-Committee discussed the following Grants in question threadbare and finalized its recommendations as follows:-

Grant No.14
30000-Community Services
31000-Works
31100-Administration
(viii) Surplus Staff District C&W
Accountant General Version

4. The Accountant General reported huge excess expenditure of Rs.1,20,30,440/- (78%) over and above the final grant of Rs.1,54,72,300/-.

Grant No.14
30000-Community Services
31000-Works
31100-Administration
Director Public Works/SE Peshawar/Mardan/Abbottabad/Swat/Kohat/Bannu
Accountant General Version

5. The Accountant General reported excess expenditure of Rs.27,86,790/- over and above the final grant of Rs.14,924,990/-.

DEPARTMENTAL VERSION

6. The Department explained that it reconciled the figures with the Finance Department wherein the final grant was Rs. 26.651 million & actual expenditure was Rs. 27.5 million, hence excess expenditure of Rs.0.8 million was noted which comes to 3% of the final grant.

7. In view of the explanation of the Department duly endorsed by the Finance Department, nominal excess expenditure of 3% being permissible was recommended to be condoned.

Grant No.16

30000-Community Services

32000-Public Health Services

32100-Administration

Surplus Staff in PHE Department

Accountant General Version

8. The Accountant General reported excess expenditure of Rs.2,90,01,040/- over and above the final grant of Rs.45,32,030/-.

DEPARTMENTAL VERSION

9. The Department explained that expenditure of Rs. 3,35,33,070/- have been booked against the original grant of Rs.3,16,24,710/- where in excess of Rs.19,08,360/- was involved which is about 6% of the grant. In pay and allowances such like negligible variations normally occur. As regards curtailment of the final grant to Rs.45,32,030/-, no such proposal of the Department to this effect was forthcoming from the record. The Department, therefore, requested that the expenditure may be compared to the original & not to the final grant. It was also added that the expenditure of Rs.30,00,000/- have not been booked by the Department but were deducted at source for payment to Wapda at higher level.

10. The explanation of the Department being plausible was accepted & excess expenditure of the Department was recommended to be condoned being justified.

3. REPORT OF THE SUB-COMMITTEE NO.11 (2004-05) PERTAINING TO IRRIGATION DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 21st April, 2009, a Sub-Committee was constituted vide Notification No.PA/NWFP/PAC/SC-11/2004-05/09/15949 dated 30-04-2009 comprising the following members.

- | | | |
|----|------------------------------|----------|
| 1. | Mr. Mukhtiar Ali, MPA | Chairman |
| 2. | Mr. Ziyad Akram Durrani, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to probe into the matter and thrash out the issue involved in Draft Para No.14 for the year 2002-03 pertaining to Irrigation Department within one month.

PROCEEDINGS

3. Four meetings of the Sub-Committee were held on 16-07-2009, 23-07-2009, 03-09-2009 and 06-08-2012. The Sub-Committee discussed the Draft Para in question threadbare and finalized its recommendations as per detail given below:-

DP No.14 NON RECOVERY OF RS.2.19 MILLION ON ACCOUNT OF MOBILIZATION ADVANCE ALONG WITH PROFIT.

4. The Audit reported that Executive Engineer, Small Dams construction Division, Kohat, allowed mobilization advance of Rs.2.19 million to a contractor for "Construction of Gandially Dam" during 1991-92. The Department rescinded the contract with effect from 01-06-1994 without recovering the mobilization advance alongwith 14% interest.

5. The Department contested the very nature of para saying that the payment was made for mobilization at site and not as mobilization advance. The criteria which was quoted by Audit contained in Finance Department letter No. B1/10-14/82/FD dated 27-04-1984, was not applicable to the payment for mobilization at site. The Department further explained that as per contract agreement volume-II, mobilization at site was allowed to the contractor for fulfilling contractual obligation and there was sufficient detail of item works against the mobilization cost. After completion of the project, all the works executed under mobilization cost become the property of the Government.

6. The representative of Audit did not agree with the contention of the Department and re-interated its previous stance. The Audit explained that Draft Para was based on the record of the Department. Moreover, the Department had not contested about change of the nature of the para even in DAC meeting or in PAC.

7. The Finance Department could not produce the letter referred to by Audit and had to cut a sorry figure before the Committee.

8. The Chairman of the Committee noted that it was appropriate to contest the very nature of para at the stage of DAC or PAC.

9. If the Department had advanced some explanation in DAC then why it recommended action against the contractor and why it was referred to Sub-Committee for detailed probe. Had it been done then precious time of DAC and PAC would not have been wasted.

10. After detailed discussion, the Committee recommended both Audit and Department to first sort out the issue about nature of para i.e. whether it is mobilization advance or mobilization at site, and bring clear picture before the Committee in its next meeting scheduled to be held on 23-07-2009. The Finance Department was also directed to produce a copy of the letter referred to above so as to enable the Committee to reach to a just conclusion.

11. In the second meeting, the Chairman asked the Audit Department to clarify about the terms "mobilization advance and mobilization at site" as there existed ambiguity in the previous meeting of the Sub-Committee.

12. The Audit explained that both were one and the same thing. It further explained that the para related to mobilization advance and if it was mobilization at site, the Department should have obtained proper sanction of the Finance Department, as required under the rules. Quoting to para-19 (v) of GFR vol-I, it contended that the contract agreement should have been vetted from Finance and Law Departments but the same was not done.

13. The Finance Department supporting the contention of Audit, produced a copy of letter No.B1/10-14/82/FD dated 27-04-1984 before the Committee and explained that the said mobilization advance was recoverable alongwith 14% interest at compound rate in (8) eight equal installments from 1st eight running bills of the contractor and if the number of bills were less than eight, the balance together with interest should have been recovered from the final bill.

14. The Department re-interated its previous stance that mobilization at site was all together deferent from mobilization advance as no guarantee was warranted in BOQ item executed at site and payment was made in lump sum according to the established procedure, hence no recovery on this account was involved. It further explained that the advance was allowed for fulfilling the contractual obligation as per provision No.23 & 24 of the contract agreement.

15. The Chairman noted that explanation of the Department was not different from the one advanced during the DAC which was not accepted and the Department was directed to take action against the contractor. He, therefore, sought the opinion of Law Department.

16. The representative of Law Department supporting the contentions of Audit and Finance Departments, explained that the contract agreement should have got vetted from Finance and Law Departments which was not done. He suggested that the Committee may take a lenient view and provide a further opportunity to the Department to produce precedents where such mobilization at site have been allowed to the contractor and lump sum payment has been made.

17. After detailed discussion, the Committee agreeing to the suggestions of Law Department, directed the Department to produce precedents and evidence in the matter alongwith relevant record to the Committee in its next meeting.

18. In the third meeting, the Secretary to the Committee told that in previous meeting held on 23-07-2009, the Committee had agreed to the suggestion of Law Department and directed the Irrigation Department to furnish precedents of "mobilization at site" to the Committee.

19. The Department produced precedents of mobilization of the following Government Projects:-

1. Swabi Scarp
2. Ghazi Barotha
3. Shalimar Link Road at Motorway
4. Rayshoon hydle Project, Chitral by SHYDO

20. The representative of Audit agreed to the contention of the Department regarding mobilization at site and added that the said advance must have been made for necessary construction and provision of service for staff such as construction of rooms etc.

21. The Department responded that out of 22 lac for mobilization advance, approach road, laboratory, Bachelor's Hostel and sheds, had been constructed which could be verified at site.

22. After detailed discussion, the Committee recommended the para to be dropped subject to physical verification of construction at site by representatives of PAC Cell, Audit and Finance Department on 5th September, 2009.

23. In compliance with Sub-Committee's directive, the following officers, visited the site on 05-09-2009 and submitted their report:-

1. Mr. Wakeel Khan, Assistant Secretary-PAC Cell.
2. Mr. Gul Sahib Khan, Deputy Director, Audit.
3. Mr. Muhammad Nafees, Budget Officer, Finance Department.

24. The Physical Verification Committee concluded that the Department failed to prove the construction at site according to project documents as such the expenditure of Rs.2.19 million cannot be declared a legitimate charge.

25. In the forth meeting of the Committee, the Secretary Irrigation admitted laxity on the part of his Department while handling the long outstanding issue involved in the Draft Para and requested the Committee to extend another opportunity to the Department to arrange for a 2nd visit of the site, as during the 1st visit the representative of the Department had not done justice to their job.

26. The Committee observed that physical verification was carried out pre planned and the Department should have deputed well conversant officers for that.

27. Therefore, the Committee recommended that the Department, Audit and PAC Cell to sit together and work out the recoverable amount involved in the Draft Para and the Department was directed to affect recovery of the same from the responsables within a month. The Committee also recommended that the Department may take action against those officers who either misled the Committee during previous meetings or showed irresponsible and casual attitude during the physical verification.

28. In pursuance of the directives of the Committee in its fourth meeting, representatives of the Department Audit & PAC Cell, conducted a meeting on 14-09-2012 in the Assembly Secretariat in order to examine the record & pin point the recoverable amount. After detailed discussion & examination of record the representatives of Department Audit and PAC Cell, observed that the amounts of other items except labour camp, were non recoverable whereas the amount of Rs.3,00,000/- released for construction of labour camp was held recoverable and it was recommended that the same may be recovered from the responsible officers of the Department who did not take possession of the camp after the completion of the project.

4. REPORT OF THE SUB-COMMITTEE NO.2 (2003-04) PERTAINING TO HOME AND TRIBAL AFFAIRS DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 20th October,2008, a Sub-Committee vide Notification No.PA/NWFP/PAC/S.C-2/2003-04/H&TA/08/25347 dated 27-10-2008 was constituted which was revised due to the sad demise of Mr. Alamzeb Khan, MPA/Chairman vide notification No.PA/NWFP/PAC/S.C/2003-04/09/18389 dated 23-05-2009. The Sub-Committee comprised of the following:-

- | | | |
|----|-----------------------------------|----------|
| 1. | Mr.Saqib Ullah Khan Chamkani, MPA | Chairman |
| 2. | Malik Tamash Khan., MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to examine the issues involved in D.P Nos.44, 45 & 49 (2003-04). Finance Accounts for the year (2003-04) was also referred to it vide Notification No. PA/NWFP/PAC/S.C-2/2003-04/H&TA/08/32098 dated 20-12-2008. Later on Draft Para No.9.28 for the year (2004-05) vide Notification No.PA/NWFP/PAC/S.C-2/2003-04/H&TA/09/18174 dated 21-05-2009 and Draft Para No.8.1 for the year (2008-09) vide Notification No. PA/NWFP/PAC/S.C-2/2003-04/H&TA/11/14256 dated 28-03-2011 pertaining to Home & Tribal Affairs Department was referred to the same Sub-Committee for detailed examination, resolving the issues and to submit its report within one month.

PROCEEDING

3. Five meetings of the Sub-Committee were held on 10-02-2009, 01-09-2009, 09-03-2010, 09-05-2011 and 14-12-2011. Draft Paras in question along with Finance Accounts for the year 2003-04 involving the similar issue of outstanding amounts against the Federal Government Ministries and local Governments on account of supply of Police guards to them by the Police Department, Khyber Pakhtunkhwa, were examined by the Committee threadbare as follows.

DP No. 44 NON-RECOVERY OF OUTSTANDING DUES AMOUNTING TO Rs.102.796 MILLION.

FINANCE ACCOUNTS FOR THE YEAR 2003-04

1232201-Police supplied to Railway.

1232202-Police supplied to Federal Government.

1232203-Police supplied to Municipalities and Cantonments etc.

4. The Audit reported non recovery of outstanding dues amounting to Rs.102.796 million on account of services rendered to certain organizations of Federal Government.

5. The Department explained that it is a perennial issue with different Departments of Federal Government. The issue has been discussed in PAC and Sub- Committees of PAC from time to time but the Department is still facing the issue of non recovery since long upto 2009. It informed the Committee that the Railway Department has deposited Rs.6,37,95,000/- on 26/01/2009 out of the total outstanding dues of Rs.20,06,36,342/-, hence Rs.13,68,41,342/- is still to be deposited by the Railway Department.

6. The Department further informed the Committee that the following amount is outstanding against various organizations/Departments of Federal Government:-

S/No.	Department	Outstanding Amount
1.	Railways	Rs.13,68,41,342/-
2.	T&T	Rs.1,33,70,899/-
3.	WAPDA	Rs.1,03,53,879/-
4.	Radio Pakistan	Rs.1,05,91,594/-
5.	PTV	Rs.98,69,887/-
6.	District Government (Nazim-e-Aala) i. Peshawar. ii. Kohat.	Rs.4,81,37,145/-
7.	Town-I Peshawar Town-II Peshawar Town-III Peshawar Town-IV Peshawar	Rs.1,66,26,247/-/-

7. The Chairman appreciated the latest recovery of Railway Department & directed the Police Department to make its efforts to recover outstanding dues from other Federal Departments/organizations.

8. In response, the Department explained that it had a constant touch with the Departments to clear the outstanding dues but nothing tangible had been achieved as yet.

9. On a question, the Finance Department informed the Committee that IPCC is a forum for such like issues. It has decided that at source deduction may be made by the Federal Government for clearance of outstanding dues of Police Department Khyber Pakhtunkhwa, so, the Police Department should inform the Committee about their progress after the decision of IPCC.

10. The Department explained that the decision of IPCC regarding at source deductions, has not been implemented so far despite a chain of correspondence, with the concerned quarter.

11. The Chairman suggested that a mechanism is needed to be evolved to settle the issue once for all and decided that all the Federal Departments/Organizations involved may be invited to the next meeting of the Committee to be held on 28/02/2009 at 10:00 a.m. in Conference Room of the Assembly Secretariat in order to discuss the issue jointly & remove hardships where occurring.

12. In the second meeting held on 01-09-2009, the Committee directed the Department to carry out reconciliations with all the Departments/Ministries/ organizations to ascertain the exact amount outstanding against them.

13. In the 3rd meeting held on 09-03-2010, the Department failed to produce the requisite reconciliations which was noted by the Committee with grave concern and was termed as breach of privilege. The matter was therefore, referred to the Standing Committee on Procedure and Conduct of Business Rules, Privileges and Implementation of Government Assurances. The said Committee examined the issue and established the breach of Privilege, but taking a lenient view, it directed the Department to produce the requisite reconciliations to the sub-committee of PAC within a month time, positively.

14. In the 4th meeting held on 09-05-2011, the Department produced detail of recovered & outstanding amount reconciled with each Department/organization as under.

PAKISTAN RAILWAY

15. The Police Department told that against the outstanding amount of Rs.145.053 million upto 30-06-2007, the Railway Department deposited an amount of Rs.63.796 million vide challan No.61 date 26-01-2009. The balance amount of Rs.81.205 million was adjusted by the Pakistan Railways to clear their outstanding against the Food, Highway, Irrigation, and Forest Departments. The Finance Department may decide the adjustment of the above amount. After the above adjustment, an amount of Rs.33.848 million remained outstanding against the Railway from 01-07-2007 to 30-06-2010.

16. The Deputy Superintendent, Pakistan Railways Peshawar explained that Food Department has a counter claim of Rs.106 million upto 2008 on account of freight charges and transit storages. The Pakistan Railway asked the Food Department to provide detail, which was provided in the shape of 1552 cases. Out of which 46 cases involving Rs.1.5 million has been decided and payment were made. The main issue involved with the Food Department was the ownership of land. Before independence, these lands were Crown land and after independence the ownership of lands were mutated in the name of Federal Government. Under 1962 Constitution the Railways subject was assigned to Units i.e. West & East Pakistan and entries of the ownership of land was made accordingly. After dissolution of one Unit in 1969 a formal circular was issued to all Deputy Commissioners for rectification of the Revenue record but some District Commissioners might not have made correction. Title of land now remained no issue. However, they would consult SMBR for factual position.

17. The Secretary Food told that SMBR is the custodian of land record and according to their record, the land, especially at Nowshera belongs to Provincial Government

and if the Pakistan Railway has any objection over the land ownership, they should consult SMBR for clarification. In support of his contention he produced revenue record.

18. The Divisional Superintendent, Pakistan Railways said that about the ownership of land, they will approach the SMBR for obtaining old record which established the Railway claim. For the payment of un-disputed amount of Rs.33.848 million to Police Department, they would approach their HQ for release of funds and assured that outstanding would be cleared upto the end of current financial year.

FRONTIER HIGHWAY AUTHORITY

19. The Pakistan Railway claimed Rs.8.169 million out standing against the Frontier Highways Authority (FHA).

20. The Managing Director FHA rejected the claim of Pakistan Railway on the ground that the claim were regarding old NCC now N45 and Sugar Mills Road, Mardan as these roads were in custody of NHA (Federal Government) and not FHA hence, the amount payable belongs to Federal Government, proper correspondence in this regard have already been made with the Pakistan Railways he added.

21. The Pakistan Railway contended that these roads were earlier belong to Highway Department of Khyber Pakhtunkhwa upto 2007 and the Federal Government being the present owner do not accept the previous liabilities.

COMMITTEE RECOMMENDATIONS

22. The Committee directed the FHA, Audit and Pakistan Railways to sit together on 11-05-2011 in the office of Divisional Superintendent, Pakistan Railways Peshawar to reconcile the figure, find out the factual position and report progress to PAC Cell within two days.

