

**PROVINCIAL ASSEMBLY OF KHYBER
PAKHTUNKHWA**



**REPORT
OF
PUBLIC ACCOUNTS COMMITTEE
ON THE ACCOUNTS OF
GOVERNMENT OF KHYBER PAKHTUNKHWA
FOR THE YEAR 2016-17**

CHAIR'S FOREWORD



The Public Accounts Committee (PAC) has a key role in exercising scrutiny over the execution of Budget that the legislatures approve and to assure that funds appropriated by the Assembly has been spent legally and as the Assembly intended. To achieve this goal and to have strong financial mechanism in the Departments, the PAC has played a very important role by giving guidance and recommendations from time to time. However it was noted that most of the Departments do not observe the financial discipline in its true spirit resultantly financial irregularities crop up, the Departments are therefore required to strictly adhere to the recommendations of PAC.

The Report of the Auditor General of Pakistan for the year 2016-17 was referred to PAC by the Assembly on 14th October, 2019. The Public Accounts Committee has examined three hundred & thirty three (333) Draft Paras in thirty three (33) sittings. The Committee has performed its job; however, the efforts of the Committee and Audit will be fruitless until its recommendations are implemented in its true spirit by the Administrative Departments. If the recommendations of PAC are not implemented, the whole process of Audit and financial oversight would not be more than a futile exercise.

Internal Audit is the key tool to prevent financial irregularities at the gross root level and its importance could not be ignored as it plays a vital role in management to improve performance, prevent losses, control mismanagement of public money and safeguard government assets. Being a requirement; it should be carried out regularly by each Department so that irregularities could be pointed out at an earlier stage and reduced if not avoid completely.

I extend my thanks to those Members of PAC who regularly participated in the meetings throughout the series, officers of the Administrative Departments & Auditor General's office, the representatives of Law and Finance Departments for their support in accomplishing the difficult and challenging assignment.

I especially extend my commendations to the officers and staff of the PAC Cell for their support, facilitation, guidance to the Committee, untiring efforts in arranging meetings and compiling the data in this book form.

-Sd-

(MUSHTAQ AHMAD GHANI)
Speaker/Chairman
Public Accounts Committee.

P R E F A C E



The legislature has constitutional mandate to conduct oversight and hold the executive accountable for using public resources. It employs various tools to effectively assess, monitor and evaluate the performance of the executive machinery with regard to the implementation of government policies and utilization of public money. One of the most important tools for oversight of the financial operations of government is a specialized committee known as the Public Accounts Committee. In many commonwealth countries, it is the oldest parliamentary committee and occupies quite a heightened status over other committees in the legislature. The importance of Public Accounts Committee as the legislative apex of financial oversight and scrutiny has long been recognized. Over the time, the Public Accounts Committee has evolved as the most critical legislative tool to ensure that there is effective, efficient and economical use of public funds; promote transparency and accountability in the use of public resources and to ensure that public funds are spent in order to benefit the public.

As per provision of Article 171 of the Constitution of Islamic Republic of Pakistan the Auditor General's Report for the year 2016-17 was laid before the Assembly on 14th October, 2019, on the same day the report was referred to Public Accounts Committee. The PAC constituted a Sub-Committee of Public Accounts Committee under the Chairmanship of Mr. Idrees Khan, MPA to examine/discuss the Reports of Auditor General for the year 2016-17 and the pending Follow-up Business.

The Sub-Committee examined three hundred & thirty three (333) Draft Paras, Follow-Up Business, Inquiry reports and report of Inter Departmental Committee in its thirty three (33) sittings and presented its report to PAC in a meeting held on 07-03-2022. The report of Sub-Committee alongwith reports of other Sub-Committees were duly adopted by the PAC.

The drafting and preparation of this report has been made possible due to the determined hard work of the officers and staff of the PAC Cell under the supervision of Mr. Amjad Ali, Special Secretary who kept trying to arrange frequent meetings and timely compilation of this Report. I deeply acknowledge their active services for giving briefing and every assistance to the Members. Their sincere and devoted endeavors deserve appreciation and commendation.

In this Report, the Audit Paras pertaining to each Department, the Follow-up Business, report of Inter Departmental Committee, Inquiry Reports and reports of the Sub-Committees are arranged separately.

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 for consideration and Adoption.

-Sd-
(KIFAYAT ULLAH KHAN AFRIDI)
Secretary,
Provincial Assembly of Khyber Pakhtunkhwa

CHAIRMAN AND MEMBERS OF THE PUBLIC ACCOUNTS COMMITTEE





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INTRODUCTION

INTRODUCTION

The report of the Auditor General of Pakistan on the Accounts of Government of Khyber Pakhtunkhwa for the year 2016-17, received in the Assembly Secretariat on 02-10-2019, was laid before the House on 14th October, 2019. In pursuance of Article 171 of the Constitution of Islamic Republic of Pakistan read with 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 started examination of this Report in its regular meetings and examined three hundred & thirty three (333) Draft Paras pertaining to Communication & Works, Elementary & Secondary Education, Higher Education, Food, Mine & Minerals Development, Industries, Health, Home & Tribal Affairs, Provincial Housing Authority, Excise & Taxation, Agriculture, Environment, Enrgy & Power, Irrigation, Local Government, Aministration and Social Welfare Departments. In addition, the Follow-up Business pertaining to Higher Education and Industries Departments, two (02) reports of Sub-Committees, One (01) Provincial Inspection Team reports, one Inter Departmental Committee report in its thirty three (33) sittings. held on 27-01-2021, 28-01-2021, 04-02-2021, 10-02-2021, 11-02-2021, 25-02-2021, 10-03-2021, 11-03-2021, 24-03-2021, 25-03-2021, 31-03-2021, 08-04-2021, 12-04-2021, 27-09-2021, 06-10-2021, 07-10-2021, 13-10-2021, 14-10-2021, 27-10-2021, 28-10-2021, 10-11-2021, 11-11-2021 and 17-11-2021 in the Conference Room of the Provincial Assembly of Khyber Pakhtunkhwa and 21-02-2022, 22-02-2022, 23-02-2022, 24-02-2022, 25-02-2022, 28-02-2022, 01-03-2022, 02-03-2022, 03-03-2022 and 04-03-2022 in the Conference Room of Khyber Pakhtunkhwa House, Islamabad.

3. While examining the Audit Paras, the Committee observed lack of internal controls in the Procvincial Departments which resulted in the following short comings in the financial management system of the Province were found:-

- Non-observance of canons of financial propriety and non-compliance of rules & regulations.
- Non- recovery of Government dues.
- Overpayments in pay & allowances.
- Loss of Government dues to negligence.
- Excess payments to suppliers/contractors.
- Irregular, unauthorized and unnecessary expenditure.
- Misuse of financial powers by the subordinate officials.
- Wastage of funds due to un-necessary purchase of store etc.
- Retention of public money outside the government account.
- DAC meetings not convened regularly; and
- The Directives of the DAC and PAC not implemented in its true spirit.

4. In order to overcome the above mentioned deficiencies, the Principal Accounting Officers were directed to assess the existing internal controls and strengthen it in the offices and organization working under their subordination. For future guidance, they were directed to:-

- Prevent misuse of government assets.
- Avoid keeping of public money outside the government account and prevent unnecessary drawal of funds;
- Implement directives of DAC & PAC in its true spirit;
- Regularly convene effective DAC meetings;
- Maintain accurate accounting records and make it available to Auditors at the time of the audit;
- Recover Government dues and deposit it timely in Government Treasury;
- Non-production of record by any person or authority responsible should be dealt with strictly by initiating disciplinary action under relevant Efficiency and Disciplinary Rules and section 14(3) of the Auditor General's (Functions, Powers, and Terms & Conditions of Service) Ordinance, 2001; and
- Timely investigate the cases of losses and take remedial measures.

5. In addition to the recommendations on each Draft Para, the PAC recommended the following for the improvement of financial management system in the Province.

- The Departments should ensure adherence to the provisions of GFR, Procurement Rules and Government Instructions;
- The PAOs should ensure holding of DAC meetings regularly and to implement its decision;
- The PAOs should give full attention to the PAC directives and improve compliance by their respective Departments;
- The PAOs should strengthen the internal control mechanism to prevent losses and repetition of similar nature of irregularities;
- Departments need to deposit the public money received by them in the Provincial Consolidated Fund and Public Account instead of depositing into unauthorized accounts in commercial banks; and
- PAOs should promptly investigate cases of embezzlements/ frauds.

7. The PAC examined the Auditor General's Report for the year 2016-17 comprising three hundred & thirty three (333) Draft Paras in its thirty three (33) sittings and made the following recommendations:-

- i. One hundred and twenty five (125) Draft Paras, where the explanation of the Departments were found plausible or relevant records was produced and duly verified by the Audit, were settled unconditionally.
- ii. Twenty six (26) Draft Paras, where the Government funds were provided to have been misappropriated or have been embezzlement, it recommended for affecting recovery after fixing responsibility on the culprits in pursuance of the relevant laws on the subject.
- iii. Sixty five (65) Draft Paras, where record needed to be verified, were dropped conditionally subject to verification of record.

- iv. Thirty seven (37) Draft Paras were referred for Departmental action/Inquiry.
- v. Six (06) Draft Paras were referred to Inter Departmental Committee (IDC) for detailed examination.
- vi. Nine (09) Draft Paras were referred to Director Audit Department for detailed audit.
- vii. Twelve (12) Draft Paras were kept pending being sub-judice in the Court of Law or in NAB Court.
- viii. Three (03) Draft Paras were kept pending for Physical Verification and Four (04) Draft Paras were pending for Special meeting of PAC.
- ix. Sub-Committees were also constituted to probe into the issues mentioned in thirty eight (38) Draft Paras which needed detailed deliberation and resolution of the issue involved once for all.
- x. Eight (08) Draft Paras were kept pending for next meeting of PAC.

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

Department	Total DPs	Settled	VOR	Recovery	Departmental action/Inquiry	Sub- Committee	IDC	Detail Audit	Pending Special meeting/ Physical Verification		Subjudice/ NAB
Communication & Works	17	13	01	---	---	01	---	02	---		---
Ele: & Sec: Education	06	01	02	01	---	02	---	---	---		---
Higher Education	60	20	06	09	11	03	01	03	02	03	02
Food	08	04	01	---	---	---	---	---	---		03
Mines & Mineral Development	15	03	05	03	---	---	---	---	---		04
Industries	07	05	01	---	---	---	01	---	---		---
Health	52	14	05	05	10	08	01	01	08		---
Home & Tribal Affairs	32	12	14	01	02	---	02	01	---		---
Provincial Housing Authority	10	05	---	01	01	03	---	---	---		---
Excise & Taxation	02	---	---	---	---	02	---	---	---		---
Agriculture	27	09	06	---	07	02	---	01	---		02
Environment	28	08	06	04	---	10	---	---	---		---
Energy & Power	20	07	05	01	03	02	---	---	02		---
Irrigation	29	17	06	---	01	04	01	---	---		---
Local Govt:	08	05	---	---	01	01	---	---	---		01
Administration	09	04	03	01	---	---	---	01	---		
Social Welfare	03	02	---	---	01	---	---	---	---		---
Total	333	129	61	26	37	38	06	09	12	03	12

GENERAL OBSERVATIONS

1. During discussion on the accounts of Mines and Mineral Department for the year 2016-17 various other relevant issues cropped up such as:-

1. Stoppage of illegal mining activity.
2. Timely recovery of royalty amount & annual rent from the contractor/lease holders.
3. Amendment in the policy to buildup the revenue of the Government.
4. Shortage of Geologist.
5. Transparent bidding procedure.
6. Strengthening of internal controls and use of modern technology.
7. Reform in the existing/present Technical Committee.

2. In view of the above, the Committee constituted a Sub-Committee comprising the following to examine issues in detail and to make appropriate recommendations to safe guard the public money and to remove hurdles faced to the Department:-

- | | | |
|----|-------------------------------|----------|
| 1. | Mr. Muhammad Idrees Khan, MPA | Chairman |
| 2. | Mr. Inayat Ullah, MPA | Member |
| 3. | Mr. Babar Saleem Swati, MPA | Member |

3. The Committee if desired will call the expert from the Government organization/Universities for the meeting to assist the Committee.

4. The Committee will submit its report to PAC within thirty (30) days.

2. GENERAL OBSERVATIONS

5. During examination of the account of the University of Peshawar, it was observed that in almost all the Universities are bound to make admission to the

total children of the faculty members of the Universities (without charging of any kind of fee) due to non-existing of fixed quota in each class of the session. As a result on one side intelligent students who obtained good marks than the children of faculty members are deprived from admission and on the other hand the loses in financial side are being increased day by day. Such practice in the University are injustice with the intelligent students/children who obtained higher marks but they are deprived from admission on account of filling the reserved seat through children of faculty member in each session without fixing the quota.

6. The Committee also observed that if such practice are continued in the Universities then all reserved seats for the fresh students will be filled by the children of the faculty members and fresh candidates who obtained higher marks will remain without admission. As a result it will affect the future of the intelligent students and also increasing the financial burden on the Universities.

7. In view of the above, the Committee directed all the Vice Chancellors of the University Khyber Pakhtunkhwa to fix quota for admission of children of faculty members in each class in session and follow merit amongst them.

INTERNAL AUDIT

8. During the meeting, the Committee observed that the Management of University failed to conduct Internal Audit of each depart of the University while Internal Audit is one of the requirements of General Financial Rules. It plays a vital role to prevent and detect financial irregularities in the Institution. In various reports of the PAC, its importance was highlighted but the Departments do not pay any heed to the Committee directives/recommendations, which clearly shows inefficiency on part of departmental officers/officials.

9. In view of the above, the Committee once again directed all Vice Chancellors of the Universities of Khyber Pakhtunkhwa to make ensure Internal Audit of each department of the Universities through third party and copy of the observations raised during Internal Audit invariably be sent to D.G Audit Office and PAC Cell. The respective officer(s) who conducted the Internal Audit must also attend the meetings of PAC in future.

CLUBBING OF DIFFERENT ADVANCE PARAS INTO ONE DRAFT PARA

10. The Public Accounts Committee while examining the Audit Reports for the year 2016-17 and 2017-18 pertaining to Industries Department observed that contrary to its clear-cut instructions to avoid clubbing of various Advance Paras pertaining to different issues into one Draft Para. The advance paras pertaining to different issues were clubbed which created confusion and wasted the precious time of the Committee. The Audit should have framed separate audit paras in respect of each issue to make examination of the accounts simple and to facilitate the job of the Public Accounts Committee. The Members were feeling great trouble while examining different audit objection clubbed in one Draft Para. This practice was strongly objected to by the Honble Members. The Committee showed its displeasure over such non-responsive attitude of the Audit Department.

11. In view of the above, the Committee directed the Audit Department to stop forthwith-such practice and to frame Draft Paras involving single issue to facilitate the job of PAC in decision in future.

NON IMPLEMENTATION OF DAC DECISIONS

12. The Committee observed that the Departments were taking the decision of the DAC very light, so much so that the decisions made are not implemented in its true spirit which is not fair on the part of the Department. It, therefore, directed that in future all decisions made by the DAC must be implemented in letter and spirit.

ADOPTING OF PROPER MECHANISM FOR DEMOLISHING/ CONSTRUCTION OF POLICE STATIONS BUILDINGS

13. While examining the Audit Reports for the year 2016-17 and 2017-18 pertaining to Home & Tribal Affairs Department, Mr. Inayat Ullah Khan, MPA/Member PAC pointed out that the building of Police Station in district Dir Upper got demolished since 2002 by the Police Department for a reason to construct a new building but the concerned authority/Department failed to reconstruct the same building on accounts of lacking funds. Though the said police stations are functional since then in rented building till date. The Police Department needs to adopt proper mechanism for demolishing/construction of police stations buildings

and they have required to discuss it with the Planning & Development Department before its demolishing to grant budget for re-construction of the police stations building.

WEAK INTERNAL CONTROL

- i. While examining the Audit Reports for the year 2016-17 pertaining to Home & Tribal Affairs Department, the Committee raised multiple objections regarding poor planning, designing, soil testing, landscaping, feasibility for construction of new Police Station buildings all over the Province, due to which the schemes design, planning feasibility are changed and altered, non completion of scheme in stipulated period caused loss of millions to the public exchequer and in shape of extension and non imposition of penalty on the contractor for delayed completion of works.

The Committee directed the Department that detailed plans, specifications, proper state of the art design, soil testing, landscaping, feasibility may be ensured before execution of the scheme, so that time period may not be extended and escalation may not be allowed.

- ii. While examining the accounts of Police Department, the Committee observed that purchases of items/articles i.e. Bullet Proof Helmets, Bullets Proof Jackets, Bandolier special/ordinary, uniform related items, shoes, ammunition, Pistol/guns, Communication & Digital equipments, and Sling SMG were made from different Firms and most of the payments were made an advance which was gross violation of rules and also the supply of the items were delayed abnormally. The Committee directed the Department that purchases may be made through a purchase and scrutiny Committee and follow the FTR, GFR, Khyber Pakhtunkhwa, Procurement Rules and other notification issued by the Government from time to time. Make agreement with concerned purchasers and time duration may be prescribed in the agreement, penalty clause may be inserted for non supply of required items within stipulated time. Security bond may be signed.

NON-PRODUCTION OF RECORD TO AUDIT IN TIME.

The Public Accounts Committee while discussing Draft Paras pertaining to Home & Tribal Affairs Department, observed with heavy heart that a number of audit Paras were due to the fact that the relevant document were not produced before the Audit Party at the appropriate time of audit as well as in DAC level. This is not only an irregularity but rather an offence under the Auditor General of Pakistan Functions and Powers Ordinance. Non production of such record gives weight to the

impression that there might be some gross discrepancy, which the dealing hands did not want to disclose to save their skin. Similarly, some time record is avoided to be produced to DAC, which is not excusable at any cost. The Committee directed that such practice should be discouraged and if any incident to that effect is brought to the notice of the Administrative Secretary, timely action must be taken against the culprits.

The Committee further directed the Administrative Department to ensure that the relevant documents are produced to the Audit Party at the time of Audit, or at least the same are produced before the Departmental Accounts Committee.

PRESUMPTIVE AUDIT PARAS

The Committee observed that Audit failed to provide copies of relevant record on which the Paras were based, proper inspection of the record was not carried out and observations were raised on the verbal statements of the concerned Department. Therefore, the Audit was directed to keep attested copies of the documentary evidence/relevant documents on which the Para was based, produce it to the PAC during the meeting and to avoid framing Paras on presumption.

INTERNAL AUDIT

108. **The PAC while examining the Auditor General Report for the year 2016-17 pertaining to the Irrigation Department observed that the Internal Control in the Department was found either lacking or not working effectively. Internal audit, plays a vital role to prevent and detect financial irregularities and a very essential requirement of General Financial Rules, was not being carried out. The Department was, therefore, directed to enforce internal controls to avoid loss to Government due to misuse of authority or negligence and executive functionaries be made more responsive to audit.**

DEPARTMENTAL ACCOUNTS COMMITTEE

109. **The PAC while examining the Auditor General Report for the year 2016-17 pertaining to the Irrigation Department has noted with grave concern that meeting of Departmental Accounts Committee (DAC) was not convened by the Department or late convened, resultantly petty nature Draft Paras were referred to the Public Accounts Committee which on one hand increases its work load and on the other hand petty nature issues were brought before PAC, which could have been resolved by the Department itself in DAC.**

110. Such irresponsible attitude of the Department was strongly condemned and the Department was directed to convene DAC meetings regularly, carefully, timely and to record detailed minutes showing the grounds on which decision were based. Minutes thereof be sent to PAC and implement its decisions made there in at all costs.

The Department was directed to ensure DAC meeting and communicate detail minutes to PAC Cell in future.

COMMUNICATION & WORKS DEPARTMENT

PROCEEDINGS:

Seventeen (17) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Communication & Works Department were taken up for examination by the Sub-Committee of Public Accounts Committee in its meetings held on 27/01/2021 and 28/01/2021. The following were presents:-

SUB-COMMITTEE OF PUBLIC ACCOUNTS COMMITTEE.

1. Mr. Muhammad Idress, MPA Chairman 1st sitting
2. Mr. Babar Saleem Swati, MPA Chairman 2nd sitting
3. Arbab Muhammad Waseem Khan, MPA Member

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Azmat Ullah Khan,
Deputy Secretary.

FINANCE DEPARTMENT

1. Mr. Naveed Ahmad,
Additional Secretary.
2. Mst. Gulshan Ara.
Section Officer.

AUDIT DEPARTMENT

1. Mr. Zain-Ul-Abidin,
Deputy Director.
2. Mr. Khalid Zaman,
Audit Officer.
3. Mr. Mahmood-ul-Hassan Saeed,
Assistant Audit Officer.

COMMUNICATION AND WORKS DEPARTMENT

1. Engr: Ejaz Hussain Ansari,
Secretary.
2. Engr: Muhammad Uzair,
Chief Engineer.
3. Engr: Amer Durrani,
Managing Director, PKHA.

4. Engr: Ejaz A. Khan,
Director-I, PKHA.
5. Mr. Amin-ul-Khaliq,
Project Director.
6. Engr: Jalal Mahsud,
Project Director
6. Mr. Muhammad Shahid,
XEN Highway D.I.Khan.
7. Engr: Muhammad Riaz,
Executive Engineer, Highway Peshawar.
8. Mr. Muhammad Nawab,
Superintendent Engineer (PBC).

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Amjad Ali,
Special Secretary.
 2. Mr. Ashtimand,
Deputy Secretary.
 3. Mr. Haris Khan,
Assistant Secretary.
 4. Mr. Aamir Khan,
Assistant Secretary,
2. The Committee having considered Audit point of view and explanation advanced by the Department, made recommendations on each Para as under:-

DP No. 4.4.1 LOSS TO THE PUBLIC EXCHEQUER DUE TO ALLOWING ENHANCED RATES TO THE CONTRACTOR IN VIOLATION OF THE CONTRACT AGREEMENT AND DECISION OF COMPETENT FORUM-Rs. 8.981.

AUDIT VERSION

3. The Audit reported that according to clause-52 of the contract agreement and minutes of the meetings with the contractor under the chairmanship of the Director construction circulated vide letter No.10546/22-constn/PKHA dated 30-06-2015, the excavated material should be used for backfilling of trench & for filling inside the retaining walls and the top one meter should be filled from mixing of structural excavated material or road way excavation with filter material at the ratio of 50:50 and the charge

rate be worked out from the average of both the material rates under structural back fill (Granular back fill) along the retaining wall on both sides.

4. During the financial year 2014-15, in the Pakhtunkhwa Highways Authority, in the work “Construction of Bacha Khan Flyover” 10259.470 M³ materials were available from the item of work “structural excavation in common material” which were required to be used in the filling accordingly. The available materials were not used in filling and the contractor was paid for 1159.050 M³ Granular back fill at full rate of Rs.1080.94 per M³ instead of Rs.34.88 per M³ which caused loss of Rs.15,70,581/- (1080.94 – 34.88 = 1046.06 × 1080.94 × 20% × 15.75%) to the public exchequer. Moreover, in violation of the agreement and decision of the meeting, another item i.e. sand filling of 5963.200 M³ @ Rs.1277.58 instead of Rs.34.88 per M³ as available in CSR costing Rs.74,10,468/ (1277.58 - 34.88=1242.70 × 5963.200) was also executed under structure (bill No. 4-A) as Non Schedule item and paid for which also occurred loss to public exchequer. Due to non-utilization of available material, the Government was put to a loss of Rs.89,81,049/-.

5. Loss occurred due to extending favour to contractor and violation of the contract agreement. The matter was reported to the management in October, 2014. The management stated that the items of work were executed for the stability and sustainability of the flyover structure and a facility to the general public.

6. In the DAC meeting held in November, 2016, it was directed to produce Technical Sanction and other relevant record for verification. No progress was intimated till finalization of the report. Audit recommends to investigate the matter and recover the loss from contractor or person(s) responsible.

DEPARTMENTAL VERSION

7. The Department explained that the suitable material extracted from structural excavation was used in embankment as “formation of embankment from structural excavation” while the remaining was used as mixed material in top one meter of embankment and as back fill as “common material available at site”. As far as granular back fill was concerned, it was clarified that it has been used as per meeting discussion and in sketches/cross sections which was part and parcel of said meeting. Moreover, the

sand filling was done to bring the bearing capacity upto 1.5 tons per Sq, foot to withstand the load of retaining wall being a technical requirement as proposed by the design consultant. The items have been executed for the stability and soundness of the R/Wall structure to avoid failure. It is worth mentioning over here that each and every item of work cannot be treated or designed in same way because the design of structures depends upon the forces and requires different treatment according to the structural analysis. The use of sand instead of common material has been allowed on the same technical ground. Had the required parameters of structural stability not been observed then who had to be blamed in the case of any mishap in future? All the items have been executed for the stability and sustainability of flyover. All the items pointed out by Audit were well covered in technical sanction of the scheme.

PAC OBSERVATION

8. The rate quoted by Audit for granular filling of Rs.34.88 per m³ do not seem to be justified.

PAC RECOMMENDATIONS

9. The Para was therefore, recommended to be settled, subject to verification of rates of granular filling mentioned in the CSR-2009.

VOR COMMITTEE RECOMMENDATIONS

10. In the meeting of Verification of Record Committee held on 9th April 2021, the representatives of the Department produced a copy CSR-2009 wherein the rate of Rs.1080.94 per M³ for Granular Backfill was mentioned, while the rate Rs.34.88 per m³ quoted for labour, which was duly verified by Audit, hence, the Para was recommended to be settled.

DP No. 4.4.2 LOSS TO PUBLIC EXCHEQUER DUE TO ALLOWING ABNORMAL ENHANCED RATES TO CONTRACTOR- Rs.11.710 MILLION.

AUDIT VERSION

11. The Audit reported that the rates approved in the PC-I and MRS-2013 should have been followed. Para 11 of GFR Vol-I provides that each head of a

Department was responsible for enforcing financial order and strict economy at every step.

12. During the financial year 2015-16, in the office of the Executive Engineer, C&W Highway Division Swat, it was noticed that abnormal enhanced rates as compared to MRS 2013 and PC-I for the various items of work under scheme, “Construction & Black Topping of Manglawar to Malam Jabba Road Package-I, II, III” were accepted by extending favour to M/s AM & Co. Loss of Rs.1,17,10,000/ was sustained by the public exchequer as result of acceptance of these abnormal enhanced rates in deviation of PC-1, MRS 2013.. The tender documents and agreement of these roads were also not provided on the plea that the documents have been sent to the Chief Engineer.

13. Audit held that loss occurred due to allowing rates higher than MRS and weak internal controls. The matter was reported to management in September, 2016. The management stated that the accepted bid was lower than the estimated cost. The reply of the Department was not tenable. Higher rates than PC-I and MRS-2013 had been accepted which caused loss to the public exchequer.

14. The Department was requested repeatedly through DO letters for holding the DAC meeting, however neither DAC meeting was held nor any action initiated against the person(s) at fault. Audit recommends that the matter may be investigated and the amount recovered from the contractor and deposited into the Government Treasury.

DEPARTMENTAL VERSION

15. The Department explained that according to the instruction (Para 6) issued by the Communication & Works Department (Instructions to Bidders), the bidder shall fill the BOQ on item rate system. All the contractors have offered item wise rates on their own accord, as the Department has no role to play to compel the contractor to reduce the quoted rates, as negotiation in rates was strictly prohibited under the provision of Rules-42 of KPPRA–Rules 2014. However the overall effect of the bid cost of the contractor was below the PC-I Cost which was based on MRS 2015 and comes to 20.55% below (Package-I), 21.23% below (Package-II) & 20.49% below (Package-III) respectively the Tender Cost. Comparative statement was produced for ready reference.

PAC OBSERVATION

16. DAC was not held, due to which petty nature issue was reported in the Audit report.

PAC RECOMMENDATIONS

17. In view of plausible explanation advanced by the Department, the Committee recommended the Para to be settled.

18. The Department was directed to ensure DAC meeting and communicate detail minutes to PAC Cell in future.

DP No. 4.4.3 LOSS DUE TO TRANSPORTATION OF EARTH IN VIOLATION OF CONTRACT AGREEMENT - Rs. 5.870 MILLION.

AUDIT VERSION

19. The Audit reported that according to contract agreement/BOQ item No 2 and clause-1 of the work order No 02/T-1 dated 16-08-2010 issued to the contractor, all the work should be carried out according to the standards specifications as per approved PC-1 and in accordance with contract agreement provision.

20. During the financial year 2014-15, in the office of Executive Engineer, Provincial Building Construction Division No.1 Peshawar, provision for an item of work, "Transportation /disposal of 83772.17 m³ earth @ Rs.276 per m³ for 5 Km load" was provided in the BOQ/agreement for the work, "Construction of Additional Wards at LRH Peshawar". However, 42nd Running Bill of the contractor M/S Rehman Construction Co. revealed that 108,581.63 m³ earth was transported at the rate of Rs.330/08 per m³ beyond 5 KM lead which was invalid because disposal of earth upto 5KM was based on actual survey and distance outside the city and site. Therefore, loss of Rs.58,72,094/- (108,581.63 × (330/08(-)276) sustained by the public exchequer due to violation of contract agreement which may be recovered.

21. When pointed out in October, 2015, the management stated that no space was available within five kilometers from LRH. The reply of the Department was not tenable. Space was available within five kilometers as per survey. Loss was sustained by the public exchequer due to deviation from agreement.

22. In the DAC meeting held in August, 2016 the Department stated that the lead for transportation of excavated material was included in PC-I on tentative base. The DAC decided that the relevant record. i.e. M.B, design, agreement, TS & PC-I may be provided for verification. However verification of the relevant record revealed that the payment was not within the provision of contract agreement. Audit recommends that recovery may be made and deposited into Government Treasury.

DEPARTMENTAL VERSION

23. The Department explained that the existing building involved complete Basement as per the design. The Excavated Material surplus to the requirement for reuse was required to be disposed out of the area. The said site was situated in the congested area of Peshawar city where no space was available for dumping. Hence the extra material was disposed off. The item of work was duly covered in the revised PC-I & T.S estimate as per SCR/MRS approved rates and no loss was involved.

PAC RECOMMENDATIONS

24. As Revised PC-I and TS was prepared and the item of work was regularized in the revised PC-I and TS which was duly verified by the Audit, hence, the Para was recommended to be settled.

**DP No. 4.4.4 LOSS DUE TO NON REALIZATION OF TENDER FORM FEE-
Rs.3.374 MILLION.**

AUDIT VERSION

25. The Audit reported that according to the terms and conditions of the Notice Inviting Tender, cost of tender documents @ Rs.2,41,000/- shall be recovered from the contractor. Para 26 of the GFR provides that all sums due to Government shall promptly be assessed, realized and deposited into the Government Treasury.

26. During the financial year 2014-15, in the office of the Executive Engineer Highway Division Peshawar, construction of 16 KM road from Jamil chowk to Urmar Payan was divided in to 2 packages and put to tender amongst the prequalified contractors and the names of 18 prequalified bidders were published in the NIT. The bidders downloaded 18 Tender Forms but only 4 Tender Forms were received in the competition and deposited the Tender Form cost @ Rs.24,1,000/- per Form while the

remaining has neither deposited the Tender Form cost nor their Tender Forms were available on record. This resulted in loss of Rs.33,74,000/- (2,41,000 × 14) to the public exchequer due to less realization of Tender Form cost.

27. Audit holds that recovery of cost of tender form was required to be made from all the prequalified bidders which were not done. The lapse occurred due to non adherence to rules and undue favour to contractor. When pointed out in October, 2015, it was stated that detail reply would be furnished after verification of record.

28. In the DAC meeting held on 25-08-2016 the Department replied that only four firms have attended the tendering/participated from whom the requisite cost of the tender form has been obtained and deposited. The DAC did not agree and directed to conduct inquiry in the matter within a month. No progress was intimated till finalization of the report. Audit recommends to investigate the matter and recover the cost of tender forms from the firms or person(s) at fault.

DEPARTMENTAL VERSION

29. The Department explained that it was decided in pre-PAC meeting held on 17-02-2020 that inquiry be conducted and finding be intimated to Audit for verification. The Superintending Engineer (H/Q) O/O of the Chief Engineer (C) C&W Department was already appointed inquiry officer in the matter vide SO (PAC) IR Advance Para No.57, 61 & 70/2014-15/Highway Division Peshawar/C&WD dated 10-12-2019. All the requisite record pertaining to Draft Para in question demanded by Inquiry Officer vide his letter No.2395/PF dated 30-01-2020 submitted to his office vide this office letter No.1990/6-A dated 09-01-2020. The Inquiry Report in question submitted to SO (PAC) by the Inquiry Officer vide his letter No: 2710/20 dated 27-07-2020.

30. During meeting the Department further explained that when e-bidding was started the tender form were uploaded to the site from which the contractor were downloaded the tender, those contractor who downloaded the tender form not meant that they have take part in the bidding. The Department also explained that it that time 30 contractors were prequalified in the bidding in which only 4 contractors have submitted their tender form, from which the Tender Form fee cost @ Rs.24,1,000/- per Form collected from them, while from the other the Department can't collected the Tender

Form fee as they have not submitted their tender form or relevant documents, therefore, the Audit contention was baseless.

PAC RECOMMENDATIONS

31. In view of plausible explanation of the Department, the Committee recommended the Para to be settled.

DP No. 4.4.5 OVERPAYMENT TO CONSULTANT-Rs. 5.845 MILLION.

AUDIT VERSION

32. The Audit reported that according to the consultancy agreement, the consultants shall be paid remuneration for 36 months.

33. During the financial year 2014-15, in the office of the Managing Director, Pakhtunkhwa Highways Authority, construction supervision of work, “Northern Bypass Road Mardan” was awarded to Development Management Consultant at the cost of Rs.3,00,58,744/-. The completion period of work awarded to contractor and consultants were 36 months whereas the consultants were paid remuneration for 43 months i.e. 7 months more than the contract period causing overpayment of Rs.58,44,756/- which need recovery.

S.No	Vr No & dt	Total months claimed	Total months required	Excess Months claimed
1.	774 dt 22-06-2015 (Payment request No.39 May 2015)	43 Man months cost Rs.3,59,03,500	36 Man months cost Rs.3,00,58,744	07 Man months cost Rs.58,44,756

34. When pointed out in October 2015. The management replied that formal time extension has been granted to the consultants M/S DMC for seven months and the payment relates to the extended period whereas extension to the contractor was in process. The reply of the Department was not tenable. Payment to the consultants should be made as per services rendered and not for idle period.

35. In the DAC meeting held in November, 2016, the Department replied that extension has been granted by the competent authority for a period of seven months. DAC did not agree and directed to provide extension in time limit of the contractor which

was in process and consultants and approval of charging of expenditure to PC-I provision instead of PC-II for verification. No progress was intimated till finalization of the report. Audit recommends that the recovery may be made.

DEPARTMENTAL VERSION

36. The Department explained that PC-II of the scheme “Construction Supervision of Northern Bypass Mardan” was approved for Rs.40.000 million for a period of 36 month whereas PC-I of the scheme “Construction of Northern Bypass Mardan” was approved for Rs.1673.600 million. The scheme was splitted in 5 packages and awarded to different contractors. The construction supervision was awarded to consultant M/S Development Management Consultants (DMC) Peshawar. Since the civil work was delayed due to various reasons which includes land acquisition process took substantial time being a new alignment, removal of buildings, shifting of heavy transmission lines, removal of trees and increase in the overall scope of work.

37. In view of mentioned reasons of delay the Competent Authority granted extension to contractors as well as to consultant for standard completion of the project. The enhanced consultancy costs of 7-months extension period were well covered in PC-II as evident from the notification.

PAC RECOMMENDATIONS

38. In view of explanation advanced by the Department, the Committee taking a lenient view recommended the Para to be settled.

DP No. 4.4.6 OVERPAYMENT TO CONTRACTOR DUE TO ALLOWING HIGHER RATE-Rs.1.200 MILLION.

AUDIT VERSION

39. The Audit reported that according to the contract agreement/BOQ, the contractor shall be paid as per the approved rates. According to Para 221 of CPWA code, before signing the bill, the Sub-divisional Officer should compare the quantities in the bill with those recorded in the measurement book and see that all the rates are correctly entered and that all calculations have been checked arithmetically.

40. During the financial year 2013-14, in the office of Project Director Emergency Rural Roads Rehabilitation Project (JICA Assisted), it was noticed that the work, “Random Rubble Masonry in Foundation and Plinth in Cement” was paid to the contractor M/S Badiuz Zaman & Co against LCB No.24(4) IPC No.5 @ Rs.4,000 PM³ for a quantity of 319 M³ upto 4th running bill on the basis of measurement recorded in the measurement sheets. But in the 5th running bill, the rate of the item was changed to Rs.5,636 PM³ for a quantity of 419 M³. Thus the change of rate caused an overpayment of Rs.6,85,484/- ($5,636 - 4,000 = 1,636 \times 419$).

41. Similarly a quantity of 319 M³ of an item of work, Random Rubble Masonry was paid at rate of Rs.4,000 PM³ upto 4th running bill but in the 5th the rate was changed to Rs.5,636.43 PM³. Thus due to change of rate, the public exchequer sustained a loss of Rs.5,22,021/- ($5,636.43 - 4,000 = 1,636.43 \times 319$) which needs recovery.

42. The irregularity occurred due to weak internal controls. When pointed out in October 2014, the Department replied that quantity of item of work Random Rubble Masonry in foundation and plinth in cement, sand mortar 1:6 measuring to 319 M³ was erroneously made to contractor in RRM, which was later on corrected and paid for an item of work coarse rubble masonry in foundation and plinth in cement, sand mortar ratio 1:4.

43. In the DAC meeting held in October 2015, the Department repeated the same reply. DAC did not agree and directed to produce all IPCs/running bills and MB for verification.

44. The verification of the record revealed that payment has been made to the contractor at higher rates which needs recovery. No progress was intimated till finalization of the report. Audit recommends to recover the overpayment.

DEPARTMENTAL VERSION

45. The Department explained that the item of work pointed out by the Audit pertains to the work in Abutments & Wing Walls of the Culverts which was to be executed in CR masonry as per approved designs & specifications of the project. The required item was not available in the BOQ and as such provisional payment for CR

masonry was made against the available provision of RR masonry. The correct payment for CR masonry as per SI No.08-02-d-02 was allowed in IPC 5 after regularization through Variation Order, Revised Technical Sanction and the already payment made was thus recovered.

PAC RECOMMENDATIONS

46. The Committee recommended the Para to be settled; subject to verification of record in support of the contention of the Department i.e Variation Order, Revised Technical Sanction and that CR Masonry was executed at site by Audit within a month.

VOR COMMITTEE RECOMMENDATIONS

47. In the meeting of Verification of Record Committee held on 9th April 2021, the representative of the Department produced the requisite record i.e. Variation Order, Revised Technical Sanction and pictures of CR Masonry executed at site to the Committee which was verified by Audit, hence, the Para was recommended to be settled.

DP No. 4.4.7 NON-RECOVERY OF LONG OUTSTANDING REVENUE-Rs.7.964 MILLION.

AUDIT VERSION

48. The Audit reported that according to Para-26 of GFR Vol-I, it was the duty of Controlling Officer to see that all sums due to Government are regularly and properly assessed, realized and duly credited in public account.

49. During the financial year 2013-14, in the office of the Managing Director PKHA Peshawar, it was noticed that Government dues amounting to Rs.98,89,000/- were outstanding against petrol pumps, CNG stations and contractors since long. Out of which a sum of Rs.19,25,000/- was recovered however Rs.79,64,000/- was yet to be recovered.

50. Audit holds that non-recovery of outstanding receipt from different sources was due to weak internal controls. When pointed out in December 2014, it was replied that the outstanding amount would be recovered and factual position would be intimated to Audit.

51. In the DAC meeting held in May 2013, the Department replied that the balance amount would be recovered. The DAC directed that outstanding Government

revenue may be recovered immediately. No further progress was intimated till finalization of the report. Audit recommends immediate recovery of Government dues.

DEPARTMENTAL VERSION

52. The Department explained that the relevant record of recovery for an amount of Rs.4.842 million was annexed in compliance with DAC decision. Notices have been served to all pumps for early recovery of balance amount. As earlier mentioned that PKHA was facing problems to identify the actual Companies as most of the Oil stations leave one and enroll with other Companies. Some of the outlets of the petrol pump companies were closed/abundant, but the companies are not providing latest list so that the proper identifications may be possible.

53. To resolve the issue, PKHA Vigilance wing has decided to start collecting data about all the outlets located on all provincial highways entrusted to this authority. The vigilance cell visiting each and every outlet to ascertain various aspects i.e. whether it's company own or a private, the date of commissioning of pumps, payment made to till date, the arrears made to the pump. Also notices have been issue to the pumps, for depositing of arrears against them. In case of non-compliance a stern legal action will be taken by cutting of the pumps approaches with the help of district Administration.

54. The Audit authorities was well aware about the fact that collection of approach rental charges was an uphill task and but with strong and continuous efforts of PKHA and with the help of concern local authority the outstanding amount will ultimately be recovered.

PAC OBSERVATION

55. The Committee observed that the same nature of Paras are reflected every year in the Auditor General's Reports, hence, an amicable solution is required to be devised to resolve the issue once for all and adopt a proper mechanism and procedure for early recovery, so that such practice may not be repeated in future and for taking any legal action against the defaulters.

PAC RECOMMENDATIONS

56. The Para was recommended to be settled, subject to complete recovery and its verification by Audit within a month.

VOR COMMITTEE RECOMMENDATIONS

57. In the meeting Verification of Record Committee held on 9th April 2021, the representatives of the Department produced record of recovered amount of Rs.79,64,000/- to the Committee, which was verified by Audit, hence, the Para was recommended to be settled.

DP No. 4.4.8 UN-AUTHORIZED EXPENDITURE-Rs.212.903 MILLION

AUDIT VERSION

58. The Audit reported that according to clause-3(iii) of the work order No.FHA/C.C/No.104/2009 dated 28-05-2009 and bidding documents Vol-III, work shall be executed strictly in accordance with specifications and standard construction practices.

59. During the financial year 2014-15, in the office of the Managing Director, Pakhtunkhwa Highways Authority, a work, "Improvement & Widening of Batkhela-Totakan-Qulangi Road Malakand Package-II" was awarded to contractor Ghulam Mohammad Khan & Co. at total cost of Rs.21,15,30,000/-. The completion period was 36 months commencing from 30-06-2009. The work was completed on 24-06-2012. However, payment for Rs.74,14,000/- in the final bill (26th & F/B) was made on 25-09-2014 after lapse of two years & three months for execution of Formation of embankment from Roadway Excavation in common material including compaction by Power Roller of 11176.06 M³ @ Rs. 222/42 per M³ and embankment from Borrow Pit excavation 1166.08 M³ @ 404/16 per M³ valuing Rs.16,08,000/- when sub Base, Base Course, cut back Bitumen Prime Coat and Asphalt Wearing Course were already completed, had no validity & was against the engineering principles and skills. Moreover, execution of granular backfill, RR Masonry in 1:6, PCC etc costing Rs.58,09,000/- have no justification. The expenditure of Rs.29,12,74,000/- was incurred on the work against the estimated cost of Rs.11,25,30,000/- which was 37.69% above the contract cost. Technical Sanction was also not accorded. The excess expenditure of Rs.17,87,44,000/- million was unauthorized.

60. Similarly, expenditure of Rs.10,54,17,060/- was incurred on the work, “improvement & widening of Batkhela, Totakan Qulangi Road Package-III (Bridges)” through contractor M/S New Khan Builders against contract cost of Rs.7,12,58,477/- causing excess expenditure of Rs.3,41,59,000/- due to deviation of PC-I, designs & BOQ. The work was completed on 26-06-2012 whereas payment was made on 22-12-2014 after 2.5 years which was unauthorized. Unauthorized expenditure was incurred due to violation of rules and weak internal controls.

61. The matter was reported to the management in October 2015. The management stated that payment was the contractor’s liabilities due to non availability of fund.

62. In the DAC meeting held in November, 2016, the Department repeated the previous reply. The DAC directed that MB/dates of measurement and variation orders may be provided to Audit for verification. However no record was produced till finalization of the report. Audit recommends that the matter may be investigated and responsibility fixed.

DEPARTMENTAL VERSION

63. The Department explained that the scheme was completed in 2012, while payment was made in the year 2014, the delay of payment was made due to some disputes arose between the Contractor and Department on the issue which takes long time to resolve, particularly when consultant is involved final drawing were not made, the Department cannot decide the X-Section of excess earthwork which caused delay. In this case no excess payments were made, no loss to Government, no escalation has been awarded, no issue of payment over & above involved. Payments were made on standard procedure of X-Sections. So after proper measurement, checking according to drawing and X-Sections, the Department time and again requested the Audit to verify the record in compliance with DAC decision.

PAC RECOMMENDATIONS

64. The Committee recommended the Para to be settled, subject to verification of Bills i.e running and final, Measurement Book, Variation Orders and Technical Sanction by Audit to ensure that the payment of final bill for embankment of borrow pit

excavation was delayed due to dispute amongst the Department and contractor, no escalation was granted for that period. Para stands. Progress be reported to PAC within a month.

DP No. 4.4.9 UNAUTHORIZED EXPENDITURE IN EXCESS OF THE CONTRACT COST-Rs. 390.070 MILLION.

AUDIT VERSION

65. The Audit reported that according to clause-11 of the contract agreement, work shall be executed strictly in accordance with specifications, designs, drawings and within the approved tendered cost.

66. During the financial years 2013-14 and 2014-15, in the office of the Executive Engineer Highway Divisions D.I.Khan & Peshawar, it was noticed that excess expenditure of Rs.39,00,70,000/ were incurred over & above the contract cost and thus competition was not arranged over the real cost of the work which was unauthorized.

67. Audit holds that expenditure was required to be restricted to the approved tender cost or get regularized from Finance Department which was not done. Unauthorized expenditure occurred due to violation of rules and weak internal controls. When pointed out in November 2014, it was stated that reply would be furnished after consulting the record.

68. In the DAC meeting held in August 2016, the Department replied that enhancement to the contract cost was approved by the Chief Engineer. DAC did not agree and directed that the enhancement may be regularized from Finance Department. No progress intimated till finalization of the report. Audit recommends that the matter may be investigated and unauthorized expenditure may be regularized from the competent forum.

DEPARTMENTAL VERSION

69. The Department explained that as per DAC meeting, the forum directed to forward the case to Finance Department for regularization of enhancement. Accordingly Finance Department was approached for regularization of enhancement vide Secretary letter No. Acctt/C&W/dated 24-02-2020. In response to which Finance Department submitted reply that the position may be explained before PAC by the Administrative Department who was in the capacity of Principal Accounts Officer (PAO) was

responsible. The necessary enhancement of contracts has already been approved by the competent authority i.e. Chief Engineer for each case and each has already been regularized by the Administrative Department.

PAC RECOMMENDATIONS

70. As no supporting documents were found attached with the working paper and both the Departments i.e. Communication & Works and Audit were not able to answer the queries raised by the Committee Members during the meeting therefore, the Committee directed the Audit to conduct Detailed audit of the same within a month. Para stands. Progress be reported to PAC.

DP No. 4.4.10 UN-AUTHORIZED EXPENDITURE-Rs.84.087 MILLION.

AUDIT VERSION

71. The Audit reported that according to Paras-11 & 12 of GFR Vol-I, each head of a Department was responsible for enforcing financial order, strict economy at every step and observing all relevant financial rules and regulations by his own office and by subordinate disbursing officers. He must see not only that the expenditure was kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended upon the object for which the money was provided.

72. During the financial year 2014-15, in office of the Managing Director, Pakhtunkhwa Highways Authority, Rs.2,40,30,000/- as detailed below were released by the Finance Department. However, against this provision, the management incurred expenditure of Rs.4,06,90,000/- resulting in excess expenditure of Rs.1,66,60,000/- without legal authority:-

S.No.	Financial Year	Funds Released	Expenditure Incurred	Excess/Un-authorized Expenditure
1.	2012-13	80,10,000	1,28,51,262	48,41,262
2.	2013-14	80,10,000	1,47,36,572	67,26,572
3.	2014-15	80,10,000	1,31,02,270	50,92,270
	Total	2,40,30,000	4,06,90,104	1,66,60,104

73. Out of total expenditure of Rs.4,06,90,000/-, a sum of Rs.2,52,09,000 was spent on POL and repair of vehicles by misusing the financial powers as exhibited in the statement given below:-

S.No.	Financial Year	POL	Repair of vehicles	Total
1.	2012-13	68,28,815	14,57,282	82,86,097
2.	2013-14	74,25,590	17,48,843	91,74,433
3.	2014-15	65,01,723	12,46,729	77,48,452
	Total	2,07,56,128	44,52,854	2,52,08,982

74. Moreover, pay and allowances of Rs.6,74,27,387/- were claimed from Development Fund which was also unauthorized. Unauthorized expenditure was incurred due to violation of rules and weak internal controls. When pointed out in October 2015. The management stated that the PKHA Council has principally approved Rs.1,50,00,000/- provision but less releases were made. Hence, the gap was covered with expenditure from Reserve Funds.

75. The reply of the Department was not tenable. PKHA reserve fund was not meant for such expenditure. The council was principally agreed with the increase conditionally and Finance Department has not responded so far.

76. In the DAC meeting held in November 2016, the Department repeated the previous reply. DAC did not agree and directed to provide approval of the council, Finance Department and other relevant record for verification but no progress intimated till the finalization of the report. Audit recommends that the unauthorized expenditure may be regularized from the competent forum.

DEPARTMENTAL VERSION

77. The Department explained that due to abnormal increase in prices of recurring items especially POL and other allied items, the authority brought the same into “Khyber Pakhtunkhwa Highway Council meeting for the enhancement of the operational grant”. The council being the highest tier of the management of PKHA headed by the Chief Minister of the province approved under agenda item No.10 in 12th Khyber Pakhtunkhwa Highway Council meeting held on 14th October, 2016 for enhancement of operational grant, but it was not increased in that financial year 2014-15 rather it was enhanced in the next financial year 2015-16.

78. It was worthy to note that expenditure under POL and repair of vehicles over and above the allocated/released fund as pointed out by the Audit have been made as per section 21 (1) of Chapter-VI of PKHA Ordinance, 2001, which state that “there shall

be formed a non-lapsable fund vesting in the authority known as Frontier Highway Authority fund to be utilized by the authority to meet charges in connection with its function under this ordinance in remuneration to its employees”.

79. As far as, the expenditure on pay and allowance was concerned, it was pertinent to mention that under the salary/establishment charges, none of the budget was granted to PKHA by Government of Khyber Pakhtunkhwa in its Annual Budget rather these charges are met from its own resources of PKHA, maintained in the PKHA reserve fund i.e: NIDA-11. Lump sum amount of approximately for a financial year were transferred to the salary account. Salary Account of PKHA was maintained Allied Bank Limited (ABL) in Army Stadium Branch, Peshawar in that time.

80. Now, this account was being maintained in United Bank Limited Bar Council Branch, Peshawar. The PKHA fund has been utilized for performance of its function and remuneration to its employees under the above mentioned section 21 of the PKHA Ordinance and Rule 5.1 of the Financial Accounting Manual 2005 duly concurred by the Control General of Accounts (CGA) Islamabad routed through Government of Khyber Pakhtunkhwa Finance Department and Office of the Accountant General (AG) Peshawar. Hence, section 21 (i) of PKHA Ordinance 2001, regarding operation of the authority remuneration to its employees was followed.

PAC OBSERVATION

81. The Committee observed that the enhancement of the operational grant was granted by the Chief Minister for the financial year 2015-16 and not for the previous financial year 2014-15.

PAC RECOMMENDATIONS

82. The Committee recommended the Para to be settled, subject to verification of record by Audit within a month.

VOR COMMITTEE RECOMMENDATIONS

83. In the meeting Verification of Record Committee held on 9th April 2021, the representatives of the Department produced the relevant record which was verified by Audit hence, the Para was recommended to be settled.

DP No. 4.4.11 NON-DEDUCTION OF INCOME TAX FROM THE PAYMENT ALLOWED ON MARKET RATES SYSTEM 2015-Rs. 18.628 MILLION.

AUDIT VERSION

84. The Audit reported that according to Government of Khyber Pakhtunkhwa, Finance Department Notification No.SO(Dev-II)/FD/12-6/2014-15 dated 21-04-2015, cost estimates of development projects in PATA shall be framed on Market Rates System 2015 deducting 7% income tax from the rates of each item.

85. During the financial year 2015-16, in the office of the Executive Engineer, C&W Highway Division, Swat, it was noticed that tenders were invited from the contractors for execution of various works on the basis of BOQ's based on Market Rates System 2015 without deduction of 7% income tax of Rs.1,86,28,000/ from the rates of each item.

86. Lapse occurred due to violation of the instructions of the Finance Department. The matter was reported to the management in September 2016. The management stated that estimates have been prepared by deducting 7% from the total cost. The reply of the Department was not tenable. Deductions should have been made from the individual rates and not from the whole cost. The matter was, therefore, brought to the notice of competent forum for remedial action.

87. The Department was requested repeatedly through DO letters for holding the DAC meeting, however neither DAC meeting was held nor any action initiated against the person(s) at fault. Audit recommends that the matter may be investigated and the amount may be recovered from the contractor concerned and deposited into the Government Treasury.

88. During the meeting the Audit accepted its fault that the Para was not based on facts.

DEPARTMENTAL VERSION

89. The Department explained that in this connection it was elaborated that 7% Income Tax has already been deducted in the PC-I of all the schemes in light of Khyber Pakhtunkhwa Finance Department Notification No.SO(Dev:II)/FD/12-6/2014-15,

dated 21/04/2015 and accordingly deducted from the BOQs, Cost inspite of the fact that the contractors belonging to Malakand Division were exempted from the deduction of Income Tax. The Contractors had already challenged the deduction of 7% Income Tax in the Peshawar High Court Peshawar (Darul Qaza Swat). The Honorable Court issued stay order in favour of the Contractor.

PAC OBSERVATION

90. The Committee observed that during discussion the Audit endorsed the reply of the Department and accepted its fault that the Para was not framed on factual basis.

PAC RECOMMENDATIONS

91. In view of the explanation advanced by the Department duly endorsed by Audit, the Para was recommended to be settled.

DP No. 4.4.12 UNAUTHORIZED EXPENDITURE ON EXECUTION OF EMERGENCY & SPECIAL REPAIR WITHOUT OBSERVING CODAL FORMALITIES-Rs. 10.111 MILLION.

AUDIT VERSION

92. The Audit reported that according to Para-146 of GFR Vol-1, expenditure should not be split up in order to avoid sanction of the competent higher authority. According to S.No.15.1 (i) (ii) of Delegation of Financial Powers, Executive Engineer is empowered to accord sanction up to Rs.2,00,000/- for repair of non residential buildings & up to Rs.10,000/- for residential building.

93. During the financial year 2015-16, in the office of the Executive Engineer, C&W Highway Division, Swat, it was noticed that expenditure to the extent of Rs.1,01,11,000/- was incurred on various AOM&R works through contractors without advertisement and sanction of the competent authority. As such, execution of works under AOM&R which fall under special repair without completing the codal formalities was unauthorized.

94. Unauthorized expenditure was incurred due to weak internal controls. The matter was reported to the management in September, 2016. The management replied that the said works were included in PC-1. Audit disagreed as neither tenders were

floated in the Newspapers nor Technical Section of the Competent Authority were obtained.

95. The Department was requested repeatedly through DO letters for holding the DAC meeting, however neither DAC meeting was held nor any action initiated against the person(s) at fault. Audit recommends that the matter may be investigated and the unauthorized expenditure regularized from the Competent Authority.

DEPARTMENTAL VERSION

96. The Department explained that the PC-I/Cost estimate showing the name of Road/Snow Clearance/Emergency nature work was approved in PDWP meeting held on 19/01/2016 and accordingly Administrative Approval (A.A) was issued by the Secretary to Government of Khyber Pakhtunkhwa No.SOR/V-39/W&S/06/Vol-II, dated 08-02-2016.