IRRIGATION DEPARTMENT

23. The Irrigation Department explained that proper reconciliation with the Pakistan Railways had been carried out and it was found that Rs.4.073 million was the total outstanding amount against it, out of which Rs.1.921 million was adjusted against the amount payable to Police Department by the Federal Adjuster at source and the remaining amount of Rs.2.152 million was paid to Pakistan Railways. The statement of Irrigation Department was duly endorsed by the Pakistan Railways.

COMMITTEE RECOMMENDATIONS

24. The Committee recommended that the adjusted amount of Rs.1.921 million may be paid to Police Department by the Irrigation Department.

FOREST DEPARTMENT

25. The Pakistan Railway claimed Rs.0.027 million against the Forest Department. It explained that they do not have the proper record however, they are in search of the requisite record in their Head Quarters and in case the record was not traced then it would proceed for obtaining write off sanction from its Head Quarters.

26. The Committee accepted the contention advanced by the Pakistan Railways, and recommended that if record was not traced within a month it should be waived off by Railways under intimation to PAC.

TELEPHONE & TELEGRAPH

27. The Police Department contended that total amount involved was Rs.13.370 million out of which Rs.64,81,000/- (6.481 million) was deposited by NTR-I and Rs.5,90,000/- (0.590 million) was deposited by NTR-II hence the remaining amount after proper reconciliation was found Rs.69,77,331/- (6.977 million) against NTR for which correspondence has been made with the T & T Department for its early recovery but due to non-presence of T & T authorities in the meeting, the Committee kept pending the issue and directed PAC Cell to call the concerned authorities of T&T to the next meeting after two weeks to explain their stance.

PTV

28. The Police Department informed the Committee that all the dues amounting to Rs.98.698 million outstanding against PTV have been cleared upto 30-06-2010. Hence the issue regarding PTV was settled.

29. The Committee directed to deposit the recovered amount in the relevant Head of account of Provincial Government and the same may be got verified from Audit.

30. In the 5th meeting held on 14-12-2011, the Department explained that the Irrigation Department and PTV has deposited the outstanding dues. It produced further details of outstanding against each organization of Federal Government.

TELEPHONE & TELEGRAPH

31. The outstanding amount of Rs.6,89,000/- against T & T Department has been reconciled. Correspondence is being made to recover the outstanding amount.

WAPDA

32. The outstanding amount against WAPDA Peshawar has been reconciled and there is no variation in between strength and cost, total outstanding against WAPDA Peshawar is Rs. 96,97,802/- up to 30.06.2010 while disputed amounts against Bannu, Kohat, DI Khan and Swat is not yet resolved. Efforts are being made to recover the amount. The amount has not been deposited by WAPDA till date.

PAKISTAN BROADCASTING CORPORATION, ISLAMABAD

33. The outstanding amount is reconciled with all units of Radio Pakistan. The PBC Hqrs: Islamabad has intimated that funds have been demanded, on allocation of funds payment will be made shortly. The outstanding amount is Rs. 1,57,38,204/-. Correspondence are still in progress for the recovery of outstanding dues.

MUNICIPALITIES AND CANTONMENTS

34. The MC Peshawar is not cooperating with representative of Police Department to reconcile the outstanding dues which has already been reported to the Home and TAs Department vide letter No. 3654-56/B-II dated 5.4.2011 as well as to Finance Department for at source deduction as per directive of PAC.

TOWN NAZIMS

35. Reconciliation has been made with the entire four Town Nazims. Town II and III have cleared their dues, while efforts are in progress for the recovery of outstanding dues against Nazims Town I and IV.

36. The Committee observed that the reconciled statements asked for in the previous meeting held on 09/05/2011, was still not provided by the Department.

COMMITTEE RECOMMENDATIONS

37. The Committee recommended the Home & Tribal Affairs and Finance Departments to sit together, worked out the correct figures and reconcile it with the concerned institution of Federal Government and then approach the Finance Division, Islamabad for at source deduction/settlement.

**DP No.8.1 NON RECOVERY OF GOVERNMENT DUES OF Rs.110.333 (2008-09)
MILLION.**

AUDIT VERSION

38. The Audit reported that during the year 2006-07, in the office of Capital City Police Officer, Peshawar, Rs. 110.333 million on account of Police guard's charges were not recovered from Pakistan Broadcasting Corporation (PBC), Pakistan Television Corporation (PTV), Pakistan Telecommunication Limited (PTCL), General Post Office (GPO) and State Bank of Pakistan, Peshawar etc. In the DAC meeting held in January 2009, the Department was directed to recover the amount No. progress was intimated till finalization of the report.

DEPARTMENTAL VERSION

39. The Department explained that after re-conciliation with the concerned quarters, the recoverable amount worked out was Rs. 97.987 million instead of Rs. 110.333 million as pointed out by Audit.

40. The Department explained that the outstanding amount of Rs. 35.957 million against PTCL, PTV and State Bank up to 2009-2010 has been fully recovered, whereas recovery of the remaining amount of Rs. 62.01 million is under active correspondence and the same will be recovered shortly.

41. The Department informed that the Federal institutions have intimated that the outstanding against them will shortly be cleared as and when they receive the funds.

COMMITTEE RECOMMENDATION

42. The Committee directed the Department to produce original challans showing the amount deposited in the Government treasury so far, duly verified by Audit to PAC Cell by 20th December, 2011, positively.

43. Serious efforts for recovery of the remaining amount may be made, moreover, mechanism for in time recoveries be evolved by the Department to avoid such complications in future.

DP No. 45 IRREGULAR ALLOTMENTS OF SHOPS AND CABINS NON-TRANSFER OF Rs.10.85 MILLION TO GOVT: ACCOUNTS.

44. The Audit reported that according to the record of the office of Senior Superintendent of Police Kohat, 54 shops and 20 cabins were constructed on Government land

by Police Welfare Project. These shops/cabins were rented out but the amount of rent/security was not deposited into Govt: treasury.

45. The Department explained that the shops and cabins were constructed on Federal Government land and produced documentary evidence to the Committee.

46. The representative of Law Department explained that if the shops/cabins are constructed on Federal Government land then Provincial PAC is not a competent forum to decide the matter as it comes within the purview of Federal Government.

47. The Chairman supported the contention of Law Department and recommended that the para may be dropped subject to confirmation from DOR Kohat that the property pertains to Federal Government and directed the PAC Cell to get the reply from DOR Kohat as soon as possible.

48. In the 2nd meeting held on 01-09-2009, the Department produced the requisite confirmation certificate regarding ownership of land before the Committee but the Audit objected that how it could be confirmed that construction was made on the same Khasra.

49. The Committee therefore directed the Department to obtain confirmation certificate from Revenue Department that construction has been made on the same Khasra, & submit the same to PAC Cell.

50. In the 3rd meeting held on 09-03-2010, the Department produced before the Committee confirmation certificate obtained from Revenue Department that construction has been made on the same Khasra No.280. The Para was, therefore, recommended to be dropped.

DP No.49 MISAPPROPRIATION OF DRIVING LICENSE FEE AMOUNTING TO Rs.1.297 MILLION.

51. Audit reported misappropriation of driving license fee amounting to Rs.1.297 million.

52. In the 1st meeting held on 10-02-2009, the Department explained that an inquiry has been conducted as per decision of DAC and responsibility has been fixed on the concerned clerks from whom recovery of Rs.1,89,170/- has been made.

53. The Chairman did not agree with the inquiry report as the recovered amount was less than the actual amount involved and directed the Department and Audit to sit together to thrash out the issue and submit a clear picture before the Committee in its next meeting.

54. In the 2nd meeting held on 01-09-2009, the Department explained that as per directive of PAC record had already been verified by Audit.

55. In view of plausible explanation of the Department, the para was recommended to be dropped.

DP No.9.28 NON DEPOSIT OF RECEIPT IN TO GOVERNMENT TREASURY AMOUNTING TO Rs.4,49,393/-.

56. The Audit reported that in the office of Assistant Inspector General, Telecommunication Peshawar, a sum of Rs.4,49,393/- was realized on account of canteen receipts of 9/94 to 3/04 which was required to be deposited in the Government account but was not done.

57. The Department contended that canteen was constructed out of welfare fund; therefore, its income could not be deposited in Government treasury whereas the Audit objection was different from it.

58. The Committee disagreeing with the contention of the Department and recommended that all rules framed for the welfare activities of Police personnel must be shared with both Audit as well as Finance Departments for recommendations and amendments. It is in the interest of Police personnel that deduction made from their salaries for welfare, should properly be maintained & secured. For that reason, it is important that in addition to internal audit, external audit be carried out as it being done in other Departments. The Committee was of the opinion that the Police Department's arguments that welfare funds did not come under the purview of PAC & Audit, is not only defective but also encourages corrupt practices, the Chairman added.

59. The Committee therefore directed the Audit to carry out routine audit & check all the accounts of the Department and the Police Department was directed to allow & cooperate in such audit & checks.

5. **REPORT OF THE SUB-COMMITTEE NO. 8 (2004-05) PERTAINING TO IRRIGATION DEPARTMENT.**

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 20th April, 2009, a Sub-Committee was constituted vide Notification No.PA/NWFP/PAC/SC-8/2004-05/09/15926 dated 30-04-2009 comprising the following members.

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|----|------------------------------------|----------|
| 1. | Mr. Saqib Ullah Khan Chamkani, MPA | Chairman |
| 2. | Mr. Muhammad Zamin Khan, MPA | Member |
| 3. | Mr. Fazal Shakoor Khan, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to probe into the matter and thrash out the issues involved in DPs No.10.16, 10.17 & 10.18 for the year 2004-05 pertaining to Irrigation Department within one month.

PROCEEDINGS

4. Four meetings of the Sub-Committee were held on 09-07-2009, 30-07-2009, 24-08-2009 and 01-03-2010. The Sub-Committee discussed the Draft Paras in question threadbare and finalized its recommendations as per details given below:-

DP.10.16 LOSS DUE TO THEFT AMOUNTING TO Rs.1.00 MILLION.

5. The Audit reported loss due to theft amounting to Rs.1.00 million in Zaibi Dam and Gandially Dam Projects Kohat which was neither Departmentally investigated nor the loss was reported to Government.

6. The Department candidly admitted the loss. However, it explained that at the time of theft of transformer, Zaibi Dam was under the control of Public Health Engineering (PHE) Karak.

7. The representative of PHE Department explained that they had lodged FIR and informed the DCO and District Nazim accordingly. In response to a query from the Chairman as to whether any internal inquiry was conducted as decided during the DAC meeting or higher ups were informed as required under the rules, the Department replied in negative. Moreover both Audit and the Department were oblivion of the actual cost and kind of transformer as Audit was claiming Rs.0.8 million as cost of transformer while the Department was claiming Rs.0.1 million, but none of them had any record to show in this regard to prove their contentions.

8. The Committee, therefore directed that an enquiry be conducted by the PHE Department in coordination with Irrigation Department (Small Dams Organization) to find out the exact cost of the transformer installed and to fix responsibility against the concerned officers/officials responsible for loss and to submit report to the PAC cell by 30th July, 2009.

9. Regarding the second part of the Draft Para involving theft of Angle iron, Barbed wire, Steel doors and Windows etc at Gandially Dam, the Committee noted with grave concern that facts findings enquiry as decided by the DAC was not conducted in time which indicated the casual attitude of the Department towards DAC directives. It was therefore decided that the Irrigation Department shall conduct an internal enquiry for fixing responsibility and report be submitted to the PAC upto 30th July, 2009 positively.

10. In the second meeting, the Department produced inquiry report regarding theft on angle iron post, barbed wire, rectangular iron posts and steel chain as directed in previous meeting of the Committee. The Inquiry Officer in his inquiry report concluded that:-

1. Concerned S.H.O Gumbat Police Station is responsible for non lodging of the FIR, investigation of the theft case and recovery therein. Has he given importance to the issue of loss to the public property, it could have been recovered.
2. Executive Engineer, Kohat Irrigation Division, is responsible for delaying the taking over of the project and not arranging interim watch and ward arrangement possible for him. The operation responsibility already stands approved in the PC-I & nowhere there is mention of previously agreed terms that formal handing or taking over within the same Department would be a pre requisite for operation of the project.

11. The Director General, Small Dams, further explained that as far as 2nd Para of inquiry report is concerned, Ex-XEN, Malik Mazhar held responsible was condemned un-heard and requested that an opportunity may be given to him to explain his position.

12. The Committee agreeing with suggestion of the Department/Director General, Small Dams and in the light of recent inquiry and discussion directed that:-

- a. The Secretary of the Department should provide a chance to the Ex-XEN concerned (the then XEN Kohat Division) to defend himself.
- b. The Secretary was also directed to determine the degree of inefficiency shown by Ex-XEN and action be taken against him accordingly.
- c. The Secretary Irrigation was further directed to send a case file of DP No.10.16 to IGP, KPK with the direction to take action against the then SHO for not filing FIR, regarding theft of aforementioned items.

13. The Committee asked the PHE Wing of Works & Services Department to produce inquiry report as per decision of previous meeting of the Committee. The PHE Wing could not produce the inquiry report in written form. However, it was told that the inquiry has been completed and the cost of Transformer has been established which is Rs.1,10,000/-. It was assured that the inquiry report in written form would be completed and submitted within two days.

14. The Committee agreeing with the inquiry report of PHE Wing, recommended that recovery of Rs.1,10,000/- as estimated cost of stolen Transformer, may be affected from Ex-DDO Karak, who has been held responsible in the inquiry conducted by the Department. The Committee, further directed that entry may also be recorded in ACR of the DDO and copy of the same be sent to this Secretariat.

15. In the last meeting, the Department explained that the theft occurred on 28-02-2004 and added that the former XEN took charge on 28-04-2007 and it would be un-justified to hold responsible the said XEN for the same. It further explained although the matter was entangled but the Secretary, Irrigation has now taken Departmental action in the matter on 20-02-2010.

16. The Audit pointed out that the Sub-Committee has never held responsible any person and left this to the Administrative Department to conduct inquiry and fix responsibility.

17. The Committee recommended that:-

- a. Fresh Departmental inquiry may be conducted for fixing responsibility and to initiate action leading to recovery from responsible Officer/Official under intimation to the PAC Cell within (30) days.
- b. The Secretary Irrigation was further directed to send a case file of DP No.10.16 to IGP, KPK with the direction to take action against the then SHO for not filing FIR, regarding theft of aforementioned items.

DP.10.17 LOSS OF Rs.1.00 MILLION TO GOVERNMENT DUE TO NON RECOVERY OF WATER CHARGES.

18. The Audit reported that in the office of Deputy Director Construction, Small Dams Organization Kohat Division, an expenditure of Rs. one million was incurred on operation and maintenance of Zaibi, Palai and Gandaily Dams during 2003-04. Water was allowed in the Irrigation system without levying of water rates during the period and without any recovery of water charges.

19. The Department contended that PC-IV was prepared and sent to Finance Department for approval in 2003. However, the same was approved in 2006 by the Finance Department. Since the Dams were not handed over to the Maintenance Division during the period for want of creation of posts under PC-IV therefore it could not levy the water rates and recover the water charges. After approval of PC-IV and sanction of posts, proper assessment had been made and recovery had been started since Rabi Crop of 2005.

20. The Chairman was of the view that PC-IV could be prepared within a period of two months and asked the Finance Department to explain the reasons that why approval of PC-IV was delayed for such a long time and Government was deprived of huge revenue. The Finance Department could not respond properly to the queries raised by the Chairman. He took exceptional note of the attitude of Finance Department and told that it was the prime responsibility of Finance Department to maintain financial discipline in the Province but bureaucratic hurdles and red tapism had affected its performance.

21. Mr. Muhammad Zamin Khan, MPA asked the Department if PC-IV was approved in December 2006, then how assessment was made for Rabi 2005, as it would have been impossible with out staff as per Department contention. He asked the Department to provide detail of posts sanctioned/advertised and staff appointment. The Department explained that staff was appointed by O&M and assured that the requisite information would be collected from O&M and submitted to the Committee in its next meeting.

22. After detailed discussion, the Department was directed to provide the following information before the next meeting of the Committee:-

- i. Reasons for delay in the approval of PC-IV by Finance Department (observations if any).
- ii. Detail of Revenue staff appointed, showing the rules/regulations, procedure and policy adopted for their appointment.
- iii. Assessment of crops during the period mentioned in the Draft Para.

23. In the second meeting, the Finance Department produced a complete case regarding delay of PC-IV of the Project which showed that delay of the PC-IV was due to inefficiency of the Department and it was not on the part of the Finance Department.

24. The Department did not agree with the contention of the Finance Department and pleaded that new record/correspondence would have been added by the Finance Department, which was not available with it. The Department further requested the Committee to give it a chance to obtain such like correspondence from its own Office.

25. The Committee, therefore, directed that:-

- a. "A meeting of Audit, Finance and Law Departments be conducted before 13/08/2009 in the Finance Department to clarify that where the delay occurred regarding approval of PC-IV and all other related issues. The meeting will be convened by the Finance Department".

26. As far as the non collection of abyana after one year of completion was concerned, the Committee not only expressed its displeasure but directed the Department to hold an inquiry to asses the revenue that should have been generated and to fix responsibility on the persons responsible within (6) weeks.