97. Tenders for AOM&R for the following Sub Divisions were floated after fulfillments of all codel formalities and wide publicity through news to ensure healthy competition amongst the contractors. The tenders of the lowest evaluated bidders have been approved by the Chief Engineer (North) C&W Department Peshawar vide their letter No. 1771/1-G/Swat, dated 30-03-2016 & No. 1874/1-G/Swat, dated 26-04-2016.

S.No	Section	Name of Contractor	Estimated Cost	Bid Cost	% below
1.	Saidu Shaif	M/S Sher Ali Khan & Co	17.952 (M)	14.175 (M)	21.03%
2.	Matta	M/S Nadir Shah	17.708 (M)	14.231 (M)	19.12%

98. A Lump sum amount of Rs.5.000 (M) approved in the PC-I for the Emergency Works, but due to continuous torrential rain in the month of April, 2016 following by heavy spate, most of the Roads have damaged. The District Administration declared an emergency vide Deputy Commissioner Swat No.2919-22, dated 05-04-2016 with the authorization to carry the emergency works immediately. In order to implement the decision of the District Administration, the emergency works have been carried out through the AOM&R Contractor, on their approved rates which were most economical being 21.03 & 19.12 percent below the MRS 2015. The emergency works can be

executed without recourse of Tender in light of Rule-10 of the Public Procurement Rules 2014.

PAC RECOMMENDATIONS

99. In view of plausible explanation of the Department, the Committee recommended the Para to be settled.

DP No.4.4.13 UNAUTHORIZED RETENTION OF PUBLIC MONEY IN 5TH DEPOSIT - Rs. 4.089 MILLION.

AUDIT VERSION

100. The Audit reported that according to Para-26 of GFR Vol-I, it was the duty of the Department concern to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

101. During the financial year 2015-16, in the office of the Executive Engineer, C&W Highway Division Swat, it was noticed from the review of CPWA-79 for June, 2016 that Rs.40,88,831/- were realized from the contractors and kept under 5th Deposit. However, the same were not deposited into the Government Treasury.

S.No	Particulars of items	Amount
1.	Receipt of road cut charges	24,84,731
2.	Receipt of machinery charges	1,19,400
3.	Receipt from consultants	6,13,700
4.	Receipt of Asphalt plant hire charges	8,71,000
Total		40,88,831

102. Unauthorized retention of public money occurred due to violation of rules and weak internal controls. The matter was reported to the management in September, 2016. The management stated that proper action would be taken.

103. The Department was requested repeatedly through DO letters for holding the DAC meeting, however neither DAC meeting was held nor any action initiated against the person(s) at fault. Audit recommends that the amount may be credited to the Government Revenue under intimation to Audit.

DEPARTMENTAL VERSION

104. The Department explained that an amount of Rs.20,39,947/- was credited to Government Revenue through T.E.O No.1 for the month of 02/2017. However, the remaining amount of Rs.20,48,884/- have now been credited to Government Revenue through T.E.O No.1 for the month of 02/2020.

PAC RECOMMENDATIONS

105. As whole of the amount involved in the Para has been deposited into Government kitty, duly verified by Audit, the Committee therefore recommended the Para to be settled with the direction to the Department to deposit such amounts in time into Government Kitty in future.

DP No. 4.4.14 NON-RECOVERY DUE TO DEFECTIVE WORK-Rs. 17.390 MILLION.

AUDIT VERSION

106. The Audit reported that according to clause-11 of the contract agreement, work shall be executed strictly in accordance with specifications, designs and drawings within the approved tendered cost and rates.

107. During the financial year 2014-15, in the office of Executive Engineer, Provincial Building Construction Division No.1 Peshawar, it was noticed that contract for the construction of Mosque and conversion of basement of S-1 & S-2 blocks of Khyber Pakhtunkhwa House Islamabad was awarded to M/s Parcon Associates and was allowed payment of Rs.5,77,22,000/- upto 30-03-2015. The instant case was later on inquired by Anticorruption Department and pointed out recovery of Rs.1,49,93,000/- due to deficiencies in the work. Similarly, an amount of Rs.53,97,000/- was also recoverable by the local office on account of deficiencies pointed out by Anti-Corruption Department in a work at District Mansehra. When pointed out in October 2015, the management replied that the case was subjudice.

108. In the DAC meeting held in September, 2016 the Department replied that Rs.30,00,000/- out of Rs.1,49,93,000/- have been recovered from the security of the contractor. Moreover the Scheme was still ongoing and the security deposit will be retained till satisfactory removal of defects. DAC did not agree and directed to provide detailed record for verification. No progress was intimated till finalization of this Report.

Audit recommends that action may be taken against the concerned and recover the loss from the person(s) at fault.

DEPARTMENTAL VERSION

109. The Department explained that a detailed inquiry was carried out by the Anti-Corruption Establishment. Based on the same, the necessary recovery has been affected from the contractor. Further, the contractor has also approached for Arbitration. The case was under Trial in the Arbitration Court. Any further decision taken during the arbitration trail will be communicated to the Audit, in due course of time.

PAC OBSERVATION

110. The Committee observed that payment of Rs.1,49,93,000/- was made but recovery of only Rs.30,00,000/- was affected, moreover the inquiry report of the Anti-Corruption Establishment Department could not be produced during the meeting.

PAC RECOMMENDATIONS

111. After detailed and hectic discussion, the Committee could not reach to a just and fair conclusion therefore, a Sub-Committee comprising of the following was constituted and the subject Draft Para was referred to it for detailed examination of the issues involved therein and to examine the inquiry report of the Anti-Corruption Establishment Department on the basis of which recoverable amount was calculated and to submit its report to PAC within one month.

- | | |
|--------------------------------|----------|
| 1. Mr. Babar Saleem Swati, MPA | Chairman |
| 2. Mr. Muhammad Idrees, MPA | Member |

DP No. 4.4.15 UNAUTHENTIC EXPENDITURE DUE TO NON PRODUCTION OF AUDITABLE RECORD-Rs.16.374 MILLION.

AUDIT VERSION

113. The Audit reported that according to Section 14 of the Auditor-General's Ordinance 2001, no such information nor any books or other documents, to which the Auditor-General has a statutory right of access, may be withheld from the Audit.

114. During the financial year 2014-15, in the office of Executive Engineer, Provincial Building Construction Division No.1 Peshawar, expenditure to the extent of

Rs.1,63,74,000/- was incurred on various schemes. However, auditable record i.e. tender documents, contract agreement, PCs-1, Technical Sanctions and MBs etc were not furnished to authenticate the expenditure.

115. The lapse occurred due to violation of rules. When pointed out it was replied that the relevant record would be produced to Audit.

116. In the DAC meeting held in August, 2016, the Department repeated the previous reply. DAC directed that relevant record may be provided to Audit. No record was produced till finalization of this report. Audit recommends to fix responsibility for non-production of record.

DEPARTMENTAL VERSION

117. The Department explained that all the schemes mentioned were transferred to PBC-II Division vide S.E letter No. 663/1-e dated 19-12-2014 and all relevant record was in the custody of the PBC-II Division at the time of Audit. Now the schemes again entrusted to this division vide S.E No. 437/1-E dated 14-10-2015.

PAC OBSERVATION

118. The Committee observed with heavy heart the non production of record by the Department despite clear-cut decision of DAC held in August 2016.

PAC RECOMMENDATIONS

119. As record was not produced to Audit, therefore, the Committee directed the Department to produce complete record of the amount involved to Audit. The Audit was directed to conduct detailed audit of the record involved in the subject Para within a month positively. Para stands. Progress be reported to PAC.

120. The Department was directed to initiate appropriate disciplinary action against the concerned staff for not providing record to Audit despite decision of DAC.

DP No. 4.4.16 EXCESS ON ACCOUNT OF INCORRECT APPLICATION OF PREMIUM-Rs.4.190 MILLION.

AUDIT VERSION

121. The Audit reported that according to Finance Department No. BOI/FD/1-7/2010-11/CSP dated 29-03-2011, only 20% premium is admissible on the CSR rate of 2009.

122. During the financial year 2013-14, in the office of Project Director C&W Department Swat, PaRRSA/USAID Unit, it was noticed that 28% premium was paid over CSR 2009 instead of 20% which resulted into overpayment of Rs.41,90,000/-. The excess payment was made due to weak internal controls. When pointed out in February, 2015, the Department replied that excess rate was allowed because all the schemes were located in far flung areas involving double/triple carriage.

123. In the DAC meeting held in January, 2016, the case was referred to Finance Department for opinion. Finance Department further referred the matter to Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA). The KPPRA authorities opined that the schemes were executed before promulgation of KPPRA Act, 2012 and the procuring entity should examine the audit Para in light of applicable relevant rules of funding agency and prevailing instructions of Provincial Government. Audit recommends that the Department had made the payment without rate analysis and approval of Government of Khyber Pakhtunkhwa as the Project Director had no authority to change the rate of premium. Therefore, recovery should be affected.

DEPARTMENTAL VERSION

124. The Department explained that as it has been cleared by the Finance Department and Khyber Pakhtunkhwa Public Procurement Regularity Authority vide their letter No. KPPRA/M&E/Advice/12-14/2016-17/6301-4 dated 18-10-2016, that it does not show any mis-procurement. The rebated rates of 28 % and 30 % above offered by the contractors on CSR 2009 were within the Financial Limit of Chief Engineer/Project Director which does not show any mis-procurement. The detail of 30% & 28 % are as under:-

- i. 20% Premium allowed on CSR 2009.
- ii. 10% Over and above on bid cost was the competency of Chief Engineer/Project Director as per Delegation of Power/Notification.

125. Moreover These schemes were located in remote and hard areas of Malakand Division where double and triple carriages were involved, initially these schemes were put to tender again & again and the rates offered by the contractors were beyond the limit of A.A cost therefore, revised PC-1 based on contractor premium was approved by the competent forum DRRC. It was also pertinent to mention that these schemes were DONOR funded and need to be completed in time otherwise grant could have been expired.

PAC RECOMMENDATIONS

126. Reply of the Department was found satisfactory hence, the Para was recommended to be settled.

DP No. 4.4.17 WASTEFUL EXPENDITURE DUE TO DEFECTIVE DESIGNS/ FEASIBILITY STUDY AND CONSTRUCTION SUPERVISION- Rs.24.965 MILLION AND OVERPAYMENT OF Rs. 15.845 MILLION

AUDIT VERSION

127. The Audit reported that according to the Administrative Approval accorded vide Secretary Health No.1/SPO-I/P&D/Health/2015-16 dated 25-04-2016, the PDWP directed that the C&W Department may initiate action against consultants and contractor as recommended by Directorate General M&E, P&D Department.

128. During the financial year 2014-15, in the office of Executive Engineer, Provincial Building Construction Division No.1 Peshawar, payment of Rs.2,49,65,000/- was made to M/S Allied Engineer Consultants on account of consultancy for design & construction supervision of work, "Construction of Additional Wards at LRH Medical & Allied wards" vide 24th Running Bill. The payment was unauthorized & wasteful due to defective designs. The original PC-1 cost of Rs.82,91,33,000/- was enhanced upto Rs.2,41,02,39,000/- and further to Rs.3,16,69,53,000/-. Moreover, the consultants were paid Rs.2,49,65,000/- whereas PC-1 cost was Rs.82,91,33,000/- and the payable amount comes to Rs.91,20,000/-. Thus, Rs.1,58,45,000/- were overpaid. Moreover, due to inability of consultants, escalation of Rs.13,29,53,000/- was also paid to the contractor M/S Rehman Construction Co. for execution of civil work vide 42nd Running Bill. When pointed out in October 2015, the management furnished no reply.

129. In the DAC meeting held in September, 2016, the Department replied that the scheme was revised due to enhancement in the scope of work. The DAC did not agree and directed that the C&W Department may initiate action against the consultant and contractor and the consultancy charges be restricted to original approved cost in the light of PDWP Instructions. No progress was intimated till finalization of the report. Audit recommends that the matter may be investigated, responsibility fixed and recovery effected from the person(s) at fault.

DEPARTMENTAL VERSION

130. The Department explained that the scheme "Construction of Allied Ward was approved for Rs. 829.133 (M) with a covered area 260575 sft based on the requirement of client Department work was started on the same scope of work. The client Department later, asked for additional scope of work on account of the same, the scheme was revised & submitted to competent forum with a cost of 2410.39 (M) with an increase in covered area from 260575 sft to 323302 sft. The same was approved by the competent forum.

131. Later on the client Department once again revised & enhanced of the scope & the covered area increase from 323302 sft to 403000 sft. Due to addition of extra scope, inclusion of HVAC, Sprinkle System & etc the cost of scheme reached to Rs. 3735.754 (M) which was approved by the competent forum.

132. It was further to elaborate herewith that the consultants have been paid only 49.00 (M) instead of their due amount 87.00 (M), hence the enhanced amount has been restricted in the best interest of Government as per instructions of PDWP. However, the consultants have successfully performed their task and duty till the completion of the project.

PAC RECOMMENDATIONS

133. The Department produced record of recovered amount of Rs. 49.040 (M), duly verified by Audit during the meeting hence, the Para was recommended to be settled. The Department was directed to avoid such lapses in future.

ELEMENTARY AND SECONDARY EDUCATION DEPARTMENT

PROCEEDINGS:

Six (06) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Elementary and Secondary Education Department were taken up for examination by the Sub-Committee of Public Accounts Committee in its meeting held on 4th of February, 2021. The following were presents:-

Sub-Committee of Public Accounts Committee.

- | | | |
|----|---------------------------------|----------|
| 1. | Mr. Muhammad Idress, MPA | Chairman |
| 2. | Mr. Babar Saleem Swati, MPA | Member |
| 3. | Mr. Jamshaid Khan, MPA | Member |
| 4. | Arbab Muhammad Waseem Khan, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Izazullah,
Deputy Secretary.

FINANCE DEPARTMENT

Mr. Naveed Ahmad,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Zain-ul-Abidin,
Director.
2. Mr. Khalid Zaman,
Audit Officer.
3. Mr. Mahmood-ul-Hassan Saeed,
Assistant Audit Officer.

ELEMENTARY AND SECONDARY EDUCATION DEPARTMENT

1. Mr. Nadeem Aslam Chaudhary,
Secretary.
2. Hafiz Mohammad Ibrahim,
Director, (E&SE).

3. Mr. Wasil Khattak,
Deputy Director.
4. Abdul Shakoor,
Assistant Director.
5. Mr. Sheraz Ahmad,
D.E.O, (M).
6. Mrs: Shamim Akhtar,
D.E.O, (F).
7. Mr. Qaiser Khan,
D.E.O, (M), Kohat.
8. Mr. Muzaar Ali Khan,
D.E.O, (M), Lower Chitral.
9. Mrs: Hussan Ara,
D.E.O, (F), Dir-Upper.
10. Mrs: Asmat Ara,
D.E.O, (F), Dir Lower.
11. Mr. Bilal Ahmad,
Finance Officer.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Amjad Ali,
Additional Secretary.
2. Mr. Khalid Shaheen,
Deputy Secretary.
3. Mr. Ibrahim Khan,
Assistant Secretary.

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

DP No.5.4.5 MISAPPROPRIATION OF PC TABLETS - RS. 13.140 MILLION.

AUDIT VERSION

3. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

4. During the financial year 2014-15, in the office of Secretary, Elementary and Secondary Education Khyber Pakhtunkhwa, Peshawar, it was observed that 2,527 PC tablets were purchased from M/s Rockville for onward distribution amongst 100 selected schools of Male & Female in 25 Districts of Khyber Pakhtunkhwa. On scrutiny of stock register, the PC tablets were less issued to the DEO Male/Female schools.
5. Signatures for all receipts of PC tablets have been taken in the blank spaces of stock register.
6. The lapse occurred due to weak internal controls. This resulted into misappropriation of Rs.1,31,40,000/-.
7. When pointed out in June 2016, it was stated that detailed reply would be submitted after consulting the record.
8. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.
9. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault, besides recovery of tablets from the concerned.

DEPARTMENTAL VERSION

10. The Department explained that out of the total 2527 PC tablets purchased, only 2399 were issued to the District Education Officers (DEO). The delivery challans were duly signed by the DEOs. The remaining 128 PC tablets have already distributed by Director E&SE, Khyber Pakhtunkhwa.
11. Due to shortage of time at the time of distribution ceremony of Tablet PCs blank spaces were left in stock register in order to write the position of remaining tablets in serial wise. As decided in the DAC meeting Stock register was complete.
12. Apart from the stock register, separate delivery challans were also signed from the DEOs mentioning the number of Tablet PCs receive by each DEO.
13. In view of the above explanation the respected forum is requested to settled the Para, please.

PAC OBSERVATION

14. During the meeting, after examination of the record the Committee observed the following:-

1. That total 2527 PC tablets have been purchased but their record was not produced to the Audit for verification.
2. That PC tablets were less issued to the DEO Male and Female offices.
3. That most of the record of recipients of PC tablets which were taken by the DEO, Male and Female were not readable it was neither signed nor put stamped.
4. That DAC meeting was convened very late i.e. on 08-02-2017 after the reflection of Audit Para in the Audit Report which clearly shows in efficiency on the part of the Department.
5. That DAC decision was not implemented before the meeting of PAC till date.
6. That no departmental action was taken by the Department under the E&D Rules-2011 against those who failed to implement the decision of DAC.

PAC RECOMMENDATION

15. After detailed discussion, the Committee could not reach a just and fair conclusion therefore, a Sub-Committee comprising the following was constituted to examine thoroughly original record pertaining to purchase of the total 2527 PC tablets and its issuance to twenty five (25) District Male and Female offices and to ensure as to whether objective of the project was achieved or otherwise:-

1. Mr. Muhammad Idress, MPA Chairman
2. Mr. Jamshaid Khan, MPA Member

16. The Committee will submit its report to PAC within a month time.

DP No.5.4.27 OVERPAYMENT ON ACCOUNT OF PRICE ESCALATION TO CONTRACTOR - RS.14.850 MILLION.

AUDIT VERSION

17. The Audit reported that according to Clause-59 of the General Conditions of Contract, all prices shall be frozen at the rate at which adjustment was allowed in the last monthly interim payment statement relating to the said period even if any extension of time was allowed except where the extension was due to the fault of the contractor. Moreover, adjustment of increase/decrease in prices shall only be admissible for Ordinary Portland Cement and Steel Reinforcement. On the basis of the rate for Steel Reinforcement will be monthly statistical Bulletin issued by Federal Bureau of Statistics Islamabad for the Abbottabad Area, and for Ordinary Portland Cement will be Askari Cement and Facto Cement, whichever was lowest.

18. During the financial year 2013-14, in the office of Project Director, “Captain Karnel Sher Khan Shaheed (NH)” Cadet College Swabi, it was noticed that payment of Rs.1,20,25,829/- was made to contractor of NLC on account of escalation bill in the extended period. The contract was awarded to NLC on 95% above premium on CSR 1999 with completion time of 18 months w.e.f. 01-07-2006 to 31-12-2007. The work was not completed within stipulated time period. On the request of contractor 1st extension was granted upto 30-04-2012 and 2nd extension upto 30-06-2012 by the Board of Governors. Audit was of the opinion that payment of escalation was unauthorized because the extension was due to contractor’s fault.

19. Lapse occurred due to weak internal controls. This resulted into overpayment of Rs.1,40,85,000/-. When pointed out in December 2014, the management furnished no reply.

20. In the DAC meeting held in May 2015, the Department stated that the work was not delayed by NLC, but got delayed due to slow/non release of funds by the Government. So escalation was provided to NLC only on those items for which provision exists in the contract agreement. DAC did not agree and directed to provide relevant record for verification within 15 days.

21. The Department produced relevant record for verification, which revealed that during the original period of contract the rate of steel was escalated/increased and the rate of cement was de-escalated/decreased. Escalation of Rs.12.026 million on steel reinforcement was paid to the contractor without freezing the rates, and the de-escalation

in cement was not applied. Only escalation/increase was applied leaving de-escalation/decrease, thus violating the agreement conditions.

22. The escalation and de-escalation was calculated by audit on the basis of available evidences and freezing the prices. The amount of escalation in the steel prices comes to Rs.56,19,432 and de-escalation in cement prices comes to Rs.84,50,823/-. A sum of Rs.28,31,391/- (-Rs.84,50,823/- + Rs.56,19,432/-) was required to be recovered from the contractor, but instead of this a payment of Rs.1,20,25,829/- was made to the contractor causing overpayment of Rs.1,48,57,220/- to the contractor. As per audit, the overpayment on account of escalation may be recovered from the contractor.

23. As per audit the overpayment on account of escalation may be recovered from the contractor. The overpayment was not recovered from the contractor till finalization of the report.

24. Audit recommends to recover the overpayment from the contractor.

DEPARTMENTAL VERSION

25. The Department explained Irregular and Unauthorized Payment of Rs.1,20,25,829/- as follows.

- a. The Project by NLC (Phase-I of the College) commenced in June 2006 and was to be completed by 30th June, 2007 (15 months), which was delayed considerably, until a portion of the project assigned to another contractor in Sept: 2011. Meanwhile, on the request from contractor, changes in the EOT were permitted by the BOG, with the instructions to process the case of escalation on cement/steel, beyond (18) months. Accordingly, GHQ was also approached vide 0402/2/Q/Cadet College Swabi - Z7HDPM dated 4 Feb 2011, for release of pending amount of 85.563 million, to ensure completion of works, within stipulated timeline.
- b. In year 2013/14, NLC discontinued the project and College project team was compelled to hire M/S Upright Engineers and M/S Aamir Construction Company for completing the pending.

- c. The audit of the project accounts was carried out in 2013-14, which observed the anomalies and asked for early settlement of the case.

recommendations:

- d. DG Audit vide DAC/Edu/2016-17/63-64, dated 2 Feb 2017 ordered full recovery of Rs. 14.857 (million) after verification/scrutiny of record (dated 16 Jan 2017) in the light of DAC decision.
- e. Payment of Escalation Owing to delay in release of money Escalation was approved by BOG vide 0104/CC Swabi/FATA dated 2 April 2012, HQ 11 Corps ltr No. 0402/2/Q/Cadet College dated 4 Feb 2011, ACE ltr No. ARTs/CCS/195/642 dated 27 April 2012 and therefore, was in order.
- f. De-Escalation of Cement: Price of De-escalation for Rs. 28,13,391.00 was required to be paid by the contractor.
- g. The College has retention money of Rs. 11.21 (million) of the NLC, awaiting settlement of the audit Para and to recover, the amount on account of cracks/leakages and seepage etc in the buildings (F/E&SE).
- h. An amount of Rs. 28,13,391.00 is being deposited into the Government Treasury out of NLC retention money of Rs. 11.21 million and balance of Rs. 83,96,609/- shall be refunded to NLC after decision of PAC and rectification of construction faults already communicated to GHQ, NLC vide letter No. 1055/Q/11/KSKCCS dated 19th January, 2021.

PAC OBSERVATION

26. The Committee observed that there was difference in the contention of Audit and the Department and also variation in the amount of loss pointed out by the Audit and the one advanced by the Department.

PAC RECOMMENDATIONS

27. After detailed discussion, the Committee directed the Audit and Department to sit together and clarify the actual recoverable amount on the part of the Contractor and recovery be made from the NLC retention amount duly verified by the Audit within a month.

28. Para stands till complete recovery.

DP No.5.4.36 LESS RECOVERY OF STAMP DUTY/INCOME TAX ON THE PURCHASE OF PC TABLETS - RS.4.589 MILLION.

AUDIT VERSION

29. The Audit reported that according to section-50 of Income Tax Ordinance, 4.5% income tax is recoverable from all suppliers. Sales Tax Act 1990 provide that 1/5th of the 17% sales tax was to be deducted for the payment to supplier Government of Khyber Pakhtunkhwa vide Finance Act 2003 has imposed 1% stamp duty to be recovered from the contractors/suppliers.

30. During the financial year 2014-15, in the office of Secretary, Elementary and Secondary Education Khyber Pakhtunkhwa, Peshawar, it was observed that 2527 PC tablets were purchased from M/s Rockville and payment of Rs.8,95,00,000/- was made vide cheque No.1219520 dated 25-06-2015.

31. On scrutiny of the record it was observed that stamp duty, sales tax and income tax were less deducted. Thus government sustained a loss of Rs.45,89,005/-.

Detail given below:-

	Amount due	Amount deducted	Difference
1% stamp duty	8,95,063	7,76,011	1,19,052
1/5 th sales tax	30,43,216	26,01,048	4,42,168
Income tax	40,27,785	Nil	40,27,785
Total			45,89,005

32. The irregularity occurred due to weak of internal controls. This resulted into less recovery of Rs.45,89,005/-.

33. When pointed out in June 2016, it was replied that recovery would be made after scrutiny of record.

34. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor recovery affected till finalization of the report. Audit recommends that recovery be made from the concerned.

DEPARTMENTAL VERSION

35. The Department explained that under Section 153(5) of Income Tax Ordinance 2001, clearly stipulates that no income tax was required to be deducted if the same has already been paid by the importer at the Port under Section 148 of the ordinance at the import stage. The supplier has already paid income tax under section 148 of the ordinance to Collector of Customs at the time of the import. The copy of Pay Order drawn in the favor of the Collector of Customs along with a challan of Al-Falah Bank Ltd, Rawalpindi.

36. Regarding less deduction of the Stamp duty, it was informed to the Committee that Rs.7,65,011/- was deducted whereas the Audit officer observed that Rs.8,95,063/- was required to be deducted under this head. However, the audit officer overlooked the fact that the stamp duty is deducted on the price exclusive of Sale Tax. Thus, the amount deducted was the same as required to be deducted under the Stamps Act 1899, which was already fulfilled.

37. Regarding less deduction of the Sales Tax on the purchase of PC Tablet, it is submitted that Sales tax amounting Rs. 26,01,048/- was with held/deducted being 1/5th of the total Sale.

38. Moreover, all details about the purchase order, total bill, income Tax, Stamp Duty, Sales Tax deducted have been provided to DC, Inland Revenue, Corporate Zone, RTO and Islamabad under Section 38A of Sales Tax Act 1990.

39. In view of the above mentioned facts, no additional Income Tax, Sales Tax or Stamp duty was required to be paid. If there is any discrepancy, the same may be deducted by the DC, Inland Revenue, RTO Islamabad at their own as complete details of the deductions have been provided to that office.

PAC OBSERVATION

40. The Committee expressed their concern over non convincing of DAC meeting regularly. The Committee directed the Department that DAC meeting must be held on time in future to facilitate the job of PAC and to maintain financial discipline in the Department.

PAC RECOMMENDATION

41. The Para was referred to the Sub-Committee already constituted vide in Draft Para No. 5.4.5 (2016-17) for detailed examination of record of less recovery of stamp duty, Sale Tax and Income Tax.

DP No.5.4.54 WASTEFUL EXPENDITURE DUE TO NON-ACHIEVEMENT OF PC-I OBJECTIVES – RS.11.084 MILLION.

AUDIT VERSION

42. The Audit reported that according to PC-I of the project “Strengthening of Planning Cell in Elementary & Secondary Education Department Khyber Pakhtunkhwa” the following objectives/targets were fixed provided.

- (i) To assist planner in preparation of plans for the improvement, expansion & qualification uplift of education in Khyber Pakhtunkhwa.
- (ii) Assessing the implementation status of project/program/plan during implementation on regular basis.
- (iii) To monitor education plans & activities.
- (iv) To conduct meetings, workshops and seminars and provide mentor support to attached provincial and district governments in implementation of approved plans.

43. The comparison of the financial statements of the project “strengthening of Planning cell in Education Department” for the financial year 20013-14 with the objectives provided in the PC-I revealed that a provision of Rs.5,90,27,000/- was provided in PC-I with the following break up for the achievement of above objectives.

S/No.	Financial year	Nature of expdr	Provision	Expenditure incurred	Percentage utilization
1.	2011-12	Salaries	37,53,000	9,93,000	24.458%
		Operational	1,89,20,000	7,75,000	4.096%
2.	2011-13	Salaries	1,50,12,000	11,09,000	7.387%
		Operational	23,80,000	58,58,000	246.134
3.	2013-14	Salaries	1,50,12,000	11,60,000	7.727%
		Operational	39,50,000	11,89,000	30.101
Total			5,90,27,000	1,10,84,000	18.778%

44. The salary component of the project revealed that against the provision of 42 human resources in PC-I, the local office has appointed only 01 Assistant, 04 Naib Qasid & 01 Driver (total 06). This shows that in the absence of professional staff, the project objectives were not achieved and the funds were utilized without prudence. Thus the cumulative expenditure of Rs.1,10,84,000/- incurred on salary & operational was wasteful.

45. The lapse occurred due to weak internal controls. This resulted into wasteful expenditure of Rs.1,10,84,000/-.

46. When pointed out in November 2014, the management furnished no reply.

47. In the DAC meeting held in October 2016, it was decided that fact-finding inquiry may be conducted within (30) days to fix responsibility. No progress was intimated till finalization of the report.

48. Audit recommends that DAC decision be implemented.

DEPARTMENTAL VERSION

49. The Department explained that the project titled “20864- Strengthening of Planning Cell of E&SE Department KP” was included in year 2002-2003 for strengthening of the planning capacities of line Departments i.e. E&SE Department.

50. The objective of the project was to strengthen the existing structure of planning and enhance the capacity of monitoring and evaluation in education sector.

51. In the beginning only supporting staff was working in the project (i.e. 01 Assistant, 04 Naib Qasids & 1 Driver) with the existing setup of E&SE Department.

Revision Status:

- a. Originally: 2002-2005
- b. 1st Revision: 2005-2008
- c. 2nd Revision: 2008 – 2011
- d. 3rd Revision: 2011-2014

52. The Planning Cell was heavily overworked and lacking capacity in terms of staff. To fill the staff, under the project, 34 posts were advertised on 28-05-2012.

53. The process of recruitment of additional staff was delayed due to ban imposed on recruitment by the Election Commission of Pakistan during Election 2013 and advertisement was cancelled on 13/4/2013 as it became time barred. The posts were re-advertised on 27/6/2014 and the recruitment process was completed in 2016-17.

54. The project objectives/targets were achieved in the supervision of the limited existing planning setup with the assistance of supporting staff.

55. The purpose of the project was to support the Planning Wing in terms of staff and facilitate operations and supplement the regular budget in terms of provision of stationary and POL etc.

PAC RECOMMENDATION

56. The explanation of the Department was considered as plausible and the Para was recommended to be settled, subject to verification of record of the appointment of 07 M&E Officers Technical (at Divisional level), 04 Assistants and 07 Drivers coupled with their job description and objective of the project achieved or otherwise.

DP No.5.4.59 DOUBTFUL DRAWL ON ACCOUNT OF TA AND IMPLEMENTATION COST - RS.30.578 MILLION.

AUDIT VERSION

57. The Audit reported that as per contract agreement clauses, each PTC consisted of 8 numbers, conducted for four days and every participant was paid @ Rs.400/- per day (8x4x400=12,800).

58. According to Para-10 of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

59. During the financial year 2014-15, in the office of Director Elementary and Secondary Education Khyber Pakhtunkhwa, Peshawar, it was noticed that an amount of Rs.3,05,78,048/- has been drawn from government exchequer by claiming one and the same Parent Teacher Council (PTC) several times.

60. Scrutiny of bills on account of reimbursement charges for the PTCs conducted by the SRSP in the 12 Districts of Khyber Pakhtunkhwa. It was observed that one and the same PTC has been repeated several times either in the same bill or in other bills of the same District and thus an excess amount of Rs.3,05,78,048/- has been paid to SRSP (the executing agency of training) by the Directorate of Elementary & Secondary Education Peshawar.

61. The lapse occurred due to weak internal controls and financial mismanagement. This resulted into doubtful payment of Rs. 3,05,78,048/-.

62. When pointed out in June 2016, it was stated that the issue will be resolved as per contract agreement, If the double drawl is verified, will be recovered.

63. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

64. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault besides recovery from the concerned.

DEPARTMENTAL VERSION

65. The Department explained that there is no detail of schools in the Audit Para, which the auditor considers to have been counted twice. Only number of district wise PTCs have been provided, which does not help the Department to scrutinize the record.

66. In their opinion audit based its observations on the abstract list attached on the bills, where detail could not be provided. Training was conducted by SRSP. Duration of the training was 4 days. T.A was released to the members of PTC at the rate of 400 PKR per day per participant. However, TA sheet attached with same bills provided the following details.

1. Name of district
2. Venue
3. Date of Training
4. School name

5. EMIS code

On top of that all attendance sheets and TA receipts are signed by

1. Secretary (Head of school) of PTC

2. Master Trainer

3. ASDEO

4. DEO

67. Still, the whole record was re-scrutinized and no error as such was found in the record.

68. Details can be provided to audit for verification as and when asked.

69. It is further stated that on the request of Director E&SE, the Project Implementation Committee has decided to withhold the payment RS. 55.00 Million to SRSP till the finalization of audit report.

PAC RECOMMENDATION

70. The explanation of the Department was found plausible. Hence, the Para was recommended to be settled, subject to verification of complete record of the amount drawn on account of TA.

DP No.5.4.60 FRAUDULENT DRAWAL ON FAKE SIGNATURE OF MANAGING DIRECTOR AND NON-RECOVERY OF INTEREST @ 15% - RS.11.250 MILLION.

AUDIT VERSION

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

72. During the financial year 2009-10, while auditing the accounts record of PD/MD LFA, it was observed that a sum of Rs.1,12,50,000/- was drawn from the project account fraudulently and transferred to the personal accounts of ex-AD (Accounts) maintained at Bank of Khyber Secretariat Branch. The amount was further transferred from BOK Secretariat Branch to his account at Mansehra Branch of BOK. In inquiry he confessed that he scanned the PD/MD signature & embossed it on the Bank advice thus

transferred the huge amount from project to private account. An FIR was also registered against him and he was arrested.

73. When pointed out in December 2010, it was replied that S.M.H Bukhari Ex-AD Accounts has illegally withdrawn Rs.1,12,50,000/- from the LFA Project Accounts scanning signatures of the PD/MD, thus committing forgery and embezzlement of Government funds. An enquiry committee was constituted to find facts, apportion blame and fix responsibility. On the recommendations of the Committee, the personal bank accounts of S.M.H Bukhari ex-AD accounts were seized. Confessional statement of the accused was recorded.

74. Furthermore, Anti Corruption Department was informed regarding the occurrence of forgery/embezzlement of funds. Anti Corruption Department registered an FIR against the individual besides confiscating relevant record from the accounts branch of LFA Project and arrested the accused.

75. The litigation against the accused was in process. Audit requested for production of record, which was not produced.

76. The fraud occurred due to weak internal controls and financial indiscipline.

77. In the DAC meeting held in December 2016, the department responded that evidence of recovery of Rs.90,50,000/- are available and it can be produced to audit while a copy of the letter pertaining to interest of 15% has been sent to Director, Anti Corruption for recovery and that the fraud was made possible due to negligence of dealing staff of Bank of Khyber. DAC directed that the recovered amount of Rs.90,50,000/- be verified and Para stands till full recovery. However, neither record produced for verification nor any progress intimated till finalization of the report.

78. Audit recommends that being a very serious issue matter, the Department may further conduct a detailed inquiry and explain its position before PAC.

DEPARTMENTAL VERSION

79. The Department explained that the instant Para itself witnesses that appropriate and prompt remedial actions were taken when the fraud was noticed. No

concession was given to the accused. It may be noted that once Anti-Corruption Establishment (ACE) took cognizance of the case, the accused was imprisoned in the Central Jail Peshawar.

80. However the Bank of Khyber may be put on notice for the negligence on its part. The ESEF management has done its level best to recover the major portion at its own efforts and the rest was the responsibility of the ACE.

81. The recovered amount is as below;

1. Rs. 1,00,50,000/- (erroneously recorded as 90,50,000/-, by audit party
2. Rs. 1,18,350/-,

Total recovered amount Rs. 1,01,68,650/-

82. On 16-11-2013 the special Judge of Anti-corruption at decided the case ,acknowledging the recovered amount as mentioned below and referred the case to ACE for information and to C.O ACE Peshawar for due compliance. Furthermore, latest updates from ACE show that the accused Syed Mukhtair Hussain Shah is already abated due to his death.

83. In view of the above facts, the recovery against the accused (dead) be reduced to Rs.1,081,350/- (one million eighty one thousand three hundred and fifty only) which will either be recovered from the accused through sale disposal of his assets (if any) or in other way, the Finance Department would be requested to write-off the above recovery as per law.

PAC OBSERVATION

84. After examination of the record pertaining to the subject Draft Para, the Committee observed the following:-

1. That recovery Rs. 1,01,68,650/- made by the Department from the accused and deposited in the Government treasury.
2. That the accused Syed Mukhtiar Hussain Shah, ex-AD Accounts has already been abated due to his death.

3. That only Rs. 10,81,350/- is required to be recovered.

PAC RECOMMENDATION

85. As major portion of the recovery on the part of the accused has been made by the Department duly verified by the Audit and as the accused passed away, therefore, the Committee taking a lenient view recommended to settle the Para on humanitarian grounds. The balance amount was also recommended to be condoned.

HIGHER EDUCATION DEPARTMENT

OVERVIEW

Sixty (60) Draft Paras, reflected in the Auditor General's Report for the year 2016-17 against the Department, were examined by the Public Accounts Committee in its meetings held on 10/02/2021, 11/02/2021, 25/02/2021, 10/03/2021, 11/03/2021, 24/03/2021 and 27/10/2021. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|---------------------------------|-----------------|
| 1. | Mr. Muhammad Idrees, MPA | Acting Chairman |
| 2. | Arbab Muhammad Waseem Khan, MPA | Member |
| 3. | Mr. Mr. Inayatullah, MPA | Member |
| 4. | Mr. Ahmad Kundi, MPA | Member |
| 5. | Mr. Babar Saleem, MPA | Member |
| 6. | Mr. Jamshaid Khan, MPA | Member |
| 7. | Dr. Asiya Asad, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

1. Mr. Sumar Gul,
Additional Secretary.
2. Mr. Izazullah,
Deputy Secretary.

FINANCE DEPARTMENT

1. Mr. Naveed Ahmad,

- Additional Secretary.
2. Mr. Akhtar saeed Turk,
Additional Secretary.
 3. Mr. Muhammad Ali Asghar,
Additional Secretary.
 4. Mrs. Naghmana,
Additional Secretary (Reg).

AUDIT DEPARTMENT

1. Mr. Mahmood Ahmad Khan,
Director General.
2. Mr. Farrukh Sohail,
Deputy Auditor General, North.
3. Mr. Sajid Khan,
Director.
4. Mr. Muhammad Fayaz,
Deputy Director.
5. Mr. Zain-Ul-Abidin,
Deputy Director.
6. Mr. Fazl-e-Maula,
Audit Officer.
7. Mr. Khalid Zaman,
Audit Officer.
8. Mr. Mahmood-ul-Hassan Saeed,
Assistant Audit Officer.

HIGHER EDUCATION DEPARTMENT

1. Mr. Fazal Hussain,
Secretary-II, (BOR).
2. Mr. Ali Qadar Safi,
Special Secretary.
3. Mr. Muhammad Sheraz,
Additional Secretary.
4. Mr. Nasir Khan,
Additional Secretary.
5. Prof: Muhammad Idrees,
Vice Chancellor (UOP).
6. Prof: Anwar Gilani,
Vice Chancellor, University of Haripur.

7. Prof. Dr. Bashir Ahmad,
Vice Chancellor, Bacha Khan University.
8. Mr. Iftikhar Ahmad,
Vice Chancellor, Gomal University.
9. Prof. Jehan Basir,
Vice Chancellor, (ICP).
10. Mr. Zahoor-ul-Haq,
Vice Chancellor, (AWKU Mardan).
11. Prof. Jehan Bakht,
Vice Chancellor Agriculture University Peshawar
12. Prof. Dr. Sardar Khan,
Vice Chancellor Kohat University Science & Technology.
13. Dr. Iftikhar Hussain,
Vice Chancellor, (UET, Peshawar).
14. Dr. Yorid Ahsan Zia,
Registrar, University of Peshawar.
15. Dr. Shah Masaud Khan,
Registrar, UOP.
16. Mr. Muhammad Asfandyar khan Khalil,
Registrar, University of Swabi.
17. Mr. Noor-ul-Hadi,
Registrar Agriculture University.
18. Mr. Muhammad Imran Khan,
Controller Finance (IM Sciences).
19. Mr. Muhammad Iqbal,
Director Finance, Gomal University.
20. Dr. Hamid Ullah,
Director Finance, (Islamia College).
21. Mr. Zahoor-ul-Haq,
Director.
22. Dr. Muhammad Mohsin Khan,
Director, (IM Sciences).
23. Dr. Ateeq-ur-Rehman,
Director.
24. Mr. Waqar Ahmad,
Director Works, (AWKU Mardan).
25. Mr. Muhammad Rehan,
Director, IT.

26. Mr. Athar Bangash,
Director, Works (UOP).
27. Mr. Muhammad Ishtiaq,
Treasurer.
28. Mr. Muhammad Faizan Malak.
Treasurer (A.W.K.U.Mardan).
29. Mrs. Aisha Salman,
Treasurer. (UOP).
30. Mr. Naveed Anjum,
Treasurer, (University of Swabi).
31. Pro. Dr. Muhammad Zulfiqar,
Treasure, Agriculture University.
32. Dr. Misbah Ullah,
Treasurer, (UET Peshawar).
33. Mr. Hassan Khan,
Deputy Registrar.
34. Mr. Muhammad Bashir,
Deputy Director, (E).
35. Mr. Maqsood Anwar,
Deputy Director.
36. Dr. Muhammad Rizwan,
Deputy Director Works Kohat University.
38. Mr. Muhammad Shakeel,
Project Engineer, (UOP).
39. Dr. Haroon,
Provost Agriculture University.
40. Mr. Riaz Ali Khan,
Law Officer, UOP.
41. Mr. Khwaja Muhammad Saqib,
Assistant Director, (G).
42. Mr. Amanullah,
Assistant Librarian.
43. Mr. Asad Ullah Khan,
Section Officer, (B&A).
44. Mr. Muhammad Abdul Haseeb,
Procurement Officer.
45. Abdul Waheed,
Audit Officer, (UOP).

46. Mr. Sabir Bacha,
Project Accountant, (UOP).
47. Mr. Haseeb-ur-Rehman,
ADC, CHD
48. Mr. Shahen Shah Gohar,
DSP, (HQ), Charsadda.
49. Mr. Raj Wali Shah,
D.R.A, (Revenue).
50. Mr. Amin Gul,
TMO, (Charsadda).
51. Mr. Iqbal Hussain,
A.T.O (R), Charsadda.
52. Mr. Fakhre Alam,
Assistant Engineer, (Islamia College).
53. Mr. Muhammad Yasir,
Sub-Engineer, (Islamia College).

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Nasrullah Khan,
Secretary.
2. Mr. Amjad Ali,
Additional Secretary.
3. Mr. Khalid Shaheen,
Deputy Secretary.
4. Mr. Ibrahim 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 No.5.4.1 NON-PRODUCTION OF RECORD OF APPOINTMENTS & NON-RECOVERY OF PENALTY-RS.229.204 MILLION.

AUDIT VERSION

3. The Audit reported that according to Section 14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, to which the Auditor General has a statutory right of access, may be withheld from the Audit. Any person or authority hindering the auditorial functions shall be subject to disciplinary action under relevant Efficiency and Discipline Rules applicable to such person.

4. During the Financial Years (2014-15) & (2015-16), in the Abdul Wali Khan University Mardan, it was noticed that against the sanctioned strength of 1,119 employees, the University has shown 1,026 employees on strength. Out of it 641 employees were appointed during the period from May, 2015 to June, 2016. The category of the appointment was different like, Professors, Lecturers, demonstrators and administrative staff on regular, contract, fixed pay etc basis.

5. The relevant record of the appointments was demanded from the concerned staff time and again but was not provided for audit. Further an aggregate monthly payment of Rs.15,05,78,000/- was allowed to them as salary, which also could not be authenticated.

6. Non-production of record occurred due to non-adherence to rules, financial indiscipline and weak internal controls.

7. When pointed out in November & June 2016, the management stated that detailed reply would be given later on.

8. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

9. Audit recommends to investigate the matter fix responsibility and take appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

10. The Department explained that the record of the same was engaged in various inquiries and now available. The same is available for verification by the audit.

PAC OBSERVATION

11. The Committee observed that record of appointments pertaining to the subject Draft Para was not produced to Audit, which needs to be audited by the Audit.

PAC RECOMMENDATION

12. After detailed discussion, the Committee directed the Department to provide complete record of appointments i.e. Professors, Lecturers, Demonstrators and Administrative staff on regular basis, contract, fixed pay etc to Audit. The Audit was

directed to conduct detail audit of the same as per criteria laid down by the Government for appointment within (30) days and to submit report to PAC Cell. Para stands.

DP No.5.4.2 NON-PRODUCTION OF AUDITABLE RECORD.

AUDIT VERSION

13. The Audit reported that according to Section-14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, which the Auditor General has a statutory right of access may be withheld from the Audit. Any person or authority hindering the auditorial functions shall be subject to disciplinary action under relevant Efficiency and Discipline Rules applicable to such person.

14. During the financial year 2013-14, in the University of Peshawar, record pertaining to Guest House, PUTA (Peshawar University Teachers Association), Principal University Model School and Botany Department was demanded through Treasurer of the University vide letter No.59-112/IAC dated 03.03.215, however no record was produced to Audit despite repeated telephonic and written requests.

15. The lapse occurred due to non-adherence to Rules, and weak internal controls.

16. The matter was reported to the Management in May 2015, but no reply was given by the Management.

17. In the DAC meeting held in January 2016, the DAC decided that record may be verified.

18. On the basis of verification carried out on 02.06.2016, verification committee submitted the following recommendations.

- i. The Guest House remaining income of Rs. 5,47,000/- is to be deposited by the in-charge in University Account.
- ii. Recovery of Guest House Room rent of Rs. 2,06,590/- be effected from Malik Muhammad Ashraf contractor and to be deposited in University Accounts.
- iii. Relevant record of Grant-in-Aid of Rs. 99,84,000/- released to PUTA during 2012-13 for auditorial check and previous period record as well be produced.
- iv. PUTA Hall income & expenses record for audit scrutiny be produced.

- v. Relevant record of developmental expenditure incurred amounting to Rs. 1,59,86,000/- by the Principal University Model School be produced.
- vi. Recovery of outstanding dues against UMS students amounting to Rs.2,31,000/- be effected.
19. Audit recommends that stern action may be taken against the responsible(s) who did not produce the relevant record for scrutiny besides recovery of the amount pointed out by verification committee.

DEPARTMENTAL VERSION

20. The Department explained that:-
University Guest House:
21. As per Audit for FY 2013-14, the University Guest House remaining income Rs. 0.547-million as per detail below need to be deposited in the University Account as under.

S#	Description	Revenue realized for FY 2013-14	Revenue deposited into UOP Account No.6290-3 Rs	Revenue less deposited Rs
1.	02- Lodges Rent	3,49,600/-		
2.	12-Rooms Rent	10,88,200/-		
3.	06-Rooms Rent	11,75,600/-		
	Total Amount	26,13,600/-	20,67,103	5,46,497/-

- i. As per record total receipts amount for the financial year 2013-14 deposited in the University account comes to Rs.25,88,900/- while an amount of Rs.31,1142/- transferred from HBL to NBP upon closing of bank account of 2 lodges rent.
22. So the total deposit/transfer of amount for the financial year comes to Rs.29,00,042/-(Rs.311142+25,88,900/-) against the figure of Rs.26,13,600/-. Accordingly there was an excess of amount of Rs.2,86,442/- hence no rent is outstanding.
- ii. Fixed Room rent was charged, later on Ex-post facto approval was obtained from the office of Vice Chancellor. However, if the PAC directs the balance amount Rs.2,06,590/-as per audit Para the same will be recovered from the forfeited security of Block-1 which is still retained by the University.

23. Letters for verification of record were communicated in light of pre-PAC decision but it was not verified till date.

University Model School:

- i. Detail of Expenditure amounting to Rs.15.986 Million incurred on day-to-day, salaries, POL University Share, Scholarships, Sui Gas bills telephone bills are ready for verification as per decision of Pre-PAC.
- ii. The Recovery from the enrolled Students was made, however, fee not due against rest of students as per detail given below.

Name/Father's	Admn	Class	Outstanding Amount	Amount paid	Remaining	Remarks
Arzoo D/o Bashir Khan	11576	I-D	16,600/-		16,600/	She was promoted from class KG to class-I and not attended the new class.
Laiba Nadeem D/o M. Nadeem Jan	11945	I-D	16,600/-		16,600/-	She was promoted from class KG to class-I and not attended the new class.
Ayesha Imran D/o Asif Imran	12609	I-E	6,800/-	Rs. 12,100/- No. 1321 Rs.5,100/- No.1452	Nil	-
Zaina Ali D/o Ali Arsalan	12090	I-E	16,600/-			She promoted from class KG to class-I and not attended the new class.
Aiman Younas D/o Muhammad Younas	11638	II-D	16,600/-			She promoted from class-I to class-II and not attended the new class.
Farah Shafiq D/o Shafiq Ur Rahman	11352	II-D	16,600/-			She promoted from class-I to class-II and not attended the new class.
Sabaoon Faisal D/o M. Shah Faisal	11417	III-M	6,800/-			She promoted from class-2 to class-3 and not attended the new class.
Sahar Shoukat D/o Shoukat Ali	11170	III-O	16,600/-		Nil	Peshawar University Employee Fee Exempt
Hamda Rahman D/o	11711	III-D	16,600/-			She promoted from class-2 to class-3 and

NaseemJaved						not attended the new class.
HabibaAlam D/o Muhammad Alam	10957	IV-O	16,600/-		Nil	Amount deposited (U.E.T)
ZobiaNadeem D/o Nadeem Jan	10701	IV-E	11,300/-			She promoted from class-3 to class-4 and not attended the new class.
AmnaSalih D/o Muhammad Salih	10753	V-D	16,600/-	Rs. 7250/- No. 260 Rs.9350 No.1018	Nil	-
HafsaAfroz D/o KhialHussain	10150	V-E	11,500/-			She promoted from class-4 to class-5 and not attended the new class.
Saba Gul D/o Ali Bakhsh	12062	VIII-M	8,400/-			She promoted from class-7 to class-8 and not attended the new class.
BakhtawarAsad D/o Asad Kamal	9674	VIII-D	18,400/-			She promoted from class-7 to class-8 and not attended the new class.
Summaya D/O Muhammad Ibrahim	11254	VIII-E	18,400/-			She promoted from class-7 to class-8 and not attended the new class.

24. In light of the above-explained position, it is requested that the observations so raised by the D.G. Audit Team may kindly be settled accordingly.

PUTA:

25. Only Grant in Aid Record amounting to Rs.9,98,4000/- attached, but record of income and expense of the Hall not provided. However, Letter from the President PUTA that all record is ready for verification.

26. Letters for verification of record were communicated to the DG Audit Office, however, the same is still awaited.

PAC RECOMMENDATION

27. After detailed discussion on the issue, the Committee made the following recommendations:-

- i. Record amounting to Rs. 29,00,042/- pertaining to the University Guest House may be verified by the VOR Committee within thirty (30) days.
 - ii. The Department was directed to recover the balance amount of Rs.2,06,590/- from Malik Muhammad Ashraf Contractor and deposit its into Government treasury duly verified by the Audit within a week time. The Management of University was further directed to produce record of income and expenditure of the Guest House for the last five (05) years to Verification of Record Committee to know factual position and to proceed further in the matter.
 - iii. The Committee directed the Audit to conduct detailed audit of PUTA within thirty (30) days as per TORs given below:-
 - a. When was PUTA Hall constructed and who given the land to it ?
 - b. Agreement between PUTA and University if exist ?
 - c. To verify the record of Expenditure and Income of PUTA Hall from the date of inauguration?
 - d. To verify the record of Rs.99,84,000/- as released to PUTA during financial year 2012-13 coupled with record of previous grant released to PUTA from time to time .
 - iv. Record of expenditure amounting to Rs. 15.908 million incurred on day to day, Salaries, POL University Share, Scholarships, Sui Gas bills Telephone bills pertaining to University Model School be verified by the VOR Committee within thirty (30) days.
 - v. Record of recovery pertaining to University Model School from the enrolled students as made, may be verified by the VOR Committee within thirty (30) days.
28. Para stands. Progress be reported to PAC.

DP No.5.4.3 MIS-APPROPRIATION DUE TO DELAY IN DEPOSIT OF FUNDS AND PROFIT ON INVESTMENT OF RS.491.081 MILLION.

AUDIT VERSION

29. The Audit reported that according to Para-7 of GFR Vol-I, money may not be removed from Public Account for investment or deposit elsewhere without the consent of the Finance Department.

30. During the Financial Years (2014-15) & (2015-16)+, in the Abdul Wali Khan University Mardan, it was noticed that local administration had received Cheque No 0864425 dated 03-06-2014 for Rs. 46,85,89,000/- from the District Controller of Accounts Mardan under ADP scheme. It was noticed that credit of the said amount appeared in the statement of the Bank Account on 15-06-2015 i.e. after a lapse of complete financial year and that too through transfer. The record showed that profit of Rs. 4,40,47,366/- was earned out of which Rs. 2,15,55,094/- was accounted for and where about of the balance profit of Rs. 2,24,92,272/- is not known. Detail is as under:-

S/No.	Period of investment	Amount invested	Rate of profit	Amount of profit	Status
1.	11.06.2014 to 10.12.2014	468,589,000	9.60% p.a	22,492,272	Not accounted for
2.	11.12.2014 to 10.06.2015	468,589,000	9.20% p.a	21,555,094	Accounted for

31. The entire released amount of Rs. 46,85,89,000/- was invested in the TDRs for earning profit for two terms of six months each. The funds released by the Government were meant for the expenses on the developmental activities and its investment in TDRs was the violation of above rules. This action of the local administration was not covered under the financial rules and termed as misappropriation of the public funds.

32. The lapse occurred due to non adherence to rules, financial indiscipline and weak internal controls. This resulted into misappropriation of Rs. 49,10,81,272/-.

33. When pointed out in November 2016, the management stated that detailed reply would be given later on.

34. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting; however, DAC meeting was not convened till finalization of the report.

35. Audit recommends to investigate the matter, fix responsibility and take appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

36. The Department explained that the then University administration invested the amount in the TDR to earn profit given the existing cash flow at that time as no IPCs were pending for payment. Further, the University was having enough own sources to make payments.

37. Hence, the decision of investment did not lead to any financial loss to the Government exchequer rather profit was earned and spent on the completion of the development project.

PAC OBSERVATION

38. The Committee observed that the Bank record was not clear about the profits earned which needs clarification.

PAC RECOMMENDATION

39. In view of the above, the Committee taken a lenient view recommended the Para to be settled subject to the provision of clarification certificate by the management of the University from the concerned Bank to the effect that the entire released amount of Rs. 46,85,89,000/- was invested in the TDRs for earning profit for two terms dated 11-06-2014 to 10-12-2014 and 11-12-2014 to 10-06-2015 and spent on the completion of the developmental projects.

DP No.5.4.4 MIS-APPROPRIATION BY HEAD CASHIER OF ISLAMIA COLLEGE UNIVERSITY PESHAWAR RS.13.350 MILLION.

AUDIT VERSION

40. The Audit reported that according to Para 26 of GFR Vol-I, it is the duty of the departmental controlling officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

41. During the financial year 2013-14, in the Islamia College University Peshawar, it was reported by the Superintendent Account Section of the University vide No. Nil/TR/ICP dated 06-08-2013 that Rs.1,33,50,000/- was received in cash by Head

Cashier as dues from students but not deposited in the relevant account opened for Islamia College University receipt funds in the Bank. The amount of Rs.1,33,50,000/- was misappropriated and still not recovered for which VC constituted committee to probe into the matter.