27. In the 3rd meeting, the Chairman asked the Finance Department to provide clarification/decision of the meeting of Audit, Finance and Law regarding delay in approval of PC-IV in the instant case as per decision of the Committee taken in its previous meeting but the Finance Department told that the meeting fixed on 13/08/2009 could not be held due to proceeding of concerned Finance Additional Secretary to Islamabad. The meeting was again fixed for 18/08/2009 but postponed. However another meeting fixed for today was also postponed due to the current meeting of the Committee.

28. The Chairman felt it with grave concern and told that if the Finance and Administrative Departments had not completed their tasks, then they should have informed the Assembly Secretariat to postpone the meeting of the Committee to save precious time of the Members of the Committee and representatives of other Departments. He further directed that the concerned Additional Secretary should explain hid position within a week.

29. Regarding delay in approval of PC-IV, both the Department and Finance advanced their explanations before the Committee defending themselves but the Committee was not satisfied with their clarification.

30. The Committee observed that approval of PC-IV is a lengthy procedure but in the instant case, the Department had showed lack of interest. The Committee however recommended that the procedure should be simplified and after completion of 75% work of project, PC-IV should be prepared and initiated so that the same could be approved just after the completion of the project.

31. The Committee further directed the Department to hold inquiry regarding Abyana as decided in the previous meeting and fix responsibility upto 30th September, 2009 and the same be sent to PAC Cell.

32. In the last meeting the Committee considered the inquiry report furnished by the Department in view of its recommendation given in its previous meeting and held it as favourable to the responsible of the Department. However, the Department explained that Zaibi Dam was meant for Drinking Water and was under the supervision of PHE Department. The water rights on existing 33 acres irrigated land already existed on which levy of water rates is not applicable.

33. As regards assessment of Abiana of Gandially Dam was concerned, the Department explained that assessment as well as recovery to some extent had been made and struggle for further recovery was in progress.

34. After detailed discussion the Committee recommended that the Department may approach the Finance Department for waiving off the un-recoverable amount involved in the Draft Paras.

DP.10.18 WASTEFUL EXPENDITURE AMOUNTING TO Rs. 9,99,820/-.

35. The Audit reported that in the office of Deputy Director Construction Small Dams Organization Kohat Division an expenditure of Rs.99,982/- was incurred on maintenance of Zaibi, Palai and Gandially Dam during the year 2003-04. On completion, these Dams were to be handed over to Kohat Irrigation Division and PHE Division Karak for the purposes for which the dams were constructed, which were not done. Thus the expenditure of Rs.9,99,820/- on account of maintenance of completed dams was wastage of public money.

36. The Committee observed that text of the Draft Para was the same and interlinked with Draft Para No.10.17, therefore, it was held that decision and recommendation given on DP No. 10.17 would also be applicable to DP No. 10.18.

6. **REPORT OF THE SUB-COMMITTEE NO.2 (2005-06) PERTAINING TO HIGHER EDUCATION DEPARTMENT.**

INTRODUCTION.

In pursuance of the decision of Public Accounts Committee made in its meeting held on 13th July, 2010, while discussing the Audit Report for the year 2005-06 pertaining to

Higher Education, Archives and Libraries Department, a Sub-Committee was constituted vide Notification No PA/KP/PAC/SC-2/H.E/2005-06/10/30174 dated 06-08-2010, comprising the following Members, under Rule 188 of the Provincial Assembly of Khyber Pakhtunkhwa Procedure and Conduct of Business Rules, 1988:-

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|----|------------------------------------|----------|
| 1. | Mr. Saqib Ullah Khan Chamkani, MPA | Chairman |
| 2. | Syed Muhammad Ali Shah Bacha, MPA | Member |

2. In partial Modification of this Secretariat Notification quoted above the PAC in its meeting held on 02-11-2010, while discussing the Draft Paras No. 2.1, 2.2 and 2.3 for the year 2008-09 pertaining to Higher Education, Archives & Libraries Department, reconstituted the said Sub-Committee vide Notification No PA/KP/PAC/SC-2/H.E/2008-09/10/42113 dated 08-11-2010 under rule 188 of the Provincial Assembly of Khyber Pakhtunkhwa Procedure and Conduct of Business rules, 1988 comprising the following:-

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|----|------------------------------------|----------|
| 1. | Mr. Saqib Ullah Khan Chamkani, MPA | Chairman |
| 2. | Syed Muhammad Ali Shah Bacha, MPA | Member |
| 3. | Mr. Abdul Akbar Khan, MPA | Member |
| 4. | Mr. Muhammad Zamin Khan, MPA | Member |
| 5. | Mr. Mukhtiar Ali, MPA | Member |

TERMS OF REFERENCE

3. The Sub-Committee was assigned the task to examine the issues involved in Draft Paras No. 2.1, 2.7 & 2.8 for the year 2005-06 Draft Paras No. 2.1, 2.7, 2.8 for the year 2005-06 and Draft Paras No. 2.1, 2.2 and 2.3 for the year 2008-09 pertaining to Higher Education, Archives & Libraries Department in light of Universities Act, Rules, Statutes, Power & Functions of Syndicate, Policy of the Government and applicability of the General Financial Rules so that a clear line of action is determined and the issue could be resolved once for all.

PROCEEDINGS

4. A meeting of the Sub-Committee was held on 11-05-2011, in the Conference Room of the Assembly Secretariat, Peshawar in which Paras No. 2.1, 2.7 & 2.8 for the year 2005-06 Draft Paras No. 2.1, 2.7, 2.8 for the year 2005-06 and Draft Paras No. 2.1, 2.2 and 2.3

for the year 2008-09 pertaining to Higher Education, Archives & Libraries Department were examined.

5. At the outset the Chairman after welcoming the participants emphasized that such like issue as mentioned in the Draft Paras under consideration are being brought to the PAC time and again, before examining the Draft Paras in question the Committee needs to find out an amicable solution to the issue of allowing un-authorized expenditure on miscellaneous allowances by the Universities in violation of prevailing laws regarding financial matters, General Financial Rules (GFR), Provincial Government pay & package and Central Treasury Rules (CTR).

6. The Secretary, Higher Education explained that Universities are established under the Acts of the Provincial Assembly according to these Acts they have their own statutory bodies like senate and syndicate. Rules for governing the financial and other administrative matters are framed and approved by these bodies. The allowances reported in the Audit Report have been extended to the employees under the said rules, if the Committee deem that these allowances are un-authorized then these rules are required to be amended.

7. The Chairman referred to the circular letter issued by the Finance Department to universities and Health Institutions wherein it was mentioned that the Chancellor/Governor, Khyber Pakhtunkhwa has directed that in order to maintain uniformity and have strict financial discipline in the Province, all the Universities must follow the Provincial Government pay & package and other financial policies and must not adopt independently any policy without the concurrence of the Provincial Government.

8. The Committee wanted to know that why clear cut instructions of the Governor being Chancellor of the Universities were not taken into consideration while extending the anomalous allowances to the University employees. The Secretary, Higher Education showed her ignorance about the circular. However, the Vice Chancellor, Engineering University Peshawar explained that the said incentives were extended to the employees in order to attract the qualified personal to join the University services.

9. The Chairman contended that neither legislatures nor General Financial Rules are against any incentive/allowance extended by the Universities to its employees but the Committee is of the view that such incentives must be in line with the provisions of GFR, CTR and Government policy.

10. He told that every legal document has certain parameters. Every Law enacted by the Federal or Provincial Assemblies must not be contradictory to the provisions of Constitution of Islamic Republic of Pakistan. Federal laws have overriding effect over the Provincial laws where inconsistency exists. Similarly while framing rules, the co-relation between the parents Act and Government policy must not be ignored and GFR in no way can be by-passed. He quoted the example of the Assembly Secretariat which is a constitutionally autonomous body having charged budget but even then its financial matters are in consistence to General Financial Rules.

11. The Secretary Higher Education told that a model Act for all the Universities was in process in which special attention would be given to remove the anomaly and provisions would be made to bring the rules in conformity with the parent laws, GFR, Provincial Government Pay & Package and other financial policies in this regard. As it was a legal and lengthy process that needs detailed deliberation therefore, she requested for two (2) months time for its finalization. The Committee accepted her request with the direction to ensure that every rule must come in conformity with the parent laws.

12. After detailed discussion the Committee expressed that the said issues have been discussed time and again and now the Committee wants to settle it once and for all. It therefore, recommended that the Higher Education Department should make sure that from today onward all the financial rules framed by the Universities which are contradictory to GFR and other laws in vogue should cease to exist. The Universities were also directed to revise these rules and bring them in conformity with the GFR and other parent laws. Until these rules are revised the Universities should follow GFR, Provincial Government pay & Package and other financial policies in this regard.

13. The Committee then took up for consideration the following Draft Paras referred to it by the PAC.

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|----------------------|---|
| 1. D.P.2.1 (2005-06) | <u>Unauthorized expenditure on miscellaneous allowances Rs.44.39 million.</u> |
| 2. D.P.2.7 (2005-06) | <u>Unauthorized expenditure on account of advance increments Rs.2.03 million.</u> |
| 3. D.P.2.8 (2005-06) | <u>Unauthorized expenditure on Conveyance & House Rent Allowances Rs.1.15 million.</u> |
| 4. D.P.2.1 (2008-09) | <u>Unauthorized payment of medical allowance Rs. 5,843 million.</u> |
| 5. D.P.2.2 (2008-09) | <u>unauthorized expenditure on medical allowance Rs.9,78,466/-</u> |
| 6. D.P.2.3 (2008-09) | <u>Unauthorized expenditure on reimbursement of Medical charges Rs.4,24, 807/-.</u> |

7. D.P.2.4 (2007-08)**Un-authorized expenditure on allowances Rs. 3.087 m.**

14. After detailed deliberation it was found that the expenditures mentioned in the above Draft Paras were made in violation of General Financial Rules, Provincial Government Pay & Package and other financial policies in this regard. However, as these expenditures were incurred in accordance with the prevailing rules of the Universities hence, taking a lenient view, the Committee recommended the Paras to be dropped subject to regularization of the above cases of unauthorized expenditures by the competent forum/authority. The Department was further directed to stop forthwith such practice of extending un authorized expenditures and till the enactment of Model Act, follow the General Financial Rules, Provincial Government Pay & Package and other financial policies in its true spirit.

7. REPORT OF THE SUB-COMMITTEE NO.2 (2007-08) PERTAINING TO IRRIGATION DEPARTMENT.**INTRODUCTION**

In pursuance of the decision of Public Accounts Committee made in its meeting held on 7th July, 2011, a Sub-Committee was constituted vide Notification No.PA/NWFP/PAC/SC-2/Irri;/2007-08/09/40079 dated 12-08-2011 comprising the following members.

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|----|------------------------------------|----------|
| 1. | Mr. Saqib Ullah Khan Chamkani, MPA | Chairman |
| 2. | Mr. Mukhtiar Ali, MPA | Member |
| 3. | Syed Muhammad Ali Shah Bacha, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to probe into the matter and thrash out the issues involved in D.P No.8.2 for the year (2007-08) pertaining to Irrigation Department and to submit its report within one month.

PROCEEDINGS

5. Three meetings of the Sub-Committee were held on 15-12-2011, 16-04-2012 and 30-05-2012. The Sub-Committee discussed the Draft Para in question threadbare and finalized its recommendations as follows.

DP.8.2 NON-RECOVERY OF PENALTY DUE TO NON-COMPLETION OF SCHEMES - Rs.8.710 MILLION.

4. The Audit reported that during the year 2005-06, in the office of Executive Engineer Irrigation Division Chitral, construction of 3 Irrigation channels were awarded to 15 contractors at a cost of Rs.87.132 million with completion period from 2003-04 to 2004-05. The schemes were not completed till the date of audit (June 2007) as the works were taken in hand without survey and technical sanction which led to suspension of the works. Penalty of Rs.8.710 million i.e. 10% of cost of the work was not recovered as required under the contract agreement.

5. The Department explained that under DERA-I Programme works on (3) number irrigation schemes were started in August/September 2003 but during the course of execution, the works were stopped by the Irrigation Department in August, 2004 on account of some technical reasons. In the mean time a technical Committee was constituted by the Additional Chief Secretary, Government of Khyber Pakhtunkhwa to pin point the irregularity occurred during implementation of the project.

6. The Department also explained that in light of the recommendations made by the Committee in its inspection report, revised PC-I was prepared and got approved from the competent authority but due to closing of DERA-I programme, the works on the said schemes could not be resumed and as such, remained incomplete. Efforts were made to include the schemes in the Provincial ADP for the year 2010-11 but due to financial constraints, the same could not be reflected in the ADP.

7. It further explained that there was no fault on the part of contractors in execution of work. Besides, the contractors had not been paid any amount after the expiry of the stipulated period as such the contractors could not be made liable for imposition of fine due to non completion of work.

8. The Committee disagreeing with the reply of the Department directed the Audit to conduct special Audit of the schemes within ten (10) days and to submit report. The Department was directed to prepare viability report of the scheme within a month and submit the same to PAC Cell for placing both the reports before the Committee for examination and consideration in its next meeting.

9. In the 2nd meeting of the Committee, the Audit Department produced report of detailed verification before the Committee instead of Special Audit Report. The Committee did not agree with the report of verification produced by Audit and shown its concern over the non responsive attitude of Audit. The Director, Audit accepted its fault and requested for some time to carry out detailed audit of the Scheme. The Committee taking lenient view accepted the request of Director, Audit and directed to conduct detailed Audit including technical evaluation of the scheme by the Audit Team within ten days.

10. The Committee then asked the Department to produce viability report of the scheme as per its direction given in previous meeting, the Department could not produce the same with the contention that it had been directed by the Committee to prepare cost estimate of the scheme for inclusion in the next ADP as the previous scheme had ever been closed by the donor agency but the Committee did not agree with the contention of the Department and directed for hearing the Audio recording of the previous meeting wherein it was confirmed that the decision has been rightly incorporated in the minutes and the contention of the Department was not based on facts. The Committee noted such casual attitude of the Department. It also observed lack of coordination amongst the various formation of the Department. The internal check/control which is the essential requirement of the General Financial Rules (GFR) was also found very weak even nil. In such disappointing circumstances the Committee with heavy heart directed the Department to initiate stern action against those officers/officials who did not implement the earlier decision of the Committee. The Committee also directed that the same may be reflected in their ACRs/PERs accordingly under intimation to PAC Cell.

11. Besides initiating disciplinary action, the Department was once again directed to prepare viability report within ten days and submit the same to PAC Cell. However, on the request of the Department, the time period for preparation of viability report was extended upto one month.

12. In the 3rd meeting of the Committee, the Department advanced the following facts before the Committee that:-

- i. There were mistakes and under estimation in the initial survey of the project (s) which were communicated to the Hon, able Chief Minister, Khyber Pakhtunkhwa who was kind enough to order for rectification of the said mistakes/omission at the risk & cost of XEN concerned with out initiating any disciplinary action which was done accordingly.
- ii. Un-necessary delay in execution of projects was due to the fact that full funds were not released to the projects/schemes due to winding up of DERA-I program.
- iii. The requisite funds were also not allocated in DERA-II program.
- iv. The requisite funds for the project could not be accommodated in ADP of the Province due to its huge volume.

13. Both the reports of Audit & Irrigation Departments as asked for in the previous meetings were presented before the Committee. The Committee took up for consideration the following reports one by one:-

- i. Special Audit Report on the Accounts of Doon Owir Irrigation Scheme, District Chitral.
- ii. Viability Report of 3 Nos. Irrigation schemes in District Chitral.

COMMITTEE OBSERVATION

14. The Committee after examining the above said reports, observed that the project was prepared & executed un-professionally. When flaws were pointed out, revision of the project was also not carried out professionally, the said flaws were removed at the risk and cost of the then XEN only and no other Officers/Officials in line were questioned.

15. The XEN was found guilty and punished, however, the Department had not taken any Departmental/disciplinary action against him, he was neither proceeded against nor could non-initiation of disciplinary action be justified, this was a serious omission on part of the Department.

16. The Committee also observed that the Department admitted that survey was not conducted properly but no action was initiated against the surveyor. Similarly, the role of Sub-Divisional Officer (s) (SDOs) and Sub-Engineer (s) was totally ignored in any inquiry conducted in these projects. There is no record of action taken against the concerned contractor (s) also.

17. From the viability report, presented by the department, the Committee observed that only one (1) scheme out of three (3) i.e. Doon Owir was viable for completion.

18. The Special Audit report of Audit Department was also found incomplete as there were three (3) water channels involved in the Draft Para whereas the Audit Team visited and reported for only one channel i.e. Doon Owir water channel.

COMMITTEE RECOMMENDATION

19. In view of the above observations, the Committee recommended the following:-
- i. The Secretary to Government of Khyber Pakhtunkhwa, Irrigation Department may inquire into the matter and specify the role of SDO (s), Sub-Engineer (s), Surveyor and Contractor (s) concerned and fix responsibility on them within three (3) months. The XEN concerned was punished, although not appropriately, in the Committee opinion he may not be tried again in the spirits of double jeopardy.
 - ii. All the contractors involved should be black listed, if found guilty.
 - iii. The case for completion of the construction of Doon Owir Irrigation schemes, Tehsil Mulkhow, District Chirtral may separately be submitted to the Government with the recommendation of the Committee to arrange funds for the project.