42. The lapse occurred due to financial indiscipline and weak internal controls. This resulted into misappropriation of Rs.1,33,50,000/-.

43. When pointed out in August 2013, the management stated that a committee has already been constituted and the recommendations will be shared with audit.

44. In the DAC meeting held in December 2016, the Department stated that an inquiry is under process and results will be intimated to audit accordingly. DAC decided that results of the inquiry be intimated to audit. However, till finalization of the report no progress is intimated.

45. Audit recommends that inquiry report be submitted to Audit at the earliest, besides recovery from the concerned.

DEPARTMENTAL VERSION

46. The Department explained that the same Para was taken by external Audit in financial year 2012-13. In Public Accounts Committee meeting held on 20-09-2019, the Para was recommended to be settled subject to complete recovery and its verification by Audit.

47. A sum of Rs. 4.013 has been recovered out of total amount of Rs. 4.212 million from the person at fault.

48. Recovery of the remaining outstanding amount of Rs. 0.199 million is under process @ Rs. 20,000/- per month as per decision of the Peshawar High Court.

49. Full recovery @ 20,000/- per month will be completed by May, 2021.

COMMITTEE OBSERVATION

50. After examination of the record, the Committee observed the following:-

1. That criminal offence was proved against Mr. Tariq Khan an employee of the University who admitted his fault and willing to deposit the embezzled amount of Rs.4.2 million into the Government Treasury as evident from compromise deed signed between the accused and management of the University.
2. That the management had not taken departmental action against the person(s) at a fault as per requirements of the E&D Rules 2011.
3. That undue favor was given by the University to the accused(s).

COMMITTEE RECOMMENDATION

51. After detailed discussion, the Committee directed the Secretary, Higher Education Department to conduct fact finding inquiry comprising the representative of Law, Finance, Audit and PAC Cell and fix responsibility against the chain of Command involved according to quantum of their responsibility and to initiate departmental action against them under the Efficiency & Disciplinary Rules 2011.

52. Para stands progress be reported to PAC within a month time.

DP No.5.4.6 MIS-APPROPRIATION IN THE PURCHASE OF GENERATOR FOR STUDENTS HOSTEL RS.2.840 MILLION.

AUDIT VERSION

53. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken incharge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

54. During the financial year 2013-14, in Islamia College University Peshawar Rs. 28,40,000/-, collected as private hostel charges from female students of the University's 2nd shift, were paid to M/S Imperial Electric Co Peshawar for the purchase of generator.

55. It was observed that the purchased generator was neither taken on stock nor issued to the private hostel acquired for female students. Thus, Rs. 28,40,000/- collected as private hostel charges were misappropriated.

56. The lapse occurred due to weak internal controls and financial indiscipline. This resulted into misappropriation of Rs. 28,40,000/-.

57. When pointed out in August 2015, the management replied that a committee shall be constituted to probe in the matter.

58. In the DAC meeting held in December 2016, the department stated that inquiry will be conducted and result will be intimated to audit accordingly. DAC decided to conduct inquiry and fix responsibility against the person(s) at fault. However, no progress was intimated till finalization of the report.

59. Audit recommends to implement DAC decision.

DEPARTMENTAL VERSION

60. The Department explained that the generator has been properly installed in the university premises and is fully functional.

61. Furthermore, the Vice Chancellor Islamia College Peshawar constituted a Committee vide Notification No.1156/Estt:/ICP dated 04-08-2020 to look into the misappropriation in the purchase of generator for student hostel. The said inquiry has been finalized and report thereof was produced to the Committee.

COMMITTEE OBSERVATION

62. After examination of the record the Committee observed the following:-

1. The Department could neither produced complete record pertaining to the purchase of the Generator in question nor could respond to the queries raised by the Committee.
2. That DAC meeting was held in December, 2016, wherein the management was directed to conduct inquiry and fix responsibility but the management issued order of the Inquiry Committee after the passage of more than (04) years vide its notification No.1156/Estt dated 04-08-2020.

3. The Inquiry Committee conducted inquiry within (03) months on such petty issue which was not acceptable.
4. The Inquiry Committee just took a few pictures with the Generator and noted that the stock register and issuance document of the generator was not available in the concerned record section to know factual position.

COMMITTEE RECOMMENDATION

63. On the assurance given by the Department that all the relevant record is available and would be produced to pre-PAC on 17-02-2021 before the meeting of PAC which was accepted. The Para was differed for next meeting of PAC which is scheduled to be held on 25-02-2021. Para stands.

64. **The subject Draft Para was again placed for examination in the meeting of Committee held on 25-02-2021, wherein the Committee has given its recommendation as per following:-**

COMMITTEE RECOMMENDATION

65. The Para was recommended to be settled subject to the provision a certificate by the Vice Chancellor to the effect that the generator in question is installed in the premises of the University and is fully functional in a good condition within (03) days.

DP No.5.4.7 MIS-APPROPRIATION DUE TO LESS DEPOSIT OF MILK RECEIPTS 2.206 MILLION.

AUDIT VERSION

66. The Audit reported that according to clause 6.1.1 of the Agriculture University Peshawar financial rules all moneys received will be deposited in a prescribed Bank and recorded in the cash book daily.

67. During the Financial Years 2013-16, in the Agriculture University Peshawar, it was noticed that a sum of Rs.53,07,340/- was deposited by the Manager Dairy Farm in the University Account No. 7450-7 HBL as income from the dairy farm during the year 2013-14. However, verification of the record of Dairy Farm revealed that during 2013-14 a sum of Rs.75,14,910/- was realized as income. Thus Rs.22,06,570/- (Rs.7,514,910 – Rs.53,07,340/-) was less deposited by the concerned.

68. The lapse occurred due to lack of internal controls and non-observance of Rules. This resulted into misappropriation of Rs.22,06,570/-. The matter was reported to the management in December 2016. The management stated that detailed reply would be given later on.

69. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

70. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault, besides recovery of Rs.22,06,570/- from the concerned.

DEPARTMENTAL VERSION

71. The Department explained that:-

1. The observation of Para AP-240 (2013-16) of financial year 2013-14 is the continuation of Para-186 of financial year 2012-13.
2. The first six months (July to December 2013) of this Para for the year 2013-14 has been already reflected in audit 2012-13. The actual value of received coupons in the period (July to December 2013) was Rs.29,39,790/- while DTC staff has deposited only Rs.18,50,150/- in HBL under account No.7450-7 and Rs.10,89,640/- were deficit as per the report of preliminary act finding inquiry Committee constituted by Dean FAHVS and recovery process has been initiated by the University.
3. The actual revenue produced from dairy farm milk sale for year 2013-14 including the first six months (July to December 2013 as per record is Rs.73,98,210/-.
4. Due to less deposit of Rs.10,89,640/- by DTC staff for the period (July to December 2013) the actual amount in ledger of milk sale receipts for the year 2013-14 must be Rs.73,98,210 – Rs.10,89,640 = **Rs. 63,08,570/-**.
5. The receipts detail of Rs.63,08,570/- is as under:
 - (a) The receipts detail of Rs.18,50,150/- deposited by DTC staff for the period July to December, 2013.

- (b) The value of milk sold on coupons and cash by DTC staff for the month of January and February 2014 is Rs.13,81,500/-.
- (c) From March, 2014 to June, 2014 the milk sold on cash as per the approval of competent authority and monthly progress report submitted to Directorate of Finance on prescribed Performa. The actual amount produced in four month period is Rs.30,76,920/-.

Summery:

- Amount deposited by DTC staff for the period of July, 2013 to December 2013 = Rs.18,50,150/-.
- Amount deposited Incharge DTC for the month of January and February 2014 = Rs.13,81,500/-.
- Amount deposited by Dairy Farm staff (March to June 2014) = Rs.30,76,920/-.
- Total amount $1850150 + 1381500 + 3076920 = \text{Rs.}63,08,570/-$

72. It is also to mention that Rs.1,29,600/- received from Dr. Saeed-ur-Rahman (Ex-Veterinary Supervisor) of dairy Technology Center before fact finding inquiry Committee of missing original (108 coupon books) from DTC record and deposited in the bank account No.7450-7.

73. Keeping in view of the above actual position the total amount in the ledger book should be $\text{Rs.}63,08,570/- + \text{Rs.}1,29,600/- = \text{Rs.}64,38,170/-$ and not $\text{Rs.}53,70,340/-$ noted by audit party.

74. The less deposit is not $\text{Rs.}22,07,570/-$ reported by the audit party but it is only $\text{Rs.}10,89,640/-$ for fiscal year 2013-14 which has already been reflected in advanced Para of the year 2012-13 for which a series of inquires has been conducted by university authorities.

PAC OBSERVATION

75. The Committee observed that the Department was required to deposit the amount of milk proceed daily in the prescribed Bank duly entered in the cash book which was not done.

76. The Committee also observed that some portion of the Para relates to Audit report of the financial year 2012-13 which was examined by the PAC in the meetings held on 16 -10-2017, wherein the Committee directed the Department to initiate acting leading to recovery of the total amount coupled with strict disciplinary action against the concerned which was not implemented after the lapse of more than (03) year and (06) months which clearly shows inefficiency on the part of departmental Officers and Officials

PAC RECOMMENDATION

77. After detailed deliberation the Committee directed the Audit and Department to sit together and reconcile the figure and to calculate the exact amount involved in the Draft Para.

78. The Department was further directed to initiate action leading to recovery of the total calculated amount from the Officers/Officials involved after fixing responsibility coupled with strict disciplinary action according to quantum of responsibility within sixty (60) days. Para Stands progress be reported to PAC.

DP No.5.4.8 MIS-APPROPRIATION IN EXPENDITURE ON ROADS RESTORATION & REPAIR RS.2.080 MILLION.

AUDIT VERSION

79. The Audit reported that according to Para 612(a) of Highway Engineering Book, take coat is done on the already Black Topped Road or over existing Cement concrete pavement.

80. During the financial year 2013-14, in the Islamia College University Peshawar, it was noticed that tender was floated on 24.06.2013 for the repair and restoration of internal roads in the premises of University and was awarded to the contractor at an estimated cost of Rs.14,43,000/-. However, fresh estimates of Rs.34,98,000/- prepared and work was awarded to the same contractor without floating fresh tender. The record further showed that payment of Rs.20,80,000/- was allowed vide cheque No.5484893 dated 11.10.2013 to the contractor but it was found that only

bituminous Tack coat was carried out on Islamia College School road instead of premix carpeting as was required. This clearly indicates that the amount of Rs.20,80,000/- was drawn and misappropriated by the dealing hands.

81. The lapse occurred due to violation of rules and weak internal controls. This resulted in misappropriation of Rs.20,80,000/-. When pointed out in August 2015, it was stated that the matter would be investigated by a committee for corrective action.

82. In the DAC meeting held in December 2016, it was replied that the work was awarded to the contractor after fulfillment of all codal formalities and it was discussed with the Technical Expert and it was decided that resurfacing of road proposed for Collegiate School site should be replaced by resurfacing of road by dense grade hot bitumen. The BOQ was revised accordingly. The DAC did not agree and directed to refer the case to the Public Accounts Committee for amicable decision.

83. Audit recommends to investigate the matter for fixing responsibility against the person(s) responsible and position may be intimated to Audit.

DEPARTMENTAL VERSION

84. The Department explained that Islamia Collegiate School is a part of Islamia College Peshawar and it is the responsibility of Islamia College to do all the necessary jobs including civil works also. A team of collegiate teacher in the leadership of principal visited the then Vice Chancellor (Dr. Ihsan Ali) and requested to do some urgent base works including the renovation of existing internal roads also. Simultaneously, they requested for repair of Jinnah Colony was also. The Vice Chancellor directed the Incharge M&R to visit both the sites i.e. Islamia Collegiate and Jinnah Colony and prepare an estimate for further process.

85. As per direction, the Incharge M&R deputed his sub-Engineer. The Sub-Engineer visited both the sites and prepared an estimate after consulting with the civil supervisor (Mr. Sikandar Khan) jointly. As per request of Mr. Sikandar Khan (Civil Supervisor) the estimate was prepared as following:-

A- Islamia Collegiate Estimate (Original)

Item No.	Item Description	Unit	Rate (Rs.)	Qty	Amount (Rs.)
16-10	Scarifying/dismantling old road surface, in duding removal of debries within one chain (NHA specified)	Sq.m	20.01	3632.39	72,684.12
16-07	Bituminous tack coat	Sq.m	51.18	3632.39	185,905.72
16-09-a	Resurfacing of road compete with per 100 sq.ft:22 Ibs bitumen, 25 bajri/crush aggregate	Sq.m	127.11	3632.39	461,713.09
Total cost-A:					720,302.94

B- Jinnah Colony Estimate (Original)

Item No.	Item Description	Unit	Rate (Rs.)	Qty	Amount (Rs.)
03-56	Clearing & Grubbing	Sq.m	22.08	836.10	18,461.09
16-06	Bitumenous Prime Coat	Sq.m	132.308	836.10	110,616.03
16-04-a	Aggregate Base Course	Sq.m	1896.45	63.68	120,756.45
16-11-c	Dense Graded Hot Bitmac (Mobile Asphalt Mixer) 02'' Thick	Sq.m	565.59	836.10	472,889.80
Total cost –B					722,723.37

Total cost of work (A+B): Rs. 14,43,026/- or Rs. 1.443 million.

86. After having permission from the competent authority, the work was tendered in three leading newspapers on 20th June, 2013. The tender was opened in the presence of all Committee members on 28th June, 2013 in the main committee room in the presence of all Committee members.

87. Contractor M/s Wajid Ali Khan & Sons quoted lowest rate for the work “Repair/Renovation of Internal Roads in Jinnah Colony & Islamia Collegiate School” with 2% rebate of tender cost Rs.16,30,453/-.

88. The contract was awarded to M/s Wajid Ali & Sons with following lowest quoted rates;

A- Islamia Collegiate (Tender Cost)

Item No.	Item Description	Unit	Rate (Rs.)	Qty	Amount (Rs.)
16-10	Scarifying/dismantling old road surface, including removal of debris within one chain (NHA Specified)	Sq.ft	1.86	39100	72,726.00
16-07	Bitumenous Tack Coat	Sq.ft	4.75	39100	185,725.00
16-09-a	Resurfacing of road complete with per 1000 Sq.ft:22 ibs bitumen, 25 bajri/crush aggregate	Sq.ft	11.81	39100	461,771.00
	Total cost:				720,222.00

B- Jinnah Colony Estimate (Tender Cost)

Item No.	Item Description	Unit	Rate (Rs.)	Qty	Amount (Rs.)
03-56	Clearing & Grubbing	Sq.ft	2.05	9000	18,450.00
16-06	Bituminous prime coat	Sq.ft	12.29	9000	110,610.00
16-04-a	Aggregate base course	Sq.ft	53.70	9000	120,556.45
16-11-c	Dense graded hot bitmac (Mobile Asphalt Mixer) 02 Thick	Sq.ft	52.56	9000	473,040.00
	Total cost-B				722,656.45

89. All the members agreed and work was awarded to contractor M/s Wajid Ali Khan & Sons.

90. Keeping in view the situation, the site of collegiate school was executed first.

Reason to replace the activity:

92. When the site was mobilized by the contractor, it was realized that some items are required to be replaced depending upon the road conditions in the collegiate school BOQ. The matter was discussed with the road technical experts and it was decided that activity: Resurfacing of road complete with per 100 Sq.ft:22 Ibs bitumen, 2.5” bajri/crush aggregate” proposed for the collegiate school site should be replaced by activity “Resurfacing of road by Dense Graded Hot Bitmac (Mobile Asphalt Mixer) 02” Thick” as per sit conditions and for the better result in future.

93. Before execution the road work on site, it was thoroughly observed that there were many deep potholes which were not possible to be recovered by the tendered activity “Resurfacing of road complete with per 100sq.ft 22 Ibs bitumen, 2.5” bajri/crush aggregate” Technically the same activity was not advisable and feasible from maintenance point of view in future and may damage with the passage of time. Keeping in view the ground activities and after discussion with the technical experts, it was decided that the same activity may be replaced by another activity name “Dense Graded hot bitmac (Mobile Asphalt mixer) 02” thick” Due to change in activity the cost of overall work was increased. In this regard, a request for the approval of increase in cost/change of activity was submitted to the then Vice Chancellor and approval was given by the then Vice Chancellor accordingly. As well as the retendered matter is concerned he tender was not revised due to shortage of time. As well as the work on site is concerned, it is ensured that all the work at site has been done as per specification under the engineer Incharge.

94. Hence, the BOQ of Islamia Collegiate School was revised with following details;

A- Islamia Collegiate Estimate (Original)

S/No.	Item No.	Item Description	Unit	Rate (Rs)	Qty	Amount (Rs)
1.	16-10	Scarifying/dismantling old road surface, including	Sq.ft	1.86	39100	72,726.00

		removal of debries within one chain (NHA specified).				
2.	16-07	Bituminous tack coat	Sq.ft	4.75	39100	185,725.00
3.	16-11-c	Providing & applying dense graded hot bitmac (Mobile asphalt mixer) of 02 thick.	Sq.ft	52.26	39100	20,55,096.00
		Total cost				23,13,547.00

Contractor's @ 15% above:

347,032.05

Total cost-A:

2,660,579.05

Work methodology:

95. The following steps were carried out during road repair work at Islamia Collegiate School:-

1. First of all the surface of existing road was made clean i.e. scarifying/dismantling & removal of debris.
2. A layer of bituminous spray (Tack coat) was applied over clean surface of road.
3. A 02” thick layer of dense graded hot Bitmac (Mobile Asphalt Mixer) was provided over the layer of tack coat.
4. A layer of seal coat/pad coat was provided over dense graded hot bitmac layer.

96. All the work has been done considering all the codal formalities and checks and after satisfactory completion, a completion certificate was also issued to the contractor. It must be noted that due to shortage of time, it was not passable to retender the same work. Therefore, the case was discussed with the then Vice Chancellor and got approval for the additional mentioned above.

Jinnah Colony:

97. The then Vice Chancellor Dr. Ihsan Ali was deputed for specific time as acting Vice Chancellor due to the abduction of Mr. Ajmal Khan. During his stay in Islamia College Peshawar, he started many projects under the directorate of M&R, ICP.

98. The work “Repair/Renovation of Internal Roads in Jinnah Colony & Islamia Collegiate School” was also started during his tenure in Islamia College Peshawar.

99. When the collegiate school work was finalized and machinery was shifted to another site of Jinnah Colony, the account office refused to release further amount for the other site and directed to stop the work on Jinnah colony site. Meanwhile, Dr. Ihsan Ali also left the Islamia College Peshawar.

100. Hence, only Islamia Collegiate school site has been executed and completed while no work has been executed at Jinnah Colony site and still kept pending.

COMMITTEE OBSERVATION

101. After examination of the record the Committee observed that:-

1. Fresh estimate of Rs.34,98,000/- was prepared and work was awarded to the same contractor without floating fresh tender as the Department failed to produce record of the same i.e fresh Tender and MB.
2. That Rs. 20,80,000/- was allowed to the contractor vide cheque No.5484893 dated 11-10-2013 only for bituminous Tack coat instead of premix carpeting.
3. The representative of the Department were neither fully prepared nor were able to respond to the queries of the Committee.

COMMITTEE RECOMMENDATION

102. After detailed discussion, the Committee directed the Secretary, Higher Education Department to conduct inquiry for initiating action leading to recovery of misappropriation amount against the person(s) at fault according to quantum of their responsibility.

103. Para stands progress be reported to PAC within thirty (30) days.

DP No.5.4.9 MIS-APPROPRIATION DUE TO NON-SUBMISSION OF DETAILS OF ADVANCE RS.1.410 MILLION.

AUDIT VERSION

104. The Audit reported that according to the Financial Rule 12.2.9 of the Islamia College University, after completing the process of stock taking the Convener Purchase Committee shall render proper accounts of expenditure showing the details of items purchased, their rates, total cost, the unspent balance and the stock entries. The unspent amount shall immediately be refunded.

105. During the financial year 2013-14, in the Islamia College University Peshawar, it was noticed that Rs.14,10,000/- was paid to Provost of University, and Dean, Faculty of Religious and Legal Studies, Islamia College Peshawar, to meet out various contingences. However, after the lapse of 2 years neither its expense accounts was submitted nor the amount was returned which shows that Rs.14,10,000/- misappropriated.

106. Lapse occurred due to non-observance of rules and financial indiscipline. This resulted into misappropriation of Rs.14,10,000/-.

107. When pointed out in August 2013, the management stated that detailed reply would be furnished later on.

108. In the DAC meeting held in December 2016, the department stated that inquiry will be conducted and results will be intimated to audit accordingly. DAC decided to conduct inquiry and place it before PAC for appropriate action. No progress regarding inquiry intimated till finalization of the report.

109. Audit recommends to implement DAC decision.

DEPARTMENTAL VERSION

110. The Department explained that the relevant record of unadjusted advanced has been traced on 4th August, 2020.

111. Most of the advances have already been adjusted.

112. Never the less, the exact amount of unadjusted advances is yet to be determined and shall be placed before the upcoming Public Accounts Committee for verification by the Audit.

COMMITTEE OBSERVATION

113. The Committee observed that the practice of irregular advances is being reported against every University which should be discouraged.

COMMITTEE RECOMMENDATION

114. As relevant record of un-adjusted advanced have been traced out by the management of the University, therefore, the Para was recommended to be settled subject to verification of the record of all adjusted amount by the Audit within thirty (30) days.

115. For future guidance, the Department was directed to stop such practice forthwith and to follow the Rules and Regulations, Notifications of the Finance Department issued in this regard in its true spirit.

DP No.5.4.10 LOSS DUE TO UNAUTHORIZED APPOINTMENT OF FACULTY RS.99.815 MILLION.

AUDIT VERSION

116. The Audit reported that the Chancellor declared the recruitments made during the tenure of Professor Dr. Inayatullah Babar Ex-Acting Vice Chancellor as Null & Void communicated to V.C vide Secretary Higher Education Department letter No.SO(U-1)/HE/3-23/2014 dated 11.03.2015. Chancellor's directions were to abolish all vacant posts in BPS-1 to BPS-21 through its bodies. Complete ban may be imposed on all kinds of recruitments for five years.

117. The Selection Board conducted by Mr. Inayat Ullah Babar approved the appointment of faculty subject to approval by the Syndicate of the University. The Syndicate of Gomal University in its meeting held on 24th & 25th August 2015 did not approve the appointments of faculty.

118. During the financial year 2014-15, in the Gomal University D.I.Khan, it was noticed that the university management appointed the following 62 faculty members in April 2014 in violation of the chancellor's directions. They were paid Rs.9,98,15,000/-

from April 2014 to June, 2015. Despite the directions of competent authority the faculty was appointed and is drawing their salaries.

S/No.	Details	BPS	No of faculty appointed.
1.	Professors	21	14
2.	Associate Professors	20	5
3.	Assistant Professors	19	43
	Total		62

119. In the light of above exposition, the expenditure of Rs. 9,98,15,000/- so incurred on the salaries of these 62 faculty members was unauthorized.

120. The irregularity occurred due to non-observance of chancellor's directions and weak internal controls. This resulted into unauthorized expenditure of Rs.9,98,15,000/-.

121. When pointed out in February 2016, the University management furnished no reply.

122. In the DAC meeting held in December 2016, the Department replied that the Gomal University Syndicate in its 90th meeting held on 07.04.2014 unanimously approved the recommendations of the selection board conducted by Prof. Dr Muhammad Inayat Ullah Babar, Acting Vice Chancellor. The directives of Chancellor have been implemented by this University, however in some cases were not implemented where judgments of High Court were involved. DAC did not agree and directed that violation of honorable chancellor directives need fixing responsibility and recovery.

123. Audit recommends that detailed inquiry may be conducted and responsibility fixed for the lapse besides recovery from the Officers responsible.

DEPARTMENTAL VERSION

124. The Department explained that:-

- i. The Selection Board was conducted during the period of Prof Dr. Muhammad Inayatullah Babar, Ex-Acting Vice Chancellor in the year 2014. Recommendations of the Selection Board were placed before Syndicate in its 90th meeting held on 07-04-2014. The Gomal syndicate unanimously approved the recommendations of the Selection Board. However, due to chancellor letter as mentioned in the 91th meeting, the

syndicate did not confirm the minutes of 90th meeting up to the extent of 2014 Selection Board.

- ii. The date of appointment is from the date of Gomal University syndicate meeting.
- iii. Moreover, the directives of the Chancellor have been deferred in 92nd, 93rd and 94th meeting respectively due to non-availability of Ehtisab Commission Report and secondly due to absence of HED representative.
- iv. The same was once again placed before the 95th meeting of Syndicate and Syndicate constituted a two renewed members Committee to submit its report on case to case basis.
- v. The same was also endorsed/discussed at 96th meeting as syndicate and the syndicate ordered to get consent of the hon'ble Chancellor regarding the two members Committee. Accordingly, the Hon'ble Chancellor was consented on 21-11-2017 by the Vice Chancellor.
- vi. The Committee submitted its report dated 16-07-2018 to the Vice Chancellor wherein they pointed out total 44 cases out of total 62 against the rules/Laws.
- vii. The Inquiry Report was placed before the 98th meeting of syndicate and syndicate approved the report.
- viii. Accordingly, they were served Show Cause Notices besides provision of an opportunity of personal hearing before the Standing Committee constituted for the purpose by the Syndicate.
- ix. Thereafter, they were challenged the composition of the Standing Committee before the Peshawar High Court D.I.Khan Branch and the Court ordered that the Committee completed its proceeding, however shall not submit its final report to the syndicate till decision of the writ petition.
- x. The Vice Chancellor & Registrar remained in offices during 2008 and 2014 were also served an explanation Prof. Dr. Inayatullah Babar, then Vice Chancellor challenged the directives before the Peshawar High Court, Peshawar which is still keep pending.
- xi. Decision taken by the 102nd meeting of syndicate held on 08-07-2020 is reproduced as under:-

“Appointment cases of employees BPS-17 and above in the 2008 and 2014 selection boards shall be processed (following statutes of that time) through the selection procedure as per appointment criteria prevalent at that time so that the implementation of the Chancellor's directives may reach to a logical conclusion. The expenses of the process will, however, be borne by the candidate themselves.

COMMITTEE OBSERVATION

125. The Committee observed that multiple issues are involved, which need clarification before the decision of the Public Account Committee.

COMMITTEE RECOMMENDATION

126. In view of the above, the Committee directed the Vice Chancellor to conduct detailed inquiry into the issue of appointments made in BPS-17 and above by the Selection Board and to thrash out the issue of appointment in the light of appointment criteria applicable at that time and report be submitted to PAC Cell within ninety (90) days positively.

DP No.5.4.11 LOSS DUE TO IRREGULAR PURCHASE OF PIRATED AND SUBSTANDARD BOOKS RS.93.306 MILLION.

AUDIT VERSION

127. The Audit reported that Para 148 of GFR Vol-I, requires that all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register. Further according to standard instructions of the Government of Pakistan Capital Administration and Development Division, Department of Library, Library Rate Committee circulated vide Notification No F.5-3/2014-P&R, the books/library material can be purchased according to standard schedule rate from any book seller in the country, tender needs not to be called.

128. During the Financial Years (2014-15) & (2015-16), in Abdul Wali Khan University Mardan, it was noticed that an expenditure of Rs. 9,33,06,330/- was incurred on the procurement of various kinds of books for the HODs and Library of the University but the instructions issued by the Government of Pakistan Capital Administration and Development Division, Department of Library, Library Rate Committee as referred to above were not followed. Therefore, the expenditure of Rs. 9,33,06,330/- incurred was irregular. Out of the above payment of Rs. 6,04,95,171/- was paid to different book sellers for the pirated and substandard books because the librarian while issuing supply order has mentioned that preference be given to reprint Indian and low cost books for

supply. This indicates that the original books were not purchased. Supply order was placed on 22-10-2014 while approved for the purchase was accorded on 30-10-2014.

129. The lapse occurred due to non-adherence to rules and weak internal controls. This resulted into loss of Rs. 9,33,06,330/-.

130. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

131. Audit recommends to investigate the matter for fixing responsibility and appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

132. The Department explained that the supply order was made for low cost editions. The low cost editions do not jeopardize the contents of the books and hence equally good for learning and teaching. The University at that time made the decision to save Government money while acquiring all the necessary books urgently required for offering various programs in the University.

PAC RECOMMENDATION

133. The explanation of the Department was found plausible, hence the Para was recommended to be settled.

DP No.5.4.12 LOSS TO GOVERNMENT DUE TO NON-RECOVERY OF FEE PAID TO THE ABSCORDER SCHOLARS RS.61.296 MILLION.

AUDIT VERSION

134. The Audit reported that according to clause 4 of the deed agreement signed with scholars, on completion of the term of their award, they shall serve the Institute of Management Sciences, Peshawar for a period of not less than five years. As per clause 8, the 'Scholars' have produced two sureties. The sureties shall be jointly responsible and stand bound by this agreement and guarantee the 'Scholar performs their promises/undertaking in letter and spirit. In the event of default of the 'Scholars', the sureties shall indemnify and pay to Institute of Management Sciences, the said amount in full.

135. As per clause-6 of the deed agreement signed with scholars, in the event of any breach of the terms, the scholars will be liable to pay on demand 5 million as liquidated damages to IM Sciences Peshawar.

136. During the financial years 2013-15, in the Institute of Management Sciences Peshawar, it was observed that scholarships were awarded to (07) scholars in various field of studies under HEC funded Project "Development Institute of Management Sciences, Peshawar" during 2008-09. The following (07) faculty members did not return to the Institute after completion of their studies in violation of agreement. Thus the institute sustained a loss of Rs.6,12,96,000/-. Detail as under:-

S/No.	Name of Scholar	Starting Date	Completion Date	University	Amount (Rs.)
1.	Syed Shabi-ul-Hassan	Oct 2008	September-12	University of Southampton UK	13,446,000
2.	Mr. Sarosh Aziz	-do-	-do-	-do-	13,572,000
3.	Mr. Adnan Yousaf	March 2009	February-13	University Freiberg, Germany	9,682,000
4.	Mr. Nafees-ur-Rehman	June 2009	May-13	-do-	9,602,000
5.	Shakirullah	Oct 2008	September-12	-	11,543,000
6.	Mr. Javed Iqbal	2013-14	Prg. Code 3625	University of Southampton UK	1,554,000
7.	Mr. Adnan Javed	-do-	-do-	-do-	1,897,000
Total					61,296,000

137. Lapse occurred due to violation of rules and weak internal controls. This resulted into loss of Rs. 6,12,96,000/-.

138. When pointed out in April 2016, it was stated that detailed reply would be furnished after consultation of record.

139. In the DAC meeting held in January 2017, the Department replied that Mr. Adnan Javed, Syed Shabi-ul-Hassan & Miss Sarosh Aziz have agreed for settlement and are not coming back. Recovery of Rs. 3,30,04,000/- from these scholars have already been initiated and reported to Higher Education Commission. Efforts are underway for recovery of the remaining amount from other scholars. DAC did not agree and directed that full recovery along with liquidated damages amounting to Rs. 50,00,000/- from each

scholar be recovered under intimation to audit. However, no progress intimated till finalization of the report.

140. Audit recommends that DAC decision be implemented.

DEPARTMENTAL VERSION

141. The Department explained that recovery has been started from concerned. Mr. Shakirullah has finally joined back the Institute therefore the recovery of Rs.11.543 million has been stopped. From the remaining scholars Rs. 36.533 million have been recovered till date. The management is still doing its best to ensure full recovery from the scholars/guarantors involved.

COMMITTEE OBSERVATION

142. The Committee observed that such issues are also being raised against in most of Universities of the Province which needs to be resolved by establishing a standard procedure to avoid such irregularity losses in future.

COMMITTEE RECOMMENDATION

143. In view of the above, the issue raised in the Para was referred to the Sub-Committee already constituted in Draft Paras No.4.4.3, 4.4.9, 4.4.18, 4.4.22 and 4.4.25 for the year 2015-16 for detailed examination and amicable solution to avoid such irregularity in future.

144. The Audit was directed to verify the recovered amount of Rs. 36.533 million within (30) days.

145. The Committee further directed the Department to make efforts for recovery of the balance amount from the scholars, within (30) days duly verified by Audit.

146. Para stands progress be reported to PAC.

DP No.5.4.13 LOSS TO THE UNIVERSITY EXCHEQUER DUE TO LEASING OF UNIVERSITY PROPERTY ON LESSER RATES RS.48.670 MILLION.

AUDIT VERSION

147. The Audit reported that as per Para 2(f) of Chairman Board of Trustees for Islamia College University Peshawar's decision in its meeting dated 23-11-1993, that

after every three years agreement deeds may be renewed and rent/lease to be increased @ 25% according to the Government Rules.

148. During the financial year 2013-14, in the Islamia College University Peshawar, it was noticed that according to the Board of Trustees, University has 1089 Jarib (4356 Kanals) cultivable land in Harichand, Raikilli and Tarnab (District Charsadda), 433 shops and flats in the Khyber Bazar Peshawar and main Bazaar Charsadda. All these properties have been given on lease on very low rates years ago.

149. The rental/lease rates of the property were required to be increased @ 25% after every three years, which was not done. If we take Rs.1.418 million per month as base price then the loss during 9 years would be Rs.4,86,70,000/-.

150. $(Rs\ 1.418\ million + 1.418 \times 25\% = 1.772 \times 25\% + 1.772 = 2.216 \times 25\% + 2.216 = Rs.2.77 - Rs\ 1.418 + Rs\ 1.352 \times 3\ times = Rs\ 48.67\ million)$.

151. Non-leasing or non increasing rates @ 25% after every three years is a serious lapse on the part of University management which resulted into loss of Rs. 4,86,70,000/-.

152. Lapse occurred due to financial indiscipline and weak internal controls. This resulted into loss of Rs.4,86,70,000/-.

153. When pointed out in August 2015, the management replied that in the recent meeting of the Board all old agreements have been revised to bring them at par with Government rent rates. This will bring down the deficit and increase the income of the Board of Trustees.

154. In the DAC meeting held in May 2016, University management repeated the previous reply. However, DAC disagreed and decided that University should explain its position before PAC.

155. Audit recommends that being a very serious matter, the University should take appropriate action to safe guard the interest of University.

DEPARTMENTAL VERSION

156. The Department explained that:-

Commercial property

157. The defunct Board of Trustees Islamia College, Peshawar enhanced the rent of the commercial property in 2001, as such fresh agreements were executed with the tenants of shops/flat etc on judicial stamp papers for three years.

158. However, it was stated in the agreement that if this agreement was not renewed on the expiry of three years, then the tenants shall pay the increase as per government policy.

Agriculture Property

159. The defunct Board of Trustees Islamia College Peshawar approved the revised lease rates of agriculture property in 2004, as such lease agreements were executed with the tenants on judicial stamped papers for a period of 21 years. However, it was stated in the agreement that on the expiry of every three years, the tenants shall pay 10% increase on the existing rates. With a view to streamline the system and avoid unnecessary litigation at that time, the agreement was not terminated and the rent/lease were increased after every three years. The increase after every three years can be verified from the record by the Audit in the next tour.

160. In compliance of the PAC recommendations held on 20-09-2019, a Committee has been constituted vide Notification No.1097/Estt: dated 14-07-2020. In this connection meeting of the Committee held on dated 28-07-2020 and various decisions were made regarding enhancement of rent/lease of commercial and agricultural property according to the prevailing market rate.

COMMITTEE OBSERVATION

161. The Committee observed that the representative of the Department were neither fully prepared nor respond to the queries of the Committee, which clearly shows inefficiency on the part of the Department.

162. The representative of the Department also failed to provide complete details of the University property and its lease agreement.

COMMITTEE RECOMMENDATION

163. In order to know factual position of the total property of the Islamia College University, the Committee directed the Management of University to produce the following requisite record to pre-PAC on 17-02-2021 in the Provincial Assembly Secretariat before the meeting of PAC. The Para was differed for next meeting of PAC which is schedule to be held on 25-02-2021.

1. Detail of total property.
2. Detail of lease.
3. Detail of rent shops.
4. Detail of agreement made with the lessee and shopkeepers.
5. Rent analysis.

164. **The subject Draft Para was again taken up for examination in the meeting of Committee held on 25-02-2021, wherein the Committee has given its observations and recommendations as per following details:-**

DEPARTMENTAL VERSION

165. The Department explained the position of Commercial and Agriculture property out of the campus of the Islamia College University as under:-

Commercial property

166. The defunct Board of Trustees Islamia College, Peshawar enhanced the rent of the commercial property in 2001, as such the agreements were executed with the tenants of shops/flats/cabins on judicial stamped papers for three years.

167. However, it was stated in the agreement that if it was not renewed on the expiry of three years, then the tenants shall pay the increase as per government policy.

Agriculture Property

168. The defunct Board of Trustees Islamia College Peshawar approved the revised lease rates of agriculture property in 2004, as such lease agreements were executed with the tenants on judicial stamped papers for a period of (21) years. However, it was stated in the agreement that on the expiry of every three years, the tenants shall pay 10% increase on the existing rates. With a view to streamline the system and avoid unnecessary litigation at that time, the agreement was not terminated and the rent/lease were

increased after every three years. The increase after every three years can be verified from the record by the audit in the next tour.

169. In compliance of the PAC recommendations held on 20-09-2019, a Committee has been constituted vide Notification No.1097/Estt: dated 14-07-2020. In this connection meeting of the Committee held on dated 28-07-2020 and various decisions were made regarding enhancement of rent/lease of commercial and agricultural property according to the prevailing market rate.

170. During the meeting, the management of the University of Islamia College told the Committee that the Traffic Police of District Charsadda has occupied illegally some land of Subzi Mandia property of Islamia College University Peshawar opposite Jail building at Charsadda Bazar since long without the permission/approval of the Competent Authority.

171. The management of University approached the Deputy Commissioner Charsadda vide letter No. 226/BOM/ICP dated 31-10-2017 for fixing the rent of the premises and payment of rent. The case was also sent to the C&W Department for assessment of rent. The C&W Department has assessed the rent @ Rs. 16,80,000/- per year. The District Police Officer Charsadda was asked time and again for payment of rent which accumulated to Rs. 50,40,000/- for the year 2017-18, 2018-19 and 2019-20 till date, but they are not ready to pay the rent.

172. Furthermore, the final Notice has been served to the District Police Officer, Charsadda vide letter No. 390/BOM/ICP dated 31-12-2020, but no response have been received from their office.

173. Moreover, a sum of Rs. 5.50 million is outstanding against Municipal Committee Charsadda on account of lease of Bus Stand at Charsadda upto 1992. The Board of Trustees had moved a case against the Municipal Committee in the Court for early recovery of the outstanding dues.

174. Municipal Committee Charsadda moved an appeal against the case filed by the Board of Trustees in the Peshawar High Court Peshawar. The Peshawar High Court has rejected their appeal and decided that the Municipal Committee should pay an

amount of Rs. 4.75 million with annual 10% interest to the Board of Trustees on 13-0-9-2011.

175. The Municipal Committee has filed an appeal against the said judgment in the Hon'ble Supreme Court of Pakistan, while the case is still pending in the Court.

176. The Department further stated that the Provincial Government has transferred state of land measuring 4000 kanal to Islamia College Peshawar at Hand, Swabi vide Notification No.31159-70 dated 16-12-2009. An application was filed for separation of land in the Court of District Officer Revenue & Estate at Swabi. The case was sent to the Tehsildar Lahore, Swabi for further action. During the pendency of the case, the District Collector Swabi has decided an application of land owner Mr. Jehangir Khan on 19-12-2014 that the land taken from them is over & above the actual one, therefore, they may be returned the same land. On the said decision co-owner Mr. Saeed Khan and others moved appeals which are still pending in the Court of SMBR.

177. During the meeting, the representative of Police Department invited the management of Islamia College University to come to his office to resolve the issue.

178. The TMO Municipal Committee District Charsadda told the Committee that there was 3 to 4 kanal property of Islamia College University under his control from 1992 to 2010. After that the said property handed over to the University and now under the use of Subzi Mandi. The Board of Trustees of Islamia College University had moved an appeal in Peshawar High Court against the Municipal Committee Charsadda that a sum of Rs. 5.50 million outstanding on account of lease of bus stand at Charsadda occupied by the Municipal Committee. The Municipal Committee had moved an appeal at Peshawar High Court. On 13-09-2011 the Peshawar High Court had rejected their appeal and decided that the Municipal Committee should pay an amount of Rs. 4.75 million with annual 10% interest to the Board of Trustees. The Municipal Committee has filed an appeal against the judgment of the Peshawar High Court in the Hon'ble Supreme Court of Pakistan and the case is still pending in the Court.

179. The representative of DC Charsadda told the Committee that the Board of Trustees Islamia College University will submit a case for declaration of outstanding dues on the part of tenants to the District Collector as arrears of Land Revenue as

required under Section 113-114 of the Land Revenue Act, 1967 and this office will recover the same in the shortest possible time.

COMMITTEE OBSERVATION

180. After examination of the record of the Commercial and Agriculture property of the Islamia College University, the Committee observed that:-

1. The Board of Trustees Islamia College Peshawar executed deed agreement with the tenants of Commercial and Agriculture property in 2001 and 2004 respectively which is required to be revised according to the prevailing market rates.
2. Total 443 shops/Flats/Cabins of the Commercial property and 3951 kanal of Agriculture property out of the Campus of the University were allotted to the tenants on lease at very low rates years ago which are required to be revised according to the prevailing market rates.
3. In most of Agriculture property, the tenants made constructions without prior approval of the competent forum which is violation of deed agreement.
4. In most of deed agreement made by the Board of Trustees with tenants it was found that old NIC was used of the tenants, which is not admissible under the Rules and required to be renewed with new computerize NIC of the tenants.
5. Municipal Committee filed an appeal against the judgment of the Peshawar High Court in the Hon'ble Supreme Court of Pakistan and the case is still pending in the Court and no stay order was issued in this behalf in favor of Municipal Committee.
6. No proper record of 4000 kanal land at Hund Swabi maintained by the management of the University, which clearly shows inefficiency on the part of the management of the University.

COMMITTEE RECOMMENDATION

181. After detailed discussion on the issues involved in the Draft Para the Committee recommended the following:-

1. Two Special Committees be constituted one for Commercial property and the other for Agriculture land.
2. The Special Committees may obtain legal opinion from the legal section of the University.
3. The Special Committees shall make proper format/model agreement duly vetted by the legal section of the Department. The agreement with the tenants must be renewed each year as per policy.
4. The Committees shall go through the record and revise the rate of Commercial and Agriculture property through negotiation with the tenants and enhance the rate according to the prevailing market rates.
5. The Police Department and Local Administration were directed to assist the Committees.
6. The management of the University was directed to inform officially the DC Office, Charsadda about outstanding dues of the Commercial property and Agriculture land on the part of tenants and recover the same within (30) days.
7. The DC Charsadda was directed to check the record of the property of University occupied by the Police Department and Municipal Committee and resolve the issue legally and submit its report to PAC Cell within (07) days so that to proceed further in the matter.
8. The management of the University was also directed to check the record of 4000 kanal property of the Islamia College University situated at Hund District Swabi to know factual position of the land and to produce complete record in the next meeting.

182. Para stands progress be reported to PAC within thirty (30) days.

DP No.5.4.14 LOSS DUE TO ACCEPTANCE OF HIGHER BID FOR CIVIL WORK RS.38.067 MILLION.

AUDIT VERSION

183. The Audit reported that according to Chapter II-6(1)(3)iv, of the Procurement Rules 2014, the procuring entity shall use open competitive bidding for the procurement of goods over the value of Rs. 1,00,000/-, the lowest offer from the qualified bidder shall be accepted for award of contract.

184. During the financial year 2014-15, the accounts record of the Project, "Establishment/Construction of Institute of Peace & Conflict Studies at University of Peshawar", revealed that tenders for the above civil work was invited and five contractors were short-listed. According to the comparative statement, the bid of Rs.7,17,70,850/- offered by M/s Sirajul Haq & Sons Peshawar was the lowest, which was not accepted by the committee without any reason and the higher bid of Rs.10,98,37,934/- of the 2nd lowest contractor M/s Muhammad Ishaq & Co. Peshawar was accepted. Thus, the university exchequer sustained a loss of Rs.3,80,67,084/- (10,98,37,934/--7,17,70,850/-).

185. The loss occurred due to weak internal controls and non-observance of rules. This resulted into loss of Rs.3,80,67,084/- to university.

186. When pointed out in May 2016, the management furnished no reply.

187. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

188. Audit recommends that recovery of loss may be affected from the concerned.

DEPARTMENTAL VERSION

189. The Department explained that the University Management had invited the said tender on the basis of Notification issued by the Government of Khyber Pakhtunkhwa Finance Department No. SO/(FR)FD/9-7/2011/Vol-II dated 03.01.2014 wherein, it was clearly notified that the Contract should be awarded to the contractor whose quotation/tender is the lowest but not more than 10% below the engineers estimate/PC-1 estimates based on market rates & meets the specifications and quality needs of the procuring entity. In light of the said Notification, the bid of Rs.7,17,70,850/-

offered by M/S Siraj-ul-Haq& sons was rejected being 10% below the engineers estimate/PC-1 estimates based on market rates and the Bid of M/S Muhammad Ishaq and Co, being the lowest and reasonable was approved as per Comparative statement. It is further added that as per above-mentioned Notification, it was clearly communicated to all the bidders vide tender invitation letter (NIT) No.113-44/IPCS dated 10.06.2014 that bids below 10% will not be considered.

190. Further, in the light of the decision of the DAC, clarification from Deptt of Finance was also obtained, wherein it has been clarified that “A bid once opened in accordance with the prescribed procedure shall be subject to only those rules, regulations and policies that are in force at the time of issuance of notice for invitation of bids.” Copies of KPPRA letter No.KPPRA/M&E/advice/16-52/2017-18/98 dated 06.02.2018 and Finance Department letter No.SO(FR)/FD/9-7/2017/17449 dated 15.02.2018, communicated to the Vice-Chancellor’s office through the HED letter No.SO(U-II)HE/1-1/Misc/2014/Vol-V1/4151-52 dated 27.02.2018.

191. Keeping in view of the above facts clarification of the Finance Department and subsequent recommendations of the Pre-PAC it is requested that the Para may kindly be settled.

PAC OBSERVATION

192. The Committee observed that the Notification issued by the Government of Khyber Pakhtunkhwa Finance Department vide No.SO/(FR)FD/9-7/2011/Vol-II dated 03-01-2014 did not clearly support the contention of the Management of the University. However, the representative of the Finance Department told the Committee that the reply of the Management of the University is correct according to the aforesaid Notification issued by the Finance Department.

PAC RECOMMENDATIONS

193. In view of clarification of the Finance Department, the Committee recommended the Para to be **settled**.

DP No.5.4.15 LOSS DUE TO NON-RECOVERY OF RENT OF SHOPS AND AGRICULTURE PRODUCE RS.28.954 MILLION.

AUDIT VERSION

194. The Audit reported that according to Para 26 of GFR Vol-I, it is the duty of the departmental controlling officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

195. During the financial year 2013-14, in Islamia College University Peshawar, it was noticed that an amount of Rs.2,89,54,260/- was outstanding/recoverable on account of rent of shops/flats/cabins and produce from the agriculture land. However, for recovery of outstanding amount no serious efforts have been made. This resulted into loss to the Institution.

196. Lapse occurred due to financial indiscipline and weak internal controls. This resulted into loss of Rs.2,89,54,260/-.

197. The loss was reported to the management in August 2015. However, no reply was given.

198. In the DAC meeting held in May 2016, the management replied that the Board of Management has constituted a committee to expedite recovery of arrears. The list of defaulters has been sent to Director General NAB KP as well as DC Charsadda for recovery under Land Revenue Act. DAC decided that full recovery be made. However, no progress regarding recovery has been reported to audit till finalization of the report.

199. Audit recommends to expedite the recovery.

DEPARTMENTAL VERSION

200. The Department explained that in compliance of the PAC recommendation held on 20-09-2019, a Committee has been constituted vide Notification No.1097/Estt: dated 14-07-2020. In this connection meeting of the Committee was held on dated 28-07-2020 and various decisions were made regarding recoveries of arrears and enhancement of rent/lease of commercial and agricultural property according to the prevailing market rate.

201. Furthermore, the recovery process has been expedited and an amount of Rs.20.851 million (72%) has been recovered out total amount of Rs.28.954 million. An amount of Rs.8.102 million (28%) are still pending due to court cases pertaining to lawyers etc.

COMMITTEE RECOMMENDATION

202. Being similar nature issues are involved, the Para was clubbed with the Draft Para No.5.4.13 (2016-17).

203. **The subject Draft Para was again taken up for examination in the meeting of Committee held on 25-02-2021, wherein the Committee has given its recommendation as per following:-**

COMMITTEE RECOMMENDATION

204. Same decision as per Draft Para No. 5.4.13 for the year 2016-17.

DP No.5.4.16 LOSS DUE TO NON RECOVERY OF DUES FROM DEFAULTER PHD SCHOLARS-RS.26.702 MILLION.

AUDIT VERSION

205. The Audit reported that according to clause V of the Deed of Agreement and surety bond with the university “in case the scholar fails to maintain the required standard or quality the course/degree for which he/she was awarded scholarship, the university reserves the right to recover the entire expenditure from scholar/quarter while clause-XVI of the agreement states “the scholar shall be bound to pay the university a penalty as prescribed by the university”.

206. During the Financial Years (2014-15) & (2015-16), in Abdul Wali Khan University Mardan, it was noticed that Director HRD issued different award letters to the overseas PhD scholars for holding admissions. Payments were released but the under mentioned five scholars neither submitted report progress nor finalized their Ph.D and became defaulters. They were directed to deposit the paid amount along with 25% fine, however, neither the outstanding amount of Rs. 2,67,01,947/- recovered nor any progress reported to the management. Non-recovery put the public exchequer into loss of Rs. 2,67,01,947/-. Detail as under:-

S/No.	Name	Financed through	Amount of default (Rs)
1.	Raheel Anjum	Mega PC-1	9,13,728
2.	Azmat ali Shah	Mega PC-1	47,92,870
3.	Adnan Ibrar	Mega PC-1	66,12,762
4.	Muhammad Pervez	HED fund	98,61,476
5.	Nasir Ali	Bacha khan HED fund	45,21,111
Total			2,67,01,947

207. Lapse occurred due to violation of rules and financial indiscipline. This resulted into loss of Rs. 26,701,947 to the University.

208. When pointed out in November 2016, it was stated that reply would be given later on.

209. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

210. Audit recommends to investigate the matter and fix responsibility, besides recovery of loss from the person(s) responsible.

DEPARTMENTAL VERSION

211. The Department explained that Rs. 4.475 million have been recovered from Mr. Raheel Anjum & Mr. Nasir Ali whereas Rs. 30,000/- per month is deducted from Mr. Azmat Ali Shah on regular basis from his salary (Rs.1.697 million recovered till date). The cases of Mr. Muhammad Parvez & Mr. Adnan Ibrar were presented to the scholarship Committee which made decision on the recovery but in the meanwhile they filed writ petitions in the honorable Peshawar High Court which are pending adjudication and final decision. Recoveries will be made once the case is decided.

COMMITTEE OBSERVATION

212. The Committee observed that such issues are also being raised against most of Universities of the Province which needs to be resolved by establishing a standard procedure to avoid such losses in future.

COMMITTEE RECOMMENDATION

213. In view of the above, the issue raised in the Para was referred to the Sub-Committee already constituted in Draft Paras No.4.4.3, 4.4.9, 4.4.18, 4.4.22 and 4.4.25 for the year 2015-16 for detailed examination and for amicable solution to avoid such irregularity in future.

214. The Audit was directed to verify the recovered amount of Rs. 6.154 million within (30) days.

215. The Committee further directed the Department to make efforts for early recovery of the balance amount from the scholars and to get it duly verified by Audit.

216. Para stands progress be reported to PAC.

DP No.5.4.17 LOSS DUE TO NON DEDUCTION OF INCOME TAX FROM THE CONTRACTOR/SUPPLIERS-RS. 31.277 MILLION.

AUDIT VERSION

217. The Audit reported that according to section 153 of the Income Tax Ordinance 2001, 7.5% income tax is recoverable from the filer of return while 10% from non filer contractors.

218. During the Financial Years (2014-15) & (2015-16), in Abdul Wali Khan University Mardan, it was noticed that tender for the supply, installation and commissioning of 2.5 MW Power House at the Garden Campus was awarded to M/s The Industrial Enterprises (TIE) with the tender cost of Rs.32,65,00,000/-. Work order was issued and the contractor started the work and got payment of Rs. 30,56,04,000/-. However, income tax at the rate of 7.5% amounting to Rs. 1,86,82,000/- was not deducted from the claims of the contractor, which resulted into loss to the public exchequer. Detail as under:-

S/No.	Cheque #	Date	Payment allowed	Income tax deducted	Income tax required	Loss (Rs)
1.			20 % 65,300,000	0	4,897,500	4,897,500
2.	19683263	02.07.2015	20 % 11,101,000	0	832,575	832,575
3.	504276	14.09.2015	20 % 76,401,000	0	5,330,075	5,330,075
4.	504615	06.01.2016	20 % 76,401,000	0	5,330,075	5,330,075
5.	504895	20.06.2016	20 % 76,401,000	3,438,045	5,330,075	2,292,030
Total				34,38,045	2,17,20,300	1,86,82,255

219. It was further noticed that tender for the supply and installation of IT equipments in the Garden Campus was floated and awarded to M/s Sahil Builders with the tender cost of Rs. 33,82,70,000/-. The record showed that payment of Rs. 16,79,37,540/- was allowed to the contractor. However, in the following cases income tax

was not deducted from the contractor which resulted into loss of Rs. 1,25,95,314/- to the public exchequer.

Cheque #	Date	IPC No	Gross amount	I/Tax required	I/Tax deducted	Difference
05631302	08.06.16	IPC No-2	64,340,585	4,825,543	0	4,825,543
0504897	29.06.16	IPC No-3	103,596,955	7,769,771	0	7,769,771
Total			16,79,37,540	1,25,95,314	0	1,25,95,314

220. The loss of Rs. 3,12,77,569/- occurred due to non-adherence to rules, financial indiscipline and weak internal controls.

221. When pointed out in November 2016, the management stated that detailed reply would be given later on.

222. Audit requested the Department repeatedly through DO letters, for holding of the DAC meeting, however neither DAC meeting convened nor loss recovered till finalization of the report.

223. Audit recommends to investigate the matter, fix responsibility against the person(s) at fault besides recovery of tax from the concerned.

DEPARTMENTAL VERSION

224. The Department explained that at first the Income Tax was not deducted from IPC of the concerned company but later on after the same matter it was brought into the notice of the Competent Authority who directed for the recovery of the same.

225. The Department further explained that taxes have been deducted as per Taxation laws on IPC2 and IPC3. The supplier has already paid advance tax at port under section 153, they got exemption certificate from FBR.

PAC OBSERVATION

226. The Committee observed that Income Tax was deducted from the IPC-2 and IPC-3, while the same was not deducted from the IPC-1 of the contractor which clearly shows in efficiency on the part of the Departmental officers/officials.

PAC RECOMMENDATION

227. After detailed discussion on the issue, the Committee directed the Department to initiate action leading to recovery or adjustment of the balance amount from the bills of the contractor pending with the Department duly verified by the Audit within thirty (30) days.

228. Para stands till complete recovery.

DP No.5.4.18 LOSS DUE TO UNAUTHORIZED PAYMENT OF INCOME TAX FROM UNIVERSITY ACCOUNT RS.12.690 MILLION.

AUDIT VERSION

229. The Audit reported that according to Finance Act 2013, tax rebate is not allowed to the individuals working on administrative posts in the Public Sector Universities.