8. REPORT OF THE SUB-COMMITTEE NO.1 (2009-10) PERTAINING TO ENVIRONMENT DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 13th February, 2012, a Sub-Committee was constituted vide Notification No.PA/KP/PAC/SC-1/2009-10/12/14440 dated 26-03-2012 comprising the following members:-

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Saqib Ullah Khan Chamkani, MPA | Chairman |
| 2. | Mr. Fazal Shakoor Khan, MPA | Member |
| 3. | Malik Tamash Khan, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to examine the issue of real ownership of the land involved in DP No.5.2 for the year 2009-10 pertaining to Environment Department and to submit its report within one month.

PROCEEDINGS

3. Two meetings of the Sub-Committee were held on 12-04-2012 and 30-05-2012. The Sub-Committee examined the Draft Para in question threadbare and finalized its recommendations as follow:-

DP.5.2 UN-AUTHORIZED RETENTION OF GOVERNMENT REVENUE Rs. 5.500 MILLION (2009-10).

4. The Audit reported that the Divisional Forest Officer, Peshawar kept Rs.5.501 million on account of compensation of trees and replanting charges upto 6/2009 under the unauthorized Head "P-Deposit". The funds were required to have been deposited under proper Head of Account, which was not done.

5. The irregularity was pointed out in April 2009. The Divisional Forest Officer stated that the government revenue would be adjusted in the accounts after consultation with higher authorities.

6. During the meeting of PAC, the Department explained that an amount of Rs.2,61,000/- (including Rs.2,20,500/- shown by Audit) on a/c of Re-planting charges has already been transferred/adjusted to the proper Head "G-12417-FDF" during the month of 12/2009.

7. So far the amount of Rs.53,00,153/- (Rs.22,68,000/- (+) Rs.9,15,000/- (+) Rs.21,17,153/-) on a/c of replanting charges, compensation of trees cutting and exploitation charges respectively is concerned, in this connection it clarified that:-

- i. The amount realized as per policy of the Government by the Forest Department from the City Development & Municipal Department (CD&MD) Peshawar for removal of 1474 trees causing hindrance in the construction of Canal road along Gravity Flow Canal (GFC).
- ii. The trees were accordingly auctioned after fulfillment of codal formalities and work orders for removal of trees were issued.
- iii. When the purchasers of the trees started the works and cut & carried 559 trees the Army authorities stopped the work claiming their ownership on the land & trees planted thereon.
- iv. After a lengthy correspondence, the Government left the remaining trees to the Army authorities & allowed them to cut the balance trees being their property.
- v. After removal of trees, the Army authorities also demanded the Re-planting charges and compensation etc: which has not yet been paid by the Department on the plea that the amount was realized from CD&MD according to the Government policy of the Forest Department and no such policy exist in the Armed forces, because the Forest Department is raising, maintaining & protecting the trees with the funds of Provincial Government.

8. Therefore such amount was kept in P-Deposit that if the Army authorities turned back from their demand and the dispute is resolved with the passage of time then the same amount will be adjusted to proper Heads of Revenue and FDF of the Provincial Government otherwise if the Army authorities insisted on payment & the Government allow the payment to Army then such amount lying in P-Deposit will easily be paid to them accordingly.

9. During the first meeting of Sub-Committee held on 12-04-2012, the Chairman asked the Department to explain whether the amount laid in P-deposit was deposited in the Government Treasury as recommended by the PAC in its meeting held on 13-02-2012 or other wise. The Department responded that the amount has been deposited as per direction of the PAC.

10. The Chairman then asked the Department about the ownership of the land. In response the Department told that the ownership of land belonged to Irrigation Department whereas the trees were the property of Forest Department.

11. In this regard the SDO Irrigation Department told that according to Revenue record, the land in question belongs to "Sarkar Daulat Madar" and there mention no where the name of any Government agency.

12. The Committee observed that the Department has not bothered to check the ownership of land in the Revenue record nor it had any proof of ownership to produce it before the Committee.

13. Due to different contentions advanced by the Environment & Irrigation Departments, the Committee could not arrive at a just conclusion. Therefore, the Committee directed the Department to tackle the issue of ownership of land with the Revenue Department in collaboration with Irrigation Department and submit authentic report to the Committee with in two weeks.

14. In the 2nd meeting held on 30-05-2012, the Chairman asked the Department to present report regarding ownership of land as directed for in the previous meeting held on 12-04-2012.

15. The Department presented the report wherein it was concluded that during the acquisition of land in 1962, the Irrigation Department made payment of Rs. 91,693/- for a land measuring 518 kanals and 4 marlas (64.775 acres) including 137 kanals (17.125 acres) disputed land shown in the revenue record owned by Government (Sarkar Daulat Madar) without indicating the name of department/agency in possession. Payments to all private owners were made except the disputed land.

COMMITTEE OBSERVATIONS

16. The Committee examined the report of the Department presented before it and observed that Clause (1) of Article 172 of the Constitution is very much clear about the

ownership of the land in question. Furthermore, in all the Departmental meetings held in this regard, the Army authorities have nowhere presented any documentary proof or evidence that shows their ownership on the land in question.

COMMITTEE RECOMMENDATION

17. In view of the above, the Committee recommended that the issue of ownership of land between the Provincial Government and Pakistan Army be examined by the Chief Secretary to Government of Khyber Pakhtunkhwa involving the Secretary to Government of Khyber Pakhtunkhwa, Irrigation Department and Senior Member Board of Revenue (SMBR), Khyber Pakhtunkhwa. If Pakistan Army on record was found the owner of land then the issue would stand resolved otherwise it may be taken up with the Army authorities in light of Article 172 of the Constitution of the Islamic Republic of Pakistan.

18. The Committee appreciated the services of Mr. Muhammad Tariq, DFO, Peshawar of Environment (Forest Department) who made strenuous efforts and dig out the old record even in Irrigation Department which enabled the Committee to arrive at a just conclusion.

9. REPORT OF THE SUB-COMMITTEE NO.2 (2009-10) PERTAINING TO ADMINISTRATION DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 14th February, 2012, a Sub-Committee was constituted vide Notification No.PA/KP/PAC/SC-2/2009-10/12/14450 dated 26-03-2012 comprising the following members:-

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|----|------------------------------------|----------|
| 1. | Mr. Saqib Ullah Khan Chamkani, MPA | Chairman |
| 2. | Mr. Muhammad Zamin Khan, MPA | Member |
| 3. | Mr. Mukhtiar Ali, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to carry out physical verification of the items and recommend to the Department transparent mechanism for disposal of the items involved in Draft Para No.2.3 for the year 2009-10 pertaining to Administration Department and to submit its report within one month.

PROCEEDINGS

6. Two meetings of the Sub-Committee were held on 11-04-2012 and 31-05-2012. The Sub-Committee examined the issues involved in the Draft Para in question threadbare and finalized its recommendations as follow:-

DP.2.3 LOSS TO THE GOVERNMENT Rs. 10.00 MILLION (2009-10).

5. The Audit reported that the Establishment & Administration Department declared the rest houses at 12th the Mall & Frontier House Kohat as offices and residences of Regional Coordination Officers during 2008-09. From these rest houses 99 items i.e. split air-

conditioners, furniture, cutlery, decoration pieces, electric items, geysers, freezers and generators were received and dumped in the Civil Officers Mess. The estimated value of these items is Rs.10 million. Neither physical verification of these items was not carried out nor was any measures taken to protect them from deterioration, which resulted into a loss to the government.

6. During the meeting of PAC, the Department explained that all items are in safe custody of the Estate Office in the Administration Department. These were tagged with an enquiry. Now authorities have given clearance regarding these items and a summary for their disposal through open auction has been approved. The C&W Department has been requested for determination of depreciated/reserved price of the articles.

7. During the first meeting of Sub-Committee held on 11-04-2012, the Chairman threw light on the issue of dumping various articles in Civil Officers Mess received from Frontier House, Kohat and 12th-the mall, the Official residence of Commissioner Peshawar.

8. The Department was asked to explain back ground of the case. It explained that the Devolution plan, 2001 scratched Revenue and Civil Division from the administrative system in the Province and simultaneously abolished the posts of Divisional Commissioners. Their residences were converted into rest houses and their Offices were given to District Governments. Cevagnari House, Kohat, the Official residence of Commissioner was converted into Frontier House and 12th-the Mall, the Official residence of Commissioner Peshawar was used as a rest house. Both facilities were maintained by Provincial Building Maintenance Cell (PBMC). These facilities were upgraded with new furniture and other household articles. It was in 2008 that the Offices of Regional Coordinators were created and both houses were given to them as Official residences but the furniture, some fixtures and other articles were collected from these houses and dumped in Civil Officers Mess, Peshawar. Since then they are constantly losing their value. Rates of some of these articles were the subject of an enquiry with the National Accountability Bureau which led to the recovery of Rs. 3.263 million which has been refunded to Provincial Building Maintenance Cell. It leads to the conclusion that these pieces were procured by PBMC and it would be in a better position to indicate the cost of procurement.

9. In order to avoid decay, depreciation and deterioration of these articles, the National Accountability Bureau, Peshawar was requested for an update on their probe. The Bureau intimated that the store may be disposed off as per Departmental/Government policy and procedure.

10. Details of the furniture, fixtures and other including carpets alongwith Photo albums were communicated to the Government Departments to consider their utilization in their setup. For this purpose the summary was routed through Departments maintaining rest houses in different parts of the Province to have their views and proposals on the utility of these articles. The Communication and Works Department was requested to add details about the initial cost of these articles. Finance and Law Departments were also requested to add views on regulatory and statutory requirements of the process for their disposal. None of the Departments showed interest in these articles and all the Departments suggested for open auction.

11. The PBMC was requested to work out the depreciated value of the items. Which were worked out Rs. 20 Lacs. These items were then put to open auction and the highest bid of Rs. 10 Lacs was received which was rejected being on lower side.

PHYSICAL VERIFICATION

12. In pursuance of the decision of PAC given in its meeting held on 14-02-2012, the Committee carried out Physical verification of the items dumped in the Civil Officers Mess, Peshawar.

13. The Committee noted that proper care to protect the items from deterioration was taken by the Department. All the items were found in serviceable condition.

COMMITTEE RECOMMENDATION IN FIRST MEETING

14. After carrying out the Physical verification and detailed discussion with the Secretary Administration, the following decisions were made.

1. A Committee comprising the representative of Audit, Finance, PAC Cell and Administration Department was constituted to check all the items with the inventory list to ensure that all the items received from the rest houses are present.
2. The PBMC may be asked to work out the current value of each item.
3. After cleaning the items properly, the Administration Department may offer the items to the Government officers on the rates worked out by the PBMC.
4. The Department was directed to provide details of items purchased for the said two houses after 2008-09.
5. The Department was also directed to approach the C&W, Environment, Irrigation, Information, Tourism and Local Government Departments and obtain details of items purchased by them for their rest houses during the financial years 2008-09 & 2009-10.

15. In the 2nd meeting held on 31-05-2012, the Chairman after welcoming the participants invited the Secretary to Government of Khyber Pakhtunkhwa, Administration

Department to appraise the Committee about the action (s) taken by the Department on the recommendations made by the Committee in its previous meeting held on 11-04-2012.

16. The Secretary Administration Department presented the compliance report as under:-

1. The Committee physically verified each and every item in the presence of Director Protocol, Administration Department and found the items available except (04) number Renai Heaters.
2. The Superintending Engineer, PBMC was requested to assess realistic prices of the articles but his response is awaited.
3. List of the items purchased after the year 2008 by Commissioner, Peshawar, Division through PBMC and detail of purchases for Commissioner, Kohat Division was produced before the Committee.
4. Secretaries to Government of Khyber Pakhtunkhwa, C&W, Environment, Local Government, Information & Culture and Irrigation Departments have been requested for providing details and their responses were still awaited.
5. Manager Civil Officers Mess, has requested that certain items are required for use in the Mess. The PBMC has valued these items which will be deposited in treasury.
6. It may be mentioned that all pieces of the furniture have been checked, polished and covered with polythene sheets.

17. He further explained that codal formalities would be fulfilled and the items would be put to open auction by 25th of June, 2012 and the amount generated would be deposited in the Government treasury. He told that the items would once again be offered to the Departments if required by them and accordingly the inventory would be updated.

18. The Committee appreciated the efforts of the Department under the administrative control of the present Secretary.

COMMITTEE RECOMMENDATIONS

19. In view of the above, the para was recommended to be dropped subject to complete disposal of items and depositing the revenue generated, in the proper Head of Account in the Government Treasury.

10. REPORT OF THE SUB-COMMITTEE NO.3 (2009-10) PERTAINING TO ADMINISTRATION DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 18th April, 2012, a Sub-Committee was constituted vide Notification No.PA/KP/PAC/SC-3/2009-10/12/19939 dated 10-05-2012 comprising the following members.

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|----|------------------------------------|----------|
| 1. | Mr. Saqib Ullah Khan Chamkani, MPA | Chairman |
| 2. | Mr. Mukhtiar Ali, MPA | Member |
| 3. | Mr. Fazal Shakoor, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to examine the issues of Un-Authorized use of Government Vehicles, Un-Authorized Expenditure on POL & repair and Un-Authorized Expenditure on irregular allotment of Vehicles involved in Draft Paras No.2.20, 2.21 and 2.22 for the year 2009-10 pertaining to Administration Department and to submit its report with in one month.

PROCEEDINGS

3. The Sub-Committee assembled on 31-05-2012 to discuss & examine the issues involved in the following Draft Para thoroughly which finalized its recommendations as follows:-

DP.2.20 UN-AUTHORIZED USE OF GOVERNMENT VEHICLES Rs.1.080 MILLION.

AUDIT VERSION

4. The Audit reported that the Establishment & Administration Department during 2008-09 incurred an expenditure of Rs.1.080 million in violation of Para-7 (i) of Government of Khyber Pakhtunkhwa, S&GAD Notification No.SO(T)NP/S&GAD/97 dated 21-03-1997 on the POL and repair of four government vehicles, which were in the use of private persons. The expenditure was thus un-authorized.

DEPARTMENTAL VERSION

5. The Secretary Administration Department explained that all the 4 vehicles in question have been recouped from the un-authorized users out of which (2) vehicles bearing registration No. A-1114 and CL-835 had been disposed off through auction and the remaining two vehicles were in the Transport Pool duty. However, as earlier responded to the PAC that

action against the defaulting officers/officials had already been taken and for recovery of embezzled amount, Senior Member, Board of Revenue had been informed for compliance.

6. He further explained that the Department was going to lodge FIR in the Police Department against the 4 officials held responsible after proper inquiry conducted in this regard.

COMMITTEE RECOMMENDATIONS

7. The Committee showed its satisfaction over the action initiated by the Department and recommended the para to be dropped subject to verification of treasury challans pertaining to the auctioned vehicles and verification of two (2) vehicles in the Transport Pool of Administration Department by Audit.

DP.2.21 UN-AUTHORIZED EXPENDITURE ON POL AND REPAIR Rs.6,42,349/.

AUDIT VERSION

8. The Audit reported that the Establishment & Administration Department incurred an expenditure of Rs.3,31,800/- and 3,10,549/- on POL and repair of vehicle bearing registration No.CL-835 w.e.f.28th July 2008 to 28th Feb 2009. During this period the said vehicle was under the use of MPA, who was not entitled. Engine of the same vehicle was also ceased in Feb 2009 w.e.f 28th July 2008 to 28th Feb 2009 was, thus, un-authorized.

DEPARTMENTAL VERSION

9. The Secretary Administration Department explained that a vehicle bearing registration No. CL-835 have been recouped and disposed off through auction. However, as earlier responded to the PAC that action against the defaulting officers/officials had already been taken and for recovery of embezzled amount, Senior Member, Board of Revenue had been informed for compliance.

10. He further explained that besides recovery, the Department was going to lodge FIR in the Police Department against the 4 officials held responsible after proper inquiry conducted in this regard.

COMMITTEE RECOMMENDATIONS

11. The para was recommended to be dropped subject to complete recovery duly verified by Audit.

DP.2.22 UN-AUTHORIZED EXPENDITURE ON VEHICLES –Rs.5,71,549/-.

AUDIT VERSION

12. The Audit reported that the Establishment & Administration Department incurred an expenditure of Rs.3,47,269/- on hiring of vehicle for PSO-II to Chief Minister during 2008-09. The officer was also allotted two vehicles and an amount of Rs.2,25, 280/- was spent on the POL and repair charges. Despite this an expenditure of Rs.3,47,269/- was also incurred on hiring of private vehicle for the said officer, which was un-authorized.

DEPARTMENTAL VERSION

13. The Secretary Administration Department told the Committee that action against the defaulting officers/officials had already been taken and for recovery of embezzled amount, the Senior Member Board of Revenue had been informed for compliance.

14. He further told that total claim of Rs.6.522 million which included the alleged payment/expenditure of Rs.5,71,549/- involved in the para was made by the supplier. The claims were inquired into and were found factitious as no approval with regard to hiring the vehicle for PSO-II to Hon'ble Chief Minister, was found on record.

15. The supplier then made application to the Chief Minister which was ordered to be filed, hence, no payment was made to the supplier. However, payments made earlier on account of hiring of vehicles to the supplier by the Administration Department was being recovered from the officers/officials held responsible in this regard as the same was not permissible.

COMMITTEE RECOMMENDATIONS

16. Subject to verification of complete recovery and it's depositing in proper Head of account in the Government treasury, the Para was recommended to be dropped.

17. The challans for deposit of total amount of Rs. 79,82,002/- into Government Treasury and availability of the vehicles in question was produced and duly verified by Audit hence, the Para is settled.

11. **REPORT OF THE SUB-COMMITTEE NO.4 (2009-10) PERTAINING TO HEALTH DEPARTMENT.**

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 23rd April, 2012, a Sub-Committee was constituted vide Notification No.PA/K.P/PAC/S.C-4/Health/2009-10/12/21764 dated 23-05-2012, comprising the following Members:

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|----|------------------------------------|----------|
| 1. | Mr. Saqib Ullah Khan Chamkani, MPA | Chairman |
| 2. | Malik Tamash, MPA | Member |

TERM OF REFERENCE

2. To examine in detail the issue (s) of unauthorized expenditure incurred on the purchase of Ambulance (below specification) and non-deposit of Hospital receipts involved in Draft Paras No.8.13 & 8.21 (2009-10) pertaining to Health Department. The Sub-Committee will submit its report to PAC within one month.

PROCEEDING:

3. A meeting of the Sub-Committee was held on 22-01-2013 in the conference room of Provincial Assembly Secretariat, Peshawar and examined in detail the Draft Paras in question and finalized its recommendations as per detail given below:-

DP.8.13 UN-AUTHORIZED EXPENDITURE ON THE PURCHASE OF AMBULANCE BELOW SPECIFICATION- Rs. 2.268 MILLION.

AUDIT VERSION

4. The Audit reported that the Medical Superintendent Police & Services Hospital Peshawar incurred an expenditure of Rs. 2.265 million on the purchase of ambulance during 2005-06. Specifications approved of Toyota but Mitsubishi vehicle was purchased. Moreover, the ambulance was found deficient in revolving fan, Ambu bag and artificial resuscitation equipment. The nebulizer and defibrillator were below specification.

5. The DAC in its meeting held on 30th January, 2008, directed that inquiry be conducted by the Secretary Health and fix responsibility. No inquiry report was submitted till finalization of the Audit Report.

DEPARTMENTAL VERSION

6. As per recommendations of DAC, the Department conducted inquiry in the matter and placed before the Committee for examination and consideration.

COMMITTEE RECOMMENDATIONS

7. The Committee examined the inquiry report and endorsed its recommendations, which is reproduced as under:-

- i) The loss of Rs. 3.990 million may be recovered and disciplinary action be taken against the then Director General Health Services, Khyber Pakhtunkhwa, Peshawar.
- ii) The responsibility for the loss caused to government kitty and purchase of ambulances not in accordance with the specifications laid down also falls upon the purchase committee. The loss needs to be recovered from all concerned according to the quantum of their responsibilities.

8. Afterwards the Department conducted inquiry and transmit the same to PAC cell in which responsibility for the loss sustained by Government was fixed on Dr. Jalil-ur-Rehman, Ex-DGHS Khyber Pakhtunkhwa (Chairman of the Committee). Hence, recovery of the said amount may be made and disciplinary action under E&D Rules, 2011 may be taken against him.

DP.8.21 NON-DEPOSIT OF HOSPITAL RECEIPTS-Rs. 1.672 MILLION.

AUDIT VERSION

9. The Audit reported that in the Khyber Teaching Hospital, Peshawar Rs.22.163 million were realized on account of OPD, Laboratory, Physiotherapy, ECG and Radiology during 2008-09. Out of the realized amount only Rs. 20.491 million were deposited in the treasury, which resulted in non-deposit of Rs. 1.672 million.

10. The Department was requested on 17th December, 2009 to convene DAC meeting which was not arranged till finalization of the Report.

DEPARTMENTAL VERSION

11. The Department explained that total amount of Rs. 16,72,501/- had been shown as non-deposited as per detail below:-

1.	Short deposit by the registration Assistants	:	Rs.12,20,710/-
2.	Entitled Patients during the year 2008-09	:	Rs.2,74,901/-
3.	IDPs' Patients during the year 2008-09	:	<u>Rs.2,00,165/-</u>
	Total		Rs.16,95,7736-

12. It clarified that a sum of Rs. 9,76,390/- out of the total amount of Rs. 12,20,710/- as shown at serial No. 1 above, had been recovered from the concerned officials. The remaining amount of Rs. 2,44,320/- which was outstanding against Mr. Taufeeq Ahmad

had also been recovered but was yet to be verified by Audit. It further clarified that the amount as shown at serial No. 2, & 3 belonged to IDPs and entitled patients which were not recoverable.

COMMITTEE RECOMMENDATION

13. The Committee examined the documentary proof produced by the Department, therefore, the Para was recommended to be dropped subject to verification of record by Audit.

12. REPORT OF THE SUB-COMMITTEE NO.6 (2009-10) PERTAINING TO COMMUNICATION AND WORKS DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 5th July, 2012, a Sub-Committee was constituted vide Notification No. PA/KP/PAC/SC-06/2009-10/12/1559-61 dated 27-07-2012 comprising the following members:-

- | | | |
|----|-----------------------------------|----------|
| 1. | Mr.Saqib Ullah Khan Chamkani, MPA | Chairman |
| 2. | Mr. Mukhtiar Ali, MPA | Member |
| 3. | Syed Muhammad Ali Shah Bacha, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to examine the issue (s) involved in Draft Para No.15.2 for the year 2009-10 pertaining to Communication & Works Department within one month and to know about the factual position of mutation documents, actual payees receipts, land award statements etc; and to check and verify the same.

PROCEEDINGS

3. Two meetings of the Sub-Committee were held on 04-12-2012, and 11-12-2012. The Sub-Committee discussed the Draft Para in question threadbare and finalized its recommendations as per detail given below:-

DP.15.2 **NON-PRODUCTION OF RECORD ON ACCOUNT OF COST OF LAND Rs.292.269 MILLION.**

AUDIT VERSION.

4. The Audit reported that the Managing Director, Pakhtunkhwa Highways Authority Peshawar paid Rs. 292. 269 million to the District Officer Revenue (DOR) as Land compensation for various schemes during 2008-09. No Land award statements, land assessment, mutation deed, valuation table for actual payee's receipts were available on record. The payment was thus unauthentic.

5. The irregularity was pointed out in August 2009, it was stated by the local office that payment was released to the DOR's of the respective areas for further payment to the land owners upon the production of demand. Section 4 had already been issued so as to avoid further transfer of land. Actual payee's receipts would be shown to audit.

6. In the DAC meeting held on 2nd February 2010, the Department repeated the previous reply. The DAC directed that mutation documents, land award statements, actual

payee's receipts and other relevant documents may be obtained immediately from the Revenue Department and shown to audit.

7. The Department explained that:-

- a. Total amount involved in the Para was Rs. 192,269 million and not Rs. 292.269 million which was accepted too by the Audit Department being typographic mistake.
- b. Payment to respective DOR & E was made after getting section 4 under the Acquisition of Land Act-1884.
- c. Mutation deed has been done by the DOR & E Mardan in work "Mardan Swabi Bypass.
- d. Actual payee receipts for Rs.12,19,38,759/-relating to the work (detail as under) have been received and got verified from the Audit.

i.	Chukiatan Barawal Road	Rs.4,58,59,076/-
ii.	Mayar to Asmaar Road	Rs.19,59,880/-
iii.	Mardan to Swabi Bypass	<u>Rs.7,12,87,258/-</u>
	Total	Rs.11,91,06,214/-
	Add Returned Cheques	Rs.28,32,545/-
	Grand Total	<u>Rs.12,19,38,759/-</u>

- iv. Actual payee receipts for the balance amount of Rs.70.330 million have not been furnished by the respective DOR & E, for which efforts are being made.

8. During examination of the Para, the Committee observed that the entire amount of Rs.192.269 million have been disbursed except of Rs. 70.330 million which is pending for disbursement due to non-responsive attitude of DORs concerned.

9. The Committee also observed lack of coordination between C&W Department and BOR. The representatives of BOR were also found not aware of its Department functions such as Land award statements, Land assessment, mutation deed and valuation table. The Budget Officer of BOR was asked about the procedure of amount disbursement but he was unable to respond, with the pretext that he had recently been assigned the task.

10. After detailed consideration the Committee directed that:-

1. The Department may hold special meeting with S.M.B.R. in this week to consolidate complete details of non disbursement of the remaining amount of Rs. 70.330 million so far and to produce details of total amount of Rs.192.269 million showing that:-
 - i. Date of opening of bank account.
 - ii. In which type of bank account the amount was deposited by the DORs
 - iii. Complete reconciled bank statements of the account (s), since the amount in question was deposited.

2. Verification Certificate of the amount disbursed so far be furnished by the Audit Department to PAC Cell.

11. In the second meeting, the Department clarified that total amount involved in Draft Para was actually Rs. 192,269 million out of which an amount of Rs. 12,85,26,414/- has been paid to the concerned and proper APRs obtained whereas the balance amount of Rs. 5,40,91,864/- is in the process of payment as per detail given below:-

S/No	DOR&E	Amount of DP	APRs Received	Balance Amount
1.	Dualization of Naguman Charsadda Road	Rs.1,63,02,137/-	Rs. 42,53,000/- Relates Charsadda	1,20,49,137/-
2.	Karak Sabirabad Shakardara Road	Rs. 24,65,809/-	Nil	Rs. 24,65,809/-
3.	Chukiatan to Barawal Road	Rs.5,80,00,000/-	Rs.5,61,13,783/ -	Rs. 18,86,217/-
4.	Mayar to Asmar Road	Rs. 51,78,352/-	Nil	Rs. 51,78,352/-
5.	Mardan Swabi Bypass Road	Rs.10,06,72,080/ -	Rs.6,81,59,631/ -	Rs.3,25,12,349 /-
	Total	Rs.18,26,18,378/ -	12,85,26,414/-	Rs.5,40,91,864 /-

12. It further clarified that the balance amount at serial Nos. 1 related to District Peshawar whereas at serial No. 2 related to District Karak which would be disbursed shortly.

13. The Department also clarified that the balance amount at serial No. 3 was pending with DOR Upper Dir for enhancement purpose and its case was in the Court of District and Session Judge Upper Dir.

14. With regard to the balance amount at serial No. 4, the Department told the Committee that the amount had been returned to the Department without disbursement amongst the owners of the Land by the Land Acquisition Collector with the contention that settlement had not been carried out in the area as yet.

15. With regard to balance amount at serial No.5, the Department told that Rs. 96,50,414/- out of the total balance amount, had been returned to the PKHA being excess amount whereas the remaining balance amount was being disbursed amongst the Land owners.

16. After detailed discussion, the Committee recommended as follow:-

- i. The DORF Peshawar may disburse the balance amount amongst the Land owner within a month and actual payees receipts be verified from Audit

- ii. The Managing Director PKHA and Secretary Board of Revenue may enquire into the matter of non disbursement of Rs. 2.465 million amongst the Land owners of District Karak and determine whether the owners have a demand for high rates or not. If the owners have the demand for high rates, then the excess cost may be recovered from the responsible of Board of Revenue Department.
- iii. The pending amount with the DOR Upper Dir was subjudice therefore the Department may pursue the case vigorously in the Court of Law through responsible Officer.
- iv. The Department may send back the already returned cheques to the Land Acquisition Collector Upper Dir for the disbursement amongst the Land owners as the Land Acquisition Act is now been extended to the area.
- v. The Department may deposit the excess mount of Rs.96,50,414/-pertaining to Mardan Swabi by Pass Road in the Government treasury within a week duly verified by Audit and the remaining amount of Rs. 2 , 28, 61, 935/- be disbursed amongst the Land owners under intimation to PAC Cell.

13. REPORT OF THE SUB-COMMITTEE NO.4 (2010-11) PERTAINING TO FOOD DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee in its meeting held on 2nd October, 2012, a Sub-Committee was constituted vide Notification No. PA/KP/PAC/S.C-4/2010-11/12/11855-58 dated 02-11-2012 comprising the following:-

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Saqib Ullah Khan Chamkani, MPA | Chairman |
| 2. | Mufti Syed Janan, MPA | Member |
| 3. | Mr. Mukhtiar Ali, MPA | Member |

TERMS OF REFERENCE:

2. To examine in detail the issue (s) involved in Draft Para No. 8.2.2 for the year 2010-11 pertaining to Food Department and submits its report to PAC within one month.

PROCEEDINGS

3. A meeting of the Sub-Committee was held on 29-11-2011 in the conference room of Provincial Assembly Secretariat, Peshawar and discussed the Draft Para in question threadbare and finalized its recommendations as per detail given below:-

DP.8.2.2 MIS-APPROPRIATION OF WHEAT Rs. 56.682 MILLION.

AUDIT VERSION

4. The Audit reported that during the financial year 2007-08, in the office of Director Food, Peshawar 50,161 bags full of wheat amounting to Rs. 56.682 million were mis-appropriated at Havalian, Dasso and Kohistan Districts of Khyber Pakhtunkhwa. Audit was of the view that mis-appropriation was due to negligence and weak controls on the part of management. The mis-appropriation was pointed out in September 2008. The management stated that the matter was subjudice and the decision would be communicated to Audit.

5. In the DAC meeting held in November 2009, the Department replied that NAB carried out physical verification of wheat stores in Lahore Shed Godowns Havalian and found missing a quantity of 50,161 bags full of wheat amounting to Rs.56.682 million. NAB registered a case against the officers of the Department which was yet to be decided. Audit would be informed as and when the case decided.

DEPARTMENTAL VERSION

6. The Department explained that during April, 2007 the stock of wheat for Kohistan

District had been stored in the Transit Godown Lahore Shed Havalian. NAB authority made a raid on the above Godown and proper physical verification of the wheat stock was carried out in the presence of the then Officers of Food Department 50,168 bags were found short. A Departmental inquiry was also conducted. In compliance to the recommendations of the inquiry Committee Mr. Qamar Zia the then DFC Kohistan was removed from service vide Director Food office order No.4274/PF-422-II dated 21-05-2010. Moreover, the amount of loss was to be recovered in 50:50 from DFC and store Keepers concerned. The matter was under process for investigation in the NAB and then trailed in NAB Court. The court has finalized the case vide their judgment and both the accused were sentenced with a fine recoverable as an arrear of land revenue. Against this judgment the petitioners have gone to the Honorable High Court Peshawar. Accepting the petitions the High Court suspended the sentence of fine. The Department further explained that an amount of Rs.94,01,733/- had been recovered and deposited on the account of plea bargain by NAB but not deposited in the Provincial Kitty.

COMMITTEE OBSERVATION

7. The Committee observed that plea bargain could not be made with the accused without the consent of the party which is Department in this case. Moreover, as per Section-25 (a) of the NAB Ordinance 1999, the accused has to return all the assets/gains acquired which was not done, hence Section-25 (a) of NAB Ordinance 1999 was violated. Similarly as required under Section-25 (c) of the NAB Ordinance 1999, the amount deposited by the accused with the NAB was required to be transferred to the Provincial Government within one month from the date of such deposit, which was also not done, hence Section-25 (c) was violated.

8. The Committee then asked the Department to explain reason for the failure of internal control in the Department.

9. The Department explained that proper internal control was in place but as all the staff including the overall Incharge were involved in this embezzlement case and their action was supposed to be unearthed at appropriate time but before that the NAB authorities raided the Godown and caught them red handed. After that proper Departmental inquiry was conducted wherein it was recommended that Mr. Qamar Zia the then DFC Kohistan be removed from service immediately. As far as amount of loss is concerned it was recommended to be recovered from the staff.

10. The Department further explained that re-structuring of the Department was considered after that and now at the Divisional level Assistant Directors have been appointed to

monitor all such activities like inspection and physical checking of the Godown, frequently to avoid such like instances in future..

COMMITTEE RECOMMENDATION

11. The Committee after detailed discussion recommended that:-

- i. The case may be initiated with the NAB authorities to transfer the amount deposited with it to the Provincial Kitty as provided in section-25 (c) of NAB Ordinance 1999, within two weeks.
- ii. The Department should take little more proactive legal stance and should challenge the amount involved in the court of Law.
- iii. Calculate the exact amount misappropriated so that the Court can be informed accordingly and pursue the case vigorously so that it could be made example for others.
- iv. The Department should sit together with Law Department and a detail case may be prepared and progress be intimated to PAC Cell within 15 days.

14. REPORT OF THE SUB-COMMITTEE NO.2 (2010-11) PERTAINING TO HEALTH DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 18-09-2012, a Sub-Committee was constituted vide Notification No.PA/KP/PAC/S.C-2/2010-11/12/10290 dated 4-10-2012, comprising the following Members:

- | | | |
|----|------------------------------|----------|
| 1. | Mr. Muhammad Zamin Khan, MPA | Chairman |
| 2. | Mufti Syed Janan, MPA | Member |

TERM OF REFERENCE

2. To examine in detail the issue (s) involved in Draft Para No. 9.2.2 and 9.2.5 (2010-11) pertaining to Health Department and to probe the issue minutely and submit its report to PAC within fifteen days.

PROCEEDING:

3. A meeting of the Sub-Committee was held on 14-11-2012 in the conference room of Provincial Assembly Secretariat, Peshawar and discussed the Draft Paras in question threadbare, the Sub-Committee also visited the Khyber Girls Medical College, Hayatabad, Peshawar on 21-11-2012 and carried out physical verification and finalized its recommendations as per detail given below:-

DP.9.2.2 LOSS DUE TO MISSING STORES Rs. 13.597 MILLION.

AUDIT VERSION

4. The Audit reported that during the financial year 2006-07 the Khyber Girls Medical College, Peshawar made un-necessary purchases costing Rs.13.597 million. However, there were no details regarding stock entries, issue indents or utilization/installation of said stores.