230. During the financial years 2013-16, in the Agriculture University Peshawar, it was noticed that income tax worth Rs.1,26,90,000/- was not deducted from the teaching staff working on administrative posts and undue rebate was given to certain staff (i.e. staff working on administrative posts) who were not entitled for the rebate in tax. University administration has not recovered it from the concerned staff. The said income tax of Rs.1,26,90,000/- was deducted directly from the university account by the Federal Board of Revenue. Thus university sustained a loss of Rs.1,26,90,000/-.

231. The lapse occurred due to weak internal controls and non-observance to rules. This resulted into loss of Rs. 1,26,90,000/-. The matter was reported to the management in December 2016. The management stated that detailed reply would be furnished later on.

232. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting convened nor loss recovered till finalization of the report.

233. Audit recommends recovery from the individuals or from the person(s) responsible.

DEPARTMENTAL VERSION

234. The Department explained that the FBR served three orders under section 161/205 of the Income Tax Ordinance, 2001, which stated that full income tax be deducted from faculty members working as Dean, Chairman and Director

Teaching/Institutes because these are administrative nature positions. The office replied dated 30-05-2016 that these positions are neither budgeted nor administrative posts and related to academic activities of Faculty/Department assigned to senior professors or associate professors in addition of their routine academic assignments of teaching and research supervision. They draw their salaries in the capacity of Professor and Associate Professor as the case may be and not in the capacity of Dean, Chairman or Director Teaching/Institute.

235. Nonetheless, upon deduction of Rs.12.691 million at source from University account by the Federal Board of Revenue, the University filed an appeal against FBR in the Court of Commissioner Inland Revenue “Appeal” Peshawar. The appeal was disposed of dated 26-09-2016 in terms of endorsing the University stance besides remanded back for de-novo consideration strictly adhering to the principle *ibid.* the FBR, in light of the Commissioner Appeals instructions, issued vide its letter to the University to provide information of faculty members whose names have been indicated in orders U/S 161.2015 vide No.WH-51/WH Zone/RTO-Pesh/2017/181 dated 12-01-2017 which were duly provided accordingly vide No.15;/FD/UOA, dated 08-11-2016.

236. Furthermore, the University has also made a reference dated 08-11-2016 to the Commissioner Inland Revenue to pay back the amount worth Rs.12.690 million to the University as per the decision of Commissioner Inland Revenue (Appeals) but FBR is not honoring the same;

237. The issue was brought into the notice of the syndicate in its 104th meeting held on 07-10-2019. The syndicate *inter alia* decided as under:

238. The house recommended immediate recovery from the officers belonging to Administration from whom less tax deduction was made as mentioned in the FBR correspondence available in the agenda item and faculty related tax rebate issue was referred to Dean’s Committee of the University. The report of the Dean’s committee will be submitted to the syndicate for appropriation decision. Recovery from the Officers belonging to Administration has been initiated.

PAC OBSERVATION

239. The Committee observed that the Federal Board of Revenue (FBR) deducted Income Tax of Rs. 1,26,90,000/- from the University Accounts directly on the

account of rebate which was given to certain staff i.e working on Administrative post, but the Management of University failed to take necessary steps against the FBR after obtaining legal opinion from the legal section, which clearly shows action taken by FBR was under the rules and law.

PAC RECOMMENDATION

240. After detailed deliberation the Committee recommended to initiate action leading to recovery of the amount of Rs. 12.690 million from concerned Officers who were performing their duties on the Administrative posts and deposit the same in the Government treasury duly verified by Audit within thirty (30) days. Para stands. Progress be reported to PAC.

DP No.5.4.19 LOSS DUE TO SUBSTANDARD GENERATORS RS.12.230 MILLION.

AUDIT VERSION

241. The Audit reported that according to Chapter-II Methods of Procurement of Goods S.No.6(1) and S.No.3(b)(iv), the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs.1,00,000/-. The lowest offer from the qualified bidder shall be accepted for award of the contract and will be the best evaluated bid. Further, Para 148 of GFR Vol-I, requires that all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

242. During the financial year 2013-14, in Islamia College University Peshawar, it was noticed that Rs.1,22,30,000/- was paid to M/s Imperial Electric Co Peshawar for the purchase of four generators viz one 250KVA for Khyber Union Hall, one 100 KVA for Islamia Collegiate School, one 100 KVA for Islamic Girls College & psychology department and one generator of 150 KVA as extra reserve.

243. Audit has the following observations:

1. All generators purchased against Rs.1,22,00,000/ were defective and not working hence not installed since purchase in September, 2013 till the date of audit i.e. July 2015.
2. Original invoice and other papers were stated to have been missing and not produced to audit.
3. 150 KVA generator worth Rs.30,20,000/- was not advertised in the newspapers but it was directly purchased from M/s Imperial Electric Co. who did not offer bid.
4. When the yellow color iron sheet cover was removed by a professional engineer of the Engineering University Peshawar it was disclosed that these generators were locally made in Karachi from the obsolete model engines of the “rocket trucks”.
5. 50% advance payment was made on one hand and on the other no call deposit and no performance bank guarantee was secured from the supplier as required for the purchase.

244. Thus due to substandard purchase university sustained a loss of Rs.1,22,30,000/-.

245. The loss occurred due to weak internal controls and financial indiscipline.

246. When pointed out in August 2013, the management replied that the matter is under investigation and the progress would be intimated to audit.

247. In the DAC meeting held in December 2016, the management stated that inquiry is under process and result would be intimated to audit accordingly. DAC decided to complete inquiry and fix responsibility. However, no progress was intimated till finalization of the report.

248. Audit recommends the implementation of DAC decision, besides recovery from the concerned.

DEPARTMENTAL VERSION

249. Para wise reply of the Audit observation was explained as under:-

1. All four (04) generators have been properly installed and fully functional which can be verified any time. However, due to students strike regarding installation of Generators, which was not possible due to paucity of funds, hence installation was delayed till settlement of issues. The Generators were installed accordingly and are working properly since then.
2. The original record was misplaced during shifting of offices. However, photocopies were provided to the Audit.
3. Sales Tax @ 1/5th was retained from the supplier.
4. Two generators i.e. 100 KVA and 50 KVA were advertised.
5. Due to extremely hot weather and heavy work load & least operating and maintenance cost, M/S Imperial Electric Co. offered bid for 150 KVA and one generator 150 KVA was purchased.
6. KPPRA procurement rules discourage mentioning of the brand/model of the specific company. Therefore, brand name was not specified in the NIT.
7. The generators were imported and fully functional till date and can be verified.
8. As per condition coated by M/S Imperial Electric Company stipulated 50% advance. Therefore, the Committee agreed to reduce the amount of advance from 50% to 30%.

COMMITTEE RECOMMENDATION

250. As the representative of the Department were neither fully prepared nor respond to the queries as raised by the Committee, therefore, the Para was kept pending with the direction to the Department to produce complete record to pre-PAC on 17-02-2021 in the Provincial Assembly Secretariat before the meeting of PAC. The para was differed to next meeting of PAC, which is convened to be held on 25th February 2021. Para stands.

251. The Para was again placed before the Committee in its meeting held on 25-02-2021, wherein the Committee has given its observations and recommendations as per following details:-

DEPARTMENTAL VERSION

252. The Department explained Para wise reply of the audit observations are as under:-

1. All four (04) generators have been properly installed and fully functional which can be verify any time. However, due to students strike regarding installation of Generators, which was not possible due to paucity of funds, hence installation was delayed till settlement of issues. The generators were installed accordingly and are working properly.
2. The original record was misplaced during shifting of offices. However, photocopies were provided to the Audit.
3. Sale Tax @1/5th was retained from the supplier.
4. Two generators i.e. 100KVA and 50 KVA were advertised.
5. But due to extremely hot weather and heavy work load and least operating and maintenance cost one generator 150KVA was purchased.
6. M/S Imperial Electric Co. offered bid for 150 KVA also.
7. Hence KPPRA procurement rules discourage mentioning of the brand/model of the specific company. Therefore, brand name was not specified another than KVA.
8. The generators are imported and fully functional till date and can be verified.
9. As per condition quoted by M/S Imperial Electric Company stipulated 50% advance.

253. Therefore, the Committee agreed to reduce the amount of advance from 50% to 30%.

COMMITTEE OBSERVATION

254. After examination of the Inquiry Committee report conducted by the management of the University on the recommendation of Pre-PAC meeting held on 17-02-2021, the Committee observed that specification i.e. make and model with invoice/quotations was vague and do not tally with the invoice with the specification.

COMMITTEE RECOMMENDATION

255. In view of the above, the Committee directed the PAC Cell and Audit to visit the Islamia College University and physically check that the four (04) Nos generators are installed in the premises of University are according to the specification i.e. make & model with invoice/quotations within (07) days. Subject to physical verification of the (04) Nos generators, the Para was recommended to be settled.

DP No.5.4.20 LOSS DUE TO ALLOWING HIGHER RATES-RS.4.736 MILLION.
AUDIT VERSION

256. The Audit reported that according to Paras 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all rates are correctly entered and that all calculations have been checked arithmetically.

257. During the Financial Year 2013-14, in Abdul Wali Khan University Mardan, a contract was awarded to M/s Zahir Shah and Brothers for construction of external development works package-V. The contractor completed earth work i.e. formation of embankment/borrow material from any land lift, carriage royalty, taxes etc. In 2nd bill (IPC) the contractor was paid for non-scheduled item in different rates for the same item. On the 1st occasion the rate was applied @ Rs.30 per cft and on the 2nd time Rs.27 per cft. Thus a sum of Rs. 47,36,704/- ($30-27=3 \times 1578899\text{cft}$) was paid in excess.

258. Lapse occurred due to non-observance of rules. This resulted into loss of Rs. 47,30,000/-.

259. When pointed out in December 2014, it was stated that reply would be given later on.

260. In the DAC meeting held in November 2015, the department replied that soil strata in the entire area is mostly water logged, the road structure if so constructed on the previous design would have sunk and settled badly if instructions of the experts i.e. Geotechnical Engineer MC Risaplur were not followed. According to the advice they had to use rich soil i.e. almost hard rock in the bed cut 1.67 cft below the NSL. Being a non-schedule item the analyzed/ approved rate is Rs. 32.88 per cft & as such, the payment made was in order. DAC did not agree and decided to recover the amount. However, no recovery affected till finalization of the report.

261. Audit recommends that recovery may be made from the person(s) responsible.

DEPARTMENTAL VERSION

262. The Department explained that the item “Hard Rock from Borrow” was a variation item and was not a part of BOQ of project “Construction of External Development Works Package-V”. The contractor claimed a rate of Rs.37.25/ cft for the same item in IPC No.01.The case was referred to ACE consultants responsible for overseeing the execution of the project. The consultant approved Rs.27/cft.

263. In the 2nd IPC, the contractor again claimed Rs.37/cft along with the rate analysis but the consultant did not agree with the proposed rate and a provisional payment of Rs.30/cft was paid against the same item.

264. Rate analysis of the rates submitted by the contractor was carried out by the consultant and Rs. 32.55/cft was approved. However, till IPC no.17, Rs. 32.88/cft has been paid to the contractor. The project is not completed as yet and the difference in the approved rate (Rs. 32.55) and paid rate (Rs. 32.88/-) will be deducted in the upcoming IPC.

PAC OBSERVATION

265. The Committee observed that rate was fixed after the execution of work which was irregular. The rate should have been fixed under clause-12 of the contract agreement before the start of work.

PAC RECOMMENDATION

266. As the Department accepted the contention of the Audit, therefore, the Committee directed the Department to initiate action leading to recovery of the amount overpaid over and above Rs. 27/cft from the bills of the contractor after fixing responsibility within thirty (30) days.

267. Para stands till complete recovery.

DP No.5.4.21 LOSS DUE TO MISSING NEWLY PURCHASED GENERATOR-RS. 2.680 MILLION AND UN-AUTHORIZED PROVISION OF NEWLY PROCURED GENERATOR TO CONTRACTOR-RS. 1.520 MILLION.

AUDIT VERSION

268. The Audit reported that according to Para 23 of GFR Vol-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinates. Para 148 of GFR Vol-I, says all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

269. During the Financial Years (2014-15) & (2015-16), in the Abdul Wali Khan University Mardan (AWKUM), it was noticed from the record of developmental expenditure that tender for the procurement of Diesel Generators was floated in the newspaper and contract was awarded to M/s Jaffer & Co with the tender cost of Rs.4,08,81,000/-.

270. The contractor supplied eight generators which were shown installed, however it was found that one 100 KVA Generator costing Rs. 26,80,000/- was not available in the Garden Campus. Similarly, one 30 KVA generator valuing Rs. 15,20,000/- was provided on contract basis to the private contractor who was running in the petrol pump. Thus university sustained a loss of Rs. 26,80,000/- and unauthorized provision of generator amounting to Rs. 15,20,000/-.

271. Lapse occurred due to financial indiscipline and weak internal controls. This resulted into loss of Rs. 26,80,000/-.

272. When pointed out in November 2016, it was stated that reply would be given later on.

273. Audit requested the Department repeatedly through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

374. Audit recommends to investigate the matter and responsibility be fixed against the person(s) responsible, besides recovery of generator.

DEPARTMENTAL VERSION

275. The Department explained that the 100 KVA generator was installed at that time in the University College for women which was a constituent college of the University.

276. Later on that college was upgraded to Women University Mardan in the same building and the generator was left over there.

277. The availability can be confirmed from the concerned staff over there.

278. The 30 KVA generator was installed on the foundation paid in the petrol pump that was already made over there and the generator is supplying electricity to the Museum, Medical Centre, PCA College and the other nearby building and no electricity was supplied to the pump.

COMMITTEE RECOMMENDATION

279. The Para was recommended to be settled subject to physical verification by the PAC Cell and Audit to the effect that the generator in question is installed in the premises of the University and is functional within fifteen (15) days.

DP No.5.4.22 LOSS DUE TO EXTENDING UNDUE BENEFIT TO THE CONTRACTOR RS.2.240.

AUDIT VERSION

280. The Audit reported that according to negotiation meeting held on 03.01.2012 and work order issued vide No. 932/Works dated 16.01.2012 Topographic survey & Geo-tech investigation will be carried out free of cost. According to Para-23 of GFR Vol-I, every Government Officer will personally be held responsible for any loss sustained by Government through negligence or fraud on his part.

281. During the financial years 2013-16, in the Agriculture University Peshawar, a sum of Rs. 22,40,000/- was shown paid to M/S Associated Consulting Engineers, for the following items of work, in the Project namely Khyber Pakhtunkhwa Agriculture University Amir Muhammad Campus Mardan:-

1.	Topographic Survey	Rs.8,40,000
2.	Geo technical investigation	Rs.14,00,000
	Total	Rs.22,40,000

282. Audit observed that the payment was made to extend undue benefit to the contractor because the said items of work were required to be carried out free of cost as agreed by the Consultant.

283. The lapse occurred due to non-observance of commitment and weak internal controls. This resulted into loss of Rs.22,40,000/- to the university.

284. The matter was reported to the Management in December 2016. The Management stated that detailed reply would be forwarded to Audit.

285. Audit requested to the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting convened nor loss recovered till finalization of the report.

286. Audit recommends to hold inquiry and recover the loss.

DEPARTMENTAL VERSION

287. The Department explained that the subject work of Mardan Campus was awarded to M/S Associated Consulting Engineers Pvt Ltd, Lahore vide work order No.932/Works dated 16-01-2012. Consultant initially quoted cost was Rs. 316.60 million, which was reduced by negotiation to Rs 280.0 million with saving of Rs. 36.600 million as detailed below:-

S/No.	Description	Quotation Rate	Negotiated Rate	Saving
a.	Topographic survey	0.6 million	Dropped	0.6 million
b.	Geo-Tech Investigation	1.0 million	Dropped	1.0 million
c.	Composite Rate	32.9 million	28 million	4.5 million
	Total	34.5 million	28 million	6.5 million

288. Reduce payment of Rs. 280million was made to consultants in stages based on activities in percentage on mutually agreed schedule/ mode of payment as per contract agreement under clause 6.4 (g) (a) (1 to 17) as reproduced below:-

S.No.	Description	Payment details
1-17	Mobilization Advance to be paid by the client after signing of consultancy Contract.	@10% of total consultancy fee for design phase as given in Clause 6.4 (b)i=Rs. 28,000,000x10%= Rs. 2800,000/-
2-17	On submission of Draft PC-I	@2% of total consultancy fee for design phase as

		given in Clause 6.4 (b)I .
3-17	On submission of detailed PC-I	@4% total consultancy fe for design phase as given in Clause 6.4 (b)i.
4-17	On submission of Topographic Survey	@3% total consultancy fe for design phase as given in Clause 6.4 (b)i.
5-17	On submission of Geotechnical investigation.	@5% total consultancy fe for design phase as given in Clause 6.4 (b)i.

289. The schedule of payment comprises of 17 stages/slabs of various portion of works completion in percentage of payments. Payment record is evident that no payment on account of topographic survey and geo-technical investigation was made and was released as per mode of payment, jointly agreed/signed.

290. As explained above there is no overpayment, the subject Para may be dropped as there is no financial loss to university/state.

PAC RECOMMENDATION

291. In view of plausible explanation advanced by the Department the Para was recommended to be settled with the direction to the Department to adopt corrective measures and to avoid such irregularity in future.

DP No.5.4.23 LOSS TO GOVERNMENT DUE TO NON-RECOVERY OF STAMP DUTY RS.16,77,785/-.

AUDIT VERSION

292. The Audit reported that according to Finance Department letter No.15796-89 stamps-240 dated 29-06-2002, stamp duty @ 1% should be recovered on procurement of materials and stores.

293. During the financial year 2012-13, in the office of Director Institute of Management Sciences Peshawar, it was noticed that expenditure to the tune of Rs.16,77,80,000/-was incurred on the purchase of various fixed assets during the year. Payments were made to various suppliers however, 1% stamp duty amounting to Rs.16,80,000/- was not recovered.

294. Loss occurred due to non-observance of rules and weak internal controls.

295. When pointed out in May 2014, the management stated that detailed reply would be given after consulting the record.

296. In the DAC meeting held in January 2017, the Department replied that the opinion of law Department on the issue, states under section 29 clause (f) of the Stamp Act 1899, that in the absence of any agreement the expense of stamp duty shall be borne by the purchaser of the property. But as the government is already exempted from the levy of stamp duty under section 3 of the Stamp Act 1899, therefore the institute in its capacity as a purchaser is exempted from the said duty. DAC did not agree and directed that stamp duty amounting to Rs. 16,77,000/- should be recovered from all suppliers and verify it from audit. However, no progress was intimated till finalization of the report.

297. Audit recommends that amount should be recovered.

DEPARTMENTAL VERSION

298. The Department explained that the Audit has pointed out the whole amount of the purchases since 2002, whereas 1% stamp duty on stores & materials was imposed through Finance Act-2007.

299. The duty was imposed on purchaser of stores and materials while clause-3 of the stamp duty Act-1899 clearly exempted such duty on any instrument executed by or on the behalf of the Government.

300. In light of this clause, the Institute was not deducting any stamp duty from any supplier as it was never imposed on supplier as per law.

301. The Revenue & Estate Department of Khyber Pakhtunkhwa subsequently notified to all Departments through its letter No. As(S)3/240/20140-15/310-70 dated 6th January, 2015 that if the levy of stamp duty is not incorporated in agreement, the liability to pay stamp duty is on the Department purchasing the store or material.

302. Before this date the Revenue Department has itself exempted stamp duty on purchases made by Government and where it was not recovered from the seller.

303. Institute of Management Sciences is of the opinion that the Audit pointed out the matter in the audit of the financial year 2012-13, while the clarification was issued in 2015, therefore, being a purchaser of stores and material before January, 2015, the Institute is exempt from levy of the duty as the liability to pay the stamp duty by the

seller was not defined. The Institute has however now started deduction of stamp duty from suppliers as per clarification in the aforementioned letter.

COMMITTEE OBSERVATION

304. The Committee observed that no embezzlement is involved and Audit accepted its fault that the amount pertaining to the year 2002 to 2012 was wrongly taken and recoverable amount is only Rs.48,000/-.

COMMITTEE RECOMMENDATION

305. The Committee taking a lenient view recommended the Para to be settled subject to recovery of Rs. 48,000/- duly verified by Audit, with the direction to the Department to follow provisions incorporated in the standard bidding documents which as mentioned in the KPPRA Rules in future.

DP No.5.4.24 LOSS ON ACCOUNT OF EXECUTION OF SAND FILLING INSTEAD OF EARTH FILLING - RS.1.056 MILLION.

AUDIT VERSION

306. The Audit reported that according to Para-95 of CPWD Code, engineer is strictly prohibited to deviate from sanctioned design in the course of execution of work. According to Para-23 of GFR Vol-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the government through fraud or negligence on his part or on the part of his subordinate.

307. During the financial year 2014-15, in the Project, “Establishment of Institute of Peace & Conflict Studies University of Peshawar”, it was noticed that as per drawing & designs and BOQ, the available earth was to be utilized in filling under floor. However, the contractor M/s Muhammad Ishaq & Co. had executed 36900 cft supply and filling of Sand under floor @ Rs. 2861.79 per 100 cft vide 6th Running Bill despite the fact that quantity of 163590 cft earth was available from excavation and was required to be re-used. Non-utilization of available material resulted into loss of Rs. 10,56,000/-.

308. Lapse occurred due to weak internal controls. This resulted into loss of Rs. 10,56,000/-.

309. When pointed out in May 2016, the management furnished no reply.

310. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

311. Audit recommends that extra cost of Rs. 10,50,000/- may be recovered.

DEPARTMENTAL VERSION

312. The Department explained that the sand filling have been carried out due to the following technical reasons:

- 1) Soil bearing capacity test result of the project site was very low i.e. 0.3-TSF. Hence, in order to avoid settlement of the foundation & plinth areas, sand filling was carried out being incompressible material, which does not need any additional mechanical means for compaction.
- 2) Due to low bearing capacity, a dense medium was required for laying the foundation and sand was the only solution, which increases the bearing capacity when it is confined due to its incompressible nature.
- 3) Sand is a self-compacted material and only placing and balanced watering (soaking) is required for the same, whereas, for compaction of the earth, proper compaction mechanism is required to be carried out in 6 inches layers one by one, even then hundred percent compaction results cannot be achieved in case of deep trenches and narrow strips.
- 4) Due to penetration of water, settlement in the plinth protection was very much expected, therefore, earth compaction in this case was not a useful solution.
- 5) Furthermore, earth compaction in the trench excavation or trench filling close to the abutments and the retaining walls, is not possible.

313. It is also mentioned that the sand filling was carried out within the approved tender cost of the project without any additional financial impact.

PAC RECOMMENDATION

314. The explanation of the Department was found plausible, hence, the Para was recommended to be settled with the direction to the Department to follow Rules & Regulations and Notification issued by the Finance Department in this behalf in future.

**DP No.5.4.25 OVERPAYMENT ON APPOINTMENT AS MERITORIOUS
RS.21.050 MILLION.**

AUDIT VERSION

315. The Audit reported that according to item # 3 of 2nd Minutes of the Senate and University Office order No.202/R/UAP dated 21.09.2016, 05 TTS Professors were allowed the position of Meritorious Professor (BS-22) with the direction that financial package as admissible to the faculty under TTS shall stand withdrawn from the date of their appointment as Meritorious Professors and recovery to be worked out on the basis of total salaries drawn by them on TTS during the period and that payable to them in BPS-22 shall be adjusted accordingly.

316. During the financial years 2013-16, the Agriculture University Peshawar overpaid a sum of Rs.21,050,092 to the TTS Professors who were appointed as Meritorious Professors w.e.f 13.05.2014 to 01.09.2016.

S#	Name of professor	Period	Pay due in BPS	Pay drawn in TTS	Difference
1.	Dr.Hidayatur Rehman, Department of PBG, UAP	13.05.2014 to 01.09.2016	7,031,714	9,952,540	29,20,827
2.	Dr.Hamidullah Shah, Department of Agri: Chemistry, UAP	13.05.2014 to 01.09.2016	5,893,596	10,079,277	41,85,682
3.	Dr.Shad Khan, Department of Agronomy UAP	13.05.2014 to 01.09.2016	5,675,851	10,208,618	45,32,767
4.	Dr.Muhammad Tariq Jan, Department of Agronomy, UAP	13.05.2014 to 01.09.2016	5,130,582	10,388,157	52,57,575
5.	Dr Fahatullah, Department of PBG, UAP	13.05.2014 to 01.09.2016	5,921,036	10,079,277	41,58,241
Total			29,652,779	50,707,869	21,055,092

317. The lapse occurred due to weak internal controls. This resulted into overpayment of Rs. 2,10,50,000/-.

318. The matter was reported to the management in December 2016. The management stated that detailed reply would be forwarded to Audit later on.

319. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting convened nor overpayment recovered till finalization of the report.

320. The Audit recommends recovery of Rs. 2,10,50,000/- wrongly paid to the concerned Professors.

DEPARTMENTAL VERSION

321. The Department explained that no overpayment as contended by the audit has been made to the TTS professors. Before their appointment as Meritorious Professors effective from 13-05-2014 by the 2nd meeting of Senate held on 21-07-2016, they were lawfully entitled to draw salary on TTS, however, the Senate approved their appointment from retrospective i.e. 13-05-2014 instead of with immediate effect. Therefore, in accordance with the senate decision's their pay was fixed in BS-22 and recovery @ Rs.50,000/- per month at source of the amount over and above as admissible to them in BS-22.

322. Feeling aggrieved of the recovery, the meritorious professors filed a Writ Petition in August PHC vide No.2089-P/2016, disposed of on 11-09-2017 in terms of;

323. "In that judgment, the Apex Court restrained the Department from recovering the salaries received under bonafide wrong order, while in the instant case, the situation is completely different, the delay in processing the promotion cases is wholly attributable to the respondents, therefore no recovery can be effected from the petitioners. At the same time, it is also observed that the petitioners are also not entitled to any financial benefit with effect from 13-05-2014 till 21-09-2016 as Meritorious Professors BPS-22, except counting this period for the purpose of pension and seniority"

324. Subsequently, the University challenged the order of Peshawar High Court in the Apex Court vide Civil Petition No.4980 of 2017, decided on 22-01-2018 in terms as under:-

325. "A perusal of the foresaid makes it clear and obvious that there is no duplication of financial benefit nor double salary paid to the private Respondents. The impugned judgment of the learned High Court appears to be fair, just and is not in

violation of any law. In this view of the matter, we are not persuaded to interfere in the impugned judgment”.

326. This Civil Petition being without merit is dismissed and leave declined”

PAC OBSERVATION

327. The Committee observed that appointment of five no. Professors as approved by the Senate in its meeting held on 13-05-2014 were made with retrospective effect instead of immediate effect which was in violation of rules and laws as a result huge loss was sustained by the University.

PAC RECOMMENDATION

328. In the light of the Judgments of Peshawar High Court announced dated 11-09-2017 duly endorsed by the Supreme Court of Pakistan, the Para was recommended to be settled.

329. The Committee directed the Department that appointment may not be made from the retrospective date in future as such provision does not exist in the Rules.

DP No.5.4.26 OVERPAYMENT MADE TO EMPLOYEES AS A RESULT PAYMENT OF HOUSE RENT AT THE RATE 45% INSTEAD OF 30% AMOUNTING TO RS.16.036 MILLION.

AUDIT VERSION

330. The Audit reported that Finance Department Government of Khyber Pakhtunkhwa vide letter No. SOSR-III/FD/1-27/2003 dated 23.04.2003 has clarified that all Universities in Khyber Pakhtunkhwa must follow the Provincial Govt. pay and package and other financial policies and must not adopt independently.

331. The Higher Education Commission Islamabad while in its letter bearing No.F-P-2.157/HEC/2009/580 dated 04.08.2009 which was addressed to Governor/Chancellor Universities of Khyber Pakhtunkhwa, have requested that the Vice Chancellors may be directed that the payment of admissible allowances/facilities in excess on prescribed rates or extending additional allowances/incentives to faculty/staff other than admissible under the BPS NO may not be allowed.

332. Further in accordance with Sr. No.5(ii) of Finance Division Regulation Wing O.M.No.F-1(2)LMP/94(i) dated 15.06.1994 (BPS 1-22) read with minutes of 63rd meeting of Syndicate, 45% house rent allowance is admissible to employees working in

Peshawar City, whereas in all other Districts, employees are entitled to 30% of the minimum of pay scale. Similarly, in the syndicate meeting of the Gomal University the member representing Higher Education Commission in the Finance and Planning Committee clarified that the financial directives of the Federal Government are to be followed in all matters where funds are provided by the Federal government through the Higher Education Commission.

333. During the financial year 2013-14, in the Gomal University D.I.Khan, the employees of the University were paid House Rent Allowance @ 45% instead of 30%. An amount of Rs. 5,31,42,000/- was paid on account of HRA @ Rs. 45% and thus Rs.1,60,36,000/- was overpaid to them. Detail is as under:-

Total amount of HRA drawn @ 45%	5,31,40,000
Total amount of HRA required @ 30%	3,71,00,000
Overpaid amount	1,60,30,000

334. Lapse occurred due to non-observance of rules, financial indiscipline and weak internal controls. This resulted into an overpayment of Rs.1,60,30,000/-.

335. When pointed out in December 2014, the management stated that detailed reply would be furnished later on.

336. In the DAC meeting held in Jan 2016, the university replied that similar nature case was discussed in the Public Accounts Committee meeting held on 21st August 2015 and Public Accounts Committee recommended that special meeting of the PAC will be convened shortly to resolve the issue of House Rent Allowances once for all. However, DAC decided that as the case has not yet been decided by the PAC therefore, the Para is placed before PAC for decision.

337. Audit recommends that amount be recovered and position be explained before the PAC.

DEPARTMENTAL VERSION

338. The Department explained that the case was discussed in the Public Accounts Committee meeting held on 21st August, 2015 and Public Accounts Committee recommended that the Draft Para may be clubbed with other similar Paras for which a

special meeting of the PAC will be convened shortly to resolve the issue of House Rent allowances once for all.

COMMITTEE OBSERVATION

339. After examination of record, the Committee observed that similar nature Paras had already been deferred for Special Meeting of the Public Accounts Committee for amicable solution of the issue.

COMMITTEE RECOMMENDATION

340. The Para was, therefore, deferred for Special Meeting of the Public Accounts Committee to be convened shortly.

DP No.5.4.28 OVERPAYMENT ON ACCOUNT OF PURCHASE OF LAND OF AMIR MUHAMMAD KHAN CAMPUS MARDAN RS.7.996 MILLION.

AUDIT VERSION

341. The Audit reported that according to award under section 11 of the land acquisition act 1894 had taken place for 2000 kanal vide Land acquisition collector/District Collector Mardan No. 501-505/LA dated 28.9.2010.

342. During the financial years 2013-16, in the Agriculture University Peshawar, it was noticed that a land of 2000 kanal was purchased for Amir Muhammad Khan Campus Mardan @ Rs. 66,640/- per kanal for Rs.13,32,80,000/- including all taxes for which payment was made to the District Officer Revenue and Estate Mardan vide Cheque No. 5433301 dated 30.06.2009 for further distribution among the land owners. After 05 years the Commissioner Mardan issued a corrigendum under section-6 of the Land Acquisition Act 1894 for 1880 Kanal vide No. 373/LA dated 19.02.2015. Thus on the one hand a land of 120 kanal decreased and on the other hand an overpayment of Rs. 79,96,800/- (120 kanal × Rs.66,640) was made to the land owners.

343. The lapse occurred due to mismanagement and lack of planning and weak administrative controls. This resulted into an overpayment of Rs.79,96,800/-.

344. The matter was reported to the management in December 2016. The management stated that detailed reply would be forwarded to Audit.

345. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened till nor overpayment recovered finalization of the report.

346. Audit recommends to take action against the person(s) concerned besides recovery of Rs.79,90,000/-.

DEPARTMENTAL VERSION

347. The Department explained that the land award of 2000 kanal was made by the Revenue Department Mardan under Section-4. Accordingly, payment worth Rs.13,32,80,000/- was made to Collector Mardan through cheque No.5433301 dated 30-06-2019. Subsequently demarked area was walled through C&W Department. Since, it included SCARP drains area which was already awarded to Irrigation Department, therefore, Revenue Department again made a detailed measurement of the land and found that after deducting SCARP drains and some area which was entered twice, net land area is 1888 kanal and 17 marlas. The Revenue Department Mardan notified corrigendum of award of 1888 kanal and 17 marlas vide No.373/L.A, dated 18-02-2015, however, there was no change made in the demarcation made earlier. In the same corrigendum, Tehsildar Mardan was asked to refund the surplus amount to the University by giving reminder to Revenue Department Mardan. The payment is still awaited from Revenue Department in spite of issuance of several reminders by the University to Revenue Department.

PAC RECOMMENDATION

348. The Para was recommended to be settled subject to complete recovery from Revenue Department duly verified by Audit within thirty (30) days.

DP No.5.4.29 OVERPAYMENT ON ACCOUNT OF THREE ADVANCE INCREMENT RS. 6.196 MILLION.

AUDIT VERSION

349. The Audit reported that HEC Model Tenure Track Process Statutes page 18 sub-section 2.10.1 states that initial pay of faculty member appointed to a post shall be determined as a sum of the salary + upto a maximum of (04) advance increments. Moreover, general introduction at page-2 of these statutes discloses that in consultation with HEC each institute shall modify these Model Tenure Track Statutes in light of their

particular nature and circumstance, this modification however are to be minor in nature and may not alter the fundamental spirit of the tenure track process.

350. During the financial year 2012-13, in the office of Director Institute of Management Sciences Peshawar, it was noticed that 22 faculty members were hired on Tenure Track System (TTS) and were paid seven (07) advance increments amounting to Rs.61,96,750/- in violation of the HEC TTS statutes, which allows maximum of 4 advance increments. The amount of Rs. 61,96,750/- was arranged as honoraria to the tenure track staff from the institute's own resources.

351. Lapse occurred due to non-observance of rules and weak internal controls. This resulted into an overpayment of Rs.61,96,750/-.

352. When reported to the management in May 2014, it was replied that approval for 3 advance increments beyond the HEC TTS was obtained from the Board of Governors.

353. Reply of the local office was not justified because the HEC Model TTS was approved in January 2008, however, the Board of Governors and Executive Committee approved the 7 advance increments prior to the HEC Model TTS. Moreover, such amendments in the fundamental spirit of TTS process were not reported to the HEC for approval.

354. In the DAC meeting held in January 2017, the Department replied that Institute of Management Sciences was competing with other reputable business institutions of the country therefore, the institute requires faculty members who have the ability to impart quality education to the students, therefore, the Institute offered additional honorarium to the faculty members on TTS in order to recruit and retain them. DAC did not agree and directed that overpayment on account of three advance increments be recovered from all concerned and got it verified from audit, and further payments on this account be stopped immediately. However, no progress was intimated till finalization of the report.

355. Audit recommends that DAC decision be implemented.

DEPARTMENTAL VERSION

356. The Department explained that three (03) additional advance increments were being given to the Assistant Professors appointed on Tenure Track System. These increments were reported to the Board of Governors in each of appointment and were approved by them. These increments were also in line with the instructions of the Chairman HEC.

357. The plea of the Department was presented in the DAC meeting held on 25th January, 2017 wherein, it was accepted and the Para was marked for obtaining of Ex-post facto approval of special allowance instead of three additional advance increments from the Board of Governors.

358. The Para was again reported as AP-226 in the financial year 2014-15 and was discussed in the 3rd DAC meeting of the Institute held in 15th January, 2018. It was settled in light of Chairman Higher Education.

COMMITTEE OBSERVATION

359. The Committee observed that (07) advance increments as allowed to the (22) faculty members hired on Tenure Tracks System (TTS) does not exist under the Rules as per criteria reported by the Audit in audit Para and Provincial Government pay and package policy framed by the Government of Khyber Pakhtunkhwa.

COMMITTEE RECOMMENDATION

360. The Committee taking a lenient view recommended the Para to be settled subject to change the nomenclature of (03) advance increments as allowed to 22 faculty members hired on Tenure Tracks System (TTS) into Special allowance and it may not be considered on the part of the pay of the concerned.

361. The PAC Cell was also directed to place the issue in the Special Meeting of PAC already constituted in the Draft Para No. 5.4.26 for the year 2016-17 pertaining to Gomal University D.I.Khan.

362. The Committee further directed the Department to stop such practice in future and follow pay package policy and Rules & Regulations of the Provincial Government of Khyber Pakhtunkhwa.

DP No.5.4.30 OVERPAYMENT ON ACCOUNT OF CONVEYANCE ALLOWANCE RS.3.804 MILLION.

AUDIT VERSION

363. The Audit reported that the Finance & Planning Committee of the Agriculture University in its 66th meeting held on 24.06.2014 duly approved by Syndicate in its 90th meeting held on 27.11.2014 has recommended recovery of overpayment on account of Conveyance Allowance.

364. During the financial years 2013-16, in the Agriculture University Peshawar, it was noticed that recovery of overpayment of Rs. 38,04,093/- on account of conveyance allowance was recommended by F&PC. However, the overpayment has not been recovered till the date of audit i.e. December 2016.

365. The lapse occurred due to weak internal controls. This resulted into an overpayment of Rs.3,804,093.

366. The matter was reported to the management in December 2016. The management stated that detailed reply would be forwarded to Audit.

367. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor overpayment recovered till finalization of the report.

368. Audit recommends the department to hold inquiry, fix responsibility and recover the outstanding amount.

DEPARTMENTAL VERSION

369. During the meeting the Department accepted its fault and ensued the Committee that complete recovery will be made and produced to audit for verification.

PAC RECOMMENDATION

370. After detailed deliberation the Committee recommended to initiate action leading to recovery if not already recovered by the Management of University within a week time and get it verified by the Audit. Para stands. Progress be reported to PAC.

DP No.5.4.31 OVERPAYMENT DUE TO ALLOWING INCORRECT CLAIM OF SALES TAX-RS. 1.025 MILLION.

AUDIT VERSION

371. The Audit reported that according to letter No. WHU-II/RTO-PR/2015-16/75 dated 07-10-2015 issued from the office of the Deputy Commissioner (IR)

Regional Tax Office, Peshawar, sales tax from registered person @ 17% 1/5th of the prevailing rate and 100% of the GST @ 17% shall be deducted from un-registered person.

372. During the Financial Years (2014-15) & (2015-16), in Abdul Wali Khan University Mardan, it was noticed that an amount of Rs. 1,25,08,000/- was paid to M/s Fakhr-e-Alam & Brother on account of supply of arms, ammunitions and rounds for security purpose. In the bills, the supplier claimed higher rate of Sales Tax, which were paid by local office despite the fact that the supplier was not registered with Sales Tax Department. This resulted into an overpayment of Rs. 12,14,959/- to supplier as per following details.

S/No.	Cheque No	Date	Amount	ST charged	ST required	Difference
1.	0504296	11.11.2015	1,547,910	273,910	216,580	57,330
2.	0495201	20.11.2015	3,307,500	783,500	425,080	354,420
3.	0504624	26.01.2016	2,685,945	631,197	349,308	281,889
4.	0504625	27.06.2016	4,967,320	1,167,320	646,000	521,320
Total						12,14,959

373. When asked it was clarified by the concerned staff that the supplier has refunded an amount of Rs. 1,89,041/- vide Cheque dated 29.01.2016 while the balance amount of Rs. 10,25,918/- was neither refunded nor efforts for recovery was made.

374. The lapse occurred due to violation of rules, financial indiscipline and weak internal controls. This resulted into an overpayment of Rs. 10,25,918/-.

375. When pointed out in November 2016, it was stated that reply would be given later on.

376. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor overpayment recovered till finalization of the report.

377. Audit recommends the Department to hold inquiry, fix responsibility and recover the amount from the concerned.

DEPARTMENTAL VERSION

378. The Department explained that due to the security situation at that time and continuously enforcement from Government the purchase was made on emergency basis. As per quotations the prices quoted were exclusive of taxes. The supplier was unregistered to tax however the supplier added GST and Income Tax in the invoice/bill that 17% and 6.5% AC's AWKUM deducted taxes from gross amount as per law of taxation.

379. The difference between audit and supplier calculation that audit has calculated sales tax only while the supplier concerned added both sales tax and income tax detail.

S/No.	Cheque No.	Date	Amount	Taxes charged	Sales tax required	Difference
1.	0504296	11-11-2015	15,47,910	2,73,910	2,16,580	57,330
2.	0495701	20-11-2015	33,07,500	7,83,500	4,25,080	3,54,420
3.	0504624	26-01-2016	26,85,945	6,31,197	3,49,308	2,81,889
4.	0504625	27-06-2016	49,67,320	11,67,320	6,46,000	5,21,320
Total						12,14,959

380. As per audit observation an amount of Rs. 12,14,959/- to be recovered from the concerned supplier but an amount of Rs. 28,19,606/- has been deducted by the university that be considered also.

COMMITTEE RECOMMENDATION

381. In view of plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.5.4.32 NON-RECOVERY OF TUITION FEE AND HOSTEL CHARGES FROM STUDENTS RS.121.760 MILLION.

AUDIT VERSION

383. The Audit reported that according to Para 2.2.1 of the financial statutes of Abdul Wali Khan University, the University shall have a fund to which shall be credited

its income fees, profit and also sources of income and according to Para-28 of GFR Vol-I, no amount due to government should be left outstanding without sufficient reasons, and orders for irrecoverable amount must be sought from the competent authority.

384. During the Financial Years (2014-15) & (2015-16), in the Abdul Wali Khan University Mardan, it was noticed from the record of the students tuition realization that a sum of Rs.11,92,90,690/- was not realized from the students and left outstanding against the students in various Departments of the University. It was further noticed from the record of the students hostel fee realization that a sum of Rs. 24,72,190/- as hostel charges were not recovered from them and left outstanding against them in various Departments.

385. The lapse occurred due to weak internal controls and violation of Rules. This resulted into non-recovery of Rs. 12,17,60,000/- as tuition fee and hostel charges.

386. When pointed out in November 2016, it was stated that reply would be given later on.

387. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor amount recovered till finalization of the report.

388. Audit recommends to expedite efforts for early recovery.

DEPARTMENTAL VERSION

389. The Department explained that whole of the amount involved in Para has been recovered from students. It is important to mention that students typically do not pay all the dues at once and pay all the outstanding amounts at the time of graduation. Hence, the clearance certificate of students was with held and was provided once the pending dues have been cleared.

390. Whereas 100% recovery has been made from students under the head of Hostel charges i.e. Rs.2.472 million.

COMMITTEE OBSERVATION

391. The Committee observed that proper mechanism was not adopted for timely recovery from the students, which clearly shows in efficiency on the part of management of the University.

COMMITTEE RECOMMENDATION

392. As the Department recovered full amount involved in the Draft Para, therefore, the Committee recommended to settle the Para in question subject to verification of recovered amount of the same financial year by the Audit within thirty (30) days.

393. The Department was further directed to adopt corrective measures and device a proper mechanism for timely recovery from the students in future.

DP No.5.4.33 NON RECOVERY FROM ABSCONDER PH-D SCHOLARS RS.26.825 MILLION.

AUDIT VERSION

394. The Audit reported that according to clause 5, 6 and 8 of the Surety Bond between the scholar and university, the scholar is bound to return to Pakistan and serve university for 5 years after completion of PhD. In case of breach of any term of the bond scholar will return all money, expended on him/her. The surety shall abide by the agreement and in case of failure of the scholar the surety shall pay to the University.

395. During the financial years 2013-16, in the Agriculture University Peshawar, a sum of Rs. 2,68,24,924/- was paid to various Foreign Universities as tuition fee and stipend to the PhD scholars. All scholars did not returned to the university after completion of their Ph.D. Thus as per above rules all moneys expended on them was to be recovered, which was not done.

396. Moreover, the Syndicate in its 89th meeting also ordered for the recovery from the following absconder Ph.D Scholars but the university authorities failed to recover the said amount till date of audit.

S/No.	Name	Amount (Rs)
1.	Mr. Naeem Shah	21,98,354
2.	Mr. Wajahat Nazif	1,07,09,900
3.	Mr. Zeeshan Durrani	1,02,04,237
4.	Mrs. Anila Mushtaq	2,08,366
5.	Mr. Ghulam Hasnain	35,04,067
	Total	2,68,24,924

397. The lapse occurred due to weak internal controls. This resulted into non-recovery of Rs. 2,68,24,924/-.

398. The matter was reported to the management in December 2016. The management stated that detailed reply would be forwarded to Audit.

399. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor amount recovered till finalization of the report.

400. Audit recommends recovery from the individuals or from the guarantors concerned.

DEPARTMENTAL VERSION

401. The Department explained that:-

1. **Mr. Naeem Shah**

Recovery of Rs. 26,12,208/- has been made vide voucher No. 615 dated 07-09-2020 from Mr. Naeem Shah.

2. **Mr. Ghulam Hussain**

The University has filed recovery suits in the court of senior civil judg-xii Peshawar and the University is rigorously pursuing the case in the court of law.

3. **Mr. zeeshan Durrani**

The university has filed recovery suits in the Court of Senior Civil Judge-xii Peshawar and the University is rigorously pursuing the case in the court of law.

4. **Mrs. Anila Mushtaq.**

Recovery of Rs. 1,67,543/- wa made from her GP Fund while remaining Rs. 40,823/- was recovered from guarantors.

5. **Mr. Wajahat Nazeef**

Recovery from Mr. Wajahat Nazeef has been started from his guarantor in equal installment @ 40,000/- per month since April, 2019 till Feb. 2021, Rs.9,20,000/- has been recovered and remaining are in progress.

Note The amount recovered in process of recovery form above mentioned absconder includes salary liquidate damages under section 24 of N.W.F.P Agricultural University Peshawar Leave Rules 1981 which is reproduce as under.

402. The grant of study leave under these Rules is further subject to the following conditions:-

“(a) If an employee who is granted study leave does not show satisfactory progress in his studies or fails to obtain the relevant degree within required period, the syndicate may direct that:-

- (i) His study leave shall be cancelled and study leave availed by him shall be converted into other leave standing at his credit or into extra-ordinary leave if no other leave stands to his credit and he shall refund to the University either the whole or part of the difference between the leave salary paid to him for the period of the study leave and the leave salary admissible to him on account of leave to which the study leave has been converted or the whole or part of the leave salary paid to him for the period to the study leave, if such leave has been converted into extra-ordinary leave and that;
- (ii) All the privileges allowed to him under Section 23 above shall be withdrawn.

403. Provided that the clauses (i) and (ii) above shall not apply case the university employees fails to show satisfactory progress in his studies or to obtain the relevant degree due to illness or other circumstances beyond his control.

- (b) Before proceeding on study leave the University employee shall execute a bond on a stamped paper to the effect that on his return from study leave, he shall serve the university for such period as specified in clause (i) below and that in case of his failure to serve the university for this period he shall pay to the University as liquidated damages and not penalty the amount as specified in clause (ii) below:-
 - (i) if the period of study leave is from six months to one year he shall serve the University for two year; if it is from one to two years, he shall serve the University for three years and if it is from two to three years or more, he shall serve the University for five years. No bond will be required in case of training or study program for less than six months.

- (ii) if he does not resume duty on the expiry of the study leave granted to him or after resuming duty, leaves the University service before the expiry of the relevant period as specified in clause (i) above, he shall be liable to pay to the University, as per year for such period as is short of the period for which he is required to serve the University under clause (i) above.

405. However, the amount granted to them by the HEC in the form of scholarship may be recovered by the HEC.

PAC OBSERVATION

406. The Committee observed that such issues are also being raised against most of Universities of the Province which needs to be resolved by establishing a standard procedure to avoid such irregularity /losses in futur.

PAC RECOMMENDATION

407. In view of the above, the issue raised in the Para was referred to the Sub Committee already constituted in Draft Paras No. 4.4.22, 4.4.3, 4.49, 4.4.18 and 4.4.25 for the year 2015-16 for detailed examination and to device an amicable solution to avoid such irregularity in future.

408. The Audit was directed to verify the recovered amount within thirty (30) days.

409. The Committee further directed the Department to make efforts for recovery of the balance amount from the scholars, and peruse the case of recovery on the part of defaulters vigorously in the Court of law. Para Stands progress be reported to PAC.

DP No.5.4.34 NON-RECOVERY OF MOBILIZATION ADVANCE-RS.2.490 MILLION.

AUDIT VERSION

410. The Audit reported that according to Finance Department Notification No. SO (Dev-II) 2-15/2003-04/FD dated 28.6.2004 mark up at the rate of 8% per annum will be charged on the mobilization and the amount of advance inclusive of markup on reducing balances shall be recovered in five equal installments from the first five running bills of the contractor and if the number of running bills is less than five, then the balance shall be recovered from the final bill of the contractor.

411. During the financial year, 2013-16, in the Agriculture University Peshawar, a sum of Rs. 28,00,000/- was paid to M/S Associated Consulting Engineers for the consultancy services of AMK sub campus Mardan as 10% Mobilization Advance. However, neither full advance was recovered in 5 equal installments nor 8% compound interest was recovered from the firm as required under Finance notification. Therefore, Rs.24,89,531/- is still outstanding against the contractor. (Outstanding advance Rs.17,70,000/- + interest Rs.7,19,531/-)

412. The lapse occurred due to weak internal controls. This resulted into non-recovery of advance.

413. The matter was reported to the management in December 2016. The management stated that detailed reply would be forwarded to Audit.

414. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor advance recovered till finalization of the report.

415. Audit recommends that efforts be expedited to recover the balance amount from the contractor.

DEPARTMENTAL VERSION

416. The Department explained that:-

1. 08% compound interest amounting to Rs. 719531/- as indicated by audit is not applicable in light of clause 60 (a) of the Pakistan Engineering Council bidding documents.

2. The outstanding mobilization advance has been adjusted against the Contractors in the 7th running bill amounting to Rs. 21,00,000/- in hand.

PAC RECOMMENDATION

417. The explanation of the Department was found plausible hence the Para was recommended to be settled.

DP No.5.4.35 NON-RECOVEYR OF OUTSTANDING RECEIPTS-RS.1.470 MILLION.

AUDIT VERSION

418. The Audit reported that according to clause 6.1.1 of Agriculture University Peshawar financial rules all moneys received will be deposited in a prescribed bank and recorded in the cash book daily.

419. During the financial years 2013-16, in the Agriculture University Peshawar, it was noticed that different shops were given on lease to the shopkeepers, but during verification of receipt it was noticed that the rent, electricity and sui gas bills of the shops were not deposited in the relevant bank account, thus Rs.14,70,000/- remained outstanding against the shopkeepers.

420. The lapse occurred due to weak internal controls. This resulted into non-recovery of receipts.

421. The matter was reported to the management in December 2016. The management stated that detailed reply would be forwarded to Audit.

422. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor recovery affected till finalization of the report.

423. Audit recommends to recover the outstanding amount from the shop keepers.

DEPARTMENTAL VERSION

424. The Department explained that the outstanding amounts of Rents, Electricity, Gas etc were due to court cases, however, the outstanding amount has been recovered.

425. The Ex-Contractor Mr. Shah Jehan has filed a case in the Court against the recovery of the stated amount. His contract has been cancelled and awarded to another person. The case is still pending in the court.

PAC RECOMMENDATION

426. After lengthy discussion the Committee directed the management of the University to make complete recovery of the amount involved in the Para.

427. Para stands till recovery of the balance rent amount from the shopkeepers and its deposit in the Government treasury duly verified by Audit within (30) days.

DP No.5.4.37 LESS DEDUCTION OF INCOME TAX FROM THE SALARY OF VC-RS.1.460 MILLION.

AUDIT VERSION

428. The Audit reported that according to Government of Pakistan Finance Act for the financial year 2014-15 and 2015-16, Income Tax of Rs. 6,00,000/- for 2014-15 & Rs. 5,97,000/- for 2015-16 plus 27.50 % of the amount exceeding Rs.40,00,000/- but not exceeding Rs. 70,00,000/- in a financial year shall be deducted from the salaried persons.

429. During the Financial Year (2015-16), in the Abdul Wali Khan University Mardan, it was noticed that Vice Chancellor of the University was allowed payment of salary worth Rs. 1,13,50,000/- (Rs.57,58,272/- during 2014-15 and Rs. 65,70,720/- during (2015-16) on the TTS basis. However, Income Tax of Rs. 23,87,000/- was required to be deducted while the record showed that Rs.9,23,000/- was deducted, thus Rs. 14,60,175/- was less deducted which resulted into loss to the public exchequer. Detail is as under:-

Year	Salary received	Income tax deducted	Income tax required to be deducted	Difference
2014-15	5,758,272	421,026	600,000	662,499
			$175,8272 \times 27.50 \% = 483,525$	
			Total 1,083,525	
2015-16	6,570,720	502,272	597,000	801,676
			$257,0720 \times 27.50 \% = 706,948$	
			Total 1,303,948	
Total				14,64,175

430. The lapse occurred due to violation of rules and financial indiscipline. This resulted into less deduction of income tax.

431. When pointed out in November 2016, it was stated that reply would be given later on.

432. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however nor DAC meeting was convened nor tax recovered till finalization of the report.

433. Audit recommends recovery from the concerned.

DEPARTMENTAL VERSION

434. The Department explained that as per the KP Universities Act, a Vice Chancellor is an Academic and Administrative head of the university. Professors are charged a lower tax slab as compared to administrative offices serving in the university. Prof. Dr. Ihsan Ali had a substantial position of Professor in the University of Peshawar. Hence, income tax was deducted considering him a professor of the university.

COMMITTEE RECOMMENDATION

435. The Para was kept pending with the direction to the Audit to visit all Universities of Khyber Pakhtunkhwa to check pay and package policy of the Vice Chancellors and the rate of Income Tax deduction to know factual position and report be submitted to PAC Cell within thirty (30) days to proceed further into the issue. Para stands.

DP No.5.4.38 UN-AUTHORIZED AND WASTEFUL EXPENDITURE ON CONSTRUCTION OF POWER HOUSE-RS.305.604 MILLION. **AUDIT VERSION**

436. The Audit reported that according to Para 10(i) of GFR Vol-I every public officer incurring expenditure from public fund is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

437. During the financial year 2014-16, in Abdul Wali Khan University Mardan, it was noticed that tender for the supply, installation and commissioning of 2.5 MW Power House at the Garden Campus was awarded to M/s The Industrial Enterprises (TIE) with the tender cost of Rs. 32,65,00,000/- being the lowest. The record showed that upto the end of June 2016, Rs. 30,56,04,000/- has been paid to the contractor for the work done. The expenditure of Rs. 30,56,04,000/- was unauthorized due to the following shortcomings.

1. Approval and license from National Electric Power Regulatory Authority (NEPRA) for the Establishment of Power House, Generation and distribution of electricity within the premises of university or outside sale and distribution to others like WAPDA etc was not obtained.
2. Neither PC-1 nor Estimates of the Project was prepared.
3. Approval of the competent forum as an agenda item not exists on record.

4. Feasibility report showing the total electricity requirement of the university along with annual expenditure on electricity charges, future saving from own generation/distribution was not available.
 5. Prequalification of the contractors/ firms were not done as required under the rules.
 6. There exists no transmission line of the Sui Gas for the operation of the powerhouse.
 7. Proposed design and generation distribution and redundancy plans also not available.
438. From the above shortcomings it would revealed that the expenditure so incurred was unauthorized.
439. Lapse occurred due to non-adherence to rules, financial indiscipline and weak internal controls. This resulted into unauthorized and wasteful expenditure of Rs.30,56,04,000/-.
440. When pointed out in November 2016, the management stated that detailed reply would be given later on.
441. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.
442. Audit recommends to investigate the matter at an appropriate level and fix responsibility.

DEPARTMENTAL VERSION

443. The Department explained that the response needs a thorough analysis on the basis of record. At present the required record is scattered and mostly unavailable.
444. The management request for some more time for proper response.

PAC OBSERVATION

445. The Committee observed that multiple issues were involved and technical assistance is required to resolve these issues such practices in future.