5. Audit was of the view that the cause of loss was due to weak internal controls which lead to misappropriation.

6. The loss was pointed out in March 2008. The management furnished no reply.

7. In the DAC meeting held on 01-02-2010 the Department replied that a Committee had been constituted to carry out physical verification of the dead stock items to assess shortage, if any and the result will be intimated to Audit. The DAC did not agree and decided to get the physical existence of the said stores verified by an Audit Officer. On

verification by Audit carried out from 06-02-2010 to 14-02-2010, items worth Rs.13.597 million were found missing.

DEPARTMENTAL VERSION

8. During the meeting the Department repeated the same reply as given in the PAC meeting that physical verification was carried out and it was observed that all the furniture items are available. Since there was a dispute on the distribution of furniture items between the KMU and KGMC, therefore, some items were available at KMU whereas few are in the custody of KGMC. The Department further explained that a departmental Committee was constituted to physically check all the equipments and furniture pointed by the Audit party during the course of audit, which physically checked all the items lying in various Departments of the institution and found it correct, except a few items. It requested the Committee to fix a date for physical verification/checking to verify all the furniture items physically. It further told that the machinery and equipments in question are available and physically exist in various Units of the Institution.

9. In view of the above the Committee decided to carry out physical verification on 21-11-2012, at 10.00 a.m. in the Khyber Girls Medical College, Peshawar to know the factual position. The concerned Audit officer who carried out physical verification earlier was directed to attend the physical verification. The Department was directed to keep the record of releases and expenditure made on purchase of furniture and equipments for the years 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 ready for examination. The Department was further directed to properly mark all the items to facilitate of the physical verification.

PHYSICAL VERIFICATION

10. The Committee visited the Khyber Girls Medical College, Hayatabad, Peshawar on 21-11-2012 and carried out the physical verification of the furniture and equipments mentioned in the Para. All the items were physically available in different units of the College. The Committee also examined the record of furniture items which was found satisfactory.

COMMITTEE RECOMMENDATION

11. As all the items i.e. furniture and equipments which were reported to be missing were found present in the respective units of the college duly checked with the inventory. Hence the Para was recommended to be dropped with the direction to the Department to conduct

proper enquiry for fixing responsibility and to initiate appropriate disciplinary action against the person who did not provide the relevant record to Audit in time and failed to carry out physical verification along with Audit earlier.

DP.9.2.5 LOSS DUE TO PROCUREMENT OF SUB-STANDARD MORTUARY COOLING UNIT Rs. 2.39 MILLION.

AUDIT VERSION

12. The Audit reported that during the financial year 2006-07, the Principal Khyber Girls Medical College, Peshawar incurred an expenditure of Rs.2.39 million on the purchase of Mortuary Cooling Unit. The unit supplied was sub-standard as pointed out by Deputy Medical Superintendent (Stores).

13. Audit held that loss was due to weak internal controls and negligence on the part of management.

14. The loss was pointed out in March 2008. The management stated that detailed reply would be submitted later on.

15. In the DAC meeting held on 01-02-2010, the Department replied that the purchases were made through advertisement and finalized by the Purchase Committee on the lowest cost basis and items were also inspected by the Forensic Department. The DAC did not agree and directed the focal person to provide the relevant documents to Audit with one week. However, no such documents were provided to Audit. The Audit re-verified the case on 14-02-2010 but tender documents, comparative statements, approval of the Purchase Committee or inspection report etc were not produced to Audit in support of the reply of the Department.

DEPARTMENTAL VERSION

16. The Department explained that the mortuary cooling unit was purchased according to the specification. The unit is foreign made and is working efficiently. All the relevant and supporting import documents i.e. bill of entry and proper bills of landing are showing made and origin of the cooling unit.

17. During the meeting Assistant Professor Dr. Sartaj, the then DMS (Store) Khyber Girls Medical College, Peshawar told the Committee that he had made several complaints about the concerned contractor i.e. Mr. Mukhtiar (MS Lakha Trading Company) who had supplied substandard mortuary coolers. Unfortunately the Administrative Officer had put file and specification with in his office for bargaining but as rule the file should be in store. The focal person of forensic Medicines had also become a party and favours the contractor in this regard.

He informed the Committee that he had checked the details from the internet of bally Company of USA and proved that it neither made by USA nor original Bally Company and it was made in Pakistan which was substandard and its price was less than 7 lacs and copy of letter endorsed to the Secretary Health, DG Health Services Khyber Pakhtunkhwa and focal person Forensic Medicines, K.G.M.C.

18. The Law Department was the opinion that after receiving the application, the Department was required to conduct a fact findings inquiry in the matter which was not done and the Administration of the Department asked as silent spectators.

19. The Department objected that the observation of the then DMS (Store) was malafide and baseless. The departmental verification committee members thoroughly examined all the relevant imports/customs documents i.e. bill of entry, bill of landing, purchase order, advertisement and comparative statement etc. showing that 2 Nos. Mortuary Cooling Units was made by USA as per requirement of institution and the said equipments were functioning well for the last five years. The Department requested the Committee to fix a date to carry out physically check the equipments involvement in the Para to know about the factual position.

20. In view of the above observation the Committee has fixed the date to carry out physical verification of the said mortuary cooling units on 21-11-2012, at 10.00 a.m. in the Khyber Girls Medical College, Peshawar to know the factual position. The Department was directed to keep ready all the relevant record for examination by the Committee.

PHYSICAL VERIFICATION

21. The Committee visited the unit of Khyber Girls Medical College, Peshawar where Mortuary Cooling Units were placed and found that the units were imported and properly working. The Committee further examined all the relevant and supporting documents i.e. bill of entry and proper bill of landing, which were showing make and origin of the cooling unit which was also found satisfactory.

COMMITTEE RECOMMENDATION

22. As all the units were found according to specification, therefore, the Para was recommended to be dropped with the direction to the Department to conduct proper enquiry for fixing responsibility and to initiate appropriate disciplinary action against the person who did not provide the relevant record to Audit in time.

15. REPORT OF THE SUB-COMMITTEE NO.5 (2010-11) PERTAINING TO FOOD DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 8th October, 2012, a Sub-Committee was constituted vide Notification No. PA/KP/PAC/SC-5/2010-11/12/11845-47 dated 02-11-2012 comprising the following Members:-

1. Mr. Muhammad Zamin Khan, MPA Chairman
2. Mr. Saqib Ullah Khan Chamkani, MPA Member

TER OF REFERENCE

2. To examine in detail the issue (s) involved in Draft Para Nos. 8.2.33 and 8.2.36 for the year 2010-11 pertaining to Food Department and submit its Report to PAC within one month.

PROCEEDING

3. A meeting of the Sub-Committee was held on 02-01-2013 in the conference room of Provincial Assembly Secretariat, Peshawar and discussed the Draft Paras in question threadbare and finalized its recommendations as per detail given below:-

DP.8.2.33 NON-RECOVERY FROM THE FLOUR MILLS Rs. 0.841 MILLION.

AUDIT VERSION

4. The Audit reported that during the financial year 2005-06, in the office of District Food Controller Kohat, Rs.8,41,043/- were found recoverable from various Flour Mills due to sale of wheat at the rate lesser than the approved as shown below:-

Approved rate =	Rs. 452.50 per ton
Sale rate =	Rs. 370.00 per ton.

5. Audit held that the cause of non recovery was negligence on the part of management to observe financial propriety. The non-recovery was pointed out March 2007. The Department relied that the case was under trail in the court of law and after its final decision, Audit would be intimated accordingly.

6. In the DAC meeting held on August 2008, the Department repeated the previous reply. The DAC decided to stand the para till the decision of the court. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

7. The Department explained that the rate of wheat was enhanced from Rs.3,550/- per ton to Rs.4,375/- per ton by the Federal Government on 23-03-1994, a telegram was also issued to DFC Kohat by the Food Directorate, Peshawar but he had received it on 24-03-1994. However, the flour mills deposited the amount on old price, actually Rs.8,17,828/26 was recoverable from the Flour Mills instead of the amount shown in Audit Para. The flour mills were directed to deposit the amount but instead of deposit, they lodged Civil Suit. The case was earlier under trail in High Court Peshawar and decided on 26-05-2010 in favour of Food Department. Against the above amount Rs.6,56,415/- had been recovered and deposited into Government Treasury. The Challans and reconciliation statement verified by Audit in Pre-PAC meeting detailed below:-

S/No	NAME OF FLOUR MILLS	AMOUNT DUE	AMOUNT RECOVERED	BALANCE AMOUNT
1	Aman Flour Mills	1,73,698/-	1,73,698/-	-
2	Bangash Flour Mills	1,61,414/-	-	1,61,414/-
3	Afridi Flour Mills	78,914/-	78,914/-	-
4	Gul Flour Mills	1,88,315/-	1,88,315/-	-
5	Hidayat Flour Mills.	2,15,218/-	2,15,218/-	-
		8,17,828/-	6,56,415/-	1,61,414/-

8. The balance amount of Rs.1,61,414/- from the Bangash Flour Mills, has also been recovered and deposited into the Government Treasury vide Challan No. 1 dated 12/12/2012.

COMMITTEE RECOMMENDATION

9. The Department produced the Challan of recovered amount Rs.1,61,414/- which was verified by the Audit, hence, the Para was recommended to be dropped with the direction to initiate appropriate disciplinary action against the person (s) involved in delaying the recovery of the amount in question from the concerned Mill.

DP.8.2.36 LOSS DUE TO NON-SUPPLY OF WHEAT Rs.1.147 MILLION.

AUDIT VERSION

10. The Audit reported that in the office of District Food Controller, Chitral a quantity of 1,500 metric ton wheat was issued from NRC Azakhel for Darosh Centre Chitral. On receipt of wheat a quantity of 545 bags weighting 47.075 metric ton costing Rs.1.147 million was found substandard/damaged which was returned. However, the same had not been brought to Chitral even after the lapse of one year.

11. Audit was of the view that provision of substandard wheat and negligence in pursuing the recovery of rejected wheat caused the loss. The non-supply of wheat was pointed out in July, 2010. The management stated that the contractor had already been directed to bring the wheat from the quarter concerned.

12. In the DAC meeting held on 25-11-2010, the Department replied that the substandard quantity had not been accepted by the DFC Chitral and returned to S&EO Azakhel. The DAC did not agree and directed to conduct an inquiry and submit report within two weeks.

DEPARTMENTAL VERSION

13. The Department explained that a quantity of 15,00.000 metric tons wheat was allocated from NRC Azakhel to PRC Drosh Chitral through carriage contractor Haji Sher Afzal. During transportation a quantity of 545 bags weighting 47.075 metric tons wheat were found sub-standard/damaged contain stones etc, which was not accepted by the Incharge and the contractor back, transported the quantity to NRC Azakhel. The above quantity of wheat duly acknowledged by the Incharge NRC Azakhel was kept as "Amant" without making entry in FG-3 register. It further told that proper inquiry was conducted as per decision of DAC.

14. During the current meeting the Contractor explained that on the directives of DFC Chitral 47.075 metric tons wheat out of the total quantity of wheat 1300 metric tons being indigenous was returned to NRC Azakhel and handed over to the Godown authorities and proper receipts was obtained but security and amount of transportation charges was not released up-till now.

COMMITTEE OBSERVATION

15. The enquiry declared unsatisfactory by the PAC was examined and found satisfactory by the Committee. During the examination of the enquiry report the Committee observed negligence on the part of Food Grain Inspector, Chitral who did not bother to check the quantity and quality of the wheat and even not obtained certificate from Storage & Enforcement Officer (S&EO) NRC Azakhel which was required to be dispatched with the wheat.

16. The Committee also observed that the contractor fulfilled the task assigned to him that is why he was granted NOC/clearness certificate by the DFC Chitral despite awarding NOC/clearness certificate to the contractor, neither his security was released nor he was paid the transportation charges of both sides till date.

17. The Committee further observed that wheat was received by the representative of DFC Chitral and after lapse of three (3) days the DFC Chitral inspected the wheat and found pebbles in it, hence directed the contractor to lift back the wheat to NRC Azakhel, wherein, it was kept as 'Amanat' and he did not ask for the replacement of that quantity of wheat.

COMMITTEE RECOMMENDATION

18. After detailed discussion, the Committee agreeing with recommendation of the Inquiry Officer recommended to:-

1. initiate disciplinary action against the Food Grain Inspector for not fulfilling his responsibility.
2. release forthwith security of the contractor and pay him transportation charges of both sides.
3. affect recovery of Rs.1.147 million pertaining to 47.075 metric ton of wheat alongwith transportation charges of both sides liable to be paid to the contractor from the concerned after fixing responsibility.
4. report progress to PAC Cell with in a month time. Para stands.

16. REPORT OF THE SUB-COMMITTEE NO.2 (2004-05) PERTAINING TO ENVIRONMENT DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 2 April, 2009 a Sub-Committee comprising the following was constituted vide Notification No.PA/NWFP/PAC/S.C-2/2004-05/09 dated 14-04.2009 to examine the issues involved in Draft Para's No.3. 5 & 3.16 for the year 2004-05 pertaining to Environment Department, and to submit its report within one month:-

- | | | |
|----|-----------------------------------|----------|
| 1. | Syed Muhammad Sabir Shah, MPA | Chairman |
| 2. | Mr.Abdul Akbar Khan, MPA | Member |
| 3. | Syed Muhammad Ali Shah Bacha, MPA | Member |
| 4. | Mr. Mukhtiar Ali, MPA | Member |

2. Representatives of Law & Parliamentary Affairs, Finance, Environment Department, Audit and Provincial Assembly Secretariat Attended the meetings.

3. Two meetings of Sub-Committee were held on 05-08- & 21-08-2009 in the Conference Room of Sarhad School of Forest, Thai, Abbottabad. The Committee visited the site on 05-08-2009 for inspection/Physical verification. The Committee discussed the Draft Para's threadbare and finalized its recommendation. Main gist of the Para was as under.

D.P.3.5 UN-AUTHORIZED ADVANCE PAYMENT TO CONTRACTORS Rs. 5.081 MILLION.

4. The Audit reported advance payment of Rs.5.081 million to the contractor without provision in the contact agreement in violation of para-397 of the Federal Treasury Rules Vol-1 and termed it irregular and un-authorized.

5. The Department contended that no advance payment has been made to the Contractor it was just against actual work done and receipt of supplies at site.

6. The Audit contended that it was advance payment as neither the entries of work done/supplies were recorded in the measurement book nor any bill of the Contractor was shown to Audit at the time of Audit. If the contention of the Department was leniently considered that payment had been made on the basis of supplies at site, then the Department should have adopted proper procedure of checking items on site by an Engineer In charge and proper entry in the measurement book should have also been recorded.

7. Regarding conducting enquiry, as asked in the DAC, Pre-PAC, and PAC, the Department responded in negative and explained that correspondence were made with Chief

Conservator Forest to hold enquiry who directed the Director HRD to do the needful. Consequently he asked the Principal Sarhad School of Forest, Thai, Abbottabad to conduct enquiry but his contention was that he cannot hold enquiry against himself or his equivalent as per rules and requested that the enquiry may be conducted by a competent forum to avoid procedural complications.

8. The Secretary during the meeting admitted the laps on his part and constituted an enquiry Committee comprising the Conservator Forest, Abbottabad and the Conservator , Water Shed, Abbottabad and submitted its report in the second meeting wherein it was stated that after proper visit of the the Sarhad Forest School, Thai, on 07-08-2009 by the inquiry Officers M/S Syed Khursheed Anwar, Conservator of Forest, Abbottabad circle and Muhammad Ikram Khan, Conservator of Forest/PD Water Management Project, Abbottabad, who scrutinized and worked out the details of payments as well as submission of bills by the contractor regarding the following categories of work and ascertained the factual position:-

1. Women Hostel.
2. Administration Block.
3. Sanitary facility.

9. In the inquiry report it was observed that so far recreation room and compound wall were concerned, the contractor submitted the bill for the work done amounting to Rs.3,35,881/-but the amount was not paid to him so far.

10 It was added by the Department that Principal, Sarhad Forest School, Thai, paid Rs.69,94,253/- against the bills of Rs.68,54,329/-hence an amount of Rs.1,39,924/-was paid over and above but at the time of Audit, Audit party worked out Rs.5.081 million as advance payment which was not correct. The Inquiry Committee thoroughly examined the record and reached to the conclusion that only Rs.12,00,000/-was paid in anticipation of bills during currency of work, whereas the rest of the amount of Rs.57,94,253/- has been paid on receipts of the bills.

11. The inquiry Committee also quoted Para 397 (Vol-1) of FTR Para 2.28 of ADB Financial rules Para 15.84 of Forest Manual (Vol-II) and clause-7 of contract agreement and stated that as per the said rules, advance payment made was permissible.

12. The Audit repeated its previous stance and stated that the Department should have advanced the same contention in the DAC meeting, it would have not ordered to recover

the payment made in advance. Apart from above, the Department had not adopted proper procedure of checking and physical verification of items supplied at the site.

13. After detailed discussion the Committee directed the Department to produce relevant record and verify the same from Audit and report be submitted to PAC Cells.

DP.3.16 LOSS DUE TO NON IMPOSITION OF PENALTY Rs.8, 73, 250/-.

14 The Audit reported non-imposition of 10% penalty on the Contractor in light of the contractual obligations hence clause-2 of the contract agreement was violated. Moreover, during the DAC meeting while discussing the Para in question, the Department was directed to recover the amount of penalty which was not done.

15. The Department explained that the contract period was one year and not six months as evident from the record and tender conditions. Moreover, due to litigation and changes in the site and design, a proportionate additional time of 3 to 4 months was permissible under clause-12 of the contract agreement Mr.Abdul Akbar Khan, MPA did not agree to the explanation advanced by the Department and said that the contract agreement was an important document and filled in with due care and thoughts. Hence the contention of the Department regarding mistakes in agreement was not justified. He added that if it was considered one year period, then too the contract had not been completed in due time as it was evident from the letter of Ex-Principal dated 14/07/2003 regarding removal of deficiencies/defects in the building to arrange handing/taking over and inauguration of the building which clearly showed that the work in question had not been completed within the stipulated period.

16. The Committee was astonished to note that final bill of the contractor was honored before completion/handing taking over of the building without securing the Government rights, and the Department could not advance any plausible explanations.

17. The Committee noted this state of affairs with grave concern and expressed that if a clerical mistake caused colossal loss to the Government exchequer despite the fact that it had been pointed out by the contractor for correction but still the Department had not bothered to correct the said mistake. The Department was directed to conduct an inquiry and fix responsibility for the negligence and delay which caused huge loss to the Government exchequer and intimate the report to the PAC Cell.

18. The Chairman of the Committee directed the Department that all damages and cracks in the building may be repaired by the contractor without any delay and report be

submitted to PAC Cell. With the above observations, the Para was recommended to be dropped.

PHYSICAL VERIFICATION OF SITE

19 As per directives of PAC in its meeting held on 2nd April 2009, the Sub-Committee along with representatives of Audit and Finance Department visited Sarhad School of Forest, Thai, Abbottabad on 05/08/2009 to carry out site inspection/physical verification. The following sites were visited and checked:-

1. Administration Block
2. Women Hostel
3. Recreation Room
4. Sanitary Facilities (Bath Rooms)

ADMINISTRATION BLOCK

20. The Block consists of double storey building having eight Rooms and one library hall with two bath rooms.

21 The Committee visited all the rooms and found large cracks in two rooms located on the ground floor, and minor damages/cracks were noted in the Hall.

22. The Committee observed that the block in existing condition was not fit for official use. It, was therefore, recommended that the damages/cracks may be immediately repaired at the risk and cost of contractor to save the Government from huge loss.

WOMEN HOSTEL

23. During physical verification, it was found that the site of the Hostel had been changed on the advice of Ex-Principal of the School with the view to provide secure and suitable atmosphere for female students.

24. The Chairman of the Committee showed grave concern over shifting of site despite incurrence of huge amount on consultancy. But unluckily, no girl students has availed the facility of hostel since its construction. However, the families of the displaced officials of Environment Department were found residing. No deficiency in the construction work was noticed by the Committee except minor work mentioned in the punch list provided by the Consultant.

25. The Committee observed that the hostel was constructed just to avail the grant from donors and there was no need of hostel for female students as neither any female student had been admitted nor likely to be admitted in the near further and recommended that the

Department may ensure proper utilization of the hostel to save and maintain the proper condition of the building .

RECREATION ROOM

26. The Committee noticed no defect in the construction work except minor cracks in the floor and seepage from the roof due to improper level which requires repair to avoid losses in future. The Committee also raised objection on selection of an un-hygienic and improper location of the recreation room and recommended that it should be utilized by the Department properly in order to avoid future losses to the building.

SANITARY WORKS

27. The Committee examined/checked the sanitary works and found it in order.

28. The Chairman of the Committee directed to Department that all damages and cracks in the building may be repaired by the contractor without any delay and report be submitted to PAC Cell.

17. REPORT OF THE SUB-COMMITTEE NO.4 (2004-05) PERTAINING TO HEALTH DEPARTMENT.

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 7th April, 2009, while discussing the Audit Report for the year 2004-05, pertaining to Health Department, a Sub-Committee of the Public Accounts Committee comprising the following Members was constituted vide notification No. PA/NWFP/FP/PAC/S. C-4/2004-05/09/15907 dated 30-04-2009 under rule 188 of the Provincial Assembly of North-West Frontier Province Procedure and Conduct Business Rules, 1988. The Sub-Committee was assigned the task to examine in detail the issues involved in the Draft Paras No. 8.2,8.9,8.19,8.23 and 8.30 for the year 2004-05.

- | | | |
|----|------------------------------------|----------|
| 1. | Mr. Abdul Akbar Khan, MPA | Chairman |
| 2. | Mr. Saqib Ullah Khan Chamkani, MPA | Member |
| 3. | Mr. Muhammad Zamin Khan, MPA | Member |

2. In the Public Accounts Committee meeting held on 4th May. 2009 while discussing Audit Report for the year 2004-05 pertaining to Health Department, DP. No. 8.7 was also referred to the Sub-Committee.

PROCEEDINGS

3. Three meetings of the Sub-Committee were held on 15-04-2010,19-02-2011 and 26-02-2011 in the Conference Room of the Assembly Secretariat, Peshawar in which the draft Paras No. 8.2, 8.7, 5.9, 8.19, 8.23 and 8.30 for the year 2004-05 pertaining to Health Department were examined thread bare.

LADY READING HOSPITAL, PESHAWAR

DP.8.2 NON-RECOVERY OF UTILITY CHARGES AMOUNTING TO Rs.9.647 MILLION.

4. The Audit reported non-recovery of utility charges amounting to Rs. 9.647 Million from Doctors and Nurses residing in the Hostel during 1999-2000.

5. It further reported that blanket facility was provided to all the residents Where both students and staff were living together, so it was impossible for audit to bifurcate it.

6. In the first meeting held on 15-04-2010, the Para was deferred due to absence of Secretary Health in the meeting.

7. In the second meeting held on 19-02-2011. Department explained that usually students are living in these Hostels that are providing services to the Public day and night and quoted certain letters of the Health Department, according to which students were exempted from room rent and utility charges. It categorically denied that same facility is provided to the staff of hospital.

8. It was brought into the notice of Committee that similar nature Paras have been decided by PAC earlier. The Chairman, therefore, upheld the previous decision of PAC that the Administrative Department should prepare break up of the occupants be recovered from the respective occupants within six months positively. Para stands progress be reported to PAC Cell.

DP.8.30 NON ACCOUNTAL OF STORE WORTH Rs.2,98,616/-.

9. The Audit reported that in LRH, Peshawar an expenditure of Rs. 6,64,946/- was incurred on the purchase of medicines during 1998-99 The medicines worth Rs.2,98,616/- were found less accounted for in the stock register as well as in the expense register . The issue was discussed in the DAC meeting held in 2001, wherein the Department admitted that supplies were made late. The DAC directed for production of stock register but no action has been intimated so for.

10. The first meeting held on 15-04-2010, the Para was deferred due to absence of Secretary Health in the meeting.

11. In the second meeting held on 19-02.2011, the Department contended that initially supply was short but later on it was made good and it produced the requisite documents in support of its contention before the Committee.

12. The Committee recommended the Para to be dropped, subject to verification of record.

AYUB TEACHING HOSPITAL ABBOTTABAD

DP.8.07 NON-RECOVERY OF RENT AND UTILITY CHARGES AMOUNTING TO Rs.5.630 MILLION.

13. The Audit reported that in Ayub Teaching Hospital, Abottabad, 610 rooms of four hostels were allotted to the Doctors/Staff, but room rent of Rs. 3.360 million and electricity charges of Rs. 1.970 million for year 1999-2000 were not recovered from the occupants.

14. In the first meeting held on 15.04-2010, the Para was deferred due to the absence of Secretary Health in the meeting.

15. In the second meeting held on 19-02-2011, it was brought into the notice of the Committee that the Para under discussion was of similar nature as DP. No 8. 2, the Committee, therefore, decided the Para on analogy of DP No. 8.2 pertaining to L.R.H Peshawar for the year 2004-05.

DHQ HOSPITAL, LAKKI MARWAT

DP.8.9 NON PRODUCTION OF AUDITABLE RECORD AMOUNTING TO Rs. 5.121
MILLION

16. The Audit reported that in DHQ Hospital Lakki Marwat, auditable record in support of expenditure of Rs .5.121 million, incurred during 1998-99 and 2000-01, was not produced. When pointed out it was replied that the same was taken away by the Anti Corruption Department.

17. In the first meeting held on 15-04-2010, the Department responded that the record was taken away by the National Accountability Bureau due to which the DAC could not be held .It further told that now the record has been returned.

18. The Sub-Committee recommended that the Para in question should be referred back to DAC for its decision and the report thereof be submitted to PAC Cell within one month .Furthermore, the Departmental inquiry should be conducted to see why the record was taken by NAB and to find out the causes of abnormal delay.

19. In the Second meeting held on 19-02.2011, the Department failed to furnish decision of the DAC and inquiry report before the Committee despite the lapse of 10-months as directed by the Committee in its previous meeting. The Special Secretary straight away admitted the laxity and assured that the same would be submitted within a week time.

20. On the assurance of the Special Secretary that inquiry has already been conducted and ready for submission, the Committee recommended that the same may be produced before the Committee in its meeting scheduled for next Saturday.

21. In the third meeting held on 26-02-2011, the Department explained that Inquiry has been conducted and it has been established that record was not taken by Anticorruption and still available in the Hospital. Moreover, the inquiry officer has recommended disciplinary action against the official responsible for not producing the record before the Audit team.

22. The Committee noted this state of affairs with grave concern that earlier, Department was contending that record was taken away by the Anti-Corruption establishment. Same reply was advanced before the Audit team. DAC, PAC and during previous meetings of the Sub-Committee. While going through the working paper it was also observed that Department had constituted an Inquiry Committee comprising (3) three members to probe into the matter while it was accomplished by one person alone, which cast doubt on the legality of the Inquiry Report. The Chairman showed his displeasure over this attitude and told that this forum has been misled time and again as Department has advanced flimsy explanations during different meetings. The fact that Department has not produced the record speaks that some gross irregularity is involved in the case.

23. After detailed discussion the Committee recommended disciplinary action against the MS and Accountant for not producing the Record before the Audit and directed the Audit Department to carry out special Audit of the record within 15 days. Para stands. Progress be reported to PAC.

DP.8.19 MISCLASSIFICATION OF AMOUNT Rs. 6,89, 800/-.

24. The Audit reported misappropriation of Rs.6,89,800/- on account of electricity charges.

25. In the first meeting held on 15-04-2010, the Department failed to advance any plausible explanation regarding drawl of Rs. 6, 89,800/- as electricity charges. Therefore, the Committee recommended immediate enquiry in the matter for fixing responsibility followed by lodging FIR against the responsible as well as affecting recovery, if any.

26. In the second meeting held on 19-02-2011, the Department still failed to comply with the recommendation of Sub-Committee within the stipulated period. The Committee taking a lenient view recommended that the same inquiry for fixing responsibility may be furnished till next Saturday.

27. In the third meeting held on 26-02-2011, the Department produced the requisite enquiry report. The Committee agreed with the recommendation of the Inquiry Report and directed that action leading to recovery may be initiated against the responsible followed by lodging FIR.

DHQ HOSPITAL, MARDAN

DP.8.23 LOSS DUE TO NON-RECOVERY OF RENT WORTH Rs.5,05,025/-.

28. The Audit reported loss of Rs. 5,05,025/- due to non recovery of rent of cycle stand at DHQ Hospital Mardan since 1997 to 2000. In DAC meeting held in July 2005, the Department replied that Rs.1,55,832/- had been recovered and the balance amount would be recovered from the Contractor.

29. In the meeting of the Sub-Committee held on 15-04-2010 the Committee noted that it was a clear case of embezzlement, criminal negligence and administrative in competency on the part of M.S. D.H.Q. Hospital, Mardan. The Committee was shocked to know that loss was then raised to Rs.50,53,908/- and neither any neither any action was taken against defaulters nor efforts were made for recovery of outstanding amount. It noted that huge amount could not be embezzled without connivance of Medical Superintendent and recommended that the embezzled amount may be recovered from the defaulters and the concerned Officers (MSs) on equal share in view of their tenure. As far as the retired Officer/(MSs) are concerned, their shares may be recovered from their pension/gratuity etc as per provisions of Law and action taken may be intimated to PAC Cell within 15 days.

The following reports of the sub committees were laid before the PAC in its meeting held on 10/06/2014 which were examined and adopted unanimously. Details of the reports are as under :-

18. REPORT OF THE SUB-COMMITTEE NO. 8 (2010-11) OF PAC ON HOME AND TRIBAL AFFAIRS DEPARTMENT

INTRODUCTION

In pursuance of the decision of Public Accounts Committee in its meeting held on 26th of February, 2014, while examining the Audit Report for the year 2010-11 pertaining Home and Tribal Affairs Department a Sub-Committee comprising the following was constituted vide Notification No. PA/KP/PAC/S.C-8/2010-11/14/6981 dated 04-03-2014:-

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|----|-----------------------------|-----------|
| 1. | Mr. Samiullah Khan, MPA | Chairman. |
| 2. | Mr. Mehmood Ahmad Khan, MPA | Member. |

TERMS OF REFERENCE:

2. To examine in detail the issue (s) involved in Draft Para No. 10.2.20 for the year 2010-11 pertaining to Home and tribal Affairs Department and submit its report to PAC within fifteen (15) days.

PROCEEDINGS

3. Two (02) meetings of the Sub-Committee were held on 28-02-2014 and 11-03-2014 in the Conference Room of Provincial Assembly Secretariat, Peshawar and discussed the issue involved in the Draft Para in question threadbare as per detail given below:-

DP.10.2.20 UN-AUTHORIZED DEPOSIT OF PUBLIC MONEY INTO BANK ACCOUNT Rs.5.156 MILLION.

AUDIT VERSION

4. The Audit reported that while auditing accounts record of Regional Coordination Officer Kohat for the year 2008-09, it came to notice that public money amounting to Rs.5.156 million was deposited into bank account bearing No.2226-5 opened in National Bank Kohat as evident from the bank statement for 2008-09. Depositing the public money into private bank account is unauthorized because approval of Finance Department to open bank account for the transfer of public money was not obtained. The cheque issued by DAO Kohat should have been issued/utilized on the purpose for which the amount was drawn instead of depositing into private bank account.

DEPARTMENTAL VERSION

5. The Department explained that the amount from DAO Kohat was drawn through crossed cheques which cannot be cashed in ordinary manner but it requires depositing in NBP account (Profitless) to ensure the safety of cash and avoid any loss if kept in hand. This procedure is prevailing in the entire Province. The Bank account was transitory and short term for the above noted purpose.

6. In the meeting of Sub-Committee held on 28-02-2014, the Department explained that the Regional Coordination Office (RCO) Kohat was established in February, 2008 and on 10-03-2008 it requested the Finance Department to grant approval for opening of designated bank account as per requirement of financial rules. A continuous correspondence was made with the Finance Department but all in vain and at last in 2011 the Finance Department officially regretted the request of RCO Kohat.

7. The Commissioner Kohat added that whenever any Government office is established in the Province, the Finance Department should grant approval for opening of the designated bank account. He further added that the Finance Department may be asked to explain the procedure being adopted by other RCOs in such particular cases.

8. Regarding the second portion of the Audit objection that the amount should have been utilized for the purpose for which it was drawn. The Department explained that the entire amount drawn was utilized for the purpose for which it was drawn. In support of its contention, the Department produced documentary evidences which were duly verified by Audit during the meeting.

QUERIES OF THE SUB-COMMITTEE.

9. The Committee asked the Finance Department to explain the reasons for not granting approval to RCO Kohat, the representative of Finance Department could not properly respond to the query of Committee as well as could not produce the relevant record to the Committee except a copy of a letter issued in 2011 in which the request of RCO Kohat was regretted by the Finance Department.

10. The Committee also wanted to know the procedure being adopted by other RCOs in such particular case, but neither the Finance Department nor Audit could respond to the query.

COMMITTEE DIRECTIONS.

11. Regarding keeping the funds in private bank account, the Committee directed the Department to produce complete details of procedure being adopted by other RCOs in likewise cases.

12. The Finance Department was directed to come fully prepared and to produce the relevant record of correspondence along with complete justification for regretting the request of RCO Kohat in the next meeting.

13. In the second meeting of the Sub-Committee, the Finance Department produced the requisite record which was examined. The representative of Finance Department told that except RCO Kohat none of the RCOs has requested for opening the designated bank account nor any one has been given any authorization in like-wise cases. He further told that the RCO Kohat in its justification mentioned that the bank account will be transitory for keeping Government money which may relate to the payment of Medical Bills, TA Bills and POL Bills upon which authorization was not given. Whereas the representative of Home and Tribal Affairs Department contented that all the RCO's have the designated bank accounts in the name of their D.D.O's.

COMMITTEE OBSERVATIONS

14. While examining the record produced by the Finance Department and contentions advanced by the participants in the meeting, the committee observed that proper justification for opening the designated bank account was not provided to Finance Department by the RCO Kohat due to which their request were turned down.

RECOMMENDATIONS

15. After detailed discussion the Para was recommended to be dropped subject to obtaining the ex-post facto sanction of Finance Department with the direction to the RCO Kohat to take-up the issue again with the Finance Department along with proper justification for opening the designated bank account. The Finance Department was also directed to consider the request of RCO Kohat and evolve uniform procedure/policy for all the RCO's in this regard.