PAC RECOMMENDATION

446. As multiple issues were involved in the subject Draft Para the Committee, therefore, could not reach to a just and fair conclusion. After detailed discussion, the Para was kept pending and an Inter Departmental Committee (IDC) comprising the

representatives of Law, Audit, Finance, Advocate General, P&D, Accountant General, C&W, University and HED was constituted to probe into the issue(s) involved in the Draft Para and submit its report to PAC within thirty (30) days.

447. The Department was nominated as convener of the IDC. Para stands.

DP No.5.4.39 UNAUTHORIZED EXPENDITURE FROM THE UNIVERSITY TRUST FUND RS.199.810 MILLION.

AUDIT VERSION

448. The Audit reported that as per Board of Trustees letter No.1533/BOM dated 17-02-12014, profit earned from investment of Trust Fund is to be deposited in the University Trust Fund Account.

449. During the financial year 2013-14, in the Islamia College University Peshawar, it was noticed that an amount of Rs.6,55,69,400/- was earned through investment of the capital of Islamia College Trust Fund however, it was not deposited in the University Trust Fund. This profit was kept in the main University account for expenditure without the approval of the competent authority. Detail is as under:-

Date	Particulars	Amount (Rs)
20.12.2013	Profit earned on fixed deposit	2,957,203
15.03.2013	Profit earned on fixed deposit	14,249,000
20.12.2012	Profit earned on fixed deposit	3,729,280
05.03.2012	Profit earned on fixed deposit	15,393,573
11.04.2011	Profit earned on fixed deposit	2,625,534
Total		65,569,400

450. Similarly Rs.13,42,49,000/- were drawn from the University Trustee Fund vide approved minutes of the investment committee meeting dated 22nd, 23rd & 24.03.2013. The whole expenditure was unauthorized and loss to Trust Fund. Detail is as under:-

Date	Purpose of expenditure	Amount (Rs)
19.03 to 07.2013	For repayment of loan from Pension Fund	20,574,000
19.03 to 07.2013	For clearance of HBL over draft	30,488,000
19.03 to 07.2013	For payment of contractor bill of	40,000,000

	Academic Block	
19.03 to 7.2013	Investment at low profit rate of 9.42 %	43,187,000
Total		134,249,000

451. Lapse occurred due to violation of rules, financial indiscipline and weak internal controls. This resulted into loss of Rs.19,98,18,400/-.

452. When pointed in August 2015, it was replied that the matter will be thrashed out in detail and proper response / reply would be given later on.

453. In the DAC meeting held in May 2016, the University management replied that treasurer is the chief financial officer of the university and has the powers to manage the assets, liabilities, expenditure, fund investment etc. However, DAC disagreed and decided to place the Para before PAC.

454. Audit recommends that university should explain its position before the PAC.

DEPARTMENTAL VERSION

455. The Department explained that as per Section-3 of University Act-2009, the Treasurer ICP is the Chief Financial Officer of the University and as per Section-3(a), the Treasurer has the power to manage the assets, liabilities, receipts, expenditure, finds investment of the University.

456. Furthermore, the Islamia College was upgraded into University in the year 2008 and there was a lack of funds for recurring as well as developmental expenditure, therefore, the competent authority has taken the amount from the Trust funds for smooth running of the university affairs.

457. It may be mentioned here that as per defunct Board of Trustees Act, all the funds will be spent on the Islamia College as per Section-4 of 1954 Act amended vide Registrar UOP notification dated 03-04-1972.

COMMITTEE OBSERVATION

458. The Committee observed that there was contradiction in the Board of Trustees Act, University Act, Senate and Syndicate decision and in contention of Audit,

Finance & Law Department and the one advanced by the Department during the meeting, which needs to be clarified.

COMMITTEE RECOMMENDATION

459. The Committee noted that multiple issues were involved which are required to be clarified and streamlined. Therefore, the Para was deferred for next meeting of PAC and directed the Secretary Higher Education Department to constitute a Committee comprising the following to scrutinize the record in detail and submit its report to PAC within (30) days:-

1. Representative of HED.
2. Representative of Finance.
3. Representative of Law.
4. Representative of Audit.
5. Representative of the University.

460. The Management of the University was directed to assist the Committee.

461. Para stands progress be reported to PAC.

DP No.5.4.40 UN-AUTHORIZED DRAWAL FOR INVESTMENT FROM ISLAMIA COLLEGE TRUST ACCOUNTS-RS.91.042 MILLION.

AUDIT VERSION

462. The Audit reported that according to Notification No.894-904-A registration of even number dated 28.08.2012, the Senate Islamia College Peshawar approved the board of Management for the Trust's Property, Islamia College Peshawar having nine members of the trust giving the authority to hold and administer the trust properties and funds.

463. During the financial year 2013-14, in Islamia College University Peshawar, it was noticed that an amount of Rs.9,10,42,000/- out of the total University fund of Rs.13,42,49,000/- (Seed money Rs.12,00,00,000/- + Rs.1,42,49,000/- profit earned) was drawn and deposited in another account with title of "University Reserve Fund" which was against the above order of Board of Trustees.

464. The seed money was Rs. 6,49,10,000/- in 2001 which was increased to Rs.7,67,48,000/- in 2002 and with this ratio it would have been increased upto Rs.21,87,80,000/- (Rs 7,67,48,000/- Rs.6,49,12,000/- = Rs.1,18,36,000/- × 13 years w.e.f. 2002 to 2015) had the principal amount remained invested @ high competitive rates and not drawn for the PSDP Projects and pay & allowances.

465. Apart from the above, from the verification of Development cash book at page-18, it was evident that an amount of Rs.1,40,00,000/- was drawn vide cheque No.3490842 dated 16.01.2010 from the PSDP funds not for expenditure on development works but to deplete the seed money account of Islamia College. Thus trust fund sustained loss of Rs. 9,10,40,000/-.

466. Lapse occurred due to financial indiscipline. This resulted into loss of Rs.9,10,40,000/-.

467. When pointed out in August 2015, it was replied that the matter will be looked into and the funds in the reserved account of the University will be revisited and the amount taken from BOM will be re-deposited and intimated to audit for verification/perusal.

468. In the DAC meeting held in May 2016, the University management replied that as per section 3 of University Act 2009, the treasurer of the university has the powers to manage the assets, liabilities, receipts, expenditure and fund investment of the university. Islamia College was upgraded in 2008 and there was lack of funds for recurring and developmental expenditure, therefore the competent authority has taken the amount from the trust funds for smooth running of the university affairs. DAC disagreed and decided that Para be placed before PAC.

469. Audit recommends that university should explain its position before the PAC.

DEPARTMENTAL VERSION

470. The Department explained that as per Section-3 of University Act-2009, the Treasurer ICP is the Chief Financial Officer of the University and as per Section-3(a),

the Treasurer has the power to manage the assets, liabilities, receipts expenditure, finds investment of the University.

471. Moreover, under the Section 11(2) of the Khyber Pakhtunkhwa Universities Act, 2012 the vice Chancellor shall be the chief Executive and Principal Accounting Officer of the University responsible for all administrative, academic and financial functions of the University in the instant case all the transactions were duly approved/signed by the then Vice Chancellor.

472. Furthermore, the Islamia College was upgraded into University in the year 2008 and there was a lack of funds for recurring as well as developmental expenditure, therefore, has taken the amount from the Trust funds for smooth running of the university affairs.

473. It may be mentioned here that as per defunct Board of Trustees Act, all the funds will be spent on the Islamia College as per Section-4 of 1954 Act amended vide Registrar UOP notification dated 03-04-1972.

COMMITTEE RECOMMENDATION

474. Being similar nature issue is involved, therefore, the Para was clubbed with Draft Para No. 5.4.39 (2016-17).

DP No.5.4.41 UN-AUTHORIZED TRANSFER OF FUND AND INCURRENCE OF EXPENDITURE ON CAMPUS RS.27.303 MILLION.

AUDIT VERSION

475. The Audit reported that according to HEC letter No.4-49/HEC/DG-QAA/PMR/2016/1043 dated 09.05.2016 issued from DG Quantity Assurance Agency, statutory body and NOC from HEC is required to open sub campuses.

476. During the financial years 2014-15 and 2015-16, in the Abdul Wali Khan University Mardan, it was noticed that an aggregate amount of Rs. 2,73,03,000/- was transferred to four University Campuses. These campuses were created by the local administration themselves without the approval of HEC/ competent forum. The review panel of HEC visited the university on the directives of Prime Minister on 19.02.2016 in order to review the overall governance implementation status of quality assurance

criteria, as per HEC guidelines. The panel after review of the documents observed that the sub campuses were not approved by the statutory body and NOC from HEC was also not obtained. This along with other issues and shortcomings in the university were agitated by the HEC vide their letter dated 09.05.2016 followed by reminders but final approval and clearance of the observation had not yet ensured. Therefore audit is of the view that the expenditure of Rs. 2,73,03,000/- so incurred without approval of competent forum is unauthorized.

477. The lapse occurred due to non-observance of rules and financial indiscipline. This resulted into incurrence of unauthorized expenditure of Rs.2,73,03,000/-.

478. When pointed out in November 2016, it was stated that reply would be given later on.

479. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

480. Audit recommends to investigate the matter, fix responsibility, besides regularization of unauthorized expenditure with the approval of competent forum.

DEPARTMENTAL VERSION

481. The Department explained that the University has complete autonomy in offering its programs in various establishments. The goal of Higher Education Department and Higher Education Commission is to promote tertiary education in the country and the University promoted this goal by opening new campuses. Six of the university campuses were upgraded to the University level and if these were not opened in the first place, the society would have been deprived of these universities/institutions and the services they offer to the society.

482. As per our understanding the HEC has no mechanism for issuing NOCs for opening of campuses. The same may be shared with the university so that appropriate actions can be planned for future as well as the existing campuses.

483. The Department further explained that the letter of HEC referred to by Audit is for opening sub-campus, hence not applicable.

COMMITTEE RECOMMENDATION

484. The explanation of the Department was found plausible, hence the Para was recommended to be settled.

DP No.5.4.42 UN-AUTHORIZED AND IRREGULAR PURCHASE OF WEAPON RS.12.508 MILLION.

AUDIT VERSION

485. The Audit reported that according to Chapter II, of the Procurement Rules 2014, the procuring entity shall use open competitive bidding for the procurement of goods over the value of Rs. 1,00,000/-. Para 148 of GFR Vol-I read with Para 13.1.1 of the AWKUM financial rules, says on receipt of store, the purchase committee shall examine, count, measure or weight as the case may be, when the delivery is taken. The committee shall record a certificate and the store officer shall fill a Material Receiving Report about the receipt and entry in stock.

486. During the Financial Years (2014-15) & (2015-16), in the Abdul Wali Khan University Mardan, it was noticed that an amount of Rs. 1,25,08,000/- was paid to M/s Fakhr-e-Alam & Brother on account of supply of arms and ammunition for security purpose. However open tender system was not adopted, therefore, expenditure on the procurement of weapons was irregular. Furthermore, no entry was made in the stock register.

487. Lapse occurred due to violation of Rules. This resulted into irregular expenditure of Rs. 1,25,08,000/- was made by the Department.

488. When pointed out in November 2016, it was stated that reply would be given later on.

489. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

490. Audit recommends to investigate the matter and fix responsibility against the person(s) responsible.

DEPARTMENTAL VERSION

491. The Department explained that the said purchase was made on emergency basis after the terrorism incidence occurred in Bacha Khan University. The province and country were facing sever terrorism incidents.

492. After the terrorist attack on Bacha Khan University Charsadda, Governor Khyber Pakhtunkhwa and Police Department Khyber Pakhtunkhwa issued directives to the management for ensuring security of AWKUM and its campuses.

COMMITTEE OBSERVATION

493. The Committee observed that no embezzlement was involved only irregularity occurred on the part of the management.

COMMITTEE RECOMMENDATION

494. In view of the above, the Committee taken a lenient view recommended the Para to be settled with the direction to the Department to follow KAPPRA Rules and Regulations while making purchasing in future.

DP No.5.4.43 UN-AUTHORIZED AND UNNECESSARY TRANSFER OF FUND RS.100.00 MILLION LOSS DUE TO TRANSFER OF FUND FROM PLS TO CURRENT ACCOUNT RS.3.846 MILLION.

AUDIT VERSION

495. The Audit reported that according to Section-20(2-a) and 23(2-e) of the Khyber Pakhtunkhwa University Act, the Senate has the powers to hold control according to the laid down policy for administration of the property, funds and investments of the University, including the approval to invest any money belonging to the University in any of the securities described in section 20 of the Trusts Act, 1882 (Act II of 1882).

496. During the Financial Years (2014-15) & (2015-16), in Abdul Wali Khan University Mardan, it was noticed that an amount of Rs.10,00,00,000/- was transferred vide Cheque No 8577994 dated 29-12-2015 to UBL on the eve of inauguration of bank branch on 29.12.2015 in the Garden Campus by the VC. Approval for investment was granted by the VC instead of Senate and Syndicate of the University.

497. Further, Instead of investment in a profitable business, the bank authorities placed the fund of Rs.10,00,00,000/- in a non-profit bearing Current Account due to the reason that the university management has not mentioned anything to bank about the

placement of fund. During the period from 09.03.2016 to 30.06.2016 an amount of Rs. 4,21,53,000/- was further transferred to the above-mentioned Current Account but the purpose of transfer could not be known to audit. It may be added that the amount was transferred from the funds of Bacha Khan Chair PhD Scholarship Program and others placed in a PLS account and profit bearing account, therefore transfer of funds to non-profit bearing current account resulted into loss of Rs.3.84 million. Detail as under:-

Total amount	10,00,00,000
Period remained outside the account	07.01.2016 to 14.06.2016
Amount of profit not earned @ Rs.9%	3,846,5757

498. The lapse occurred due to financial indiscipline and weak internal controls. This resulted into loss of Rs. 38,46,575/-. When pointed out in November 2016, the management stated that detailed reply would be given later on.

499. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

500. Audit recommends to investigate the matter fix responsibility and initiate appropriate action against the person at fault.

DEPARTMENTAL VERSION

501. The Department explained that the funds were transferred on the occasion of inauguration ceremony of UBL Abdul Wali Khan University Mardan, (AWKUM) branch by the then Vice Chancellor. The Act and Financial Rules and statutes of the University empower the Vice Chancellor for such decision. There is no requirement in the rules for taking prior approval of the Syndicate and Senate as well there is no limitation on exercising this power.

502. During the meeting, the Department told the Committee that the amount in question meant for developmental works in the premises of the Universities, hence it was placed in the current account.

PAC RECOMMENDATION

503. The explanation of the Department was found plausible duly endorsed by the Finance and Law Departments, hence the Para was recommended to be settled.

DP No.5.4.44 UNAUTHORIZED DEDUCTION BY THE BANK ON ACCOUNT OF WITHHOLDING TAX-RS.2.860 MILLION AND UNAUTHORIZED DEBIT TO THE UNIVERSITY ACCOUNT OF WITHHOLDING TAX ON PROFIT - RS.1.174 MILLION.

AUDIT VERSION

504. Audit reported that according to Para-126 of the Second Schedule (Part-1) of Income Tax Ordinance, 2001, any income of Public Sector University established solely for educational purpose and not for the purpose of profit w.e.f first day of July, 2013 is exempted from tax.

505. During the financial year 2014-15, while checking Bank Statement of Saving Account No.025014500000110 Faysal Bank relating to the Project “Establishment of Institute of Peace & Conflict Studies University of Peshawar”. It was noticed that Rs.28,60,000/- were debited to the above account during the period 31.08.2013 to 31.03.2016 on account of withholding tax on profit which was unauthorized/unjustified on the ground that charity & educational Institutes do not fall under withholding tax.

506. Furthermore, Accounts record of Treasurer, University of Peshawar for 2014-15 revealed that Rs.11,74,808/- were claimed/debited as withholding tax on profit of Rs. 1,15,11,907/- by the banks.

507. Lapse occurred due to financial indiscipline and weak internal controls. This resulted into unauthorized deduction of withholding tax amounting to Rs.40,30,000/-. When pointed out in May 2016, the management furnished no reply.

508. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

509. Audit recommends that recovery may be affected and the amount be deposited in the university account immediately.

DEPARTMENTAL VERSION

510. The Department explained that upon the provision of Exemption Certificate to Faysal Bank in the tenure of the Ex-Project Director (Dr. Badshah Munir

Bukhari), further deduction of Withholding Tax by the said Bank has already been stopped from the Project Account. However, reversal of the already deducted amount of Rs.28,60,000/- was not made. Another letter also sent to Faysal Bank Limited while the reply is still awaited.

PAC OBSERVATION

511. The Committee observed that the Bank Authority debited Rs. 28,60,000/- on account of deduction of withholding tax during the period w.e.f 31-08-2013 to 31-03-2016. While it was exempted as per Para-126 of the 2nd schedule part 1st of the Income Tax Ordinance, 2001 but no concrete steps were taken by the Management of the University for reversal of the amount which clearly shows inefficiency on the part of the Management of the University.

PAC RECOMMENDATION

512. In view of the above, the Committee directed the Management of the University to obtain record of challans of deduction of withholding tax amounting to Rs.28,60,000/- from the Bank Authority and take up the issue with the State Bank of Pakistan for reversal of the amount in question.

513. Para stands, till reversal of the amount in question. Progress be reported to PAC within thirty (30) days.

DP No.5.4.45 UN-AUTHORIZED PAYMENT OF ADDITIONAL CHARGE ALLOWANCE RS.2.050 MILLION.

AUDIT VERSION

514. The Audit reported that according to Para No 2.4.2 of the TTS rules regarding benefits of existing Faculty member on Tenure Track System, the salary scales are all inclusive and no other allowance (Ph.D allowance, medical allowance, orderly allowance etc.), or benefit will be admissible to the concerned faculty members.

515. During the Financial Years 2014-15 and 2015-16, in the Abdul Wali Khan University Mardan it was noticed that VC of the university was allowed payment of salary worth Rs.1,13,50,000/- on the TTS basis including Rs.20,50,000/- as additional charge allowance. The TTS employees are not entitled for the other allowance therefore the payment of Rs.20,50,000/- was unauthorized.

516. The lapse occurred due to violation of rules and financial indiscipline. This resulted into unauthorized payment of Rs.20,50,000/-.

517. When pointed out in November 2016, it was stated that reply would be given later on.

518. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

519. Audit recommends to recover the amount from concerned.

DEPARTMENTAL VERSION

520. The Department explained that additional charge allowance is paid to each Vice Chancellor of Public Sector Universities in line with HEC letter No.1-11/HEC/A&C/2011/1666 dated 19-12-2011.

521. Vice Chancellor is determined as per TTS slabs but he is not TTS employee and hence can have additional allowance.

522. During the meeting, the Vice Chancellor accepted the Audit objection to the effect that Additional Charge Allowance was not admissible to the Vice Chancellor. Actually its nomenclature has been changed now from Additional Charge Allowance into VC allowance authorized by the HEC for the post of Vice Chancellor. Proof of the same was provided to the Committee which was accepted.

PAC RECOMMENDATION

523. In view of plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.5.4.46 IRREGULAR AND NON-TRANSPARENT AWARD OF CONTRACT-RS.3,610.00 MILLION.

AUDIT VERSION

524. The Audit reported that according to Para-2(b) (vii & viii) of chapter III of KPPRA the procuring entity shall evaluate the technical proposal on the basis of criteria specified in the tender documents and reject any proposal which does not confirm to the specified requirements. A list of technically qualified bidders shall be finalized and after

the evaluation and approval of the technical proposals the procuring entity shall publicly open the financial proposals of the technically accepted bids only.

525. During the Financial Years (2014-15) & (2015-16), in the Abdul Wali Khan University Mardan, it was noticed that contracts for the construction of different buildings were awarded to contractors during 2012 onward under developmental scheme. Tenders were floated, works valuing Rs. 3,61,00,00,000/- were awarded on the basis of evaluation carried out by the committees constituted for the purposes. It was however observed that in most of the cases, the committee did not fulfill the requirements like signing the relevant documents of the technical evaluation as well as of financial bid summary after the technical bid evaluation etc. In some cases the comparative statements of the financial bid evaluation were even not signed by the members as well as by the chairman. Therefore in light of these shortcomings/observations the contracts were awarded in non-transparent manner without completing the requirements of the rules. Thus the award of contract valuing Rs.3,61,00,00,000 was irregular and non-transparent.

526. The irregular and non-transparent award of contracts occurred due to non-adherence to rules, financial indiscipline and weak internal controls on the part of the management.

527. When pointed out in November 2016, it was stated that reply would be given later on.

528. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

529. Audit recommends to investigate the matter, fix responsibility and take appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

530. The Department explained that various construction projects were tendered during 2012 and onward and bidding process was carried out on the basis of open competitive bidding in accordance with “Single Stage- Two Envelopes Procedure”. In response to the NIT, contractors submitted both technical and financial bids. As the Consultant ACE (Arts) was responsible for the bidding process so the technical bids were evaluated by the consultant on criteria mentioned in the contract documents. Since the

evaluation was carried out by the consultant and not by the Committee, so that evaluation report was signed by the consultant only.

531. Financial bids of the technically qualified bids were opened by the Committee and rates were recorded in the Comparative Statements. The Comparative Statements were signed by those members who attended the Bid opening meeting. All the divisions of the committee were made by simple majority, given majority of the members have signed the comparative statements. A Notification has also been issued by KPPRA in this regard, wherein it has been stated that all the decisions of Procurement Committee shall be made by simple majority. The bid was thus awarded to the lowest bidder in a transparent way and no irregularity has been made.

PAC RECOMMENDATION

532. The Para was recommended to be settled and for future guidance the Department was directed to ensure transparency while making procurements and to follow all the Procurement Rules and Regulations in its true spirit.

DP No.5.4.47 IRREGULAR PLACEMENT OF ORDER FOR SUPPLY OF FURNITURE RS.538.172 MILLION AND NON-IMPOSITION OF PENALTY FOR DELAY IN SUPPLY RS.26.900 MILLION.

AUDIT VERSION

533. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register. According to tender documents for the procurement of the furniture the supplier should have completed the supply within 10 days of the supply order while in the supply order No AWKUM/ proc/2014/1967 dated 25.09.2014, no period for supply was mentioned. In case of delay penalty would be imposed and recovered.

534. During the Financial Years (2014-15) & (2015-16), in Abdul Wali Khan University Mardan, it was noticed from the record that supply order for the procurement of furniture valuing Rs.53,81,72,000/- was placed to M/s Wood Land Furniture Mardan vide order No. AWKUM/proc/2014/1967 dated 25.09.2014. In the supply order, no

specific period of supply was mentioned. During the period from July 2014 to June 2016 the supplier made supply of furniture valuing Rs. 16,63,83,000/- while the rest is yet to be supplied.

535. Unnecessary supply order valuing Rs. 53,81,72,000/- was placed on the supplier without any urgent demand of the university. Similarly, supplier failed to complete the supply even in two financial years as such liable for imposition of penalty for delay in supply but the same was also not imposed and recovered. The furniture supplied also could not be checked because the stock register has no sign of recipient that to whom the same items were issued. In the respective columns of the stock register, details of the indent were not mentioned.

536. The lapse occurred due to non-adherence to rules, undue favor to suppliers, financial indiscipline and weak internal controls. This resulted into irregular placement of order for supply of furniture amounting to Rs. 53,81,72,000/- and non-imposition of penalty of Rs. 2,69,00,000/-.

537. When pointed out in November 2016, it was stated that reply would be given later on.

538. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

539. Audit recommends to investigate the matter, fix responsibility and take appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

540. The Department explained that the Woodland Furniture Industries Mardan was asked to supply the furniture items on need basis due to the non-availability of space and under construction buildings and Departments. The Firm kept the furniture in its own stores and provided to University on formal request. The same is properly mentioned/recorded in stock register. The case is pending adjudication of Grievance Redressed Committee under KPPRA.

PAC RECOMMENDATION

541. In view of the plausible explanation of the Department, the Para was recommended to be settled.

DP No.5.4.48 IRREGULAR AND UNAUTHORIZED AWARD OF CONTRACT AFTER REJECTION RS.338.150 MILLION.

AUDIT VERSION

542. The Audit reported that according to letter No.F.16-7(1)/P&D/AWKUM/1116 dated 24.02.2015 issued by Director (P&D) to the M/S Sohail Builder, the bidding process was annulated in pursuance to clause IB-32.1 of the bidding documents on the ground that bid price is exorbitantly high, when composed with engineers estimate.

543. During the Financial Years (2014-15) & (2015-16), in Abdul Wali Khan University Mardan, it was noticed that tender for the supply and installation of IT equipment was floated in the newspaper with the engineers estimated cost of Rs. 20,21,24,000/-. In response to the NIT, three bidders participated in the process out of which only one prequalified and finally only one financial bid was opened after obtaining views of the KPPRA. The contract was awarded to M/s Sahil Builders and DWP as JV with the bid quotation and final tender cost of Rs. 33,82,76,000/-. This indicates that 68 % excessive bid of the supplier for Rs. 13,61,52,000/- (Rs.33,82,76,000/- – Rs. 20,21,24,000/-) over the engineers estimate was awarded. After getting views of the Finance and KPPRA, the process was annulated vide letter dated 24.02.2015. However, it was noted that later on work order was also issued vide letter dated 26.08.2015 to the same firm whose bid was earlier rejected. Therefore, the award was irregular and unauthorized.

544. The record revealed that an upto date payment of Rs.18,77,11,000/- was allowed to the contractors from own sources despite the fact that it was a developmental project for which neither budget was available in the scheme nor approval of the competent forum. Therefore the expenditure of Rs. 18,77,11,000/- so incurred upto June, 2016 was unauthorized. The details of payment were as under:-

Cheque No	Date	IPC No	Gross amount (Rs)
12765785	30.03.2016	IPC No-1	19,773,703
05631302	08.06.2016	IPC No-2	64,340,585

0504897	29.06.2016	IPC No-3	103,596,955
Total			18,77,11,243

545. The lapse occurred due to financial indiscipline and weak internal controls. This resulted into irregular award of contract.

546. When pointed out in November 2016, it was stated that reply would be given later on.

547. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

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

DEPARTMENTAL VERSION

549. The Department explained that the University cancelled/rejected the bids vide Notification No.1116 dated Feb 24, 2015. The contractor felt aggrieved approached the KPPRA. The KPPRA sent a letter to the university directing to “withheld the bidding process as the matter is subjudice in the court of law as well as KPPRA.” KPPRA issued judgment noting that *“the appeal is thus disposed off on the above terms and the procuring entity may award the contract to the qualified/aggrieved bidder whereas the interest of the public/procuring entity may also be protected/safeguarded at the time of execution of contract”*. Hence, the contract was awarded.

550. During the meeting, the Department told the Committee that tender for supply and installation of IT equipments was floated four (04) times in the News papers and three (03) bidders participated each time in the bidding process. Therefore, after obtaining views of the KPPRA, the Department finally open the bids out of which only one bidder was pre qualified and awarded the contract to the qualified bidder.

PAC RECOMMENDATION

551. The explanation of the Department was found plausible, hence the Para was recommended to be settled with the direction to the Department to follow KPPRA Rules and Regulations while making purchases in future.

DP No.5.4.49 IRREGULAR EXPENDITURE DUE TO PURCHASE OF TRACTORS WITH MACHINERY WITHOUT TENDER-RS.7.650 MILLION.

AUDIT VERSION

552. The Audit reported that according to Chapter-II Methods of Procurement of Goods S.No.6(1) and S.No.3(b)(iv), the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs.1,00,000/-. The lowest offer from the qualified bidder shall be accepted for award of the contract and will be the best evaluated bid. The procurement officer visited the market and collected prices of Rs.55,00,000/- of the items and reported to VC vide note dated 07.04.2015, who approved it.

553. During the Financial Year (2015-16), in Abdul Wali Khan University Mardan, it was observed that an amount of Rs. 76,50,000/- was spent on the procurement of four (04) tractors with allied machinery purchased from M/s Zahoor Tractor House Mardan. However, the procurement was made without adopting open tender system as required under the rules. Therefore, the expenditure of Rs.76,50,000/- so incurred was irregular.

554. The record further showed that the procurement officer visited the market and collected prices of the items in question and reported to the Vice Chancellor vide note dated 07.04.2015 and according to his survey the price was Rs.55,00,000/-. Accordingly, approval obtained and payment issued in advance. It was noted that thereafter quotations were obtained on 08.05.2015 wherein higher rates of Rs.76,50,520/- of the same dealer for the said machinery were collected and further payment was allowed.

555. Audit holds that once rates had been collected, approved from Vice Chancellor and payment also made then the supplier was supposed to supply the tractors and machinery. The enhancement of rate was irregular and payment thereof resulted in an overpayment of Rs.2,150,520 to the supplier.

556. The lapse occurred due to violation of the and financial indiscipline. This resulted into irregular expenditure and overpayments of Rs.21,50,000/-.

557. When pointed out in November 2016, it was stated that reply would be given later on.

558. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

559. Audit recommends to investigate the matter, fix responsibility besides recovery of overpayment from the person(s) at fault.

DEPARTMENTAL VERSION

560. During the meeting, the Department explained that Tractors alongwith other accessories parts i.e (Tralee, Rooter, Blade and Cuter etc) were purchased from authorized dealer, which does not require for NIT. Hence rate was enhanced from Rs. 55,00,000/- to Rs. 76,50,000/-. The Department produced record pertaining to the subject Draft Para to the Committee, which was verified by the Audit.

PAC RECOMMENDATION

561. In view of plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.5.4.50 WASTEFUL EXPENDITURE ON THE UNECONOMICAL AND DEFECTIVE EXECUTION OF CIVIL WORK-RS.14.930 MILLION.

AUDIT VERSION

562. The Audit reported that according to paras 14.1.12 & 13.1.13 of the Act of the University of Islamia College Peshawar, the Director of works shall work out and prepare a detailed estimate of quantities of items under all classified heads of expenditure except minor works. When the Vice Chancellor accords approval, the Treasurer shall issue proper administrative approval, which will be communicated to the Director of Works. Tenders must be invited in the most open and public manner possible or by advertisement in the press after the estimate has been approved and the amount has been sanctioned by the VC. The VC may appoint a “works committee” to scrutinize and check the tenders received for works and make necessary recommendation thereon.

563. During the financial year 2013-14, in Islamia College University Peshawar, it was noticed that Rs.1,49,30,000/- was spent on various civil works in the University without fulfilling codal formalities and were awarded directly to the contractors.

564. A part from the above the Works Directorate not maintained year wise tender register, contractor ledger, work register, material register, material at site register, material issued to work register, advances to contractor and its recovery register, defect liabilities in executed work register, MBs purchased, taken on stock and issued to work register. So the audit have not analyzed and evaluated the works.

565. When pointed out in August 2013, the management replied that issue will be circulated for proper response with justification. University development committee has to be constituted and notified to bring transparency and control in expenditure incurred through works department. Progress will be intimated to audit in due course.

566. In the DAC meeting held in December 2016, the department stated that works were executed as per rules and can be verified by audit. DAC however, did not agree with the department, as no record was available for verification. Thus DAC decided to refer Para to PAC for appropriate action.

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

DEPARTMENTAL VERSION

568. The Department explained that the Section of maintenance and repair (M&R) is responsible for the maintenance and repair work in the Islamia College Peshawar. When Dr. Ihsan Ali (Ex-Vice Chancellor) joined Islamia College as an acting Vice Chancellor due to abduction of Vice Chancellor (Mr. Ajmal Khan) in February, 2013.

569. As per rule of Islamia College Peshawar, it was decided that the M&R section must be directed by the professor of Islamia College Peshawar.

570. Keeping in view rules & regulation of Islamia College Peshawar, Dr. Ihsan Ali appointed Dr. Syed Zahir Shah as Incharge M&R initially which was shifted later on to undersigned (Dr. Muhammad Saleem) on dated 25th March, 2013.

571. Meanwhile, as per the recommendation of Dr. Syed Zahir Shah, the then VC awarded the additional duty of Sub-Engineer to Project Engineer (Muhammad Ali Mohmand, B.Sc/M.S Civil) to assist the Incharge M&R.

572. The undersigned (Dr. Muhammad Saleem) remained as Incharge M&R till February, 2014.

573. During this period, as per the direction of Ex-VC (Dr. Ihsan Ali), different nature of works was carried out by the M&R section under the Incharge M&R directly.

574. All the works were carried out as per rules and regulations followed by University of Peshawar and Engineering University, Peshawar.

Methodology of work process

575. The following steps were carried out for the execution of work;

Stage-1 First of all the feasibility of work was approved by the competent authority (Vice Chancellor.

Stage -2 After approval from the competent authority, the case was forwarded to the Incharge M&R to have approval for the preparation of estimate.

Stage-3 The estimate prepared by the engineer was again forwarded to the competent authority through Treasurer for approval.

Stage-4 After approval from the competent authority, the work was advertised for tender in three (03) daily newspapers for the open invitation of contractors for tender.

Stage-5 Keeping in view the condition mentioned in tender notice, tenders documents were issued to the suitable contractors for rates submission.

Stage-6 As per request of Incharge M&R a Committee namely “Co-ordination Committee of M&R & Central Purchase” was constituted by the then Vice Chancellor to assist the Incharge M&R for his maintenance & new works.

Stage-7 After receiving the sealed tender documents from the contractors as per mentioned date, the tender is opened as per schedule date and time in the presence of contractors/their representatives & the members of Co-ordination Committee of M&R & Central Purchase Committee.

Stage-8 All the sealed tenders were open by one of the Committee member and each tender was signed by all the Committee members.

- Stage-9 After tender opening process, the contractor was selected by the Committee members jointly based on submitted lowest rates & conditions.
- Stage-10 A comparative statement was prepared by the undersigned including the rates quoted by all the contractors duly signed by all the Committee members.
- Stage-11 The comparative statement was forwarded to the competent authority (VC) for final approval of lowest rates submitted by the contractor.
- Stage-12 After approval of lowest rates from the competent authority (VC), the work order was released to the selected contractor. A contract agreement is also signed with the contractor based on C&W.
- Stage-13 When the execution of work was started, the work was thoroughly supervised by the Sub-Engineer as per drawing, design and specification.
- Stage-14 At the stage of payment, the quantities were measured at site in the presence of contractor and then entered in Measuring Book (MB) properly for each work separately.
- Stage-15 The payment was released to the contractor after verifying all the work done and other codal formalities by the Account and Audit section respectively.

576. Keeping in view the above detailed process, all the works were carried out by the M&R section. All the works were carried out as per University Rules and regulations under the supervision of Incharge M&R, ICP.

577. All the works were tendered in three (03) daily newspapers openly.

578. All the tenders were opened in the presence of Co-ordination Committee of M&R & Central Purchase constituted by the then Vice Chancellor (Dr. Ihsan Ali).

579. To minimize the overall cost of project, majority of works were tendered based on labor rates as per the direction of the then Vice Chancellor, ICP.

580. To avoid the waste of time, the then Vice Chancellor accorded approval for the spot purchase of materials to the M&R section.

581. A separate registered was maintained including all the details of materials purchased for different works.

582. Proper Measurement Book (M.B) was arranged including the details of all work done.

583. All the completion of project/work, the site was thoroughly examined by the Sub-Engineer and after satisfaction; the completion certificate was issued considering the defect liability time period as per agreement.

Advance Amount:

584. To keep the cost of project minimum, the Ex-Vice Chancellor (Dr. Ihsan Ali) directed the then Incharge M&R to do the job on labor rates and provide the materials from the store. In this regard, the estimates were prepared base on labor charges while the materials cost was estimated separately.

585. After tendering the work on labor rates, the Incharge M&R received the advance amount (approved amount is estimate) from the Vice Chancellor for the purchase of materials for the work tendered on labor rate.

586. For time saving and smooth flow of work, the Incharge M&R has been taken the approval of spot purchase from the then Vice Chancellor.

587. It must also be noted that all the materials purchased and balance materials left after work completion has been recorded in the stock registrar.

COMMITTEE OBSERVATION

588. The Committee observed that the representative of the Department were neither fully prepared nor produced complete record to the Committee, which clearly shows in efficiency on the part of the Department.

COMMITTEE RECOMMENDATION

589. The Committee directed the Department to produce relevant record pertaining to the subject Draft Para to pre-PAC on 17-02-2021 before the meeting of PAC which is convened to be held on 25-02-2021.

590. **The Subject Draft Para was placed before the Committee in its meeting held on 25-02-2021, wherein the Committee has given its observations and recommendations as per following:-**

COMMITTEE OBSERVATION

591. The Committee observed that the representative of the Department were neither fully prepared nor could produce complete record to the Committee which needs verification by the Audit.

COMMITTEE RECOMMENDATION

592. Para stands till verification of complete record of Rs. 14.930 million by the Audit within thirty (30) days.

DP No.5.4.51 DOUBTFUL PAYMENT TO CONTRACTOR FOR ELECTRIC WORKS-RS.76.135 MILLION.

AUDIT VERSION

593. The Audit reported that provision of HT line alongwith installation of HT/LT supply line is the responsibility of WAPDA/PESCO. An amount of Rs. 1,12,45,000 has already been paid by the Project authority vide Cheque No 903854 dated 30.06.2014 & Cheque No. 47307051 dated 20.08.2015 to the PESCO for the said purpose and it is the responsibility of PESCO. According to paras 11 and 12 of GFR Vol-I, each head of a Department is responsible for enforcing financial order, strict economy at every step and observing all relevant financial rules and regulations by his own office and by subordinate disbursing officers.

594. During the financial years 2014-16, in the Abdul Wali Khan University Mardan, it was noticed that contract for the construction of external development works Package-V was awarded to M/s Zahir Shah contractor and was allowed an upto date payment of Rs.48,31,28,000/- upto 15th IPC paid vide Cheque No.06445371 dated 29.06.2016. This includes an amount of Rs.7,61,35,520/- allowed to the contractor in the current as well as in previous IPCs on account of HT Transformers and Electrical works carried out by the contractor. The detail of payment was as under:

S/No	Particular	Payment (Rs)
1.	Electrical works including	4,98,01,960
2.	HT transformers	2,63,32,560
Total		7,61,34,520

595. The provision of HT line along with installation of HT/LT supply line is the responsibility of WAPDA/PESCO for which payment was made to the Authority.

596. Furthermore the contractor has not been enlisted for the HT electrification work and was authorized only for civil work therefore audit is of the view that unauthorized and doubtful payment of Rs.7,61,34,520/- was allowed to an unauthorized contractor.

597. Doubtful payments to contractor occurred due to non-adherence to rules, financial indiscipline and weak internal controls.

598. When pointed out in November 2016, it was stated that reply would be given later on.

599. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

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

DEPARTMENTAL VERSION

601. The Department explained that the contract of package-V already included electrical works and HT transformer and as per contract it was the responsibility of the contractor M/s Zahir Shah to carry out the above mentioned works within the premises of campus. The amount paid to WAPDA/PESCO was on account of provision of HT Line and independent feeder. All the transformers and electrical works carried out by AWKUM through contractor has been checked/verified by WAPDA.

PAC OBSERVATION

602. The Committee observed that contract was awarded to un-authorized contractor who had not been in listed for the HT electrification developmental work with Pakistan Engineering Council (PEC). Therefore, undue favor by extending to the contractor clearly shows inefficiency & negligence on the part of the Departmental officers/officials.

PAC RECOMMENDATION

603. In view of the above, the Committee directed the Vice Chancellor to conduct fact finding inquiry and to initiate action leading to recovery after fixing

responsibility on person(s) at fault if involved. Moreover, departmental action under the (E&D Rules 2011) may be taken against them. Para stands progress be reported to PAC within thirty (30) days.

**DP No.5.4.52 DOUBTFUL PAYMENT ON THE PURCHASE OF BOOKS-
RS.29.990 MILLION.**

AUDIT VERSION

604. The Audit reported that according to Paras 11 of GFR Vol-I, each head of a Department is responsible for enforcing financial order, strict economy at every step and observing all relevant financial rules and regulations by his own office and by subordinate disbursing officers.

605. During the financial years 2014-15 and (2015-16),, in Abdul Wali Khan University Mardan it was noticed that an expenditure of Rs. 2,99,90,000/- was incurred on the purchase of books and payment after approval of Vice Chancellor made to M/s Comprehensive Book vide Cheque No. 05793498 dated 11.03.2015 but it could not be ascertained that from which bank account the payment was made. The cashbook maintained for the purpose was examined but no proof of payment to the supplier was found therefore the authenticity of the payment could not be ascertained, thus, the payment was held as doubtful. Furthermore, these books were purchased for the Pakhtunkhwa College of Arts but the accession register of the library of the said college was not produced for verification. Therefore the supply and accountable of books could not be verified.

606. Further shortcomings are as under:-

1. Demand list of books from the quarter concerned.
2. Approval of VC of the listed books before placing order for supply.
3. Supply order, list of books and term & condition.
4. Delivery Challans along with list of books supplied.
5. Detailed inspection report of books in accordance with demand, supply order and delivery of books before payment.
6. Agreement executed with the supplier.

607. The above shortcoming and non-availability of the documents with the claimed bill create doubt about the authenticity of the payment.

608. Doubtful payment on the purchase of books occurred due to non-adherence to rules, financial indiscipline and weak internal controls. This resulted in a doubtful payment of Rs.2,99,90,000/-.

609. When pointed out November 2016, the management stated that detailed reply would be given later on.

610. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however, DAC meeting was not convened till finalization of the report.

611. Audit recommends to investigate the matter, fix responsibility and take appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

612. The Department explained that the payment of the said purchased books were made through Allied Bank Mardan Cantt Pakistan Chowk Mardan Account No.PLS A/C No.0000000116700170, Cheque No.05793498 dated 11-03-2015.

613. All entries of the books were made in Accession Register of the Central library. Documents mentioned as shortcoming given in Draft Para are available on the record of University and detail of the same was produced to the Committee during the meeting as follows.

1. Demand list of books from the quarter concerned.
2. Approval of VC of the listed books before placing order for supply.
3. Supply order, list of books and term & condition.
4. Delivery challans along with list of books supplied.
5. Detailed inspection report of books in accordance with demand, supply order and delivery of books before payment.
6. Agreement executed with the supplier.

PAC RECOMMENDATION

614. In view of the plausible explanation advanced by the Department duly supported by document proof and endorsed by the Audit, the Para was recommended to be settled.

DPNo.5.4.53 WASTEFUL EXPENDITURE ON THE CONSTRUCTION PETROL PUMP-RS.18.100 MILLION.

AUDIT VERSION

615. The Audit reported that according to minutes of the meeting dated 02.03.2015 and 05.03.2015, the management of the university has uplifted HSD, PG. The local administration entered into an agreement with the PSO signed on 14.09.2012 for a period of 20 year commencing from 01.10.2012 to 30.09.2032 wherein it was agreed that the seller will sell and buyer will procure a quantity of 120,000 liters of PMG, 18,00,000 liters of HSD and 2520 liters of lubricants per annum on rates of PSO.

616. During the Financial Years (2014-15) & (2015-16), in the Abdul Wali Khan University Mardan, it was noticed that an expenditure of Rs.1,81,00,000/- incurred on the construction of petrol and agreed to buy petrol from the PSO in the light of above agreement. The record showed that the Petrol Pump after construction was given to a contractor on monthly rent basis from 15.08.2014 without determining the difference of the rates of the PSO with rates charged. The contractor provided POL to the University on the higher Prices as compared to the PSO prices and the local office made purchases on higher rates. However, the benefit of the discounted price of the PSO was not achieved by the University and resulted into loss worth million of rupees. Detail as under:-

Period	Particular	Rate as per PSO	Rate charged	Difference (Rs)
October 2014	HSD (diesel)	107.39	110	2.61
	PMG (petrol)	103.62	106.20	2.58

617. Furthermore, the petrol pump was constructed and an expenditure of Rs.1,81,00,000/- has already been incurred on account of work done by contractor.

618. Loss occurred due to non-adherence to the clauses of the agreement with PSO, financial indiscipline and weak internal controls.

619. When pointed out in November 2016, the management stated that detailed reply would be given later on.

620. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

621. Audit recommends to investigate the matter, fix responsibility and take appropriate action against the person at fault.

DEPARTMENTAL VERSION

622. The Department explained that the PSO rates changes from time to time and hence it needs to be established whether the rate identified by the Audit holds for the entire period of purchase. Verification of rates and determination of the exact amount is requested.

PAC RECOMMENDATION

623. As the Department failed to clarify/justify its position during the meeting, the Committee therefore, directed the Vice Chancellor to conduct inquiry through a high level Inquiry Committee to examine the issue in detail and to initiate action leading to recovery if involved from the concerned after fixing responsibility. Para stands progress be reported to PAC within thirty (30) days.

DPNo.5.4.55 WASTEFUL EXPENDITURE DUE TO LEAVING THE WORK INCOMPLETE - RS.8.156 MILLION

624. The Audit reported that according to Para 10 of GFR Vol-I, each officer is expected to incur expenditure from public money in a manner as a person of ordinarily prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

625. During the financial years 2013-16, in the Agriculture University Peshawar, it was noticed that the Consultancy work of Khyber Pakhtunkhwa Agriculture University Amir Muhammad Campus Mardan was awarded to M/S Associated Consulting Engineers vide No. 932/Works dated 16.01.2012 with contract cost of Rs. 28,000,000 out of which a sum of Rs. 8,156,400 was paid as under:-

Cheque No. 7496573 dated 22.4.14 up to date payment	Rs.6,384,000
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Mobilization advance (outstanding)	Rs.1,772,400
Total	Rs.8,156,400

626. The consultant carry out the following work;

Items of work	Time schedule
Draft PCI	6 weeks
Conceptual master plan for design phase	8 weeks
Detail master plan	6 weeks
Topographic survey	6 weeks
Submission of conceptual Arch Desig /drawing of building	12 weeks
Geo technical investigation	10 weeks

627. Firm had left the work incomplete after receiving a payment of Rs.8,156,400 for the above item of work, while the following items of work were left incomplete;

Items of work	Time schedule
Submission of tender documents of building	14 weeks
Submission of tender documents of Infrastructure works	13 weeks
Submission of Detail structural Design of Buildings	16 weeks
Submission of Detail electrical Design of Buildings	16 weeks
Submission of Detail Water supply and sewerage of Buildings	16 weeks
Submission of Detail Engineering Design and documents of HVAC etc	16 weeks
Submission of Detail Engineering Design and drawing of infrastructure work	16 weeks

628. The lapse occurred due to weak internal controls. This resulted into incurrance of wasteful expenditure.

629. The matter was reported to the management in December 2016. The management replied that detailed reply would be forwarded to Audit.

630. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

631. Audit recommends to investigate the matter and take action against the person(s) at fault.

DEPARTMENTAL VERSION

632. The Department explained that the consultant has completed work till preparation of PC-I. The consultant has not left the work in complete. The work is pending due to non availability of fund and approval of PC-I. Hence, no loss or irregularity is involved, therefore, the Para may please be settled.

PAC RECOMMENDATION

633. The explanation of the Department was found plausible, hence the Para was recommended to be settled.

DP No.5.4.56 WASTEFUL EXPENDITURE ON INSTALLATION OF DAIRY PROCESSING UNIT UNDER STRC PROJECT RS.7.000 MILLION.

AUDIT VERSION

634. The Audit reported that there was a provision of Rs. 75,00,000/- in the PC-I of STRC Project, Rs. 70,00,000/- for Dairy Processing Unit and Rs. 5,00,000/- for milking machine respectively with following facilities:

1. Chilling plant, steam generator, sanitary pump, Homogenizer, Pasteurizer, packing machine and scale milk, reverse osmosis plant, packing machine and scale for cream, cream separator and air compressor.
2. 4 Docket Milking Machine

635. During the financial years 2013-16, in the Agriculture University Peshawar, it was noticed that the following Machinery was purchased to achieve the PC-1 objectives under STRC Project of Agricultural University Peshawar

1.	Dairy Processing Unit having capacity of 1000 Liter Milk	Vr No. 1034 dated 30.09.2008 Rs.70,00,000/- M/S Technology international Faisal Abad
2.	Milking Machine 04 Ducked Milking System	Vr No. 1085 dated 26.02.2009 Rs.4,00,000/- M/s Tetra Pak. Pakistan Ltd Lahore

636. However, it was noted that Dairy Processing Unit was not connected with milking machine even after a lapse of 07 years. The Dairy Processing Unit has the capacity of 1000-liters milk and only operate on it. The milk production capacity of the University Dairy Farm is 250 liters milk. Thus on daily production of 250 milk the Dairy Processing Unit could not operate. So the machine is losing its value with the passage of time. The unit needs 15KVA generator on full time basis which is yet to be purchased.

The Dairy Processing Unit needs natural Gas which is not available in the area. Thus the whole expenditure of Rs.70,00,000/- was wasteful.

637. The Lapse occurred due to mismanagement, lack of planning, not keeping in view the ground reality and weak internal controls. This resulted into wasteful expenditure of Rs.70,00,000./-

638. The matter was reported to the management in December 2016. The management stated that detailed reply would be forwarded to Audit.

639. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

640. Audit recommends to investigate the matter in detail and take appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

641. The Department explained that the Dairy Processing Unit (DPU) was established under STRC project. The facilities of DPU consisting of two sections:

1. Milking Parlour (Milking machines)
 2. Milk processing Lab
- The milking parlour is completely functional from the date of installation; all the dairy cows are milking through machines and providing fresh and hygienic milk to the local community. The facilities of the second component (processing unit/lab) are also, being efficiently utilized for practical demonstrations to the undergraduate students and for research purposes of postgraduate students (M.Sc. hons/Ph.D) alongwith trainings to the local and commercial farmers, professional veterinarian's and Para vets, lab technicians and people concerned with industries and commercial enterprises.
 - The academic performance of DPU can be judged from the fact that 03 courses of DVM and several post graduate courses are dairy production and dairy technology related and their practicals are performed at the same unit/lab. Around 30 post graduate students have conducted their research and

submitted thesis duly approved by the board of studies and advanced studies and Research Board of the university. Various trainings to professionals (Vets and Para Vets), progressive and local farmers were conducted at DPU organized by Livestock trainers consultant (LTC) and Agri-business support fund (ASF). During these training, trainees were aware of milk processing and technical help for protocols development as consultative body for all the persons involved in dairy sector of the province. The unit also, actively participated in different educational expo and granted awards for this University.

642. Since the primary objective of the unit is to conduct research and practical demonstration alongwith hygienic milk production through machines coupled with outreach activities rather a commercial unit. Keeping in view of the above mentioned facts it is requested that audit Para/observations may please be dropped.

PAC RECOMMENDATION

643. After detail deliberation the Para was recommended to be settled subject to physical verification of the machines by the Hon'able Members of the Sub-Committee of the Public Accounts Committee alongwith PAC Cell within a week time.

DPNo.5.4.57 WASTEFUL EXPENDITURE DUE TO PURCHASE OF BELOW SPECIFICATION TRANSFORMERS & ELECTRICITY POLES-RS.3.640 MILLION.

AUDIT VERSION

644. The Audit reported that according to advertisement PEL, ELEMETIC and SIEMENS brand transformers were required. NOC from PESCO was required for procurement of HT/LT poles as per their approved specification.

645. During the financial year 2013-14, in Islamia College University Peshawar, an amount of Rs.36,40,000/- was spent on the purchase of 2 below specification electric transformers and 21 LT & 5 HT electricity poles.

646. It was observed that the brands advertised were set-aside and instead substandard locally rewind transformers were purchased from M/S Power Tech Industries Kotri (SINDH).

647. A part from the above all material purchased were brought to Islamia College University but supply of electricity was not given to the end users till July 2015, whereas the work order was issued on 10.09.2013 and to be completed on 11.11.2013 (2 months time).

648. NOC from PESCO (WAPDA) was not obtained, thus the entire expenditure incurred wasteful because the purchase of 2 electric transformers as well as 21 LT & 5 HT electricity poles along with other articles do not match with WAPDA specifications for electricity power distribution system, structure, drawing & designs.

649. Wasteful expenditure was due to weak internal controls. When pointed out in August 2013, it was replied that reply would be given later on.

650. In the DAC meeting held in December 2016, the Department stated that work could not be completed till date and university administration is in contact with WAPDA authorities for issuance of NOC. DAC decided to place the Para before PAC for appropriate action.

651. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

652. The Department explained that the NIT for purchase of transformers was meant for inclusion of all renowned brands like PEL, elementic and Siemen etc. However, we did not show any special favor for particular brand. M/S power was selected for the purchase due to the following pertinent reason.

1. Quotation by M/S Power Tech claim included purchase orders showing that PESCO itself purchased 30 Nos. transformers from M/S Power Tech. This bolstered their confidence in the quality of product.
2. They were the lowest bidder which was the only criteria for cost based purchases. Hence the firm was considered on purchase of the transformers.
3. They offered two year warranty whereas other bidders offered one year warranty.
4. The issue of NOC is being settled by negotiation with WAPDA and the University administration is in contact with concerned WAPDA authorities for issuance of NOC and NOC was issued accordingly.

653. Hence the purchase was made according to the rules and in the best interest of the university.

COMMITTEE OBSERVATION

654. The Committee observed that a huge amount of Rs.3.640 million was spent on purchase of two below specification electric transformers and 21LT and 5HT electricity poles, which was against the KPPRA Rules and needs scrutiny/clarification.

COMMITTEE RECOMMENDATION

655. The Para was clubbed with the Draft Para No. 5.4.4 (2016-17) for detail scrutiny of the record. The Department was also directed to appoint well converse technical person of the Engineering University to assist the Committee in this regard.

656. Para stands progress be reported to PAC within a month time.

DP No.5.4.58 WASTEFUL EXPENDITURE ON CONSULTANCY SERVICE FOR THE CONSTRUCTION OF SHOPPING PLAZA RS.1.613 MILLION.

AUDIT VERSION

657. The Audit reported that according to Para 10(i) of GFR Vol-I every public officer incurring expenditure from public fund is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

658. During the financial years 2013-16, in the Agriculture University Peshawar, it was noticed that a sum of Rs.16,13,000/- was shown paid to M/S Development Management Consultant on 31.07.2013 for A & E Services, Designing, Estimation, Tender documents and soil investigation for the construction of Shopping plaza.

659. The scheme was approved by the Vice Chancellor on 05.04.2012, and advertized with idea of having shopping centre of the university, to develop assets for future and to have shops as well as two storied flats, which can be allotted to employees as well as can be used for bachelor accommodation of support staff. The consultant was appointed for A & E Services, Designing, Estimation, Tender documents and soil investigation for the construction of Shopping plaza. The consultant had completed the job for which the firm was paid Rs.16,13,000/- on 31.07.2013.

660. Audit observed that when university authority launched the scheme, no one opposed, even at the time of hiring the consultant and then suddenly the construction of shopping plaza was dropped due to unknown reasons, due to which the university sustained a loss of Rs.16,13,000/- on one hand and on the other hand, the management failed to get benefits of the schemes

661. The lapse occurred due to lack of planning and mismanagement. This resulted into wasteful expenditure.

662. The matter was reported to the management in December 2016. The management stated that detailed reply would be forwarded to Audit.

663. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

664. Audit recommends to investigate the matter and take appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

665. The Department explained that:-

1. The consultants were hired as per decision of syndicate in its 86th meeting held on February 6th 2013 vide order No. 54/F&PC/FT/UAP dated 06-05-2013..
2. Accordingly consultants have completed design work which has been submitted to the University Authority. Because of non availability of funds, the initiation of the project is awaited as and when funds are available execution work will be started as per design.
3. The proposal was initiated in good faith to get reasonable sources for the shelter of their staff and fair finances for a teaching institute and that is a common practice of the sister institutions. It is worthwhile to mention that rates on which instant consultancy has been carried out which cannot be ascertained in future as and when needed.

PAC RECOMMENDATION

666. The Para was recommended to be settled with the direction to the Department to avoid such practice and to be careful in future.

DPNo.5.4.61 FRAUDULENT DRAWAL OUT OF SAVING ACCOUNT-RS.2.592 MILLION.