16. The documentary evidences regarding utilization of amount drawn for a particular purpose was produced by the Department which were verified by Audit during the meeting hence this portion of Draft Para was also recommended to be dropped.

19. REPORT OF THE SUB-COMMITTEE NO. 13 (2010-11) OF PAC ON HIGHER EDUCATION DEPARTMENT

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 25th of February, 2014, while examining the Inquiry Report furnished by Higher Education Department pertaining to Draft Para No. 3.2.8 for the year 2010-11, a Sub-Committee comprising the following was constituted vide Notification No. PA/K.P/PAC/S.C-13/2010-11/14/7666 dated 11-03-2014:-

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|----|-----------------------------------|-----------|
| 1. | Syed Muhammad Ali Shah Bacha, MPA | Chairman. |
| 2. | Mr. Abdul Munim, MPA | Member. |
| 3. | Arbab Akbar Hayat, MPA | Member. |

TERMS OF REFERENCE:

2. To probe into the matter and to carry out physical verification of the site involved in Draft Para No. 3.2.8 for the year 2010-11 pertaining to Higher Education Department and submit its report to PAC within a month.

BACKGROUND

3. The PAC while examining the Draft Para No. 3.2.8 (2010-11) pertaining to Higher Education Department in its meeting held on 16-07-2012 observed that 13 buildings costing Rs. 700 million were being demolished for the construction of Mosque/Islamic Centre on that land which could have been constructed on other suitable land. If the foreign donor is interested in construction of Mosque/Islamic Centre on the said land specifically, he should have re-constructed the buildings in lieu of the demolished ones on other land.

4. At that time the PAC recommended to stop forthwith the demolishing of the remaining buildings and as detailed probe in the issue was involved, the Para was therefore, referred to Sub-Committee comprising Mr. Saqib Ullah Khan, Ex-MPA as Chairman and Mr. Fazal Shakoor Khan, MPA as Member vide Notification No. PA/K.P/PAC/S.C-1/2010-11/12/1992 dated 02-08-2012 with the direction to invite Vice Chancellor Hazara University, Vice Chancellor University of Engineering & Technology, Peshawar and Secretary, Higher Education Department in the meeting (s).

5. The said meeting of the Sub-Committee could not be held due to the dissolution of Assembly. But in the mean time, the Secretary to Government of Khyber Pakhtunkhwa Higher Education Department constituted fact finding Inquiry Committee in the matter. The

report of Inquiry Committee was received and placed before the PAC in its meeting held on 25-02-2014 which was considered in detail but could not come to the conclusion of the issue due to differences in the opinion of all the participants of the meeting, therefore, the PAC constituted a Sub-Committee to probe into the matter and to carry out physical verification of the site and to submit a comprehensive report to the PAC within a month time.

PROCEEDINGS OF THE SUB-COMMITTEE

6. The Sub-Committee assembled on 02-05-2014 in the Khyber Pakhtunkhwa House, Abbottabad. At the outset, the Chairman after welcoming the participants referred to the recommendations of the PAC made in its meeting held on 25-02-2014 and suggested that in order to reach to a just conclusion, first of all the Committee needs to carry out physical verification of the site. All the Members agreed to the suggestion hence, it was decided to first carry out physical verification and will meet again by tomorrow on 03-05-2014 at Khyber Pakhtunkhwa House, Abbottabad.

PHYSICAL VERIFICATION OF MOSQUE SITE AT HAZARA UNIVERSITY, MANSEHRA

7. The Sub-Committee along with the concerned representatives of Higher Education, Finance, Law, Audit and Assembly Secretariat moved to Hazara University, Mansehra on 02-05-2014, assembled in the office of Vice Chancellor, Hazara University Mansehra at 11:00 A.M and carried out physical verification of the site.

8. During physical verification, the Sub-Committee observed that a glorious building of mosque was constructed within the premises of University on about eight (08) kanal of land and was in finishing stage for which the following five (05) functional buildings of the University were demolished:-

- i. Department of Islamic & Religious Studies.
- ii. Medical Centre.
- iii. Museum.
- iv. 17 residential quarters.
- v. Boys hostel.

9. Other functional buildings that include Provost Office, Bachelors' Hostel, Bank of Khyber, Post Office and National Bank of Pakistan are to be demolished as per MoU to clear the view of mosque from the road side.

10. The University Authorities informed the Committee that presently the University has no provision to accommodate the functionaries in case the existing buildings are demolished.

11. The Committee was of the view that the above mentioned buildings to be demolished are still in good working condition and could be utilized.

12. Followed by physical verification, a detailed presentation was given to the Committee by the University Authorities wherein the Committee was informed that the present site for the construction of mosque alongside the Karakoram Highways was selected by the Prince with a view that the graceful building of mosque could be visible and also easy for the excess of general public.

13. The representative of University informed the Committee that total amount involved in the Para was Rs. 390 million out of which Rs. 160 million was the cost of land which had not been mutated out and will remain the property of University.

14. The Committee was told that the demolished buildings were made of stone masonry and the same material was utilized in the construction of "Tourism and Hospitality Department" of the University. The Committee was further told that the University Authorities had approached Prince Ahmad bin Abdul Aziz of Saudi Arabia and requested him not to demolish the existing functional buildings. In case its demolition was necessary, then his kind self may provide financial aid for the construction of new building wherein the services/offices could be shifted as the University has no provision of funds to meet the expenditure to be accrued on the construction of new building (s).

15. Second meeting of the Sub-Committee was held on 03-05-2014 at Khyber Pakhtunkhwa House, Abbottabad wherein the Members of Sub-Committee discussed its observations taken during physical verification of site and the presentation given by the Authorities of Hazara University. The Sub-Committee made the following observations and recommendations.

SUB-COMMITTEE OBSERVATIONS.

16. The Committee loudly paid tribute to the services of His Highness Prince Ahmad bin Abdul Aziz of Saudi Arabia for his efforts to spread Islamic Heritage in the Muslim world generally and in Pakistan particularly.

17. The Committee was of the view that the elegant building of mosque constructed on the donation provided by His Highness Prince Ahmad bin Abdul Aziz recalls the services of King Faisal (Late) for Islam and termed the mosque building a monument.

18. The Committee observed that total loss involved in the Para was Rs. 390 million out of which Rs. 160 million was the cost of land so the remaining loss was reduced to Rs. 230 million as the land was still in the possession of University. Apart, the serviceable materials received from the dismantled buildings were reused in the newly constructed building of "Tourism & Hospitality Department" which further reduced the loss involved.

19. The Committee expressed that the demolished buildings were replaced by a beautiful mosque, but a problem aroused that neither the University nor the Provincial Government has sufficient funds available to meet the expenses to be accrued on the construction of new building(s) to accommodate the University functionaries therein.

SUB-COMMITTEE RECOMMENDATIONS.

20. The Sub-Committee in principle agreed and upheld the decision of PAC that it made in its meeting held on 25-02-2014 wherein the Department/University was directed to stop forthwith the demolishing of the remaining buildings as demolishing of further buildings are the wastage of money but after carrying out physical verification of the site and keeping in view the MoU and relating affairs, the Sub-Committee made the following recommendations:-

- (i). The issue of demolishing of the remaining buildings may be taken up with the Saudi Authorities through proper channel with the request to re-consider their decision as the buildings to be demolished are still in working condition and its demolition would be the wastage of money.
- (ii). In case, the Saudi Authorities does not agreed to the suggestion of the Committee then they may be requested to approach His Highness Prince Ahmad bin Abdul Aziz to donate sufficient aid for the construction of new building (s); or
- (iii). His Highness may be requested that the demolition of the existing buildings may be withheld till the University could arrange sufficient funds either from their own resources or from the Government for the construction of new building(s).

REPORTS OF INTER DEPARTMENTAL COMMITTEES (IDCs)

The following reports of the Inter Departmental Committees (IDCs) were laid before the PAC in its meeting held on 25-02-2014 which were examined and adopted.

1. **REPORT OF INTER DEPARTMENTAL COMMITTEE (IDC) ON DRAFT PARA NO 44(CD & MD) FOR THE YEAR 1997-98 PERTAINING TO COMMUNICATION AND WORKS DEPARTMENT.**

The PAC in its meeting held on 22-07-2003 referred the Para to IDC for detailed examination. The IDC in its report recommended settling the Para.

2. **REPORT OF IDC ON DRAFT PARA NO.8.11 (2004-05) PERTAINING TO HEALTH DEPARTMENT.**

The IDC in its report recommended that “in all these cases, the Administration had no authority for holding moneys outside Reserve Fund. Proper disciplinary action needs to be taken against those responsible as it not only leave gaps for misappropriation, accounts are not maintained properly but also the ways and means position was not properly reported to the concerned quarters”.

3. **REPORT OF IDC ON DRAFT PARA NO.8.29 & 8.31 (2004-05) PERTAINING TO HEALTH DEPARTMENT.**

i. **Draft Para No. 8.29 (2004-05)**

The IDC recommended “to recover the extra amount from the incumbents during the period who willfully collected the extra amount without any authority and did not maintain any detail accounts record and register etc”.

ii. **Draft Para No. 8.31 (2004-05)**

The IDC recommended “that as the instrument is available and under the active use till date of the IDC meeting, the Para may therefore be settled”.

4. **REPORT OF IDC ON DRAFT PARA NO.44 (1997-98) PERTAINING TO PUBLIC HEALTH ENGINEERING DEPARTMENT.**

The IDC recommended “to fix responsibilities on the then incumbent Chief Engineers (i.e incumbency period from 1996 to june 1997), being controlling officers/Head of the Attached Department, for the negligence in performance of their official duties and irregularities in the purchase of pipes as the then Chief Engineer PHED had neither issued a fresh work order for the bulk procurement of pipes, after seeking fresh bidding for the financial year 1996-97 nor extended the validity period of previous work order dated 26-12-1995 for succeeding financial year 1996-97.

2. The IDC further recommended to fix responsibility on the then all incumbent officers, who willfully issued supply orders in back dating, ranging from months to two (02) long years, to the pre-qualified firms for the purchase of pipes and authorized payment on such supply orders, issued in back dating”.

5. **REPORT OF IDC ON DRAFT PARA NO.3.6 (2007-08) PERTAINING TO ENVIRONMENT DEPARTMENT.**

The IDC noted in different meetings of the inquiry committee that DFO Mardan purchased a quantity of 27,789 kg of barbed wire from M/S Aman Traders in accordance with the provision of procedures and payments were accordingly made. Therefore, the IDC was of the opinion that in view of the facts on record and circumstantial evidences placed before the IDC, the DFO Mardan had no other alternative/option to purchase the barbed wire from the approved Contractor of FATA-III in the best interest of Government. Hence the IDC recommended and requested the PAC to settle the Para.

6. **REPORT OF IDC ON DRAFT PARA NO.36 (1997-98) PERTAINING TO COMMUNICATION AND WORKS DEPARTMENT.**

The IDC concluded that no loss as well as embezzlement was involved in the Para therefore, the Para was recommended to be dropped with the direction to the Department to avoid such like irregularities in future.

7. **REPORT OF IDC ON DRAFT PARA NO.7.2 (2009-10) PERTAINING TO FOOD DEPARTMENT.**

The IDC in view of the sensitivity of the circumstances and in order to control the law & order situation and in light of direction of federal Food Committee action was taken by the Department after the approval of competent authority to ensure availability of wheat in the godwons of this Province hence, the IDC requested the PAC to consider the Para for settlement.

8. **REPORT OF IDC ON DRAFT PARA NO.6.2.1, 6.2.2, 6.2.4, 6.2.16, 6.2.18, 6.2.19, 6.2.20, 6.2.21, 6.2.23 & 6.2.24 (2010-11) PERTAINING TO ADMINISTRATION DEPARTMENT.**

Draft Para No. 6.2.1.

The PAC observed that why the inquiry committee has recommended 50% recovery instead of full recovery of embezzled amount. In this regard, the IDC was apprised that 100% recovery of embezzled amount. i.e Rs.5779855/- has been ordered from three persons. Mr. Balqiaz the then cashier was though not formally charge sheeted in the first inquiry and the inquiry committee recommended recovery from the the DDO Mr. Amir Mohammad Durrani and the then cashier Syed Mustafa Kamal, besides the inquiry committee also recommended that Mr. Balqiaz may also be formally charge sheeted for recovery of balance amount.

2. Break up of embezzled amount of Rs.5779855/- ordered to be recovered from three persons is as under:

Mr. Amir Muhammad Durrani, the then DDO	Rs. 2936280/-
Mr. Balqiaz, the then cashier	Rs. 1895000/-

Syed Mustafa Kamal, the then cashier Rs. 948575/-
Total Rs. 5779855-

3. The above mentioned officer/officials have already been dismissed from Service and SMBR has been requested to effectuate recovery from them under land Revenue Act. However, as per direction of PAC for initiation of criminal proceedings against them, the Administration Department will approach the Anti-Corruption Establishment.

Draft Para No.6.2.2.

The IDC perused all the relevant documents. The officers/officecials involved in the embezzlement on account of hiring of rental cars have already been dismissed from Service and SMBR has been requested for making recovery from them. As the PAC has directed to initiate criminal proceedings against them, hence the Department will refer the case to Anti-Corruption Establishment for initiation of criminal proceedings.

Draft Para No.6.2.4

The IDC perused all the relevant record and concluded that the consumption on POL of the vehicles from 2005 upto the audit period were found according to the proper entries in the log books and no irregularity was found. Hence, the IDC recommended that the Para may be settled.

Draft Para No.6.2.16

The authorization for 1800 CC cars for judges of Peshawar High Court has been given by the President of Pakistan through the Federal Ministry of Law & Justice under the provision of Constitution of Islamic Republic of Pakistan. Cars were purchased by the Peshawar High Court after approval of Chief Minister on a summary moved through the Law and Finance Department. The Peshawar Hihgh Court was advised by the Finance Department to hand over the previous 1300 CC Cars to Administration Department. However the same have not yet been handed over to Administration Department despite repeated reminders. The Administration Department will again take up the case with Registrar Peshawar High Court in light of PAC minutes.

Draft Para No.6.2.18

The Inter Departmental Committee examined the issue involved in the Draft Para in requisite detail.Thorough examination of the case revealed that expenditure of Rs.2467108/- was incurred on the Ministers' vehicles and IDC belives that the said expenditure was justified and authentic. However an expenditure of Rs.4140860/- was incurred under head A-03807-POL

Charges, PR 4041- Ministers during the financial year 2008-09 on 249 other pool vehicles. As the mentioned head was meant for expenditure on Ministers' vehicles, therefore expenditure on other vehicles out of this head is a misclassification. The IDC, therefore recommends a fact finding inquiry regarding expenditure of Rs.4140860/- on vehicles other than the Ministers' vehicles. If the fact finding inquiry shows that expenditure on 249 vehicles was genuine and merely misclassification of head of expenditure was involved then the Department may initiate a case for obtaining ex-post facto sanction of Finance Department for re-appropriation of the amount from PR-4041-Ministers to PR-4017-Establishment Department, and if the inquiry shows that expenditure on 249 vehicles was unjustified then a formal inquiry may be initiated against the responsible persons.

Draft Para No.6.2.19

The IDC perused the log books, history sheets and approval of competent authority for expenditure on POL and repair of vehicles mentioned in the Draft Para and found them correct and justified hence recommended the Para to be dropped.

Draft Para No.6.2.20

Special Audit report regarding the issues of helicopters is lying pending before the Public Accounts Committee, hence the IDC recommended that the instant para may be clubbed with that Report.

Draft Para No.6.2.21

Special Audit Report regarding the issues of helicopters is lying pending before the Public Accounts Committee, hence the IDC recommended that the instant para may also be clubbed with that Report.

Draft Para No.6.2.23

The IDC perused the record and concluded that expenditure of Rs.979,598/- incurred during the financial year 2009-10 is justified and codal formalities have been fulfilled.

2. An inquiry has already been conducted and the recovery has been ordered. The Department will refer the case to Ani-Corruption Establishment for initiation of criminal proceedings against the dismissed officer/officials for making recovery of balance amount.

Draft Para No.6.2.24

As per recommendation of inquiry report the defaulting officer/officials have been dismissed from service and recovery has been ordered. However, as per direction of PAC, the Department will refer the case to Anti-Corruption Establishment for initiation of criminal proceedings against the persons involved.

LEFTOVER BUSINESS OF THE EARLIER SUB-COMMITTEES

In the meeting of PAC held on 25-02-2014, the PAC Cell informed the Committee that due to the dissolution of previous Assembly, the Sub-Committees constituted earlier could not complete its business, therefore, one Sub-Committee may be constituted and refer to it the unfinished works of all the previous Sub-Committees. The Committee accepted the proposal of PAC Cell and constituted a Sub-Committee comprising the following and referred to it all the pending/unfinished business of previous Sub-Committees and IDCs.

1. Syed Muhammad Ishtiaq, MPA Chairman
2. Arbab Akbar Hayat Khan, MPA Member.

2. After oppointment of Syed Muhammad Ishtiaq, MPA as Special Assistant to Chief Minister Khyber Pakhtunkhwa for Environment. Therefore, he was relaced by Mr. Qurban Ali Khan, MPA vide Notification No.PA/K.P/PAC/S.Commiittees/14/19058 dated 12/06/2014