AUDIT VERSION

667. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

668. During the financial year 2014-15, in the office of Director of Biotechnology & Microbiology University of Peshawar, it was noticed that Rs.20,48,545/- was drawn through counterfeited cheques till 20.08.2014 due to negligence, financial indiscipline and non-reconciliation with banks. It was further noticed that Rs.5,52,038/- was fraudulently drawn by the Assistant Treasurer University of Peshawar out of PLS Account No.148610073051 UBL Campus Branch Peshawar. Detail as under: -

S/No.	Cheque No & date	Amount (Rs)
1.	5557262 dt 02-07-2014	1,89,752
2.	5557264 dt 04-08-2014	1,87,900
3.	5557263 dt 20-08-2014	1,74,386
Total		5,52,038

669. The lapse occurred due to financial indiscipline and negligence. This resulted into fraudulent drawl of Rs.25,92,038/-.

670. The matter was reported to the management in May 2016, but no reply was given.

671. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

672. Audit recommends to conduct inquiry, fix responsibility and recover the embezzled amount from the person(s) which was held responsible.

DEPARTMENTAL VERSION

673. It is true that the then Assistant Treasurer has drawn a sum of Rs.20,48,545/- through counterfeited cheques from the University Accounts maintained

at UBL Campus Branch. However, amount of Rs.5,52,038/- as pointed out by the audit team is already included in the total sum of Rs.20,48,545/- which has been recovered from the then Assistant Treasurer. FIR has already been lodged against the official U/S 419,420, 468,471/34 PPC at police station, University Campus. The official was also dismissed from University service. He challenged his dismissal from service in the Peshawar High Court while his case has been dismissed by the Peshawar High Court. Similarly his CPLA was also dismissed by the Supreme court of Pakistan. The criminal case of the official is under trial in the court of anti-corruption Peshawar.

674. The amount is lying in the custody of police as a case property. The same will be demanded through Court accordingly once the case decided by the honorable Court and will be deposited into University account.

675. The Department further explained that As per decision of Pre-PAC letters for verification of record were communicated to D.G Audit office which is still awaited.

PAC OBSERVATION

676. The Committee observed that although the Peshawar High Court and Supreme Court of Pakistan dismissed the appeal of accused official, but the Management of University failed to obtain the embezzled amount of Rs. 20,48,545/- lying in the custody of the Police Department, which clearly shows inefficiency on the part of the Management of the University.

PAC RECOMMENDATION

677. After detailed deliberation, the Committee directed the Management of the University to take up the issue with the high-up's of the Police Department for obtaining the amount in question, which are lying in the custody of the Police Department and deposit it into the Government Treasury duly verified by the Audit.

678. Para stands till complete recovery and its deposit into proper head of the University Account within thirty (30) days. Progress be reported to PAC.

DPNo.5.4.62 EXCESS EXPENDITURE OVER AND ABOVE THE TENDER COST-RS. 211.87 MILLION.

AUDIT VERSION

679. The Audit reported that according to Para 19(iv) of GFR Vol-1, the terms of a contract once entered into should not be materially varied without the previous consent of the authority competent to enter into the contract as so varied. No payments to contractors by way of compensation or otherwise outside the strict terms of the contract or in excess of the contract rates may be authorized without the previous approval of the Ministry of Finance.680. During the Financial Years (2014-15) & (2015-16), in the Abdul Wali Khan University Mardan, it was noticed that contract for the construction of different buildings was awarded to contractors during 2012 onward. Tenders were floated and contractors started the work in light of their individual work orders. Similarly, payments were also made to them according to the progress of the work. It was however observed that payment of Rs.993,968,000 was made to the contractors against the approved tender cost of Rs.784,089,000 as such an amount of Rs.211,879,000 was spent in excess of the approved tender cost. The detail of excess expenditure is as under.

Cheque #	Date	Name of construction building/ work	Contractor	Tender cost	Up to date Payment
0504799	27.05.2016	Main Gate & fenced boundary wall	M/s Liaqat Ali	34,088,000	44,550,000
06445372	29.06.2016	Civic and residential facilities Pack-III	M/s Raje Adalat	451,120,000	468,290,000
06445371	29.06.2016	External development works Package-V	Zahir Shah	298,881,0	483,128,000
Total				78,40,89,000	99,59,68,000

681. Excess expenditure occurred due to non-adherence to rules, financial indiscipline and weak internal controls.

682. When pointed out in November 2016, it was stated that reply would be given later on.

683. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

684. Audit recommends to investigate the matter, fix responsibility and take appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

685. The Department explained that as the clause says that “the term of a contract once entered into should not be materially varied without the previous consent of the authority competent to enter into the contract as so varied”. In this particular case the clause is not violated since the authority which entered into the contract at the initial and revised stages was the same.

686. For further details, the extra work of similar nature and variation items were carried out which resulted in the excess expenditure over and above the tender cost. The variation items were approved by the Committee. The revised Technical Sanctions were also approved by the Vice Chancellor.

687. During the meeting, the Department told the Committee that the National Accountability Bureau (NAB) is being conducted inquires into various projects, which are in progress in the Universities including the project mentioned in the subject Draft Para.

PAC RECOMMENDATION

688. As the cases are under trial/investigation in the National Accountability Bureau (NAB) and inquires are in progress, therefore, the Para was kept pending till the decision of the NAB with the direction to the Department to pursue the case regularly in the NAB through a responsible Officer.

689. The University authority was further directed to approach NAB authority to expedite the cases in the subject Draft Para so to proceed further in the matter.

DPNo.5.4.63 NON-IMPOSITION OF PENALTY DUE TO DELAY IN COMPLETION RS.12.733 MILLION.

AUDIT VERSION

690. The Audit reported that according to clause-16 of the bid documents liquidated damages of 0.1% of the tender total for each day of delay subject to 5% of the tender cost be imposed. It was further added that as per Steering Committee decision held on 30.9.2013 under the Chairmanship of Vice Chancellor while extending the time limit

for fifth time upto 15.12.2013 with the condition that no further extension of time will be granted. In case of failure, clause-2 at page-7 of the contract agreement regarding liquidated damages will be applied on the contractor.

691. During the financial year 2013-14, in the University of Peshawar, it was noticed that work “Construction of two Academic Block No.11” was awarded to M/s Nishan Engineers Pvt Ltd , with time limit of 24 months, vide No. 694/DOW dated 20.03.2006, at a bid cost of Rs. 25,46,59,000/-. The time was extended eight times as per detail given below:-

Commencement	22.02.2007
Completion	21.02.2009
1 st extension	18 months
2 nd extension	08 months
3 rd extension	09 months
4 th extension	19 months
5 th extension	04 months
6 th extension	06 months
7 th extension	06 months
8 th extension	04 months
Total	74 months

692. But even after the decision that no further extension of time will be granted, three time further extensions were granted to the contractor. Furthermore, an amount of Rs. 3,16,40,000/- was also paid as escalation to the contractor. Moreover, the work is still in progress till the date of Audit and liquidated damages upto 5% amounting to Rs.1,27,33,000/- not imposed on the contractor.

693. The lapse occurred due to extending undue benefit to the contractor.

694. The matter was reported to the management in April 2015, the management replied that due to financial constraints of Higher Education Commission being the funding Agency of the said project, the funds for fiscal years 2007 to 2010 could not be released in time as per PC-I allocation. In this regard, HEC has also granted Time extension twice to this project. Extension in time was granted to the firm M/s Nishan Engineers Pvt. Ltd by the Competent Authority upto June 2014, with the

condition that if work was not completed then liquidated damages as per relevant clauses will be imposed upon the firm. As the firm could not complete the work till June, 2014 hence penalty has been imposed upon the firm vide letter No.1923/PD/MP-1&2 dated 01.09.2014 after the recommendation of the Steering Committee meeting held on 8th, 19th & 25th August, 2014. It is further stated that retention money of the contractor has been forfeited as a recovery of the penalty.

695. It is further mentioned that as per decision of honorable court, the contractor has been granted 4 months time for completion of remaining balance work till 15th July, 2015 however penalty on the firm is still intact.

696. In the DAC meeting held in January 2016, the management replied that the security of the contractor amounting to Rs.2,29,00,000/- has been forfeited. The DAC decided to stand the Para till the verification of recovery.

697. During verification carried out on 26.12.2016 it was observed that Rs.2,29,30,000/- were deducted from M/s Nishan Engineers Pvt. Ltd but lying in the earnest money Account No. 040400000006001 of University. Para stands till forfeiture of penalty.

698. Audit recommends to recover the penalty from the concerned contractor.

DEPARTMENTAL VERSION

699. The Department explained that that as per directives of the DAC, the whole record including copies of running bills, vouchers and Bank statement etc were submitted to the DG Audit office for verification through the Treasurer office vide letter No.58/IA dated 13.10.2016.

700. The audit officials during the verification of record carried out on 26.12.2016 has also acknowledged and confirmed the deduction of security as a penalty/liquidated damages from the contractor by the University management.

701. The Security from time to time retained from the contractor bills have been accordingly deposited into the University Account.

702. The Department further explained that at present, the matter is prejudice as the contractor has filed a case in the court of law for the release of his forfeited security.

Once the case decided, by the Honorable Court then recovery be made and will be deposited into the University Account.

PAC RECOMMENDATION

703. As the case was subjudice in the Court of Law, therefore, the Para was kept pending till the decision of the Court with direction to the Department to pursue the case regularly in the Court of Law through a responsible officer(s).

704. The Committee further directed the Vice Chancellor to transfer the forfeited security amounting to Rs. 12.733 million to main account of the University of the Peshawar and report be submitted to PAC within a week time.

705. Para stands. Progress be reported to PAC.

DPNo.5.4.64 NON FINALIZATION OF INQUIRY REPORT AGAINST MR. NOOR MUHAMMAD LECTURER GOMAL UNIVERSITY INVOLVED IN WILLFUL ABSENCE AND FRAUD TO THE TUNE OF RS.72.00 MILLION IN PURCHASE OF LAND FOR BISE D.I.KHAN.

AUDIT VERSION

706. The Audit reported that according to Government of Khyber Pakhtunkhwa Establishment Department letter No. SOR-IV/E&AD/2-6 dated 17.09.2011, the inquiry officer/committee as the case may be shall hold proceedings on day to day basis and no adjournment shall be given except for reasons to be recorded in writing in which it shall not be more than seven days.

707. During the financial year 2013-14, in Gomal University, it was noticed that Vice Chancellor Gomal University constituted a committee to probe into willful absence of Mr. Noor Muhammad Lecturer who was repatriated by D.I.Khan Board to Gomal University, D.I.Khan on 11.01.2013. The Board Management neither properly relieved him nor his last payment certificate was issued. The lecturer actually submitted his arrival report in the University on 28.11.2013 after a gap of 09 months and 17 days and had also committed fraud of Rs.7,20,00,000/- in the purchase of land during his tenure in Board of Intermediate and Secondary Education (BISE) D.I.Khan. This was notified vide office order No.4525-32/GU/Estt:PF dated 08.10.2013. The committee was

asked to submit their report within two weeks. The committee failed to submit their report and another committee was constituted vide endorsement No. 5467-72/GU/Estt/PF dated 02.12.2013 with the same condition to submit their report within two weeks. The Administration had also time and again asked for progress in the matter but without result.

708. A period of more than two years has since lapsed but no progress was intimated till February, 2016. It is worth mentioning here that the Lecturer is regularly drawing his salary without obtaining LPC from the D.I.Khan Board and committing fraud of Rs.7,20,00,000/-.

709. The irregularity occurred due to weak internal controls.

710. When pointed out in February 2016, the management furnished no reply.

711. In the DAC meeting held in December 2016, it was replied that several reminders were sent to chairman inquiry committee, but no inquiry report was finalized. DAC directed that actions be taken against the chairman inquiry committee and the same inquiry be given to other officers.

712. Audit recommends that university should complete the inquiry besides recovery under intimation to Audit.

DEPARTMENTAL VERSION

713. The Department explained that:-

- I. The case of Mr. Noor Muhammad, Lecturer Department of Sport Science & Physical Education, Gomal University, D.I.Khan regarding involving in fraud case to the tune of Rs.72.00 million in purchase of land for BISE, D.I.Khan related with Government of Khyber Pakhtunkhwa Elementary & Secondary Education. He was honorably acquitted from all charges by the Honorable Peshawar High Court, Peshawar.
- II. Further the case regarding his willful absence from duties of Mr. Noor Muhammad, an Inquiry Committee was constituted, but the reply of the Committee is still awaited and inquiry not yet been completed.
- III. Mr. Noor Muhammad, Lecturer was compulsory retired vide officer order No.2364/GU/Estt dated 03-03-2020 under the change of leading a crowd of protestors which caused damages to university property.

COMMITTEE OBSERVATION

714. The Committee observed that at the time of appointment of Mr. Noor Muhammad, Lecturer, employee of Gomal University of D.I.Khan as Chairman Board of Intermediate and Secondary Education (BISE) D.I.Khan, the University had neither granted lien nor he was relieved properly by the BISE D.I.Khan at the time of his repatriation to his parent Department.

COMMITTEE RECOMMENDATION

715. In the light of the decision of the Peshawar High Court and compulsory retirement from service, the Para was recommended to be settled subject to provision of lien certificate granted by the management to the concerned officer.

DP No.5.4.65 NON-ENCASHMENT OF BANK GUARANTEE OF DEFAULTER CONTRACTOR-RS.41.180 MILLION. **AUDIT VERSION**

716. The Audit reported that according to clause 60.12 of the contract agreement, an interest-free Mobilization Advance up to 15% of the Contract Price stated in the Letter of Acceptance shall be paid by the Employer to the Contractor in two equal parts upon submission by the Contractor of a Mobilization Advance Guarantee/Bond for the full amount of the Advance in the specified form from a Scheduled Bank in Pakistan or an insurance company acceptable to the Employer. As per clause 43 than of the advance shall be recovered in equal installments; first installment at the expiry of third month after the date of payment of first part of Advance and the last installment two months before the date of completion of the Works. The Branch Manager Askari Bank vide letter dated 05.11.2012 confirmed that the guarantee will be encashed at their counter.

717. During the Financial Year 2014-15, in the Abdul Wali Khan University Mardan, it was noticed that contract for the construction of 1 Academic Block and Corridors was awarded to M/s Abdullah contractor and was allowed payment of Rs.3,00,00,000/- as mobilization advance after obtaining bank guarantee of Rs.3,00,00,000/- from Askari Bank. The record showed that an amount of Rs.1,81,18,000 was recovered from the contractor while Rs.1,18,82,000/- still outstanding unrecovered while the contractor has left the work incomplete.

718. Later on the Director works vide letter dated 05.02.2016 after delay of almost seven months informed the VC about the defaulter and suggested action toward encashment of the bank guarantee of Rs.3,00,00,000/-. Again, notice was delayed and finally issued on 22.02.2016 with the request to the Askari Bank authorities for encashment of guarantee. The guarantor bank however did not pay the amount of guarantee worth Rs. 30 million to the University up till now.

719. Non-encashment of performance security worth Rs.3,37,55,000 occurred due to non-adherence to the provisions of rules, financial indiscipline and weak internal controls.

720. When pointed out in November 2016, it was stated that reply would be given later on.

721. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however, DAC meeting was not convened till finalization of the report.

722. Audit recommends to investigate the matter, fix responsibility and take appropriate action against the person at fault apart from recovery from the contractor.

DEPARTMENTAL VERSION

723. The Department explained that the project “Construction of 1 No. Academic Block and Connecting Corridors” was awarded to M/s Abdullah Khan and Company on 31st March, 2012. As per contract agreement the contractor submitted Performance Guarantee amounting to Rs.33.755 million. The contractor was not able to complete the project and consequently his contract was terminated and the Insurance Company was requested to release the Performance Guarantee in favour of AWKUM. However, the contractor challenged the decision of the university in Peshawar High Court and the Insurance Company stated that since the matter is in the court, so it is not able to release the quarantine.

724. The court finally decided the case in favour of AWKUM and the insurance company released an amount of Rs. 3,37,54,809/- in favour of the university. Furthermore, the mobilization advance amounting to Rs.1,24,46,362/- has also been

recovered from the contractor. Therefore, a total of Rs.4,62,01,171/- has been recovered from the contractor.

PAC RECOMMENDATION

725. As the Department made total recovery from the contractor duly verified by the Audit, hence the Para was recommended to be settled.

DP No.5.4.66 NON-ENCASHMENT OF PERFORMANCE BOND OF DEFAULTER CONTRACTOR RS.33.755 MILLION. AUDIT VERSION

726. The Audit reported that according to the contract agreement the contractor would provide a performance guarantee equal to 10 % of the tender cost which will be en-cashed by the university in case of default and Para 4 of the performance guarantee the guarantor are bound to pay the amount to the employer.

727. During the Financial Years (2014-15) & (2015-16), in the Abdul Wali Khan University Mardan it was noticed that contract for the construction of 1 academic block and corridors was awarded to M/s Abdullah contractor with the tender cost of Rs. 33,75,48,000/- and was allowed an upto date payment of Rs. 16,16,94,000/- up to 11th IPC paid vide Cheque No 42850971 dated 17.07.2015. Acceptance of bid was issued on 31.03.2012 followed by letter to commence the work on 19.04.2012 and 550 days time for completion up to 18.10.2013. The contractor provided performance security of Rs. 3,37,55,000/-.

728. As was evident that the contractor left the work incomplete since July 2015, the Director works vide letter dated 05.02.2016 after delay of almost seven months informed the Vice Chancellor about the defaulter and suggested action toward encashment of the performance security of Rs. 3,37,55,000/-. Again, notice was delayed and finally issued on 22.02.2016 with the request to Jubilee Insurance Co for encashment of performance security. The insurance company did not pay the amount of performance security worth Rs.3,37,55,000/- to the University and conveyed on 28.03.2016 that the matter is subjudice.

729. Audit holds that in time action was required to have been taken by the University, which was delayed abnormally resulted in complication in the process of encashment of performance security.

730. Non-encashment of performance security worth Rs.3,37,55,000/- occurred due to delay in action by the university authorities, non-adherence to the provisions of rules, financial indiscipline and weak internal controls.

731. When pointed out in November 2016, it was stated that reply would be given later on.

732. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

733. Audit recommends to investigate the matter for fixing responsibility and appropriate action against the person(s) at fault apart from recovery from concerned.

DEPARTMENTAL VERSION

734. The Department explained that the project “Construction of 1 No. Academic Block and Connecting Corridors” was awarded to M/s Abdullah Khan and Company on 31st March 2012. As per contract agreement the contractor submitted Performance Guarantee amounting to Rs.33.755 million. The contractor was not able to complete the project and consequently his contract was terminated and Insurance Company was requested to release the Performance Guarantee in favour of AWKUM. However, the contractor challenged the decision of the university in Peshawar High Court and the Insurance Company stated that since the matter is in the court, so it is not able to release the guarantee.

735. The court finally decided the case in favour of AWKUM and the insurance company released an amount of Rs. 3,37,54,809/- in favour of the university.

PAC RECOMMENDATION

736. As the Department made total recovery from the contractor duly verified by the Audit, hence the Para was recommended to be settled.

FOOD DEPARTMENT

OVERVIEW

Eight (08) Draft Paras, reflected in the Auditor General's Report for the year 2016-17 against the Department, were examined by the Sub-Committee of Public Accounts Committee in its meeting held on 25th March, 2021. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

1. Mr. Muhammad Idress, MPA Chairman

2. Mr. Inayatullah, MPA Member

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

1. Sumar Gul,
Additional Secretary
2. Mr. Azizullah,
Deputy Secretary.

FINANCE DEPARTMENT

Mr. Naveed Ahmad,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Zain-ul-Abidin,
Deputy Director.
2. Mr. Khalid Zaman,
Audit Officer.
3. Mehmood-ul-Hassan Saeed.
Assistant Audit Officer.

FOOD DEPARTMENT

1. Mr. Khushal Khan,
Secretary.
2. Abdul Jalil,
Deputy Director.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Nasrullah Khan,
Secretary.
2. Mr. Amjad Ali,
Additional Secretary.
3. Mr. Khalid Shaheen,
Deputy Secretary.
4. Mr. Ibrahim Khan,
Assistant Secretary.

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

DP No.9.4.1 MISAPPROPRIATION OF WHEAT AND EMPTY GUNNY BAGS – RS.18.606 MILLION

AUDIT VERSION

3. The Audit reported that according to para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

4. During the financial year 2013-14, in the office of District Food Controller Chitral that FG-3 register of PRC Ayun and Bumborate revealed that there was a difference of 3,05,945 kg wheat valuing Rs.1,08,86,644/-. The shortage of wheat was detected during handing/taking over charge between Abdul Jalil and Muhammad Zahir Shah Incharge of Ayun and Bumborate Centre. Thus, wheat valuing Rs.1,08,86,644/ was misappropriated.

5. It was further noticed that the daily Godown statement (FG-3) of PRC Arandu under DFC Chitral for May 2012 showed closing balance of wheat 64 bags equal to 59,069 kg, when carried forward to next month i.e. June 2012, it was shown 4,480 kg. Thus 54,589 kg wheat was misappropriated which resulted into loss of Rs.15,30,000/-.

6. During the financial year 2014-15, the record i.e. FG-13 of Food Grain Godown Khot under DFC Chitral showed a balance of 45,907 empty gunny bags as on 30th June 2015. It was noticed that out of it 24,823 were shown short and outstanding against the previous Food Grain Inspector (FGI) while 20,084 empty gunny bags were also not physically available. The present FG Inspector gave written statement that there is shortage and the balance 45,823 empty gunny bags have not been handed over to him, which resulted into loss of Rs.61,90,000/-.

7. The lapse occurred due to financial indiscipline and weak internal controls, resulting into misappropriation of Rs.1,86,06,644/-.

8. Misappropriation was pointed out in September 2014 and March 2016. The management replied that during physical verification and later on handing/taking over charge of godown Bumborate and Ayun, wheat and empty gunny bags worth Rs.1,08,86,644/- were found short against Mr.Abdul Jalil. The case was recommended to Director Anti-corruption for investigation, wherein initial inquiry has been started against the official. The report regarding shortage of 54,589 kg wheat at Arandu has been sent to

higher ups and inquiry has been initiated. The defaulter incharge PRC Khot has been asked to handover the outstanding gunny bags.

9. The matter was discussed in the DAC meeting held in February 2016 wherein the Department furnished the same reply. DAC directed that complete recovery be made from the person(s) responsible. No further progress was intimated till finalization of the report.

10. Audit recommends that DAC directives be implemented besides fixing responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

11. The Department explained that the Draft Para is combination of three Advance Para's i.e. Advance Para No.79, 80/2013-14 and Advance Para 158 for the year 2014-15. Hence Para wise comments are as under:-

(a) It is submitted that Advance Para No.79 for 2013-14 is the repetition of the DP.No.9.4.4 for 2016-17. The detail reply has been given in DP No.9.4.4 (2016-17).

(b) AP No.80 for 2013-14. It is submitted that the same Advance Para is already included in Draft Para No.9.4.3 for the year 2014-15 and is under active process before subcommittee of PAC. Working papers in this regard already been sent to PAC and meeting is awaited. Hence Advance Para No.80 for 2013-14 may be settled here.

(c) AP No.158 for the year 2014-15.

It is submitted that the same Para is part of Draft Para No.8.2.32 for the year 2010-11. The closing balance at PRC Koht on 30/06/2015 was 45,571 empty gunny bags and not 45,907. Cost of 1,916 empty gunny bags have been recovered from Hasil Murad/Sultanud Din, The remaining EG Bags are outstanding against Hasil Murad till date, copy of FG-13 Register for the year 2018-19 and Survey Report for the year 2010-11 & 2016-17 along with supported documents dully verified by the concerned AFC/DFC.

12. The remaining 21,664 empty gunny bags are lying physically in the centre as per FG-13 Register and consolidated and updated certificate issued by the concern AFCs & DFCs Upper/Lowe Chitral. It is further added that the case against Hasil Murad is Subjudice in Peshawar High Court (Circuit Court) Chitral. Copy of order sheets vide this office memo No.501/DP No.8.2.32 (2010-11). The board based inquiry committee has visited PR Centre Kohat in 2019 and its attached sale points, and verified these 21,664 empty gunny bags.

PAC RECOMMENDATION

13. As the Draft Para is combination of three advance Paras i.e advance Para No. 79,80/ 2013-14 and advance Para 158 for the year 2013-17, therefore, after detailed deliberation the Committee recommended the following:-

- 1) 1st portion i.e Advance Para No. 79 for the year 2013-14 of the Draft Para was recommended to be settled as per detailed explanation advanced by the Department in the DP No. 9.4.4 (2016-17).
- 2) 2nd portion i.e advance Para No. 80 for the year 2013-14 of the Draft Para was recommended to be settled as such issue has already been included in the Draft Para No. 9.4.3 for the yer 2014-15 which was recommended to be settled in the meeting of Sub-Committee of PAC held on 09-02-2021.
- 3) 3rd portion of the advance Para No. 158 for the year 2014-15 of the Draft Para was kept pending due to subjudice in the Court of law till the decision of Court.
- 4) Para Stands. Progress be reported PAC.

DP No.9.4.2 LOSS DUE TO SHORTAGE OF WHEAT -RS. 32.648 MILLION

AUDIT VERSION

14. The Audit reported that according to para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

15. During the financial year 2014-15, in the office of District Food Controller Chitral, during handing/taking over charge of the Food Grain Godown, there occurs shortage of 8,217 bags equal to 8,39,285 kg wheat valuing Rs.2,83,25,000/- (8,39,285 Kg @ Rs. 33.75 P.kg). The cost of short gunny bags was Rs.11,09,000/-. This resulted into loss of Rs.2,94,34,000/- to the public exchequer.

16. It was further noticed that on 14th October 2014, during handing/taking over charge of the Food Grain Godown Booni, a quantity of 689 bags equal to 72,235 kg wheat valuing Rs. 24,38,000/- (72,235 Kg @ Rs. 33.75 P.kg) was short. Similarly a quantity of 230 bags equal to 23,000 kg valuing Rs.7,76,000/- (23000 Kg @ Rs. 33.75 P.kg) was of poor quality which was not fit for human use and was also not given into the custody at the time of taking over charge. The total value of the short as well as of poor quantity wheat resulted into loss of Rs.32,14,000/-.

17. Audit holds that due to shortage of wheat and gunny bags, government sustained loss of Rs.3,26,48,000/-.

18. The lapse occurred due to weak internal controls, resulting into loss of Rs.3,26,48,000/-. When pointed out in March 2016, the management stated that reply would be given after consulting the record.

19. In the DAC meeting held in August 2016, the department replied that during physical verification the quantity pointed out by audit has been found short against the concerned PR Centers. Mr.Usman Khan FGS has also been removed from service under E&D Rules and case of each defaulter has been sent to Anti Corruption alongwith relevant record for investigation and lodging FIR against them. DAC directed that position may be explained before PAC.

20. Audit recommends to investigate the matter, fix responsibility and recovery of loss from the person(s) responsible.

DEPARTMENTAL VERSION

21. The Department explained that this Draft Para is the combination of two Advance Para's i.e. 149 & 148 for the year 2014-15. Both the observations raised by the audit are same nature and both are Subjudice before the learnt Special Judge Anti Corruption Khyber Pakhtunkhwa, Peshawar, except Mr. Shafiq ur Rehman Incharge PRC Golain. The said official has credited the entire amount of Rs.5,76,260/- into government. Departmental proceeding was initiated against the official. Later on the competent authority exonerated the official from the charges. The latest position of recoveries, nature of cases are tabulated below.

Name of Center	Name of Incharge/ Defaulter	Date of Charge	Short deducted	Recovered if any	Latest position
Ayun/Bumbo rate	Abdul jalil	2014	11,321,268	532,334	Subjudicial before the court of Special Judge Anti Corruption KPK Peshawar.
Yarkhoon Lasht	Fatahud Din	2014	5,087,473	-	Sub-Judices in the court of Anti-Corruption.
Booni/Kushum	Usman Khan	2014	2,797,682	-	-do-

Kuragh/Goh kir/Terich	Dinar Wali	2015	14,977,085	-	Sub-Judices before Peshawar High Court Peshawar.
Gullen	Shafir Ur Rehman	2014	576,260	576,260	Fully recovered and reply in detail.

22. As and when decided by court, action will be taken accordingly.

PAC RECOMMENDATION

23. The Para was kept pending till the decision of the Anti Corruption Court. The Department was directed to pursue the case vigorously in the court of law through a responsible /well conversant officer. Para Stands. Progress be reported to PAC.

DP No.9.4.3 LOSS DUE TO NON-FORFEITURE OF SECURITY DEPOSIT – RS.13.00 MILLION

AUDIT VERSION

24. The Audit reported that according to clause 2.2 of the contract agreement, in case of delay, the contractor will be liable for confiscation of the security of Rs.1 million lying in the office of Director Food apart from other action against him.

25. During the financial year 2014-15, in the office of District Food Controller Chitral, it was noticed that Director Food KP allocated a quantity of 10,000 and 4,000 m.ton wheat (total 14,000 m.ton) from PRC Dargai to different PRCs of District Chitral vide two different allocation orders dated 08.09.2014 and 14.10.2014 respectively. The time for completion of the carriage was granted 22 days and 15 day respectively and the carriage contractors started transportation. The contractors failed to complete the supply in time and there occurred delay in almost all cases. Therefore as per clause 2.2 of the contract agreement penalty for delay in completion of supply of wheat was required to be imposed. Thus security amounting to Rs.1,30,00,000/- (@ Rs.10,00,000 each x 13 contractors) was required to have been forfeited which was not done. This resulted into loss of Rs.1,30,00,000/-.

26. The loss occurred due to weak internal controls, resulting into loss of Rs.1,30,00,000/-.

27. When pointed out in March 2016, the management stated that reply would be given after consulting the record.

28. In the DAC meeting held in August 2016, the department replied that due to uncertain situation of Chitral District, clause 2.2 of the contract agreement could not be properly implemented. DAC decided to impose penalty and effect recovery. However, no progress intimated till finalization of the report. Audit recommends to implement the DAC decision.

DEPARTMENTAL VERSION

29. The Department explained that due to uncertain situations of the District, with peculiar circumstances i.e. natural calamities land sliding, floods in Chitral river, blockage of kacha roads/bridges, slidding of mountains in earth quacks, in-sufficient storage capacities in the far-flung stations, rented room type godowns, create difficulties in the implementation of the clauses 2.2 of the contract agreement. For example 900 tons wheat was allocated to Torkoh, Khot, Oveer, Rech, Gobore & Arkari etc: and available capacity of rented godowns were 100 to 150 tons, the contractor could not supply the allocated quota without interruption, within the short stipulated period. Therefore, Chitral District may not be compared with other Districts of Khyber Pakhtunkhwa List of kacha room type godown.

30. It is therefore requested that the Draft Para may kindly be considered for settlement.

PAC OBSERVATION

31. The Committee observed that extension was granted under clause 4.1 and 4.2 of the contract agreement for transportation of wheat due to uncertain situation of District Chitral.

PAC RECOMMENDATION

32. In view of plausible explanation of the Department, the Para was recommended to be settled.

33. Due to peculiar circumstances as explained above in the Departmental reply, the Committee directed the Department to make special agreement and regulation for transportation of wheat only for District Chitral to avoid such difficulties faced by the Department in future.

DP No.9.4.4 LOSS DUE TO NON-RECOVERY FROM OFFICIAL RS.11.956 MILLION

AUDIT VERSION

34. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

35. During the financial year 2013-14, in the office of DFC Chitral, it was noticed that Rs.39,17,400/- was outstanding against Mr.Fazal Bari AFC on account of shortage of empty gunny bags in PRC Danin Chitral. Similarly 1,172 bags wheat costing Rs.34,42,164/- ($1,172 \times 100 = 11,720 \text{kg} \times \text{Rs.}28.12$) was short against him in PRC Ayun and Bumborate. Further shortage of 139,501 kg wheat valuing Rs.39,22,768/- and 5,390 empty gunny bags worth Rs.6,73,750/- was reported by Mr.Abdul Jalil incharge of PRC Danin. Thus, aggregate amount of Rs.1,19,56,082/- outstanding was recoverable against the defaulter official.

36. The lapse occurred due to weak internal controls, resulting into loss of Rs.1,19,56,082/-.

37. When pointed out in September 2014, the management replied that inquiry is under process against the concerned staff. Inquiry report is awaited therefore final position will be intimated after receipt of report.

38. In the DAC meeting held in Feb 2016, the department repeated the previous reply and further added that case is already in the Anti Corruption Court Chitral, which is pursued vigorously. However, DAC decided that recovery should be made besides initiating disciplinary action against the person(s) at fault.

39. Audit recommends that DAC decision be implemented.

DEPARTMENTAL VERSION

40. The observation raised by the Audit officer based on two letters of the then DFC Mr.Bashir Ahmad (Rtd) which states that 32,645 empty gunny bags amounting to Rs.39,17,400/- were short in PRC Danin Chitral on 15/08/2013, without consulting the

available records i.e. handing / taking over charge between the concerned officials and physical verification reports, recorded on the FG-13 Register of PRC Danin, survey reports submitted by the then DFC as AFC at the time. Before promotion to the post of DFC, the above officer was Incharge AFC Sub Division Chitral/PRC Danin Chitral from 12/11/2009 to 24/05/2012. On 30/06/2011 he physically verified the stock of empty gunny bags lying in the (PRC). On 30/07/2011 he submitted survey reports in respect of PRC Danin, duly verified, by then as AFC Incharge. He was promoted to the post of DFC Chitral on 16/05/2012, and verified these empty gunny bags lying in PRC Danin on 30/06/2011. On the basis of these reports Food Directorate Khyber Pakhtunkwa constituted an enquiry committee vide No.23685/C-22 (Chitral) dated 10/12/2011 and ,No.59414/C-22 dated 09/05/2012. The committee visited all the PR Centers including PRC Danin and examined / verified the empty gunny bags stocks. The quantity of 75397 empty gunny bags were physically lying in the stock. The competent authority constituted a broad based committee vide No.SOF/2-28/2994 dated 25/05/2019. The committee visited all the PR Centres of the District and submitted his report to the competent authority. No single empty gunny bag has been found short in the godowns. The concerned DFC was incompetent, who has self physically verified the stock of empty gunny bags as AFC Godown and later on as DFC Chitral as mentioned above. Copy of the handing / taking over charge of empty gunny bags at PRC Danin between Fazal Bari AFC and Ghulam Rasool FGI. Nothing is outstanding against the staff. Handing Taking over of PRC Ayun /Bumburate was carried out on 22/05/2010, between Fazal Bari AFC and Abdul Jalil Junior Clerk . where no single wheat & empty gunny bags is found short against Fazal Bari AFC during his tenure. The tenure of Mr. Abdul Jalil Junior Clerk (on deputation) from the office of the settlement officer, Chitral as Incharge PRC Bumburate / Ayun started from 22/05/2010 to 26/06/2014, i.e. 4 years. After completion of handing / taken over charge of PRC Bumburate/ Ayun between Muhammad Zahir Shah FGI and Abdul Jalil Junior Clerk . An amount of Rs.1,13,21,268/- (cost of 7956 empty gunny bags and 305.945 M.ton) wheat found short against Abdul Jalil Junior Clerk. FIR lodged, open enquiry conducted, Mr.Abdul Jalil was arrested, now the case is under trail before the Honorable Special Judge Anti Corruption Estt: camp Court Swat. Next hearing date of the case is 03/07/2020. On 30.08.2019, Mr. Abdul Jalil defaulter Incharge PRC Ayun

& Bumburate submitted an application to the competent authority for withdrawal of the criminal case. The competent authority vide letter No.2963/PF-1257 dated 18.09.2019 entrusted the task to Assistant Director Food, Swat and DFC Chitral vide his No.48/ET-ADF MKD dated 21.01.2020. The defaulter has deposited Rs.5,32,334/- up till now, an amount of Rs.1,07,88,934/- is still outstanding against him.

PAC RECOMMENDATION

41. The explanation of the Department was found plausible duly endorsed by the Audit, hence the Para was recommended to be settled.

DP No.9.4.5 LOSS TO GOVERNMENT DUE TO SALE OF WHEAT AT LESSER RATES – RS.8.560 MILLION

AUDIT VERSION

42. The Audit reported that according to wheat release policy of 2013-14, wheat must be issued at ex-godown rates fixed by Food Directorate.

43. During the financial year 2013-14, in the office of DFC Chitral, it was noticed that wheat was sold at lesser rates, which resulted into loss of Rs.85,60,000/- million.

43. Loss occurred due to weak internal controls and financial indiscipline.

44. When pointed out in September 2014, no satisfactory reply was furnished.

45. In the DAC meeting held in Feb 2016, the department replied that an inquiry team has been constituted to find out the factual position and fix responsibility. The inquiry report is still awaited. DAC directed to expedite the inquiry and intimate final position to audit along with recovery. No progress was intimated till finalization of the report.

46. Audit recommends to expedite inquiry and fix responsibility besides recovery from the concerned.

DEPARTMENTAL VERSION

47. The Department explained that this Draft Para is the repetition of Draft Para No.9.4.5 for the year 2014-15 which has been already discussed in Public Accounts Committee (PAC) meeting held on 05.11.2019.

48. In compliance of PAC, a Summary was approved from Chief Minister Khyber Pakhtunkhwa and case of write off has been moved to Finance Department Khyber Pakhtunkhwa vide this Department letter No.SOF/6-2/2020/Vol-XVII/6494 dated 21.02.2020. The Department further explained that inquiry has be conducted in compliance of PAC decision.

PAC OBSERVATION

49. The Committee observed that the same issue was raised in Draft Para No. 9.4.5 for the year 2014-15 which had already been examined by the Public Account Committee in its meeting held on 05-11-2019 and was recommended to be settled and its report adopted by the House on 07-01-2020.

PAC RECOMMENDATION

50. In view of the above observation, the Para was recommended to be settled. The Committee directed the Audit to avoid such duplication in future.

DP No.9.4.6 LOSS DUE TO NON-DEPOSIT OF COST OF WHEAT RS.5.08 MILLION

AUDIT VERSION

51. The Audit reported that according to para 26 of GFR Vol-1, it is the duty of the Departmental Controlling Officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

52. During the financial year 2013-14, the record of DFC Chitral revealed that Mr.Fatahud Din, an official of PR Centre Yarkhoon sold 2,886 bags (295.27 tons) of wheat for Rs.86,49,312/- against which Rs.22,80,003/- was deposited while Rs.63,69,309/- not deposited and remained outstanding against the said official. Thus, the government sustained a loss of Rs.63,69,309/-.

53. The lapse occurred due to weak internal controls, resulting into loss of Rs.63,69,309/-.

54. Loss was pointed out in September 2014, wherein the management replied that recovery is under process.

55. The matter was discussed in the DAC meeting held in Feb 2016. The department replied that Rs.12,81,805/- has been recovered and for the remaining

recoverable amount of Rs.50,87,504/- the case has been registered with Anti Corruption Department, which is still under investigation. DAC directed that recovery be effected and action against the defaulter be taken. No progress was intimated till finalization of the report.

56. Audit recommends to recover the amount, besides fixing responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

57. The Department explained that out of total recoverable amount of Rs.86,49,312 /-an amount of Rs.37,91,857/- has already been recovered and deposited into Government Treasury. Moreover, the case against Mr. Fateh Ud Din Ex-Incharge PRC Yarkhoon is under trail in Anti Corruption camp court Swat and next hearing date was 03.08.2020. As and when decided will be shared with all concerned.

PAC RECOMMENDATION

58. The Para was kept pending till the decision of the Court. The Committee directed the Department to pursue vigorously the case in the Court of law through a responsible Officer.

59. The Audit was directed to verify record of the recovered amount of Rs.37,91,857/- and its deposit into Government Treasury within thirty (30) days.

60. Para stands. Progress be reported to PAC.

DP No.9.4.7 NON-AVAILABILITY OF WHEAT SALES ACCOUNT OF 100 SALE POINTS – RS.278.632 MILLION

AUDIT VERSION

61. The Audit reported that according to Section 14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, to which the Auditor General has a statutory right of access, may be withheld from the Audit. Any person or authority hindering the auditorial functions shall be subject to disciplinary action under relevant Efficiency and Discipline Rules applicable to such person.

62. During the financial year 2014-15, in the office of District Food Controller Chitral, it was noticed that there were 32 main PRCs and more than 100 sale points wherein 70% wheat was sold. The opening of all these sale points were not authorized by the competent authority, thus they were running unauthorizedly.

63. The auditable record of PRCs was produced for audit but despite repeated requests the sales account and auditable record of the sale points was not provided. The approximate ratio of the sale of wheat in the PRCs vs Sale Points remained about 30:70 therefore, the auditable record in support of sales of Rs.27,86,32,000/- (Rs.398,045,000 X 70%) was not produced. In the FG-3 registers of the PRCs the entire quantity of wheat was shown issued but neither the particulars of sale points nor the name of the owner of the PRC was mentioned.

64. Audit holds that proper record of the sale of wheat at sale points was not maintained and was not produced.

65. Non-availability of record occurred due to non-adherence to rules and weak internal controls.

66. When pointed out in March 2016, the management stated that reply would be given later on.

67. The matter was discussed in the DAC meeting held in August 2016. The department replied that all these sale points are running on self-help basis and elders of the area nominate private persons to run the sale point. The incharge of sale point issue wheat to the general public and concerned incharge PRC collect the sale proceeds of wheat. There exist no separate account in the sale point and the account is maintained at the PRC level. DAC disagreed with the reply. Chairman DAC informed that inquiry has been started. It was decided that outcome of the inquiry be shown to audit and PAC. However, no progress was intimated till finalization of the report.

68. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

69. The Department explained that the Provincial Government has reduced the sale points in Chitral District from 100 to 25 in pursuance of Provincial Food Committee "decision taken in its meeting held on 28.09.2016. Keeping in view the problems faced by Food Department in Chitral i.e. maintenance of accounts, dealing of government money by a private person without any security bonds, lake of field staff, as 8 to 10 Food Grain Inspectors (FGI) and Food Grain Supervisors (FGS) were running these 32 PR Centres and 100 Sale points up to 2017.

70. The relevant account of the sale points is being maintained in the PR Centre by the Incharge and there exists no separate account in the sale point. The auditable record i.e. FG-3, FG-13 Register, treasury challans and issue register, reconciliation statements etc: have properly been maintained as per rule and will be produced by the centre Incharge to the audit Party in future.

71. To streamline, the system, honorable Secretary Food Department Khyber Pakhtunkhwa visited Chitral, and then increased the staff strength, to 30 FGS, 05 FGI, 06 Assistant Food Controllers (AFCs) & 98 Class-IV staff in Lower & Upper Chitral.

PAC RECOMMENDATION

72. In view of plausible explanation advanced by the Department the Para was recommended to be settled.

DP No.9.4.8 ILLEGAL OPERATION OF BANK ACCOUNTS AND DEPOSIT Rs.398.04 MILLION AND NON-ACCOUNTAL OF PROFIT OF PRIVATE COMMERCIAL BANK ACCOUNTS - Rs.31.84 MILLION

AUDIT VERSION

73. The Audit reported that according to Para 5 & 26 of the GFR vol-1, all moneys received as dues of Government or for deposit in the custody of Government should be credited into the Public Account in accordance with the Treasury Rules. It is the duty of the Controlling Officer to see that all sums due to Government are regularly and promptly assessed realized and duly credited in Public Account. He is further responsible to reconcile the figures with treasury to see that the amount reported as collected has been duly credited in the Public Account.

74. During the financial year 2014-15, in the office of District Food Controller Chitral, it was noticed that 32 main PRCs and more than 100 sale points are operating and controlled by the Food Grain Inspectors. The Food Grain Inspectors operate commercial bank accounts for the day-to-day deposits of the amount of sale of wheat and at the end of month, they either deposit or transfer the amount from banks to the Government Account. The record showed that during the year an aggregate amount of Rs.39,80,45,000/- was realized as sale of wheat and was retained in these accounts and later on transferred to Government accounts.

75. The accounts record of Food Grain Godown Garam Chashma was examined and it was found that DFC and the FG Inspector has jointly opened an account in HBL for day-to-day deposit of the receipts of sale of wheat. During the year an amount of Rs.2,50,10,000/- was deposited in the said account while Rs. 2,92,52,000/- was drawn by presenting cheques. It may be added that during the period under report the total sale of the PRC was 736,329 kg wheat valuing Rs. 2,50,10,000/- and the same have been deposited by the concerned in the Government Treasury vide different Challans on different dates. This shows that the drawn amount did not tally with the amount deposited from the account and there occurred difference of Rs.42,42,000/- (Rs.29,252,000 - Rs.25,010,000).

76. It may be added that the private commercial banks usually allow profit rate of 8 % per annum on the deposits but in the instant case neither profit of Rs.3,18,44,000/- ($398,045,100 \times 8\%$ per annum = Rs. 31,843,608) was given and brought to accounts nor any thing in this regard available on record. The relevant record of different banks was demanded from the FGIs as well as local staff but was not provided.

77. Audit holds that the operation of commercial bank accounts without the approval of Finance Department was illegal and deposit of Government receipts therein was unauthorized.

78. Illegal operation and unauthorized deposit of Government revenue of wheat in private commercial bank accounts occurred due to non-adherence to rules, financial indiscipline and weak internal controls.

79. When pointed out in March 2016, the management stated that reply would be given after consulting the record.

80. In the DAC meeting held in August 2016, it was replied by the department that DFC Chitral had directed all Assistant Food Controllers to inspect all those private accounts where the sale proceeds of wheat are deposited by the Incharge PR Centre and close it forthwith. Managers of Commercial banks have also been requested to freeze all private accounts opened by the Incharge PR Centers and inform DFC Chitral about the amount lying in these accounts alongwith interest accrued thereon. DAC directed that position may be explained before PAC.

81. Audit recommends to investigate the matter for fixing responsibility against the person(s) at fault regarding unauthorized opening and operation of commercial bank accounts, freeze the unauthorized commercial bank accounts, credit the balance amount lying in these accounts to Government revenue and further transactions be stopped forthwith.

DEPARTMENTAL VERSION

82. The Department explained that in result of our correspondence vide letter No.2007-13/A.P No.141 (2014-15) dated 22/06/2016 with all Bank Managers located in Chitral District, the practice has been closed. The sale proceeds of wheat are being deposited by all Incharge, into government treasury, through treasury challan on daily, weekly & monthly basis. However the Incharge PR Centres located far away from National Bank branch Chitral, depositing the sale proceed into account No.1545-6 (i.e. DFC official account) and then credited into government treasury through treasury challans at the end of each month. In this context, this office directed all concerned Assistant Food Controllers to inspect all those private accounts where the sale proceed of wheat were deposited by the Incharge PR centre. Joint report from the AFCs concerned cleared the matter that no private account is functioning in any commercial bank, by the staff of Food Department, Chitral.

83. The Department further explained that the joint account as observed by Audit in HBL Garam Chashma, was a current account A/C and not PLS account. The centre Incharge has deposited the amount in this account in the best interest of the

government, otherwise how he had hold the sale proceed cash in his self custody. Garam Chashma is 80 KM away from the main branch of NBP Chitral city. Till date the sale proceed of wheat is being deposited into government treasury as per laid down procedure on weekly basis as explained in the above para. During the year 2014-15 i.e. from 01/07/2014 to 30/06/2015, a quantity of 736.329 ton wheat issued to the general public and cost that to the tune of Rs.2,47,80,231/- deposited into government treasury. There is no variation as per physical verification report for the year 2018-19.

PAC RECOMMENDATION

84. The Para was recommended to be settled subject to verification of record in support of Departmental reply by the Audit within thirty (30) days.

MINES & MINERALS DEPARTMENT

OVERVIEW

Fifteen (15) Draft Paras, reflected in the Auditor General's Report for the year 2016-17 against the Department, were examined by the Public Accounts

Committee in its meeting held on 31st of March 2021 and 27th of September, 2021. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|---------------------------------|----------|
| 1. | Mr. Muhammad Idrees Khan, MPA | Chairman |
| 2. | Mr. Inayat Ullah, MPA | Member |
| 3. | Mr. Babar Saleem Swati, MPA | Member |
| 4. | Arbab Muhammad Waseem Khan, MPA | Member |
| 5. | Mr. Salah Uddin, MPA | Member |
| 6. | Dr. Asiya Asad, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Sumar Gul,
Additional Secretary

FINANCE DEPARTMENT

1. Mr. Safeer Ahmad,
Additional Secretary.
2. Mr. Maqsood,
Budget Officer.
3. Mrs. Naghmana,
AFS, (Regular).

AUDIT DEPARTMENT

1. Mr. Sajid Khan,
Director General, Audit.
2. Mr. Farrukh Sohail Malik,
Deputy Auditor General North.
3. Mr. Zain-ul-Abidin,
Deputy Director.
4. Mr. Khalid Zaman,
Audit Officer.
5. Mr. Shams-ul-Haq,
Audit Officer, North.
6. Mehmood-ul-Hassan Saeed.
Assistant Audit Officer.

MINES & MINERAL DEPARTMENT

1. Mr. Nazar Shah,
Secretary.

2. Mr. Mustafa Kamal Shah
Additional Director General.
3. Mr. Javed Iqbal,
Deputy Secretary.
4. Mr. Ishfaq Ahmad Saleem,
Deputy Director.
5. Mr. Majid Ali Khan,
Deputy Director.
6. Mr. Naveed Tastagir,
Assistant Director Account.
7. Mr. Fazal-e-Amin,
Assistant Director, (ACCH).

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Amjad Ali,
Additional Secretary.
2. Mr. Khalid Shaheen Khan,
Deputy Secretary.
3. Mr. Ibrahim Khan,
Assistant Secretary.

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

- DPNo.15.4.1 LOSS DUE TO NON-RECOVERY OF ROYALTY - Rs. 3299 MILLION.**
- DPNo.15.4.2 LOSS DUE TO NON-RECOVERY OF GOVERNMENT DUES - RS.489.695 MILLION**
- DPNo.15.4.3 LOSS DUE TO NON-FINALIZATION OF LEASE CONTRACT - RS.38 MILLION.**
- DPNo.15.4.4 LOSS DUE TO NON-RECOVERY OF OUTSTANDING DUES FROM LUCKY CEMENT FACTORY – Rs.35.734 MILLION.**
- DPNo.15.4.5 LOSS DUE TO NON-RECOVERY OF ROYALTY ON ENHANCED RATES - Rs. 3.435 MILLION.**
- DPNo.15.4.6 LOSS DUE TO NON-IMPOSITION OF PENALTY FOR DELAY IN**
- DPNo.15.4.7 NON-RECOVERY OF ROYALTY FROM CONTRACTORS - Rs. 343.200 MILLION.**
- DPNo.15.4.8 NON-RECOVERY OF SECURITY, WITHHOLDING & PROFESSIONAL TAX FROM CONTRACTORS ON ENHANCED RATES-Rs.45.123 MILLION.**

3. The Committee examined the above mentioned Draft Paras and after detailed discussion on the issues involved observed the following:-

- i. The Department was neither fully prepared nor could it respond to the queries raised by the Committee during the meeting, therefore, the Committee was not facilitated in discharging of its function.
- ii. Different issues were clubbed together to form one Draft Para, hence the Department failed to convince the Committee during the meeting.
- iii. Working papers submitted by the Department were neither on proper format nor were comments of the Finance Department and Audit obtained on it.
- iv. The supporting documents were not found attached with the working papers and were also not produced by the Department during the meeting.
- v. In most of Draft Paras, the reply of the Department was not according to Audit version.
- vi. DAC meeting was held and headed by the Head of the Department but the DAC decisions were not implemented by the Department.
- vii. There was a communication gap between the District Office and Administrative Secretariat resultantly incomplete working papers were produced by the Department.
- viii. Most of the auditable record was not provided to the Audit at the time of conducting of Audit.
- ix. In the whole of the process, the Department acted as silent spectator as it miserably failed to perform its oversight and monitoring function.
- x. In the absence of the Head of the Department, the issues involved in the Draft Paras could not be resolved as Junior Officer were deputed by the Department.

xi. The auction money involved in the Draft Paras was not deposited in the Government treasury in time, which clearly shows inefficiency on the part of the departmental Officers/Officials.

4. During the meeting the Audit pointed out that similar issues are involved in the rest of Draft Paras No.15.4.9 to 15.4.15 (2016-17) which are scheduled to be examined by the PAC in its meeting to be held on 1st April, 2021 and requested to postpone the same.

PAC RECOMMENDATION

5. In view of the above observations, all the Draft Paras No 15.4.1 to 15.4.15 for the year 2016-17 were kept pending for next meeting of PAC and the Committee directed the PAC Cell, Audit and Department to sit together in the Provincial Assembly of Khyber Pakhtunkhwa and conduct pre-PAC meeting before the next meeting of Sub-Committee of PAC.

6. The Department was further directed to properly go through all the relevant records/documents and submit correct departmental reply in the issues involved in the Draft Paras No. 15.4.1 to 15.4.15 for the year 2016-17 on proper format for Pre-PAC meeting according to the observations made by the Audit to facilitate the job of PAC being highest forum dealing with the financial oversight of the Government.

7. On the request of the Audit, the Chairperson postponed the meeting schedule for 1st April, 2021.

8. **The subject Draft Paras were taken up for examination in the meeting of Public Accounts Committee held on 27-09-2021, as per following details:-**

DPNo.15.4.1 LOSS DUE TO NON-RECOVERY OF ROYALTY - Rs. 3299 MILLION.

AUDIT VERSION

9. The Audit reported that according to rule 153 of the Mining Concession Rules 2005, a licensee or a lessee shall send monthly returns of production and dispatch of mineral to the Licensing Authority in the prescribed form on or before the 15th day of each succeeding month. In case there is no production of mineral in any month, a 'Nil' report shall be submitted with reasons thereof. According to rule 159 of the Mining Concession Rules, if a lessee has under-reported mineral production, the licensing authority shall charge royalty upto ten times the notified rate on the quantity of mineral

under-reported by the licensee/lessee, forfeit the security deposit and cancel the license or lease on the merit of the case.

10. During the financial year 2014-15, in the office of Assistant Director Mines & Mineral Development Department Mardan, it was noticed that the licensing Authority granted mining lease of the plots for mining/extraction of different minerals to various contractors. The work orders to the contractors were issued and the contractors started operation. The record revealed that in 18 cases as per list provided by the department the contractors did not report for any production from the date of grant of lease till the date of audit. This state of affairs put the public exchequer into loss of millions of rupee on account of non-charging of royalty, excise duty and dead rent etc.

11. It was calculated that in case of Nil production, if the average minimum production one ton is taken into consideration with the royalty rate of Rs. 90 per ton, with Rs.900/- as ten times penalty per ton, then an approximate loss amounting to Rs. 3,29,90,00,000/- sustained by the Government. Thus, penalty of Rs. 3,29,90,00,000/- should have been imposed on the defaulters.

12. Loss occurred due to financial indiscipline, weak internal controls and non-observance of rules.

13. When pointed out in March 2016, it was stated that detailed reply would be submitted after consulting the record in accordance with Mining Concession Rules 2005.

14. Reply of the department is not tenable.

15. In the DAC meeting held in December 2016, the department stated that Rule 153 may be read with Rule 139 and not with Rule 159. The lessees are served with notices to deposit dead rent which is Rs.6000 minimum per annum or Rs.6 per acre per annum in accordance with MCR-2005. However, DAC disagreed and directed to conduct inquiry to verify the status and record be produced for verification. However, neither inquiry was conducted nor record produced for verification till finalization of the report. Audit recommends the implementation of DAC decision.

DEPARTMENTAL VERSION

16. The Department stated that eighteen lease holders of Mardan Division have submitted their monthly production returns under provision of Rule-153 of the then Mining Concession Rules-2005. The lease holders reported nil production against which they have paid dead rent under provision of Rule-139 of the Mining Concession Rules-2005 and now provision of Section-20(B) in the Khyber Pakhtunkhwa Mines and Mineral Act-2017, wherein the mineral title will be cancelled on account of keeping area idle for period of one-year, list showing the detail of production reported by lease holders alongwith payment.

17. The Audit Team has referred provision of then Rule-159 of the Mining Concession Rules-2005, which pertain to under reporting, while the amount assessed by the Audit team under the said Rule is not based on facts and record, as verified by the inquiry Committee.

18. Furthermore, the DAC in its meeting held on December, 2016 directed the Department to conduct inquiry to verify the status of record to be produced before the Committee for verification. Accordingly, the inquiry was conducted by team comprising of Deputy Director Mineral, Assistant Director Accounts and Budget & Accounts Officer.

PAC OBSERVATION

19. The Committee observed the following:-

1. Financial Management system and Internal Controls are weak almost missing.
2. Production returns were required to be produced to the licensing Authority on prescribed form on or before the 15th day of each successive month which were not submitted even after the lapse of years. Hence, Rule-153 of the Mining Concession Rules (MCR) 2005 was violated.
3. Neither nil production reports were submitted to the management as per Rule 139 of the Mining Concession Rules (MCR) 2005 nor the contract was cancelled for keeping the area idle for period of one year.

4. That the representative of the DG Audit office has referred the provision of the then Rule-159 of the Mining Concession Rules 2005, while the same is not relevant with the Draft Para in question.

PAC RECOMMENDATION

20. In view of the reply advanced by the Department, the Committee taking a lenient view recommended the Para to be settled, subject to verification of all the record in question pertaining to 18 number lease holders by VOR Committee.

21. Para stands till verification of record within thirty (30) days.

DPNo.15.4.2 LOSS DUE TO NON-RECOVERY OF GOVERNMENT DUES - RS.489.695 MILLION.

AUDIT VERSION

22. The Audit reported that according to Para-8 of the GFR Volume-I, it is the duty of the Administrative Department to see that the Government dues are correctly and promptly assessed, collected and paid into Govt. treasury, read with Para-23 of GFR provided that every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinate staff.

23. During the financial year 2013-14, in the office of Director General Mines & Mineral Development Department, Khyber Pakhtunkhwa Peshawar, it was noticed that, a sum of Rs. 48,96,95,088/- was outstanding against different lease holders on account of annual rent and mineral royalty.

24. No timely efforts were made at the District, Regional and Headquarter level for the early recovery of long outstanding dues, which resulted into loss to the public exchequer. Further, record pertaining to the subject Draft Para was not produced for necessary audit check.

25. The loss occurred due to financial indiscipline and weak internal controls.

26. When pointed out in April 2015, the management stated that detailed reply would be furnished after consulting the record.

27. In the DAC meeting held in December, 2016, Department replied that, as per Provincial Government Policy 2009, annual rent was also levied on concessionaries, which the Frontier Mines Owner Association and others challenged in the Peshawar High Court Bench Abbottabad. The Honorable Court granted relief with the direction that no adverse action against the writ petitioner be taken, so the case is Subjudice. Annual rent will be recovered from the concessionaires when the case decided in favour of government. The DAC directed that record regarding outstanding Government dues be produced for verification within one week. However, no record was produced to Audit for verification till finalization of the report.

28. Audit recommends that the outstanding amount of royalty be recovered and deposited in the public treasury. The annual rent cases be vigorously pursued for recovery, in case the honorable court decides in favour of the Government. Moreover record at Serial No. 9 to 12 be produced for verification.

DEPARTMENTAL VERSION

29. The Department explained that an amount of Rs. 53.553 million has been recovered while outstanding amount of Rs. 436.141 million need correction/rectification with the DG Audit Office as per available record with the Department.

PAC OBSERVATION

30. The Committee observed the following:-
1. That there was a huge difference of figures reported by the Audit and the Department, which needs to be clarified.
 2. That no effort was made for verification/calculation of correct recoverable amount since reporting of the Audit objection till date, which clearly shows inefficiency on the part of the departmental officers/officials.

PAC RECOMMENDATION

31. The Committee directed the Department to verify the challans of recovered amount of Rs. 53.553 million by the VOR Committee. The Audit and Department were directed to sit-together to point out exact figures of the recoverable amount from the lease holders/contractors and it may be recovered from them as per Law/Rules in vogue.

32. Para stands till complete recovery and its verification by the Audit within sixty (60) days.

**DPNo.15.4.3 LOSS DUE TO NON-FINALIZATION OF LEASE CONTRACT-
RS.38 MILLION.**

AUDIT VERSION

33. The Audit reported that according to Para 23 of GFR Vol-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinates.

34. During the financial year 2014-15, in the office of Assistant Director Mines & Mineral Development Mardan, it was noticed that local office forwarded 19 applications of different individuals to Director General during the period from 09.04.2007 to date, for allowing mining leases over an area of 28,80,352 acres, which the Head Quarter did not finalize and kept pending till the date of audit due to unknown reasons. There exists no documentary evidence that these areas were in the control of local office and there are likely chances that the applicants might have started the mining work. Furthermore, they were legally not bound to pay anything to government because of non finalization and allotment, thus, public exchequer was put to sustain loss of Rs.3,80,00,000/- approximately, presuming that the parties were doing business with least annual production of 2000 ton (19 applicants x 2000 ton = 38000 ton x 2 years = 76000 ton x @ Rs. 500 per ton = Rs.3,80,00,000/-).

35. Audit holds that due to non-finalization of award the government sustained a loss of Rs. 3,80,00,000/-.

36. Loss occurred due to negligence of the departmental authorities, violation of rules, weak internal controls and financial indiscipline.

37. When pointed out in March 2016, it was stated that detailed reply would be submitted after consulting the record in accordance with Mining Concession Rules 2005.

38. In the DAC meeting held in November 2016, the Department replied that Para was based on assumption, the starting of mining operation without the issuance of

allotment letter and work order was illegal and whenever observed is dealt with under rule 173. The present Govt has imposed ban, therefore, all the applications for grant were lying with the Department till lifting of ban. DAC disagreed and directed that inquiry be conducted to ascertain the reasons of delay. However, no progress was intimated till finalization of the report. Audit recommends that DAC decision be implemented and intimate the result to PAC and Audit.

DEPARTMENTAL VERSION

39. The Department explained that applications were received from the contractor/lease holders for grant of Prospecting License, which had been decided by the licensing Authority in accordance with Rules/Regulations. The reason of delay was geological inspection, which were required for grant of prospecting license under provision of Policy 2009. There were only three Geologists for the whole of provision as well as the Department were facing shortage of staff, lack of logistics and enhancement of the new provincial legislation.

40. Furthermore, as per direction of DAC held on November, 2016 an inquiry was conducted and as per observation of the inquiry officer, the delay occurred due to imposition of ban by Provincial Government and new procedure/policy introduced by Government for grant of Mineral.

PAC RECOMMENDATION

41. The explanation of the Department was found plausible, hence the Para was recommended to be settled, subject to verification of Notifications regarding imposition of ban on lease and proof of rejection of (19) applications of different individuals by the VOR Committee within thirty (30) days.

DPNo.15.4.4 LOSS DUE TO NON-RECOVERY OF OUTSTANDING DUES FROM LUCKY CEMENT FACTORY – Rs.35.734 MILLION.

AUDIT VERSION

42. The Audit reported that according to Para 26 of GFR Vol-I, it is the duty of the departmental controlling officer to see that all sums due to Government were regularly and promptly assessed, realized and duly credited in the Public Account.

43. During the financial years 2013-14 and 2014-15, in the office of Director General Mines & Mineral Khyber Pakhtunkhwa, it was noticed that mining lease of different areas was granted to Lucky Cement Factory, with monthly rent and payment of royalty at the prescribed rates. It was however observed from the relevant file, that an amount of Rs. 1,42,64,734/- was outstanding on 30th June 2014 on account of royalty and other dues. Details are as under: -

S/No.	File No	Specie	Amount (Rs.)
1.	MDW/LM/ML(47)1993	Lime stone	81,18,460
2.	MDW/LM/ML(1)1993	Shale clay	40,59,849
3.	MDW/LM/ML(4)2000	Shale clay	19,71,312
4.	MDW/LM/ML(51)2010	Laterite	95,113
5.	MDW/LM/ML(109)2013	Salica sand	20,000
Total			1,42,64,734

44. Further, it was noticed that, a sum of Rs.1,11,98,750/- was outstanding against the defaulters on account of lease rent, and remaining auction money. No measures were taken to safeguard the public interest and thus the exchequer was put to sustain a loss of Rs.1,11,98,750/-.

45. It was further noticed that an amount of Rs.66,40,050/- was outstanding against various lease/license holders, on account of annual rent, but not recovered despite a lapse of considerable time. Thus Government sustained a loss of Rs. 66,40,050/-.

46. The scrutiny of record further revealed that Rs.36,30,750/- was outstanding to be recovered on account of remaining auction money against various allottees of the license holders. Despite lapse of considerable time, neither the amount was recovered nor their leases cancelled. Non-recovery of Rs. 36,30,750/- as outstanding of auction money was loss to the public exchequer.

47. Audit holds that the outstanding amount of royalty was required to be recovered by enforcing the provisions of MCR 2005, which was not done. Thus, public exchequer sustained a loss of Rs. 3,57,34,284/-

48. Non-recovery of outstanding amount occurred due to non-adherence to rules and weak internal controls.

49. When pointed out in June 2016 and April 2015, the management stated that detailed reply would be furnished after consulting the record.

50. In the DAC meeting held in December 2016, the department replied that in some cases, the recovery was pending due to court cases not yet decided by the Hon'ble courts. Some cases are lying before the Mines Committee/Mineral Title Committee for cancellation. Once these mining leases are cancelled, the amount deposited by the defaulters shall be forfeited. Notices for recovery have been issued to those where cases have been decided in favour of Government. DAC directed that recovery should be effected and record be verified. Cases in the court be pursued vigorously. However, no progress was intimated till finalization of the report. Audit recommends to implement DAC decision in letter and spirit.

DEPARTMENTAL VERSION

51. The Department explained that an amount of Rs. 13.899 million has been recovered, while amount of Rs.21.835 million need correction/rectification with Audit Team. Detail is given below:-

1. In reply to Para AP 527, an amount of Rs. 9.009 million has been recovered while an amount of Rs. 6.255 million need correction/rectification with audit team.
2. In reply to Para AP 548, the sum of amount is Rs. 11.37 million while Audit team has shown Rs. 11.19 million shows a difference of Rs. 0.178 million furthermore, amount of Rs. 2.73 million has been recovered while amount of Rs. 8.64 million need correction/rectification with audit team.
3. In reply to Para AP 556, amount of Rs. 1.96 million has been recovered while amount of Rs. 4.67 million need correction/rectification with audit team.
4. In reply to Para AP 555, amount of Rs. 0.2 million while amount of Rs. 3.43 million need correction/rectification with audit team.

PAC OBSERVATION

52. The Committee observed the following:-

1. That there was a difference of the figures reported by the Audit and the Department, which needs to be clarified.
2. That no effort was made for verification/calculation of correct recoverable amount since reporting of the Audit objection till date, which clearly shows inefficiency on the part of the departmental officers/officials.

PAC RECOMMENDATION

53. The Committee directed the Department to verify the challans of recovered amount of Rs. 13.899 million by the VOR Committee. The Audit and Department were directed to sit-together to point out exact figures of the recoverable amount from the lease holders/contractors and it may be recovered from them as per Law/Rules in vogue.

54. Para stands till complete recovery and its verification by the Audit within sixty (60) days.

DP No.15.4.5 LOSS DUE TO NON-RECOVERY OF ROYALTY ON ENHANCED RATES - Rs. 3.435 MILLION.

AUDIT VERSION

55. The Audit reported that according to the directives of Director General Mines and Minerals Khyber Pakhtunkhwa, vide letter No. 162 dated 05.01.2016, the local officer had to recover royalty for the period from 01.07.2014 to 19.07.2014 on the revised enhanced royalty rates from the license/lease holders on actual production basis by making assessment of each area in the jurisdiction of local office.

56. During the financial year 2014-15, in the office of Assistant Director Mines & Mineral Development Mardan, it was observed from the review of record that there were 133 license/ lease holders, who were in operation of production of different minerals; however, only 52 lease holders reported their monthly production of 38,168 ton of minerals, whereas 81 license/ lease holders have not reported the production for the month of July 2014. Furthermore, production have neither been assessed by the local office nor recovery was made on the enhanced rates as ordered by the Director General Mines. This resulted into loss of Rs. 34,35,120/- to the public exchequer.

57. Audit holds that the amount was required to have been worked out on the basis of actual production by the license / lease holder, which was not done.

58. Loss occurred due to non-adherence to the orders of high ups, provisions of rules and weak internal controls.

59. When pointed out in March 2016, it was replied that detailed reply would be submitted after consulting the record in accordance with Mining Concession Rules 2005. Reply of the department is not tenable.

60. In the DAC meeting held in December 2016, the Department replied that notices have been served to the lessees and the outstanding amount would be recovered soon. DAC directed for recovery to be finalized within one month and that progress be intimated to Audit, however the recovery status has not been intimated to Audit till finalization of the report. Audit recommends that the outstanding amount be recovered and fix responsibility. Further, the amount of 81 license/ lease holders may also be worked out for recovery on the same lines.

DEPARTMENTAL VERSION

61. The Department explained that all the amount of Rs. 3.435 million as involved in the Draft Para has been recovered and deposited into the Government Treasury.

PAC RECOMMENDATION

62. As all the amount had been recovered and deposited in Government Treasury duly verified by the Audit, hence, the Para was recommended to be **settled**.

DPNo.15.4.6 LOSS DUE TO NON-IMPOSITION OF PENALTY FOR DELAY IN PAYMENT– Rs.1.52 MILLION.

AUDIT VERSION

63. The Audit reported that according to clause-4(a) of the Standard Contract Agreement (Mines & Mineral Act 2005) executed each year with the contractor for collection of royalty, in case the contractor failed to deposit the due monthly installment up to 7th day of a month, a penalty @ Rs.1,000/- per day will be imposed for the defaulted period starting from 8th day of the same month. If there is persistent, default on the part of contractor to pay the due installment for two months the contract will be cancelled with forfeiture of the security. The outstanding dues will be recovered as arrears of land revenue if not paid in normal course.

64. During the financial year 2014-15, in the office of Director General Mines & Mineral Khyber Pakhtunkhwa, it was noticed that contract for the collection of royalty

of all Seven Divisions, for the period from 1st July 2014 to 30th June 2015, was awarded to different contractors and a letter was issued to all successful bidders, for signing Contract Agreement and was further directed to deposit the dues according to the prescribed schedule. The record showed that the contractors did not deposit the amount according to the prescribed schedule and delayed on their part. Therefore, they were liable for imposition of penalty @ Rs.1,000/- per day. However, neither penalty amounting to Rs.15,21,000/- was imposed nor any action taken against the contractors.

65. Loss occurred due to non-adherence to rules and weak internal controls. Loss was pointed out in June 2016, the management furnished no reply.

66. In the DAC meeting held in December 2016, the Department replied that the Royalty rate was enhanced, which the contractors challenged in Peshawar High Court, while court decided the case in favour of the Government. Recovery case is under process. DAC decided to recover the amount. However, no progress was intimated till finalization of the report. Audit recommends that the amount be recovered.

DEPARTMENTAL VERSION

67. The Department explained that during Financial Year 2014-15, the royalty collection rights of five Divisions i.e. Peshawar, Mardan, Malakand, Hazara and D.I.Khan/Bannu were awarded to royalty Contractors. The Contractors have deposited their principle amount of contract but failed to deposit proportionate enhanced amount as well as withholding tax and professional tax. The outstanding enhanced amount against the contractors were subjudice before Peshawar High Court Peshawar under WP No.614-P/2015, decided vide judgment dated 01-06-2016, then after the judgment of Peshawar High Court was challenged before Supreme Court of Pakistan under C.P No.2238 to 2240 and 2574, 2592 and 2595 of 2016, decided vide judgment dated 02-02-2017. Then the Act 2016 was challenged before Peshawar High Court Peshawar under W.P no. 1769-P/2017, decided vide judgment dated 17-08-2017. Again the Act-2017 was challenged before Peshawar High Court Peshawar under W.P No. 405-P/2018, decided vide judgment dated 30-04-2019 and now subjudice before Peshawar High Court Peshawar under WP No. COC No. 431-P of 2019 in WP No. 4399-P of 2018, WP No. 3298-P of 2019 and WP No. 3363-P of 2019 filed by Muzafar Hussain, Aman Ullah Khan, Zabita Khan while the recovery against Mr. Ahmad Jan is subjudice before Civil court

D.I.Khan. The recovery against Mr. Habib Ullah Khan has been processed for Notification as defaulter.

68. The recovery of enhanced amount is subjudice before Hon'ble court and the fine will be re-calculated according to Act/Rules.

69. The Secretary of the Department told the Committee that the lease holders/ contractors are agreed to deposit major portion of the enhanced amount in the Government Treasury if proper negotiated with them.

PAC OBSERVATION

70. The Committee observed that the Para in question is subjudice in the Court of Law and will take more time for decision and the issue in the Draft Para is required to be resolved through proper negotiation with the lease holders in the best of public interest.

PAC RECOMMENDATION

71. In view of the above, the Secretary of the Department was directed to get opinion from the Law Department to resolve the issue of recoverable amount as involved in the Draft Para with the lease holders/contractors. The amount may be recovered and deposited into the Government Treasury.

72. Para stands till complete recovery and its verification by the Audit. Progress be reported to PAC within sixty (60) days.

DPNo.15.4.7 NON-RECOVERY OF ROYALTY FROM CONTRACTORS - Rs.343.200 MILLION.

AUDIT VERSION

73. The Audit reported that according to the Condition No. 06 of the NIT published in news paper for the auction of royalty contract, if the Federal or Provincial Government has imposed any tax or enhanced the rates of royalty the contractor will be liable to pay the enhanced rates. Provincial Cabinet in its meeting held on 14.06.2014, revised and enhanced the rate of royalty and were circulated to all concerned vide letter dated 19-07-2014.

74. During the financial year 2014-15, in the office of Director General Mines & Mineral, Pakhtunkhwa, it was noticed that contract for the collection of royalty of all

Seven Divisions, for the period from 1st July 2014 to 30th June 2015, was put to auction and was awarded to different contractors. The contractors were informed accordingly to deposit the difference of proportionate amount of royalty of Rs.34,32,00,398/- but the contractors failed to deposit the same it. The detail is as under:-

Name of Division	Name of contractor	Due amount (Rs)
Peshawar Division	Mr. Habibullah Khan	4,54,68,023
Mardan Division	Haji Zabita Khan	6,95,06,514
Abbott Abad Division	Haji Amanullah Khan	10,80,14,108
Malakand Division	Muzaffar Hussain	7,55,69,936
DIKhan Division	Ahmad Jan	4,46,41,817
Total		34,32,00,398

75. Furthermore, an Inspection Committee was deputed to visit the check posts of the contractors for verification of the record of royalty on 3rd & 4th March 2015. It was reported by the committee that the contractors were collecting royalty on the revised notified rate; therefore, royalty should also have been paid according to the enhanced rate.

76. Audit holds that the royalty was required to be recovered from the contractors on the revised enhanced rate, by enforcing the provisions of MCR 2005, which was not done and the public exchequer was put to sustain a loss of Rs.34,32,00,398/-.

77. Non-recovery occurred due to non-adherence to rules and weak internal controls.

78. When pointed out in June 2016, the management furnished no reply.

79. In the DAC meeting held in December 2016, the Department replied that payment notices, at the enhanced rate, were served to the royalty contractors of the five divisions. However, Mr. Matiullah and others challenged the enhanced rate in Peshawar High Court D.I.Khan Bench, who suspended the enhanced notification and the case is subjudice. Similarly, M/S Frontier Mines Owner Association filed writ petition against the enhanced rate in Peshawar High Court Peshawar, the court decided in favour of the Government, but, contractor went to the Supreme Court Islamabad against the decision of Peshawar High Court. The department further stated that the outstanding dues case is

under process of recovery. The DAC directed that recovery to be made and challans and statements be produced to Audit for verification, however no documentary evidence was produced till finalization of the report. Audit recommends that the amount be recovered at the enhanced rate after its announcement.

DEPARTMENT VERSION

80. The Department explained that:-

- The DGMM has made advertisement for award of royalty collection contract for the year 2014-15 against royalty rates vide Notification dated 07-11-2019. The royalty rates were enhanced vide Notification dated 18-07-2014 however, the lessees/licensee were reluctant to pay royalty on enhanced rates and challenged the notification before Peshawar High Court Peshawar and D.I.Khan Bench under writ petition No. 476-D2014 and 614-P/2015. The Secretary Mineral Development Department constituted Committee comprising of Chief Inspector of Mines and Chief Commissioner of Mines. As per report of Committee, the contractors have recovered the royalty on enhanced rates and they were depositing royalty on old rates, report of Committee. After completion of contract period, their securities were fortified against outstanding amount. The Writ petition filed by the Frontier Mines owner Association and others was decided. The said judgment was challenged before Supreme Court of Pakistan, which was decided vide judgment dated 02-02-2017, after the judgment of Hon'ble Supreme Court of Pakistan the Khyber Pakhtunkhwa Mineral section Governance Act-2016 were in field, later on the same was also challenged before Peshawar High Court Peshawar under Writ Petition No.1769-P/2017, decided vide judgment dated 17-08-2017, the contractors were issued notice of recovery of outstanding amounts on 29-09-2017. The Act-2017 was challenged before Peshawar High Court Peshawar under WP No. 405-P/2018, decided vide judgment dated 30-04-2019.
- While as per fine amount it is necessary to mention here that the amount of fine against contractor were calculated at rate 1% per month as defined under Section-66 of the then Khyber Pakhtunkhwa Mines & Mineral Act, 2016 which has been declared as Null and Void by the Hon'ble Peshawar High Court Peshawar vide judgment passed under Writ Petition No. 1769-P/2017 dated 17-08-2017. It is pertinent to mention here that the provision of 1% per month has been given in Rule 140(2) of the Mining Concession Rules, 2005 which were in field during the contract period and now, section-68(2) of the Khyber Pakhtunkhwa Mines & Minerals Act-2017 has the same provision of 1% per month. The fine amount at @ 1% will be charged against the outstanding enhance amount after decision of court case.
- Detail of each contractor is given below:-

1. Mr. Muzaffar Hussain ex-royalty contractor of Malakand Division for the period w.e.f 01-07-2014 to 30-06-2015 is still defaulter in payment of Rs. 4,31,95,222/- as principal enhanced amount of Rs. 1,12,70,533/- as withholding tax, Rs. 30,000/- as professional tax alongwith fine, an amount of Rs. 63,19,100/- as a security has been forfeited. Furthermore, the contractor has filed COC No. 431-P/2019 in WP No.4399-P/2017, which is still subjudice before the Hon'ble Peshawar High Court Peshawar. The fine amount will be recalculated as per Act after the decision of the hon'ble Court request has been forwarded to Law Department for accord sanction for submission of early hearing application before the Honb'ble Court.

2. Mr. Habibullah Khan ex-royalty contractor of Peshawar division is still defaulter of Rs. 6,39,83,310/-s principal enhanced amount Rs. 82,99,331/- as withholding tax, Rs. 55,000/- as professional tax as well as fine amount. An amount of Rs. 19,01,000/- as a security has been forfeited. Furthermore, the contractor has been process for notification as defaulter.

3. Mr. Ahmad Jan ex-royalty contractor of D.I.Khan & Bannu Division is still defaulter in payment of Rs. 2,92,49,800/- as principal enhanced amount Rs. 29,24,980/- as withholding tax Rs.30,000/- as professional tax as well as fine amount. Furthermore, the contractor has challenged the outstanding amount before Civil Court D.I.Khan, which is still subjudice before the concerned court. The fine amount will be recalculated after decision of the hon'ble Court in accordance with the Act. Next date of hearing has been fixed on 11-10-2021.

4. Mr. Amanullah Khan ex-royalty contractor of Hazara Division is still defaulter in payment of Rs. 7,07,72,130/-as principal enhanced amount Rs. 70,77,213/- as withholding tax, Rs. 1,00,000/- as professional tax as well s fine amount. Furthermore, an amount of Rs. 29,86,044/- as a security has been forfeited. The contractor had filled WP no. 3298-P2019 which is subjudice before the Hon'ble Peshawar High Court Peshawar. The fine amount will be recalculated on the decision of the hon'ble Court as per existing Act request has been forwarded to Law Department for accord sanction for submission of early hearing before the Court.

5. Mr.Zabita Khan ex-royalty contractor of Mardan division is still defaulter in payment of Rs. 4,55,41,496/- as principal enhanced amount, Rs. 45,54,150/- as withholding tax, Rs. 30,000/- as professional tax as well as fine amount. The fine amount will be recalculated and recovery would be made after the decision of the Honourable court as the matter is still subjudice under W.P No.3363-P/2019. request has been forwarded to law department for accord sanction for submission of early hearing before the court.

81. In view of the above, the amount in column three of the table is Rs. 224.85 million instead of Rs. 239.71 million. Out of which Rs. 11.20 million has been recovered while Rs. 213.66 million is outstanding. The amount of Rs. 6.31 and Rs. 4.95 million as withholding tax and Rs. 0.030- as professional tax taken against Mr. Muzaffar Hussain is not valid as he belongs to Malakand Division and execution of contract is also made in Malakand Division being tax exempted area. The mark up amount in column eight of the table is not valid as the amount will be recalculated after decision of Court cases. After deduction and correction of figure the outstanding amount comes **Rs.270.922 million**, which needs correction with Audit Team.

PAC RECOMMENDATION

82. As the case was subjudice in the Court of Law, therefore, the Para was kept pending till the decision of the Court with direction to the Department to pursue the case regularly in the Court of Law through a responsible officer(s) and progress be reported to PAC.

DPNo.15.4.8 NON-RECOVERY OF SECURITY, WITHHOLDING & PROFESSIONAL TAX FROM CONTRACTORS ON ENHANCED RATES-Rs.45.123 MILLION.

AUDIT VERSION

83. The Audit reported that according to income tax ordinance, 10% withholding tax is recoverable from the royalty contractors. Provincial Cabinet in its meeting held on 14-06-2014, revised and enhanced the rate of royalty and were circulated to all concerned vide letter dated 19.07.2014. Para 26 of GFR Vol-I, requires that it is the duty of the departmental controlling officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

84. During the financial year 2014-15, in the office of Director General Mines & Mineral, Pakhtunkhwa, it was noticed that contract for the collection of royalty of all Seven Divisions, for the period from 1st July 2014 to 30th June 2015, was put to auction and was awarded to different contractors. The record showed that Provincial Cabinet in its meeting held on 14.06.2014 enhanced the rate of royalty and were notified and circulated to all concerned vide letter dated 19.07.2014. The contractors were informed accordingly to deposit difference of 10 % security, 10 % withholding and professional tax of the amount of proportionate royalty. The contractors failed to deposit Rs. 45,123,790

and the amount remained unrecovered. Details is as under:-

Name of Division	Name of contractor	10 % security	10 % withholding tax	Professional tax
Peshawar Division	Mr. Habibullah Khan	29,79,119	29,79,119	30,000
Mardan Division	Haji ZabitaKhan	45,54,150	45,54,150	30,000
Abbottabad Division	Haji Amanullah Khan	70,77,213	70,77,213	30,000
Malakand Division	Muzaffar Hussain	49,51,433	49,51,433	30,000
D.I.Khan Division	Ahmad Jan	29,24,980	29,24,980	30,000
Total		2,24,86,895	2,24,86,895	1,50,000

85. Non-recovery of outstanding amount from contractors occurred due to non-adherence to rules and weak internal controls. When pointed out in June 2016, the management furnished no reply.

86. In the DAC meeting held in December 2016, the Department replied that the enhanced royalty rates were challenged by royalty contractors in the court, and the enhancement notification was suspended by the court. Now Peshawar High Court decided the case in favour of Government. The proportionate amount of 10% security, 10% withholding tax and professional tax is under process for recovery from different ex-royalty contractors for the year 2014-15. DAC directed that the amount be recovered under intimation to Audit. However, recovery has not been made till finalization of the report. Audit recommends that recovery be expedited under intimation to Audit.

DEPARTMENTAL VERSION

87. The Department explained that actual amount is **22.636 million** as shown in column (03) and (04) of the Para mentioned above. Moreover, the security amount is no more recoverable amount after expiry of Contract period on 30/06/2015. The amount needs correction/rectification.

88. In view of the above, the Department stated that the Para may be dropped and the amount in Colum (3) and (4) in the table mentioned of Para 15.4.8 may be corrected by the Audit.

89. The Department further explained that the case is subjudice in the Court of Law and action shall be taken by the Department after decision of the Hon'ble Court.

PAC RECOMMENDATION

90. As the case was subjudice in the Court of Law, therefore, the Para was kept pending till the decision of the Court with direction to the Department to pursue the case regularly in the Court of Law through a responsible officer(s) and progress be reported to PAC.

DPNo.15.4.9 NON-RECOVERY OF FINE ASSESSED DUE TO ILLEGAL EXCAVATION-RS.44.383 MILLION.

AUDIT VERSION

91. The Department explained that audit reported date according to rule-173 of the Mineral Concession Rules 2005 regarding Unauthorized mining, if any person starts prospecting or mining and mineral outside the area granted to him under a license or a lease or in any area for which he has not obtained a license or a lease, he shall be punishable by a court of competent jurisdiction, with imprisonment for a term not less than three (03) months, which may extend to three years and/or with a minimum fine of Rs.1,00,000/- which may extend to Rs.10,00,000/- or with both. The Licensing Authority shall appoint a technical committee to assess the losses incurred due to obstruction, hindrance, closure of the prospecting exploration or mining operations caused by any person(s) and proceed to recover the assessed losses from such person(s), which in default shall be recovered as arrears of land revenue.

92. During the financial year 2014-15, in the office of Assistant Director Mines & Mineral Development Mardan, it was noticed from the review of relevant mineral files, of the following persons, that they were involved in illegal excavation and unauthorized mining in Districts Mardan and Swabi. Accordingly, the competent authority constituted a committee for the assessment of illegal excavation and unauthorized mining and according to the assessment report submitted by the committee, an amount of Rs.4,43,83,875/- was recoverable from the said person(s). The record showed that the report of assessment committee was submitted during 2007, 2008, May 2009 and July 2014, but till date of audit, neither the amount was recovered nor any

action was taken against the defaulters. Thus, the amount of Rs.4,43,83,875/- remains unrecovered.

S/No.	Name of the Contractor	Amount to be recovered (Rs.)
1.	M/s Zakir Hussain and Azam Khan (AP 226)	59,74,000
2.	Muhammad Taifur Khan (AP 225)	1,09,99,000
3.	Syedul-Ibrar (AP 224)	1,27,27,000
4.	M/S Azam Khan Contractor (AP 227)	1,28,61,375
5.	M/S Sultan Muhammad (AP 541)	18,22,500
Total		4,43,83,875

93. Non-recovery of fine occurred due to non-adherence to rules, favor to the contractors and weak internal controls.

94. When pointed out in March 2016, the management replied that detailed reply would be submitted after consulting the record in accordance with Mining Concession Rules 2005.

95. In the DAC meeting held in November 2016, the Department replied that action has been taken as per MCR-2005, FIR was registered and assessment has been made against the party, and notices have been issued to the party for recovery, but the party has filed a civil suit against the department, and the case is subjudice. DAC directed that recovery be made in one month and orders of the Court be produced. However, no progress has been intimated till finalization of the report.

96. Audit recommends that DAC decision be implemented.

DEPARTMENTAL VERSION

97. The Department explained that the Draft Para consist of (5) Advance Paras and detail of each as given below:-

i. **Zakir Hussain and Azam Khan (AP No.226)**

98. The Contractor mentioned above has been declared as a defaulter to Government and the recovery will be made as arrears of land revenue under the Land Revenue Act as defined under Section-77 of the Khyber Pakhtunkhwa Mines and Mineral Act, 2017.

ii. **Muhammad Taifur Khan (AP No. 225)**

99. An assessment amount of Rs. 1,09,99,000/- was made against the above mentioned lessee. The lessee filed an appeal before Appellate Authority against the said amount. The Appellate Authority vide decision dated 27-09-2011, accepted appeal and referred the case to Licensing Authority for decision accordance with Rules/observation made by the Committee. He filed an application before Appellate Authority for implementation of earlier judgement. The Appellate Authority accepted his application vide judgement dated 10-12-2018 and issued direction to Licensing Authority for implementation of earlier judgement dated 27-09-2011 and act judiciously, strictly accordance to with the law of the judgement. The fate of assessed amount has not be decided by Licensing Authority.

iii. **Syed-ul-Ibrar (AP No.224)**

100. An assessment amount of Rs. 1,09,99,000/- was made against the above mentioned lessee. The lessee filed an appeal before Appellate Authority against the said amount. The Appellate Authority vide decision dated 27-09-2011, accepted appeal and referred the case to Licensing Authority for decision accordance with Rules/observation made by the Committee. He filed an application before Appellate Authority for implementation of earlier judgement. The Appellate Authority accepted his application vide judgement dated 10-12-2018 and issued direction to Licensing Authority for implementation of earlier judgement dated 27-09-2011 and act judiciously, strictly accordance to with the law of the judgement. The fate of assessed amount has not be decided by Licensing Authority.

iv. **M/S Azam Khan Contractor (AP No.227)**

101. The case of above mentioned Contractor has been processed for Notification as defaulter and the recovery will be made as arrear of land define under Section-77 of Khyber Pakhtunkhwa Mines and Mineral Act-2017.

v. **M/S Sultan Muhammad (AP No. 541)**

102. The Department issued notices to the above mentioned contractor for recovery of the assessed amount. The accused challenged the notices before the Appellate Authority, which was rejected vide judgment dated 21-10-2020. Against the said decision the contractor filed Writ Petition No. 4399-P/2010 before the Hon'ble Peshawar High

Court Peshawar, which was disposed off vide order dated 04-10-2016 and remanded the case to Appellate Authority for providing opportunity of hearing to the contractor. Subsequently, the Appellate Authority after hearing the contractor upheld the revision judgment of the Appellate Authority 21-10-2010 vide judgment dated 05-04-2017. The contractor again challenged the judgment of the Appellate Authority before the Hon'ble Peshawar High Court Peshawar under Writ Petition No.1652-P/2017 which was allowed vide judgment dated 26-03-2019, wherein, the charge against the contractor were dismissed. The Department through CPLA challenged the judgment before the Supreme Court of Pakistan, which has not been fixed for hearing as yet and pending before the Supreme Court of Pakistan.

PAC OBSERVATION

103. The Committee observed that no concrete efforts were made by the Department for early recovery from the contractors, which clearly shows inefficiency on the part of the Departmental officers/officials.

PAC RECOMMENDATION

104. After detailed discussion, the Committee recommended the following:-
- i. In Advance Paras No. 226 and 227 of the Draft Para, the Department was directed to affect recovery from the defaulters as per Law/Rules in vogue.
 - ii. In Advance Paras No. 224 and AP No. 225 of the Draft Para, the Department was directed to decide the cases of the lessees by the competent forum under the Law/Rules and Law vogue and recovery be made if involved from the lease holders/contractors and deposited into the Government Treasury.
 - iii. In Advance Para No. 541 of the Draft Para, the Department was directed to pursue the case vigorously in the Court of Law through responsible officer(s) of the Department.
105. Para stands till complete recovery. Progress be reported to PAC within (90) days.

DPNo.15.4.10 NON-RECOVERY OF OUTSTANDING GOVERNMENT DUES - RS.5.005 MILLION.

AUDIT VERSION

106. The Audit reported that the Assistant Director Mines & Minerals Swat Office letter No.72/MDiv/SWT/ML-Lime Stone/27/12 dated 07.01.2015, recovery of Rs. 23,03,000/- as auction money should be made from the defaulter.

107. According to rule 138 & 153 of the Mining Concession Rules 2005, if at any time but not less than six months after the grant of the lease, or its renewal it is found that the lessee is not working in accordance with the approved development scheme, the Licensing Authority may impose a fine of five thousand rupees and shall direct the lessee in writing to rectify the violations within six months and a licensee or a lessee shall send monthly returns of production and dispatch of mineral to the Licensing Authority in the prescribed form on or before the 15th day of each succeeding month. In case there is no production of mineral in any month, a 'NIL' report shall be submitted with reasons thereof. Provided that if the lessee fails to rectify the violations without cogent reasons within the time limit fixed by the Licensing Authority, the lease may be cancelled.

108. During the financial year 2013-14, in the office of Director General Mines & Mineral Development department, Khyber Pakhtunkhwa Peshawar, it was noticed that, mines lease for lime stone over an area of 50.950 acre, was allotted through auction @ Rs. 31,10,000/- to Muhammad Zahir, for a period of 5 years, with effect from 13.09.2012 to 12.09.2017. The lease holder did not deposit the balance amount of auction i.e. Rs. 23,02,500/-.

109. During the financial year 2014-15, in the office of Assistant Director Mines & Mineral Development Mardan, it was noticed that the licensing authority while issuing the renewal order vide letter dated 12.07.2013 and 28.06.2013 to the lease of plot No.166&(167)99 Palo Dheri, clearly mentioned that lessee will have to deposit the outstanding dues of Rs.15,64,000/- which was not deposited. Thus, Rs.15,64,000/- remained recoverable.

110. It was further noticed that the licensing authority assigned mining lease of the Plot No. (116) 87 Palo Dheri, the contractor for mining/ extraction of marble. It was noticed that the contractor neither deposited the dead rent, annual rent of Rs.5,64,617/-, nor reported monthly production reports.

111. Similarly, it was further noticed that eight prospecting licensees have also not deposited the outstanding amount of Rs.5,47,000/- into Government Treasury, thus the lessee failed to deposit Rs.50,05,617/-. Detail is as under:-

Lease No./Name	Recoverable/outstanding (Rs.)
Muhammad Zahir Shah (AP 517 2013-14)	23,30,000
MDW/MR/ML-Dolomite 166&167 Palo Dheri (APs 216&217 2014-15)	15,64,000
MDW/MR/ML-Dolomite(116)77 Palo Dheri (AP 236 2014-15)	5,64,617
Eight Prospecting Licensees (AP 237 2014-15)	5,47,000
Total	50,05,617

112. Non-recovery of outstanding government dues and non-submission of Monthly Production Reports occurred due to undue favor to contractor, financial indiscipline and weak internal controls.

113. When pointed out in April & March 2016, it was stated that detailed reply would be submitted after consulting the record in accordance with Mining Concession Rules 2005.

114. In the DAC meeting held in November 2016, the Department submitted a lengthy reply. However, DAC disagreed and directed to recover the outstanding amount within one month under intimation to Audit, No progress was intimated till finalization of the report.

115. Audit recommends to recover the amount besides fixing responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

116. The Department explained that an amount of **Rs.2.70 million** has been recovered while **Rs.2.30 million** is outstanding against the contractors for which they are declared and notified as defaulters.

PAC OBSERVATION

117. The Committee observed that no effort was made for early recovery since reporting of the Audit objection till date, which clearly shows inefficiency on the part of the departmental officers/officials.

PAC RECOMMENDATION

118. In view of the above, the Committee directed the Department to recover the balance amount of Rs. 2.30 million from the lease holders/contractors and verify the challans of recovered amount of Rs. 2.70 million by the VOR Committee.

119. Para stands till complete recovery and its verification by the Audit within sixty (60) days. Progress be reported to PAC.

DPNo.15.4.11 UNAUTHENTIC RESTORATION OF LICENSE AND IRREGULAR MINERAL OPERATION – RS.3.42 MILLION.

AUDIT VERSION

120. The Audit reported that according to rules 146 & 147 of the Mining Concession Rules 2005, a licensee or a lessee shall, within sixty days of the issue of the license or a lease, cause the granted area to be demarcated on ground according to the survey data and submit a certificate on the prescribed form signed by a Registered Surveyor of having carried out the said boundary demarcation. On receipt of the certificate, the Licensing Authority may cause boundary demarcation to be checked and corrected on payment of fee to be notified by Government. A licensee or a lessee may get his area demarcated officially, after paying such fee as may be notified by the Licensing Authority from time to time. A licensee or a lessee shall not commence prospecting or mining operations unless he has submitted the demarcation certificate to the Licensing Authority and it has been approved. The licensee or the lessee shall, at his own expense, erect and at all times maintain boundary marks and pillars standing not less than one meter above the surface of the ground.

121. During the financial year 2014-15, in the office of Director General Mines & Mineral, Khyber Pakhtunkhwa, it was noticed that the M/S Sultan Muhammad the holder of prospecting license, case No. 67(2005) was involved in illegal mining outside his authorized jurisdiction for which he was issued Show Cause Notice on 29.01.2008 on the basis of inspection report of MDO. His mining operation was suspended and later on cancelled due to unsatisfactory reply. The Secretary Industries on appeal preferred by the accused, decided for in-depth probe and proper survey. However, neither the case was further probed into nor detailed survey carried out and even the fine of Rs.18,22,500/-

imposed on account of illegal mining was still undecided and pending in the court of law, his license was restored. Thus irregular and unauthorized restoration of license was made and the party was allowed illegal mining for a quantity of 3424 m.ton valuing Rs.34,24,000/-, if Rs.1,000/- per ton is considered. The restoration of license, without in-depth probe was unauthorized.

122. Audit holds that the restoration of the cancelled prospecting license was required to have been allowed after in depth probe and proper survey as ordered by the competent authority.

123. Unauthentic restoration of license and irregular mineral operation occurred due to undue favour to the license holder and weak internal controls.

124. In the DAC meeting held in December 2016, the Department replied that in the inspection report, the surveyor pointed out that the party, Mr. Sultan Muhammad, developed tunnels outside his granted area and within the granted area of M/S Pakistan National Chemicals and M/S Phoenix Chemical Pvt Ltd. The suspension order was set aside and mining operation was restored. His prospecting license was cancelled and was blacklisted due to persistent violations. The black listing order was set-aside and prospecting lease was converted into mining lease by Appellate Authority. DAC directed that in-depth inquiry be conducted and survey reports be produced. However, no inquiry and survey report was produced till finalization of the report.

125. Audit recommends that inquiry be conducted, responsibility fixed besides recovery from the concerned.

DEPARTMENTAL VERSION

126. The Department explained that Mr. Sultan Muhammad S/O Baswar khan, Mohallah Tawas Khel, village Aza khel, Tehsil and District Peshawar was granted 2 years Prospecting License over 777.38 acres area near village Azakhel Tehsil and District Peshawar U/file No. MDW /PR/PL –Bentonite (67)/2005 vide A/L dated: 25/02/2006 and work order dated 29/03/2006 and was converted into 10 years Mining Lease w.e.f. 25/02/2008 to 2/02/2018 vide letter dated 24/02/2016 u/f No. MDW/PR/ML-Bentonite (10)/2008.

127. The party was found involved in un-authorized mining outside his granted and was reported to have driven 03 tunnels. Accordingly, the party was served notice dated 10-10-2009 for payment of Rs.1,822,500/- as assessed amount. Aggrieved, the party filed appeal before appellate Authority for setting aside of the assessed amount. On 21-10-2010 the Appellate Authority dismissed the appeal as the appellant was found absent. Aggrieved by the orders of the Appellate Authority, the party lodged a writ petition in PHC Peshawar, the PHC Peshawar set aside the impugned order of the Appellate Authority dated 21-10-2010, as the same has been passed without any proper hearing to the party and the case was remanded back to the Appellate Authority. The Appellate Authority vide Judgment dated 05-04-2017, upheld the judgment dated 21-10-2010 of the Appellate Authority and dismissed the appeal of the party.

128. Aggrieved, the party again filed W.P No.1652-P/2017 in PHC Peshawar. The Hon; Court vide judgment dated 26-03-2019 exonerated the party from payment of assessed amount. However, the Deptt; has filed CPLA in Supreme Court of Pakistan which is subjudice.

129. Furthermore, the amount of **Rs. 1.82 million** is outstanding against the contractor instead of **Rs. 3.42 million**.

PAC RECOMMENDATION

130. As the case was subjudice in the Court of Law, therefore, the Para was kept pending till the decision of the Court with direction to the Department to pursue the case regularly in the Court of Law through a responsible officer(s) and progress be reported to PAC.

DPNo.15.4.12 ILLEGAL OPERATION AND PRODUCTION OF MINERALS VALUING-RS.211.848 MILLION. AUDIT VERSION

131. The Audit reported that according to rules 146 & 147 of the Mining Concession Rules 2005, a licensee or a lessee shall, within sixty days of the issue of the license or a lease, cause the granted area to be demarcated on ground according to the survey data and submit a certificate on the prescribed form signed by a Registered Surveyor of having carried out the said boundary demarcation. On receipt of the certificate, the Licensing Authority may cause boundary demarcation to be checked and

corrected on payment of fee to be notified by Government. A licensee or a lessee may get his area demarcated officially, after paying such fee as may be notified by the Licensing Authority from time to time. A licensee or a lessee shall not commence prospecting or mining operations unless he has submitted the demarcation certificate to the Licensing Authority and it has been approved. The licensee or the lessee shall, at his own expense, erect and at all times maintain boundary marks and pillars standing not less than one meter above the surface of the ground.

132. During the financial year 2014-15, in the office of Assistant Director Mines & Mineral Development Mardan, it was noticed that the licensing authority granted mining lease of the Plot No (166) 99 and (167) 99 Palo Dheri vide file No MDW/MR/ML-Dolomite(166) 99, over an area of 90 acres revised to 91.744 acre and 166.91 acres respectively for mining/extraction of marble. The work order to the contractor was issued on 25.11.1999. In the final renewal order issued vide letter dated 12.07.2013, for the period from 22.09.2013 to 21.09.2018, it was clearly mentioned that lessee has not yet erected the boundary pillars and will have to deposit fine of Rs. 3000 in this behalf. The AD local was further directed that the party will erect the boundary pillars to be verified by the AD and report to this effect be submitted to the high ups. The lessee has neither erected the boundary pillars nor reported by the AD local to the high ups, despite the fact that an overall production of 243,311 ton and 180,385 tons was reported by the contractor upto 11/2015 and 8/2015, This resulted in an unauthorized production of minerals valuing Rs.12,16,55,500/- (243,311 ton x Rs.500 per ton approximately) and Rs.9,01,92,500/- (180,385 ton x Rs.500 per ton) respectively.

133. Audit holds that non construction of the boundary pillars is a serious issue and was required to have been constructed in time for prevention of illegal mining and safeguarding the public interest, but, these were not constructed, which resulted into illegal mining of Rs.21,18,48,000/-

134. Illegal operation and non-erection of boundary pillars occurred due to undue favor to the contractor, non-adherence to provision of MCR and weak internal controls.

135. When pointed out in March 2016, it was stated that detailed reply would be submitted after consulting the record in accordance with Mining Concession Rules 2005.

136. In the DAC meeting held in November 2016, the Department replied that the party was fined for Rs.3,000/- for non-erection of boundary pillars, which was deposited. DAC directed that an Inter-Departmental committee be constituted and a fact-finding inquiry be conducted. However, the inquiry has not been conducted till finalization of the report.

137. Audit recommends that DAC directives be implemented, responsibility be fixed against the person(s) at fault, and the loss sustained by the Govt be made good.

DEPARTMENTAL VERSION

138. The Department explained that in accordance with rule 146 & 147, the licensees / lessees are required to erect boundary pillars. Their failure to do so is brought in the notice of the committee at the time of renewal and fine is imposed. The imposed fine has been recovered in every case. However new Legislation have been made in the shape of Mines & Mineral Act 2017 and the referred to meager fine has been increased many fold to compel the licensees/ lessees to erect boundary pillars. The production mentioned has been made from the granted area(s), non erection of boundary pillar is violation of Rule 146 & 147, but it never means that production made is illegal. The assessed amount on account of illegal operations Rs. **1,83,28,386/-** has been recovered.

139. Furthermore, enquiry has been conducted as per decision of DAC.

PAC OBSERVATION

140. The Committee observed that the Department had adopted corrective measures after new legislation in the shape of Mines & Minerals Act-2017 and the amount of fine has been increased to compel the licensees/lessees to erect boundary pillars.

PAC RECOMMENDATION

141. In view of the explanation advanced by the Department, the Para was recommended to be settled, subject to verification of challans of recovered amount of

Rs. 1,83,28,386/- and its deposit into the Government Treasury by the VOR Committee within thirty (30) days.

DPNo.15.4.13 ILLEGAL AND UNAUTHORIZED SALE OF MINERAL PRODUCE-RS. 165 MILLION.

AUDIT VERSION

142. The Audit reported that according to Mining Concession Rules 2005 the word,

- a. **“exploration”** means search for minerals, and includes the determination of its extent and economic value and evaluation;
- b. **“exploration operation”** means any operation carried out in connection with exploration including access to the licensed areas, geological mapping and the collection of surface/sub-surface mineral sample for the purpose of mineralogical examination, assaying, and the test work but such work shall not include commercial mineral extraction or marketing.

143. During the financial year 2014-15, in the office of Director General Mines & Mineral, Pakhtunkhwa, it was noticed that exploration license over an area of 162.96 Sq. Km near village Tashkar Dornil, Parisan District Chitral, was awarded to M/S Tuny Pak Minerals Pvt. Ltd, for a period of 3 years vide No. 9566/MDW/CDN-6(269)/2011/(L/S) dated 07-08-2012.

144. The lab result, conducted on 25-07-2012, showed that a sample of 500 M.ton was brought out of which 15 ton of chip channel was scrutinized and the lab authorities found composite sample collected for R & D purpose through Eyro-metallurgical process, which would be undertaken at China for extraction of Antimony metal. However, the facility was not available at Mineral Testing Laboratory (MTL) Peshawar. The contractor carried the sample of 500 m.ton to China and sold in the Chinese market in violation of MCR 2015 and without any consent or approval of the provincial government of Khyber Pakhtunkhwa regarding sale.

145. According to the terms of the approval of license, the holder could use the metal for exploration purpose and could not sell even in local market. The license holder has admitted, vide his letter dated 25.09.2013, the export of the metal to China, where it was sold out. He sold the metal in international market of china in violation of rules and

gained handsome amount of Rs.16,50,00,000/- (500 M.Ton @ US \$ 3300 per m.ton). Thus, due to this illegal sale Government sustained a loss of Rs.16,50,00,000/-.

146. Illegal and unauthentic transportation of mineral to china occurred due to violation of clauses of the allotment letter, undue favor to license holder and weak internal controls.

147. When pointed out in June 2016, management furnished no reply.

148. In the DAC meeting held in December 2016, the Department replied that M/S Tunky Pak Minerals (Pvt) Ltd, sold out 413 ton of Antimony in China in violation of Mining Concession Rules 2005, recovery notice for US \$206,546 was issued and license was cancelled. The case of the company is also under inquiry with NAB Authorities. The company filed an appeal before the Appellate Authority (the secretary Minerals Development Department) which was rejected. Party filed writ petition before Peshawar High Court against the decision of Appellate Authority. The court remanded the case to Appellate Authority where the decision is awaited. The company also filed the case before the Senior Civil Judge. DAC directed for recovery and pursue the case in the court of law. No progress was intimated till finalization of the report.

149. Audit recommends that DAC decision be implemented vigorously.

DEPARTMENTAL VERSION

150. The Department explained that M/S Tuny Pak Minerals (Pvt) Ltd Islamabad was granted an Exploration License over an area of 162.96 sq.km for base metal in District Chitral for a period of 3-years w.e.f 04/04/2012 to 03/04/2015. The party was granted permission by the Licensing Authority to export 500 ton of sample to China for Lab Test. However, the party shifted only 413 ton of sample. It is worth to mention here that the sample was not pure antimony but an ore sample with antimony grade 14%.

151. The party reveals itself that they have sold out the sample in China which was a violation of Mining Concession Rules-2005 upon which, the Licensing Authority cancelled the Exploration License and issued a recovery notice of US\$ 206,546/- It is again worth to mention here that at that time the market value of the 14% Antimony ore was 500 US \$ per ton that on Antimony 413 ton × 500 is 206546.

152. The party violated the relevant Rules & Regulations, therefore the Exploration License was cancelled by the Mines Committee in its meeting held on 07-08-2014. The party was accordingly directed to deposit US dollars 206,546/- for sale of antimony ore. The party filed an appeal before Appellate Authority/Secretary Minerals Development Department, which was rejected vide decision dated 15.4.2015. Aggrieved, the party filed writ petition before Peshawar High Court Peshawar. The Hon: Court remanded the case to Appellate Authority i.e Secretary Minerals Development Department.

153. However, the party again approached Peshawar High Court Peshawar for review of earlier decision which is still subjudice.

154. Besides the above, the party has also filed suit before the Court of Senior Civil Judge against the recovery notice for depositing US Dollars 206546.00/-. The learned court has granted status quo.

155. It is further added that, the case of M/S Tuny Pak Minerals (Pvt) Ltd Islamabad is under inquiry/investigation with the NAB Authorities and Anti-Corruption Authorities.

PAC RECOMMENDATION

156. As the case was subjudice in the Court of Law, therefore, the Para was kept pending till the decision of the Court with direction to the Department to pursue the case regularly in the Court of Law through a responsible officer(s) and progress be reported to PAC.

DPNo.15.4.14 NON-CONSTRUCTING BOUNDARY PILLARS BY CONTRACTORS IN ALLOTTED AREA OF LEASES. AUDIT VERSION

157. The Audit reported that according to rules 146 & 147 of the Mining Concession Rules 2005, a licensee or a lessee shall, within sixty days of the issue of the license or a lease, cause the granted area to be demarcated on ground according to the survey data and submit a certificate on the prescribed form signed by a Registered Surveyor of having carried out the said boundary demarcation. On receipt of the certificate, the Licensing Authority may cause boundary demarcation to be checked and

corrected on payment of fee to be notified by Government. A licensee or a lessee may get his area demarcated officially, after paying such fee as may be notified by the Licensing Authority from time to time. A licensee or a lessee shall not commence prospecting or mining operations unless he has submitted the demarcation certificate to the Licensing Authority and it has been approved. A boundary dispute in respect of the licensed or leased area shall be referred to the Licensing Authority whose decision shall be final.

158. During the financial year 2014-15, in the office of Assistant Director Mines & Mineral Development Mardan, it was noticed that different prospecting licenses and mining leases were awarded to the contractors, who did their operation during the period of contract i.e. upto June, 2015. The contractors had a production of 6,194,389 ton (only Mardan district), of different minerals worth million of rupees, but boundary pillars were not constructed by majority of the lessees. Most of the contractors violated the jurisdiction and did illegal mining outside the areas allotted to them.

159. Audit holds that non-construction of the boundary pillars is a serious issue and was required to have been constructed on time for prevention of illegal mining and safeguarding the public interest. Non-construction of pillars resulted into illegal mining worth millions of rupees.

160. The issue of non-erection of boundary pillars occurred due to non-adherence to the provisions of rules/ orders of the authority and weak internal controls as well as undue favor to contractors.

161. When pointed out in March 2016, it was stated that detailed reply would be submitted after consulting the record in accordance with Mining Concession Rules 2005.

162. In the DAC meeting held in Nov 2016, the Department replied that for illegal mining, fine imposed at the time of renewal, and that the fine imposed has been recovered. Further, amendments have been made in the Mines and Minerals Development and Regulation Ordinance 2016, and the meager fine has been increased manifold to compel licensees/lessees to erect boundary pillars. Further, the production mentioned was made from the granted area, non-erection is violation of Rule 146 & 147 and it never means that production was illegal. DAC disagreed and directed that an Inter-

Departmental committee be constituted and a fact-finding inquiry be conducted. However, the inquiry has not been conducted till finalization of the report.

163. Audit recommends the DAC directives be implemented, responsibility be fixed against the person(s) responsible.

DEPARTMENTAL VERSION

164. The Department explained that in accordance with rule 146 & 147, the licensees/ lessees are required to erect boundary pillars. Their failure to do so is brought in the notice of the committee at the time of renewal and fine is imposed. The imposed fine has been recovered in every case. However new Legislation have been made in the shape of Mines & Mineral Act 2017 and the referred to meager fine has been increased many fold to compel the licensees/lessees to erect boundary pillars. The production mentioned has been made from the granted area(s), non erection of boundary pillar is violation of Rule 146 & 147, but it never means that production made is illegal. Furthermore, enquiry has been conducted as per decision of DAC.

PAC OBSERVATION

165. The Committee observed that the Department had adopted corrective measures after new legislation in the shape of Mines & Minerals Act-2017 and the amount of fine has been increased to compel the licensees/lessees to erect boundary pillars.

PAC RECOMMENDATION

166. In view of clarification advanced by the Department, the Para was recommended to be **settled**.

167. The Committee further directed the Department that in case of illegal mining activity made by the contractors in future, the concerned Assistant Director Mines & Mineral of the area shall be held responsible.

DPNo.15.4.15 UNAUTHENTIC AND WASTEFUL EXPENDITURE ON THE FEASIBILITY STUDY - RS. 27.28 MILLION.

AUDIT VERSION

168. The Audit reported that according to Para 10 of GFR Vol-I, each officer is expected to incur expenditure from public money in a manner as a person of ordinarily

prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

169. During the financial year 2014-15, in the office of Director General Mines & Mineral, Pakhtunkhwa, it was noticed that contract of consultancy was awarded, with completion period of only 30 months, starting from July 2012 to 2014 to Director Excellence Geology Department University of Peshawar under a Development Scheme “Regional Geochemical Exploration for precious metal in southern part of Pakhtunkhwa”. However, the project was not completed by the consultant despite lapse of considerable time. During the period from 2011-12 to 2014-15, an overall expenditure of Rs. 2,72,80,000/- was incurred, out of which Rs.2,54,98,000/- was paid to consultant, but the study has neither been completed by consultant nor any fruitful result shown. Thus on one hand resulted in wastage of the public resources and on the other the objectives of the study could not be achieved. This means that the entire expenditure of Rs. 2,72,80,572/- including Rs. 2,54,98,000/- paid to consultant, was wasted as no fruitful result achieved. The details are as under:-

Particulars	Year 2011-12	Year 2012-13	Year 2013-14	Year 2014-15	Total
Funds released	31,44,000	1,20,00,000	1,84,44,000	1,33,69,000	4,69,57,000
Expenditure	2,71,342	1,09,33,642	1,08,50,000	52,25,588	2,72,80,572
Total expenditure					2,72,80,572

170. Audit holds that the study was required to have been completed within stipulated period of time which was not done.

171. Wasteful expenditure on the feasibility study occurred due to non-adherence to rules, financial indiscipline and weak internal controls.

172. In the DAC meeting held in December 2016, the Department replied that 5 gold potential zones were identified in the course of this project, and that was a huge discovery of its own kind. The aim of this project was to generate a geo-chemical data base in GIS, which will be helpful in future to attract investors in the exploration and mining sector of Khyber Pakhtunkhwa. Currently this data base is functional and providing information to interested investors. DAC directed that inquiry be conducted by DG Mines & Minerals Development Department to ascertain the facts within 15 days

under intimation to Audit. However, the inquiry was not conducted till finalization of the report.

173. Audit recommends that DAC decision be implemented.

DEPARTMENTAL VERSION

174. The Department explained that a project titled “Regional Geo-Chemical Exploration for Precious Metals in Southern Parts of Khyber Pakhtunkhwa” having duration of three (03) years was awarded to National Centre of Excellence Geology (NCEG) University of Peshawar 20.04.2012. The contract was made between Directorate General Mines & Minerals KP (DGMM) and NCEG on 31.07.2012.

175. The core objective of the project was to screen out the mineral potential areas which had not been studied through Geo –Chemical Survey in the past.

176. The project was successfully completed and the executing organization submitted the requisite report comprising 344 pages covering study of Peshawar, Mardan, Kohat, Bannu and D.I.Khan Divisions of the province.

177. It is added that The NCEG requested to extend the final report submission date to fourth week of May, 2015 vide letter date 24.03.2015 copy. In response, the Competent Authority vide letter dated 06.04.2015 extended the final report submission date to 30.05.2015. The NCEG submitted their final report on 02.06.2015.

178. The project area comprised of whole southern parts of KP (i.e. District: Swabi, Mardan, Nowshera, Charsadda, Peshawar, Kohat, Bannu, Hangu, Karak, Lakki Marwat, Tank, D.I. Khan). Total five (05) gold potential zones were identified in course of this project. That was a huge discovery of its own kind.

179. Upon completion of this project, mineral department was able to generate a Geochemical data-base that helped Department in delineation of potential investment blocks. Currently, fifteen (17) potential blocks for placer gold over River Indus have been prepared each having reserve price of Rs.650/- million.

180. The blocks have been advertised for open auction in the Newspaper and it is hoped that the same will fetch handsome revenue for the Government besides job opportunities in near future.

181. The matter had also been discussed in detail with concerned Audit Officer during his visit to DGMM in June 2016 and on the direction of DAC inquiry was also conducted.

182. In view of the above, it was cleared that the project served its purpose, it is therefore requested to drop the Para, please.

PAC RECOMMENDATION

183. In view of the plausible explanation advanced by the Department, the Para was recommended to be **settled**.

INDUSTRIES DEPARTMENT

OVERVIEW

Seven (07) Draft Paras, reflected in the Auditor General's Report for the year 2016-17 against the Department, were examined by the Public Accounts Committee in its meeting held on 8th April, 2021 and 28th October, 2021 and 4th March, 2022. The following were present:-

SUB-PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|---------------------------------|----------|
| 1. | Mr. Muhammad Idrees Khan, MPA | Chairman |
| 2. | Mr. Babar Saleem Swati, MPA | Member |
| 3. | Mr. Inayat Ullah, MPA | Member |
| 4. | Mr. Salah-ud-Din, MPA | Member |
| 5. | Arbab Muhammad Waseem Khan, MPA | Member |
| 6. | Dr. Asiya Asad, MPA | Member |
| 7. | Mr. Ahamd Kundi, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

1. Mr. Samar Gul,
Additional Secretary.
2. Mr. Azmat Ullah Khan,
Deputy Secretary.
3. Mr. Muhammad Javed,
Section Officer.

FINANCE DEPARTMENT

1. Mrs. Neelam Sultana,

- Additional Secretary.
2. Mr. HassanAbid,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Mahmood Ahmad Khan,
Director General.
2. Mr. Israr-ul-Haq
Director General.
3. Mr. Farrukh Sohail,
Deputy Auditor General, North.
4. Mr. Muhammad Fayaz,
Deputy Director.
5. Mr. Zain-Ul-Abidin,
Deputy Director.
6. Mr. Fazl-e-Maula,
Audit Officer.
7. Mr. Khalid Zaman,
Audit Officer.
8. Mr. Mahmood-ul-Hassan Saeed,
Assistant Audit Officer.
9. Mr. Muhammad Javed Afridi,
Assistant Audit Officer.
10. Mr. Jawad Anwar,
Assistant Audit Officer.

INDUSTRIES DEPARTMENT

1. Mr. Parwaiz Sabat Khel,
Special Secretary.
2. Ch: Ahmad Mansoor,
GM-CS.
3. Mr. Rehman-ud-Din,
Director, Finance & Accounts.
4. Mr. Munir Gul,
Project Director, ERKP.
5. Mr. Anwar Iqbal,
Project Manager, (PU-SMEDA).

6. Syed Manzoor Ali Shah,
Assistant Director.
7. Mr. Amir Nawaz,
Financial Management Specialist. (ERKP).
8. Mr. Muhammad Sohail,
Coordination Officer.
9. Mr. Rashid Aman,
PC-KP (SMEDA).
10. Mr. Tasleem Dad,
Coordinator-KP, (PU-SMEDA).
11. Arbab Saifullah,
JFC
12. Mr. Ashfaq Ahamd,
General Manager, SMEDA.
13. Mr. Ashfaq Ahamd,
FMS, PU-SMEDA

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Kifayauallah Khan Afridi,
Secretary.
 2. Mr. Amjad Ali,
Special Secretary.
 3. Mr. Ashtimand,
Deputy Secretary.
 4. Mr. Khalid Shaheen,
Deputy Secretary.
 5. Mr. Ibrahim Khan,
Assistant Secretary.
 6. Mr. Haris Khan,
Assistant Secretary.
 7. Mr. Amir Khan,
Assistant Secretary.
2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendations on each Para as under:-

**DP No.12.4.1 NON-RECOVERY OF GRANT FROM SOLD/CLOSED SMES -
RS.43.009 MILLION.**

AUDIT VERSION.

3. The Audit reported that according to Paras 72-74 of Operations Manual of the project, the grant agreement will ensure that the assets procured through project funds may not be sold/closed during the project tenure. Grants shall be terminated prematurely, in case of utilization of funds in violation of the agreed plan, the grant paid would be recovered from them and legal action may be taken against the SMEs.

4. During the financial years 2013-14 & 2015-16, in the office of the Project Director Economic Revitalization in Khyber Pakhtunkhwa, the following Small & Medium Enterprises (SMEs) were paid rehabilitation/up gradation grants of Rs.4,30,09,000/-. Later on the Project Management Unit as well as audit team physically verified that these SMEs which were either sold/closed or had abandoned their businesses in violation of Operations Manual and Grant Agreement. Therefore, the grant of Rs.4,30,09,000/- paid to them needs recovery besides taking legal action against them. However, neither recovery was made nor legal actions were taken.

S/No.	Name of SMEs	Amount (Rs)
1.	14 SMEs in District Buner & Shangla	24,381,000
2.	Abshar Hotel Bahrain	2,500,000
3.	Wajid Handi craft Madyan	1,500,000
4.	Madyan Handcraft	1,200,000
5.	Benazir Hotel Kalam	1,000,000
6.	Saman Enterprises Nowshera	678,000
7.	Umar Marble Buner	700,000
8.	GS Marble Factory	700,000
9.	10 Silk Mills in Swat	7,850,000
10.	Buner Flour Mill	2,500,000
Total		43,009,000

5. The lapse occurred due to weak internal controls. When pointed out in November 2016, the Project Management furnished no reply.

6. In the DAC meeting held in January 2017, Department stated that further time may be allowed to verify the business status and supporting documents for proper justification and appropriate action. DAC did not agree and directed that joint inquiry be conducted to fix responsibility.

7. The Audit recommends investigate the matter, fix responsibility besides recovery of the grant.

DEPARTMENTAL VERSION

8. The Department explained that:-

- i. The DAC meeting for 09 Advance Paras out of 10 (101, 107, 99, 102, 98, 78, 71, 72 and 87) of the financial year (2015-16) was held on 20-12-2017 instead of January, 2017. During the DAC meeting, it was informed by the representatives of DG Audit, Government of Khyber Pakhtunkhwa that all these 09 Paras have already been printed in the audit report 2016-17, hence no discussion was made and no inquiry was recommended by DAC in these 09 Paras.
- ii. The Advance Para No.72 for the financial year 2013-14 has also been clubbed under this Draft Para and the DAC was held on 09-03-2016. Grant cases have been clubbed under these 10 Advance Paras of 32 SMEs. Moreover 21 SMEs out of total 32 SMEs are still operational even after expiry of the grant validity period.
- iii. 01 SME i.e. Benazir Hotel Kalam has received grant of PKR.1.0 million. The beneficiary erected gray structure of the building of estimated cost Rs.4.0 M but further investment has not been made due to financial constraints of the owner and the beneficiary has also been expired.
- iv. 10 Silk Mills of District Swat received grant of PKR.7.85 million in the year 2012-2013 and 2013-14.
- v. These 10 Silk Mills have closed their businesses after 06 months due to severe load shedding, shortage of raw materials and uncertainty amongst the owners.
- vi. SMEDA initiated actions against these SMEs as per Operations Manual and Grant Agreement signed with SMEs. However, owners and association responded that these silk mills are facing numerous issues like power shortage, high price of raw materials, manual machinery and heavy cost of production. The closed status of these SMEs and issues accordingly reported to the Project Steering Committee and World Bank for their appropriate decision. The World Bank and Project Steering Committee recommended that Grant Review and Monitor Committee

(GRMC) being a competent forum for SME sector may decide the fate of the silk mills. The GRMC in its 45th and 48th meetings held on **18-03-2016** and **01-11-2016**, after detailed deliberation decided to close the grant cases of silk mills on the work done. Further, clarification in favor of each SME reported under this Para is as under;

14 SMEs in District Buner & Shangla (Rs. 24.381 M):

9. During the year 2013-14, SMEDA has supported 105 SMEs in District Buner & 46 SMEs in District Shangla out of the Multi Donor Trust Fund (MDTF) Grant. The audit has reported the following 14 SMEs without physical verification.

S/No.	Name of SME	Released grant PKR (M)
1.	Asad Marble Buner	1.66
2.	Arshad Marble Factory Buner	1.25
3.	Spark Hill mining Company Buner	2.50
4.	Jasim Mining Company Buner	2.50
5.	Haji Nawab Mining Company Buner	2.50
6.	Javed Mining Company Buner	2.50
7.	Ittefaq Mining Company Buner	1.00
8.	Naeem Mining Company Buner	1.00
9.	Bakht Khad Mand Mining Company Buner	1.00
10.	Al-Makkah Marble Factory Buner	1.00
11.	Jasim Marble Buner	2.30
12.	Imran Marble Factory Buner	1.00
13.	Sudais Marble Buner	1.00
14.	Sarir Mining Shangla	1.92

10. All Grants have been awarded as per prescribed criteria after verification from the DC/AC office, District Revenue Office, Major Commanding Officer of Pak: Army and concerned local associations. Complete record is readily available for verification of the audit team.

Asad Marble Buner (Rs.1.66 M):

11. The SME is not closed, it is still operational verified on **16-08-2020**.The SME has been verified by the DC/DRO offices, local association and monitoring team of SMEDA.

Arshad Marble Factory, Buner (Rs.1.25 M):

12. The SME is still operational visited by SMEDA on 16-08-2020.The SME faced huge damages due to militancy crisis in District Buner. The SME has been verified by DCO/DRO offices, Pak Army Commanding Officer and local association.

Spark Hill Mining Company (Rs.2.50 M):

13. SME is still operational visited on 16-08-2020.Verification of the SME carried out by Field Coordinator of SMEDA, DC/DRO offices and local associations. It is also imperative to mention that after expiry of the grant validity period it is not mandatory for SME to keep alive the business.

Jasim Mining Company, Buner (Rs.2.50 M):

14. SME is still operational visited on 16-08-2020.The SME faced huge damages due to militancy crisis in District Buner as father of the applicant (Abdur Rashid Khan) was leader of the Aman Lashkar. Damages of the SME verified by the Field Coordinator DC/DRO offices and Local Association.

Haji Nawab Mining Company (Rs.2.50 M):

15. SME is still operational; however, he has shifted his quarry to new place Daggar due to dispute of the local community on the previous quarry site in Buner. Damages of the SME verified by the Field Coordinator, DC/DRO offices and Local Association.

Javed Mining Company (Rs.2.50 M):

16. SME has been visited on **16-08-2020** and found operational. Damages of the SME verified by the Field Coordinator, DC/DRO offices and Local Association.

Ittefaq Mining Company (Rs.1.0 M):

17. SME received grant of Rs.1.0 M in the year 2013-14 after verification of the damages carried out by Field Coordinator, DC/DRO offices, Local Association. The

SME remained operational till 2019, however in the recent visit on 16-08-2020 of SMEDA the SME was found closed. SME kept operational the business 5-6 years after availing the grant, no action could be initiated as the grant validity period was only 18 months now relaxed to 08 months by the World Bank.

Naeem Mining Company (Rs.1.0 M):

18. SME visited on 16-08-2020 and found operational. Damages of the SME verified by Field Coordinator, DC/DRO offices and Local Association.

Bakht Khad Mand Mining Company (Rs.1.0 M):

19. The SME availed the grant after fulfillment of all legal requirements of the grant. Damages of the SME verified by Field Coordinator, DC/DRO offices and Local Association. The SME is still operational however he has shifted his business from his old mine area due to depletion of the deposit to new mining area in Tor Warsak District Buner.

Al-Makkah Marble Factory (Rs.1.0 M):

20. SME visited on **16-08-2020** and found operational at the same premises. Damages of the SME verified by Field Coordinator, DC/DRO offices and Local Association.

Jasim Marble (Rs.2.30 M):

21. Mr. Abdur Rasheed S/o Naseem Khan was leader of the Aman Lashkar and his business as well as residence was badly suffered due to militancy in 2009. Damages of the SME verified by Field Coordinator, DC/DRO offices & Pak Army Commanding Officer. SME is still operational; however, it has been rented out due to security threats to the owner. Jasim Marble is still owned by Mr. Abdur Rasheed and is operational.

Imran Marble Factory (Rs.1.0 M):

22. SME is still operational, owner of the SME (Mian Tasleem Shah S/o Mohsin Bacha) has been expired in the 2018 and now the business is running by another

person. The SME availed the grant in the year 2014 and it is not mandatory for SME to keep alive the business after 18 months from the date of grant availing.

xiii. Sudais Marble (Rs.1.0 M):

23. SME visited on 16-08-2020 by SMEDA and found operational by the same owner in the same premises. Damages of the SME verified by Field Coordinator and DC/DRO offices.

xiv. Sarir Mining Shangla (Rs.1.92 M):

24. SME visited on **14-08-2020** and was found operational, however due to COVID-19 the exploration work temporarily closed. Damages of the SME verified by Field Coordinator, DC/DRO offices and Local Association. SME owner has a mining lease (ML) upto 2044.

Abshar Hotel Bahrain (Rs. 2.5 M):

25. SME is not closed, still operational and the owner has injected around PKR.25 million further from his own pocket. ERKP Project has granted only PKR.2.5 million, the running status of the SME has been re-verified by SMEDA team in 2019 & 2020. During the last re-verification visit on 14-08-2020 it was found that 35 skilled workers i.e. carpenters, electricians, plumbers, tiles fixers etc. were working, pictures are enclosed. Damages of the SME verified by Field Coordinator, DC/DRO offices and Local Association.

Wajid Handicrafts Swat (Rs. 1.5 M):

26. SME is still functional having its workshop/ warehouse in Madyan Swat and showroom for finished goods in Islamabad. Operational status verified three times by SMEDA in 2016, 2017 & 2020. Ownership, damages verified by the Field Coordinator, DC/DRO offices, Chamber certificate, Utility bill, Export documents and Local Association.

Madyan Handicraft Swat (Rs. 1.2 M)

27. Operational status has been re-verified on 14-08-2020. SME is still functional at the same premises however, the SME changed the status from sole proprietorship to partnership. The owner (Muhammad Rasheed) is also running a huge

business of trout fish farming in Swat. The ownership and damages of SME verified by the Field Coordinator, DC/AC/DRO/Revenue Staff.

Benazir Hotel Kalam, Swat (Rs. 1.0 M)

28. Ownership and damages of the SME verified by the Field Coordinator, DC/DRO offices. SME received grant of Rs.1.0 million in the year 2014 and erected gray structure of the hotel building having estimated cost of Rs.4.0 million. The SME spent the grant on rehabilitation of the building damaged due to flood in the year 2010. However, due to limited resources gray structure of the building erected and further work not carried out by the SME due to non-availability of grant. GRMC has also cleared the grant case on the work done basis. Building is still in the name of same owner, however he has been expired in 2020.

Saman Enterprises Nowshetra (Rs 0.687 M):

29. Saman Enterprises is a washing powder making unit. Damages of the SME due to flood 2010 verified by the Field Coordinator, NTN certificate and Property Documents and Association. The fund has been properly utilized by the SME. He also requested for enhancement of his grant to purchase new additional machinery but not approved by the GRMC. The SME is still functional in the same premises by the same owner as re-verified in 2017 & 2020.

Umar Marble Buner (0.7 M):

30. The SME is still functional in the same premises however rented out to another person for operation as re-verified by SMEDA during visit on. Ownership is still vested with the applicant. The ownership and damages of SME verified by the Field Coordinator, DC/Revenue Staff/Association-letter/property-documents/utility Bill.

GS Marble Factory (0.7 M):

31. The business is still functional by the same owner in the same premises as re-verified by SMEDA during visit on 16-08-2020. The ownership and damages of SME verified by the Field Coordinator, DCO and Electricity Bill. GS Marble Factory is one of the largest marble units in District Buner.

Ten10) Silk Mills in Swat:

32. The following silk mills of District Swat were supported in the year 2013 out of the grant money for rehabilitation.

S/No	Name of SME	Released grant in PKR
1.	Javed Silk Mills	300,000
2.	Iqbal Brother Silk Mills	587,000
3.	Sajid Silk Mills	875,000
4.	M. Rehman Silk Mills	750,000
5.	Naseem Silk Mills	750,000
6.	LalaJee Silk Mills	800,000
7.	Dagai Silk Mills	350,000
8.	Sher Ali Silk Mills	120,000
9.	Kakai Silk Mills	875,000
10.	Aaqib Silk Mills	875,000

33. These SMEs were affected due to militancy in the year 2009. Ownership and damages verified by the Field Coordinator, DC/DRO/ Revenue Staff/Association letter/Rent Agreement. After availing the grant facilities all SMEs procured raw materials as per approved plan but due to limited grant support, load shedding, non-availability of raw materials on regular basis these SMEs could not survived after 2015. The GRMC being competent forum closed the grant cases on the work done basis on the request of silk association Swat.

Buner Flour Mill: (Rs. 1.25 M)

34. The ownership and damages verified by the Field Coordinator, DC/District Magistrate Buner. The SME availed the approved grant in the year 2016 on re-imburement mode for the procured stock. The owner has sold the business after the grant validity period. However, the mill is still functional in the same premises as re-verified by SMEDA in August 202.

PAC OBSERVATION

35. During the meeting after examination of the record the Committee observed the following:-

- i) that (10) advanced Paras pertaining to different issues for the financial year 2015-16 had been clubbed by the Audit and made one Draft Para due

to which the PAC faced great difficulties at the time of examination of the Draft Para.

- ii) Para 72-74 of the Operation Manual of the project was violated.
- iii) Procedural lapses and irregularities occurred at the time of grant of funds to the SMEs.
- iv) The project authorities failed to ensure that the assets procured through project funds may not be sold/closed during the project tenure as clearly mentioned in the grant agreement.
- v) DAC meeting was held very late on 20-12-2017 after the Draft Para in question was printed in the Audit Report (2016-17) which clearly shows inefficiency on the part of departmental Officers/Officials.
- vi) Efforts were not made to achieve the objective of the project.

PAC RECOMMENDATION

36. After detailed deliberation in light of the reply advanced by the Department the Committee taking a lenient view recommended the Para to be settled subject to provision of a certificate by the PU- SMEDA in support of its reply within fifteen (15) days.

37. The Committee further directed the Department to strictly follow Rules and Regulations issued by the Government from time to time, follow the instructions and procedure as contained in the Operation Manual so that the donor fund is given only to deserving person (s) in future and the project objectives are achieved.

38. The Committee also directed the Audit not to club more than one Advance Para (AP) reflecting different issues while framing the Draft Para.

DPNo.12.4.2 UNAUTHORIZED GRANT TO INELIGIBLE SMES - RS.12.87 MILLION.

AUDIT VERSION.

39. The Audit reported that according to Paras 16, 39, 57 & 73 and Section 10.17 (Annex XVII) of Operations Manual, Grant will be paid only to those SMEs Businesses who existed at or before August 2010, with no grant for newly established business. Grants will be paid for the purchase of reconditioned and used vehicles. Grants shall be terminated prematurely, in case of utilization of funds in violation of the agreed plan, the grant paid would be recovered from them and legal action may also be taken against the SMEs.

40. During the financial year 2015-16, in the office of the Project Director Economic Revitalization in KP project, rehabilitation/up-gradation grants of Rs.1,28,75,200/- were paid to the following 08 SMEs, which was unauthorized on the following grounds.

- i. Grant of Rs.25,00,000/- was paid to Bahar Transport Hangu for his truck burnt by terrorists but the truck was registered in his name after the date of incident. The payment of grant for the purchase of 2nd hand truck was not admissible.
- ii. Grant of Rs.12,00,000/- was paid to Shah Mobile Hangu for the loss of mobile sets. The SME was actually doing business of 'TOYS' instead of mobile sets as evident from his application to DCO Hangu and report of Tehsildar, therefore, he was not eligible for grant.
- iii. Grant of Rs.14,40,000/- was paid to Tribal Medicos Hangu. The SME was an arms dealer instead of medicines and arm dealers were not eligible for grants. The SME has sold his business in May 2016, violating provisions of the Grant Agreement therefore not eligible for grant.
- iv. Grant of Rs.10,00,000/- was paid to Classic Marble Factory Charsadda. Marble factory, which was leased for 3 years and establishment of SME prior to August 2010, was not confirmed. Hence, the SME was not eligible for grant.
- v. Up gradation grant of Rs.10,00,000/- was paid to Al Nimrah Marble Factory the ownership of the SME prior to August 2010 not confirmed from the documents.
- vi. Grant of Rs.25,00,000/- was paid to Frontier Tower Hotel Swat and his case was rejected by the Documents Review Committee (DRC) on the ground that the Utility bills, Bank statements, land documents and registration of Swat Hotels Association were not provided with grant case. However even then the grant was paid.
- vii. Grant of Rs.20,00,000/- was disbursed to Muhammad Ali (HGU-7149). The SME was not affected by crises as evident from the FIR and map of the incident. The ownership prior to August 2010 not confirmed from the documents. The SME was therefore, not entitled for payment of the grant.
- viii. Grant of Rs. 12,35,200/- paid to Al Haraman Hotel Swat. However, the Project Management Unit reported that the Hotel is rented to another person in violation of condition of Grant Agreement and the grant therefore needs recovery.

41. From the above it is clear that the SMEs were ineligible for the payment of grants. Payment of grant of Rs. 1,28,75,200/- were made which was unauthorized. The

lapse occurred due to weak internal controls. When pointed out in November, 2016, the management furnished no reply.

42. In the DAC meeting held in January 2017, the Department stated that further time may be allowed to verify the business status and supporting documents for proper justification and appropriate action. DAC did not agree and directed that inquiry may be conducted to fix responsibility.

43. The Audit recommends to investigate the matter, fix responsibility besides the recovery of the unauthorized payment of grant.

DEPARTMENTAL VERSION

44. The Department explained that:-

- i. The audit team has clubbed 08 advance paras of financial year 2015-16 containing 09 sub-paras (09 SMEs) under this Para. These Advance Paras have not been discussed with the management of SMEDA after audit. For proper reply and response to the audit observation, it is essential that the audit team has to discuss the Para/observations with the implementing agency. Request of SMEDA for re-verification/auditing was not considered by the audit team in the DAC meeting.
- ii. All matching grants (rehabilitation/up-gradation) have been awarded to eligible SMEs as per laid down criteria. SME wise status is as under:-

Bahar Transport Hangu (Rs.2.5 M):

45. Mr. Muhammad Bahar S/o Toor Khan having CNIC No.14101-0152945-1 of District Hangu is the owner and his truck bearing registration No.TKV-623 Lasbela was burnt by the miscreants during transporting relief items for IDPs. The burnt truck model 1995 was imported by Mr. Abdul Qadeer in June, 2008 and then purchased by the applicant Muhammad Bahar and accordingly registered on his name on 04-09-2008 before the accident. Bill of LADING, custom clearance, verification of bill of entry and 1st registration in the name of applicant of vehicle No.TKV-623 Lasbela. The ownership of burnt vehicle has also been verified by APA Kurram and SSR No.1514/APA/LK/SR dated 17-07-2011. The above evidences show that the burnt truck was registered in the name of applicant much earlier of the accident.

46. As per advice of the World Bank obtained in the instant case and section 10.7 XVII of the Operations Manual there is no ban to purchase 2nd hand truck which is a

standard business practice in transport sector due to high value of new trucks beyond the threshold of grant size.

Shah Mobile Hangu (Rs.1.2 M):

47. Before insurgency of 2009, the applicant Mr. Gul Shahzad s/o Lahore Khan having CNIC No.21601-4341555-7 of District Hangu was doing TOY's business. The auditor has correctly pointed out that his business of TOYs was damaged. But after insurgency the owner rehabilitated his business at his own cost and started mobile trading. The fact evidence is the PTCL bill of 2013 in the name of Shah Mobile. After verification by the Field Coordinator, DC/DRO offices, the compensation in the shape of grant was awarded for the current business as per Operations Manual. The business of Mr. Gul Shahzad damaged repeatedly in different sectarian violence incidents.

48. Moreover, the project has the mandate to support every kind of business except those on negative list. SME is still functional and doing the same business.

Tribal Medicos Hangu (Rs.1.440 M):

49. The applicant Mr. Asif Azram s/o Khyal Azram CNIC No.14101-0673428-1 of District Hangu was having two businesses i.e.

50. Tribal medical store Hangu opposite DHQ hospital, Asif Azram arm dealers Hangu Both his businesses were damaged in the sectarian violence of 2006 and applied to DC Hangu for compensation of his damaged businesses, verification of DC office Hangu and Field Coordinator. SMEDA has considered only his medical store as the other business was not eligible for ERKP grant. The Local Trade Association has verified his medical business.

51. SMEDA Field Team of SMEDA has repeatedly monitored the business in 2016, 2017 and 2020 and found the business operational.

52. The auditor observation that owner has sold his business in May, 2016 is not based on facts as the field team has repeatedly monitored the business and found operational by the same owner. Based on record, the SME was fully eligible for availing the grant.

Classic Marble Factory (Rs.1.0 million):

53. Mr. Ilyas Khan s/o Haider Zaman CNIC No.17301-1660440-5 is owner of the SME since June, 2010. DC Charsadda and Revenue Staff have confirmed his ownership and damages. APMIA has certified that Classic Marble Factory owned by Mr. Ilyas Khan suffered in the flood of 2010. The Field Coordinator has carried out pre- and post-monitoring. SME is still functional.

Al-Nimrah Marble Factory (Rs.1.0 M):

54. Mr. Ihsan Ullah s/o Jan CNIC # 21406-6871725-1 of District Charsadda is the owner of the SME and he purchased the factory from Mr. Ajab Khan S/o Abdul Jabbar on 02-03-2008 agreement deed. The SME ownership before 2010 has also been verified by the Subhan Khwar Marbles Association. The ERKP Project has also confirmed the current status of the SME on 17-08-2020 and SME is still functional. As per DAC decision the requisite documents provided to the audit team for verification but they informed that the Para already printed in the audit report 2016-17 hence not considered.

Frontier Tower Hotel Swat (Rs.2.5 M):

55. Mr. Waris Khan Afridi S/o Ghulam Khan CNIC No.21201-5427159-3 is the owner of SME and his business damaged due to militancy in the year 2009. The case was not rejected but deferred by DRC on 02-04-2015 for verification of documents. After verification and provision of required documents the DRC in its next meeting held on 02-09-2015 recommended the rehabilitation case for presenting before the GRMC. The ownership and damages of SME verified by the DC/DRO/Pak Army, Land Documents and Hotel Association. DRC is not competent forum to reject/approve any grant case. GRMC is the competent forum for approval/rejection.

56. As per DAC decision the requisite documents provided to the audit team for verification but they informed that the Para already printed in the audit report 2016-17 hence not considered. The status of SME has been re-verified on 16-08-2020 and found operational by the same owner.

Muhammad Ali Oil & Ghee Dealer (Rs.2.0 M):

57. Mr. Muhammad Ali s/o Toor Khan CNIC No.14101-0398017-5 of District Hangu is owner of the SME. His business was located in Shabir Market Main Chowk Hangu.

58. On 03-06-2013 unknown persons opened firing on Mr. Farid Khan ex-MPA due to which miscreants burnt various shops in Shabir Market including the shop of applicant duly verified by the DC and Revenue staff/FIR. The ownership and existence of business before August, 2010 is clearly mentioned in the commercial Telephone bill dated 06-01-2014 installed in May, 2010. Damages of the SME have also been verified by DC/DRO and local association.

59. Moreover, ERKP project support directly and indirectly affected SME. The current status of the SME has also been re-verified on 26-08-2020 and found functional.

Al-Haramain Hotel Swat (Rs.1.235 M):

60. Al-Harmain Hotel Swat is a joint family-owned business run by the family members (Brothers and their children) evident from the family tree as per NADRA Record. The ownership is still with the family of Mr. Raza Ullah applicant, however during insurgency the hotel was temporarily rented out only for operation which is not banned.

61. The hotel is still running by the same family members (Mr. Raza Ullah, Mr. Zahid Khan and Muhammad Yaqoob) re-verified on 16-08-2020 and can be verified by audit any time. The ownership of SME has also been verified by DC/DRO and hotel association.

PAC OBSERVATION

62. During the meeting after examination of the record the Committee observed the following:-

- i) that (08) advanced Paras pertaining to different issues for the financial year 2015-16 had been clubbed by the Audit and made one Draft Para due to which the PAC faced great difficulties at the time of examination of the Draft Para.

- ii) Procedural lapses and irregularity occurred at the time of grant of funds to the SMEs which was violation of Operation Manual Economic Revitalization of Khyber Pakhtunkhwa and FATA (ERKF) Project and grant agreement.
- iii) DAC meeting was held very late on 20-12-2017 after the Draft Para in question printed in the Audit Report for the financial year 2016-17 which clearly shows inefficiency on the part of departmental Officers/Officials.
- iv) The record pertaining to APs 75,89 and 82 of the subject Draft Para relating to Shah Mobile Hangu Rs. (1.2 million), Tribal Medicos Hangu (Rs. 1.440 million) and Classic Marble Factory (Rs. 1.0 million) respectively was found doubtful and need detailed Inquiry.

PAC RECOMMENDATION

63. After detailed deliberation, the Committee taking a lenient view recommended to settle APs No. 79, 84, 86, 91 and 92 of subject Draft Para. While record of APs No. 75, 89 and 82 pertaining to Shah Mobile Hangu (Rs.1.2 million), Tribal Medicos Hangu (Rs 1.440 million) and Classic Marble Factory (Rs. 1.0 million) was referred to an Inter Departmental Committee (IDC) comprising the representative of Finance, Audit, and Department for conducting detailed inquiry in the matter.

64. The Department will be Convener of the IDC.

65. The Committee will submit its report to PAC within thirty (30) days. Para stands. Progress be reported to PAC.

DP No.12.4.5 IRREGULAR AND UNAUTHENTIC TRANSFER OF FUNDRS.1.600 MILLION.

AUDIT VERSION.

66. The Audit reported that according to Khyber Pakhtunkhwa Technical Education & Vocational Training Agency Ordinance 2002, there is no provision regarding transfer of 40% of the total receipts under 2nd shift program of Technical Education & Manpower Training Department to the Director Technical Education.

67. During the financial year 2010-11, in the office of Principal Government College of Technology Peshawar, Rs.16,00,000/- was drawn from private fund and transferred to the Director Technical Education & Manpower Training Department, Peshawar. No detail account in support of payment was produced for verification. The payment was therefore irregular and unauthentic.

68. Audit holds that the irregularity occurred due to weak financial management. When pointed out in Jan 2014, the management stated that the matter would be taken up with DG Technical Education & Manpower Training Department.

69. In the DAC meeting held in August 2013, the department replied that as per 2nd shift policy duly approved by the Technical Education & Vocational Training Agency (TEVTA) Board, Principal concerned shall shift 40% of the total receipts under 2nd shift program to TEVTA, Khyber Pakhtunkhwa as developmental funds. DAC did not agree with the reply of the department, as per rules regarding 40% funds transferred to DG Technical Education were not approved by the Government. DAC directed to place the Para before PAC for appropriate action.

DEPARTMENTAL VERSION

70. The Department explained that the Management Khyber Pakhtunkhwa-TEVTA has decided to return 1.6 million to Government College of Technology, Peshawar vide Cheque No. 37220485 dated 12.3.2021 for utilization in best interest of the students as per its letter N0 .KP-TEVTA/PAC/2016-17/2378(1-3) Dated 02-04-2021.

PAC RECOMMENDATION

71. The explanation of the Department was found plausible duly endorsed by the Audit. Hence the Para was recommended to be **settled**.

72. Due to shortage of time, the rest of Draft Paras No.12.4.3, 12.4.4, 12.6.6 and 12.4.7 for the financial year (2016-17) were kept pending and deferred for next meeting of the sub-Committee of Public Accounts Committee (PAC) to be convened shortly.

73. **The subject Draft Paras were again taken up for examination in the meeting of Public Accounts Committee held on 28-10-2021, wherein** the Chairman after welcomed the participants asked the Audit to place Draft Paras for the Financial Years 2016-17 before the Committee for examination. The Audit presented the following Draft Paras:-

DP No.12.4.3 **UN-AUTHORIZED PAYMENT OF REHABILITATION GRANT TO TWO SMES FOR ONE AND THE SAME MARBLE FACTORY-RS. 3.55 MILLION.**

DP No.12.4.4 **UN-AUTHORIZED PAYMENT OF GRANT DUE TO TAMPERING IN RECORD - RS.2.720 MILLION.**

DP No.12.4.6 **UN-AUTHORIZED PAYMENT OF REHABILITATION GRANT TO GHOST SMES - RS.14.370 MILLION.**

DP No.12.4.7 **UN-AUTHORIZED PAYMENT OF REHABILITATION GRANT ON INVALID DOCUMENTS - RS. 92.880 MILLION.**

74. The Committee examined the above mentioned Draft Paras and after detailed discussion on the issues involved in it observed the following:-

- i. The Department was neither fully prepared nor could it respond to the queries raised by the Committee during the meeting, therefore, the Committee was not facilitated in discharging of its function.
- ii. Relevant record could not be produced i.e. total applications for grant of aid, criteria for award of grant and record of rejected applications of SMEs.
- iii. In most of Draft Paras, the reply of the Department was not according to the questions raised by the Audit.
- iv. In most of the auditable record was not provided to the Audit at the time of conducting of Audit.
- v. In the whole process, the Department acted as silent spectator as it miserably failed to perform its oversight and monitoring function.
- vi. The DAC directed the Department to conduct inquiry in all the Draft Paras pertaining to the financial year 2016-17, but its report was not found attached with the working papers.

PAC RECOMMENDATION

75. In view of the above observations, the Draft Paras No.12.4.3, 12.4.4, 12.4.6 and 12.4.7 for the year 2016-17 were kept pending for next meeting of PAC and directed the PAC Cell, Audit, Finance and the Department to sit together in the Provincial Assembly Khyber Pakhtunkhwa and conduct pre-PAC meeting and submit its report to Public Accounts Committee (PAC) in its next meeting.

76. The Department was further directed to provide all the relevant records/documents pertaining to the aforesaid Draft Paras on proper format to Pre-PAC

meeting according to the questions raised in the Audit Paras to facilitate the job of PAC being the highest forum dealing with the financial oversight of the Government.

77. **The subject Draft Paras were again taken up for examination in the meeting of Public Accounts Committee held on 04-03-2022, which detailed are as under:-**

DP No.12.4.3 UNAUTHORIZED PAYMENT OF REHABILITATION GRANT TO TWO SMES FOR ONE AND THE SAME MARBLE FACTORY - RS. 3.55 MILLION.

AUDIT VERSION

78. The Audit reported that according to section 2.1.5 of Operations Manual of the Project, the SME will prove that he is affected by crisis and is doing business before August 2010 through business operations. In case of provision of false information by the SME, the grant paid would be recovered from them besides taking legal action.

79. During the financial year 2015-16, in the office of the Project Director Economic Revitalization in KP project, rehabilitation grant of Rs. 12,50,000/- was paid to Arshad Khan for Arshad Marble Factory. However, grant of Rs.23,00,000/- was also paid to his father Abdur Rahsid Khan for the same factory and the SME had also been sold to Mr. Bakht Sardar as reported by the Project Management Unit. Moreover, the existence/ownership of the SME could not be ascertained. The payment of grants of Rs.35,00,000/- was unauthorized.

80. The lapse occurred due to weak financial and managerial controls. When pointed out in November 2016, the management furnished no reply. In the DAC meeting held in January 2017, the Department replied that further time may be allowed to verify the business status and supporting documents for proper justification and appropriate action. DAC did not agree and directed that inquiry may be conducted to fix responsibility.

81. The Audit recommends to investigate the matter, fix responsibility besides the recovery of the unauthorized payment of grant.

DEPARTMENTAL VERSION

82. The Department explained that:-

- The grant payment has not been made to one and the same factory.
- The project has paid grant of Rs. 1.25 Million to Arshad Marble Factory, Buner and Rs. 2.3 Million to Jasim Marble Factory, Buner.
- Arshad Marble Factory was owned by Mr. Arshad Khan whereas Jasim Marble Factory was owned by Mr. Abdur Rasheed and both are separate units adjacently located/working.
- Neither Arshad Marble nor Jasim Marble has been sold to Bakht Sardar. These units have been established at their own property of Mr. Abdur Rasheed and Arshad Khan respectively. However, during insurgency these units were running on rental basis due to life threats to the owners as they were leader of the Aman Lashkar.
- The District Administration, DRO, Association and Pak Army vide their letters have verified their separate status, ownership, damages and their existence before August, 2010.
- The separate existence and operational status of both Marbles Factories have been re-verified by the Assistant Director, Directorate of Industries of Khyber Pakhtunkhwa vide letter NO. 101/1/16-AD-CPC-Buner, dated 23/11/2021 and Assistant Commissioner Daggar District Buner vide letter No. 985/AC(D) dated 09/12/2021 and letter No.992/AC(D), dated 14/12/2021.

PAC RECOMMENDATION

83. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.12.4.4 UNAUTHORIZED PAYMENT OF GRANT DUE TO TAMPERING IN RECORD - RS.2.720 MILLION

AUDIT VERSION

84. The Audit reported that according to section 2.1.5 of Operations Manual of the Project, the SME will prove that he is affected by crisis and is doing business before August 2010 through business operations. In case of provision of false information by the SME, the grant paid would be recovered from them besides taking legal action.

85. During the financial year 2015-16, in the office of the Project Director Economic Revitalization in KP project, rehabilitation grants of Rs.27,20,000/- was paid to two SMEs i.e. Rasool Jan Cosmetic Store and Amir Jan Cloth Store Hangu.

86. The revenue staff assessed and reported the loss of Rasool Jan and Amir Jan Cloth Store Rs.4,25,000/- and Rs.5,00,000/- respectively. Later on the same figures

were tampered with and made as Rs.54,25,222/- and Rs.35,00,000/- so that to get more grant. The rent agreements of the shops were executed in April 2014. The applicants/SMEs did not prove their business existence before August 2010 as per eligibility criteria. In absence of the valid proofs of existence before August 2010 and tampering in the record, the payment of grants of Rs.27,20,000/- was unauthorized and needs recovery.

87. The lapse occurred due to weak financial and managerial controls. When pointed out in Nov 2016, the management furnished no reply. In the DAC meeting held in January 2017, the Department replied that further time may be allowed to verify the business status and supporting documents for proper justification and appropriate action. DAC did not agree and directed that inquiry may be conducted to fix responsibility.

88. The Audit recommends to investigate the matter, fix responsibility besides the recovery of the unauthorized payment of grant.

DEPARTMENTAL VERSION

89. The Department explained that:-

- The Audit team has clubbed 02 SMEs cases under this Para of financial year 2015-16.
- During DAC meeting request of PU-SMEDA for re-verification was not entertained.
- There was no tampering in the grant application submitted to PU-SMEDA by the SMEs.
- The mandate of District Government in the grant approval was only to verify damages not to assess the value of losses.
- The Project Unit (PU-SMEDA) carries out its own assessment and recommended grant amount was based on physical assessment of the SME existing business. Therefore, value of losses in the application of SME submitted to District Government and Revenue Staff report has no impact on the increase or decrease in size of grant.
- The change/modification and quantum of losses and Revenue Staff report has been duly countersigned and re-verified by the District Administration Hangu.
- Rent agreement prior to August 2010 was not mandatory requirement when ownership and existence was verified by DC Office. Rent agreement was obtained to ensure business location/address and operational status of the SMEs only.

- Business existence of both the SMEs M/S Harmain Cosmetic and Shopping Center, Hangu and MS 786 Cloth House, Hangu prior to August, 2010 has been verified by DC/Revenue staff Hangu.

PAC OBSERVATION

90. The Committee observed that the criteria for award have been improved and such lapses are being avoided.

PAC RECOMMENDATION

91. In view of the fact that corrective measures had been adopted by the Department, therefore, the Para was recommended to be settled.

DP No.12.4.6 UNAUTHORIZED PAYMENT OF REHABILITATION GRANT TO GHOST SMES - RS.14.370 MILLION.

AUDIT VERSION.

92. The Audit reported that according to section 2.1.5 of Operations Manual of the Project, the SME will prove that he is affected by crisis and is doing business before August 2010 through business operations. In case of provision of false information by the SME, the grant paid would be recovered from them besides taking legal action.

93. During the financial year 2015-16, in the office of the Project Director Economic Revitalization in KP project, rehabilitation grants of Rs.1,43,70,000/- was paid to 12 No SMEs. The Project Management Unit reported the non-existence of the SME's businesses to Project Unit SMEDA and directed to recover the grants of Rs.1,43,70,000/- from them. However, no recovery was made.

94. The lapse occurred due to weak financial and managerial controls. When pointed out in November 2016, the management furnished no reply. In the DAC meeting held in January 2017, the Department replied that further time may be allowed to verify the business status and supporting documents for proper justification and appropriate action. DAC did not agree and directed that inquiry may be conducted to fix responsibility.

95. Audit recommends to investigate the matter, fix responsibility besides the recovery of the unauthorized payment of grant.

DEPARTMENTAL VERSION

96. The Department explained that under this Para 10 SMEs cases have clubbed, the released grant to 10 reported SMEs was Rs. 11.104 million instead of 14.37 million. SMEs wise detailed are as under:-

i. Hayat Marble Swat (Rs.0.4 M):

- The SME was not ghost as ownership and damages of SMEs were confirmed/verified by the Industrial Development Officer, Swat.
- Mr. Ihsan Ullah owner of the SME has fully utilized 1st tranche of the grant which has been verified by the PU-SMEDA.
- However, after utilization of first tranche owner of the SME left the country and went abroad without intimation to PU-SMEDA, as verified on 13/10/2013.
- The Audit was carried out in December 2016 when owner of the SME was abroad.
- GRMC being the competent forum terminated the grant case and directed for recovery.
- PU-SMEDA issued legal notices to the SME for recovery, however, due to non availability of the owner of the country recovery is still awaited

SME has availed the grant facility and there is no hard and fast rules for the recovery of the grant money as per World Bank Project Documents, keeping in view of the current scenario of SME sector, it is requested that the Para may be settled on the basis of work done.

ii. Maaz Marble Hangu (Rs.0.960 M):

As per PU-SMEDA's record no SME in the name of Maaz Marble Hangu has been supported out of the ERKP grant.

iii. Roman Computer Hangu (Rs.0.5 M):

- The SME was not ghost, as Deputy Commissioner, Revenue Staff and Field Coordinator PU-SMEDA physically verified the SME prior to grant processing/approval.
- However, SME has closed his business after utilization of grant money without intimation to PU-SMEDA.
- GRMC being the competent forum terminated the grant case and directed for recovery.
- PU-SMEDA issued legal notices to the SME for recovery, however the owner of SME was non traceable and recovery is still awaited.

SME has availed the grant facility and there is no hard and fast rules for the recovery of the grant money as per World Bank Project Documents., keeping in

view of the current scenario of SME sector, it is requested that the Para may be settled on the basis of work done.

iv. Waziristan Steel Hangu (Rs.2.0 M):

- The SME was not ghost as verified by the DC office and Field Coordination of PU-SMEDA prior to grant processing/approval.
- M/S Waziristan Steel, Hangu has been re-verified in 2017, 2020 and 2022 and found operational.

As SME is still functional, therefore, the PAC is requested to settle the Para.

v. Haroon Tea Store, Lakki Marwat (Rs.1.6 M):

- The SME was not ghost as business extensible prior to August 2010 has been verified by the DC, Revenue Staff, Association and Field Coordination PU-SMEDA prior to grant process and approval.
- The SME availed the grant after fulfillment of requisite criteria and verification by the Field Staff; however owner of the SME, Muhammad Haroon expired on 10-04-2016 before audit. Re-verification and death certificate available.

vi. Taj Muhammad Karyana, Lakki Marwat (Rs.1.44 M):

- The SME was not ghost. business extensible prior to August 2010 has been verified by the DC, Revenue Staff, Association and Field Coordination PU-SMEDA prior to grant process and approval.
- The SME availed the grant after fulfillment of requisite criteria and verification by the Field Staff; however, owner of the SME, Taj Muhammad expired on 28/02/2016 before audit. Re-verification and death certificate available.

vii. Habib Indus Motors D.I. Khan (Rs.0.664 M):

- The SME was not ghost as verified by the DC, Revenue Staff, Police FIR and Field Coordination PU-SMEDA prior to grant processing\approval.
- After availing the grant, the owner changed his business from Indus Motors to Soda Water Factory on 14-06-2016 before the audit.

viii. Kabir Medical Store, Hangu (Rs.1.6 M):

- The SME was not ghost as verified by the DC, Revenue Staff, Police and Field Coordination PU-SMEDA prior to grant processing\approval
- M/S Kabir Medical Store has been re-verified in 2017, 2020 and 2022 and found operational.

➤ The SME is still functional by the same owner, however due to Shia Sunni crisis in District Hangu the owner was facing life threats therefore he shifted his business from Hangu to District Kohat in 2016 before the audit.

➤ There was no restriction on shifting of business from one district to another.

ix. Shah Mobile Hangu (Rs.1.2 M):

➤ The SME was not ghost as verified by the DC, Revenue Staff and Field Coordination PU-SMEDA prior to grant processing\approval

➤ M/S Shah Mobile Hangu has been re-verified in 2017, 2020 and 2022 and found operational with change of business nature.

➤ There was no restriction to change nature of business if the previous business is not sustainable.

x. Book Land Stationary, Hangu (Rs.1.2 M):

➤ The SME was not ghost as verified by the DC, Revenue Staff and Field Coordination PU-SMEDA prior to grant processing\approval

➤ The M/S Book land Stationary, Hangu has been re-verified in 2017, 2020 & 2022 and found operational.

➤ The SME is still functional by the same owner.

xi. Rehman Mobile Hangu (Rs.0.5 M):

➤ The SME was not ghost as verified by the DC, Revenue Staff and Field Coordination PU-SMEDA prior to grant processing\approval

➤ The SME availed the grant on 19/11/2015 and was functional till 2018. Later on due to non sustainability Mr. Rehman-ud-Din closed his business in after three (3) year of availing the grant.

➤ Mandatory period of the SME was upto 19/05/2017

xii. Qazi Glass House Hangu (Rs.1.8 M):

PU-SMEDA has not awarded any grant to Qazi Glass House Hangu.

PAC RECOMMENDATION

97. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.12.4.7 UNAUTHORIZED PAYMENT OF REHABILITATION GRANT ON INVALID DOCUMENTS - RS. 92.880 MILLION.

AUDIT VERSION

98. The Audit reported that according to Para-16, 39, 57 & 73 and Section 10.17 of Operations Manual, Grant will be paid only to those SMEs Businesses who existed at or before August 2010, with no grant for newly established business. No grants will be paid for the purchase of reconditioned and used vehicles Grants shall be terminated prematurely, in case of utilization of funds in violation of the agreed plan, the grant paid would be recovered from them and legal action may be taken against the SMEs. Under no circumstances provide grants will be paid for the purchase of reconditioned and used vehicles.

99. During the financial year 2015-16, in the office of the Project Director Economic Revitalization in KP project, rehabilitation grants to Rs. 3,93,80,000/- were paid to the following SMEs. The payment of grant of Rs. 3,93,80,000/- was unauthorized on the following grounds:-

- i) The SMEs incurred expenditure and submitted vouchers/invoices for reimbursement of grant. The firms from whom the supplies were made refused to own the vouchers/invoices. Moreover, the total cost of the items available with SMEs were less than the amount reimbursed to them. The existence of the SMEs on August 2010 could not be ascertained.
- ii) The PMU reported that the items purchased by the Dawn Riffat School was not available but Rs. 10,00,000/- was reimbursed to them.
- iii) There was only one damaged dental chair in the Sami dental clinic and other items shown purchased were not available but Rs.14,40,000/- were reimbursed.
- iv) Similarly, according to FIR and map of bomb blast only 21 shops were affected by suicide attack on Police Station Pezu on 01-09-2011. However, rehabilitation grant of Rs.6,86,40,000/- was paid to 64 SMEs causing excess payment of Rs.5,35,00,000/- which also needs recovery.

100. The lapse occurred due to weak internal controls. When pointed out in November 2016, the management furnished no reply. In the DAC meeting held in January 2017, the Department replied that further time may be allowed to verify the business status and supporting documents for proper justification and appropriate action. DAC did not agree and directed that inquiry may be conducted to fix responsibility.

101. The Audit recommends to investigate the matter, fix responsibility besides the recovery of the unauthorized payment of grant.

DEPARTMENTAL VERSION

102. The Department explained that the Audit has clubbed 83 SMEs cases/Paras under this Draft Para for the year 2015-16:-

- The released grant to 83 SMEs was Rs. 76.268 million instead of Rs.92.880 million.
- All the invoices/vouchers submitted by SMEs have been verified by PU-SMEDA field officer from the concerned suppliers before release of grant and even after audit, some of the supplier disowned the invoices due to the reason that the Auditor introduced himself as representative of FBR/Tax Department during his visit.
- The audit was carried out 6-7 months after release of the grants. Buying and selling in general trading/retail shops is based on daily basis, therefore, it is not essential to maintain the procured items throughout the year.
- Existence of the supported SMEs before August, 2010 have been verified from legal documents of the SMEs i.e. Deputy Commissioner confirmation, Revenue Staff reports agreements, Registration with relevant Government Departments, utility bills and association report. Etc.

103. SME wise factual position are as under:-

i. **Abid Mobile, Hangu (Rs.0.96 M):**

- The procurement and invoices/vouchers have been verified before and after Disbursement of the grant.
- PU-SMEDA has re-verified the same invoices even recently in 2021 from the Concerned vendor/supplier.
- Buying and selling of the Mobile Phones was based on daily basis, therefore, it is not essential to retain the whole procured items throughout the years.
- Ownership and existence of the SME before August, 2010 verified by the DC, DRO and Markazai Tanzeem Tajiran, Hangu.
- In pursuance of the DAC decision, Departmental inquiry conducted in 2019 SME was found operational and all documents verified.

ii. **Maaz Mobile Hangu (Rs.0.96 M):**

- The procurement and invoices/vouchers have been verified before and after disbursement of the grant.
- PU-SMEDA has re-verified the same invoices even recently in 2021 from the concerned vendor/supplier.

Buying and selling of the Mobile Phones was based on daily basis, therefore, it is not essential to retain the whole procured items throughout the years.

- The ownership and existence of the SME before August, 2010 has been verified by the DC/DRO and Markazi Tanzeem-e-Tajiran, Hangu.
- In pursuance of the DAC decision, Departmental inquiry conducted in 2019 SME was found operational and all documents verified.
- As per Project Documents after expiry of the mandatory period SME cannot be forced to change/sold/closed the business, if it is not sustainable.

iii. Pak Mobile Hangu (Rs.0.96 M):

- The procurement and invoices/vouchers have been verified before and after disbursement of the grant.
- PU-SMEDA has re-verified the same invoices even recently in 2021 from the Concerned vendor/supplier.
- However, owner of the SME expired in April, 2020. As the guarantee Mr. Swab Gul has been expired.

iv. Moon Computer Hangu (Rs.2.0 M):

- The procurement and invoices/vouchers have been verified before and after disbursement of the grant.
- PU-SMEDA has re-verified the same invoices even recently in 2021 from the concerned vendor/supplier.
- Buying and selling of the Computers and accessories was based on daily basis, therefore, it is not essential to retain the whole procured items throughout the years.
- The ownership and existence of the SME before August, 2010 has been verified by the DC/DRO and Markazi Tanzeem-e-Tajiran, Hangu.
- In pursuance of the DAC decision, Departmental inquiry conducted in 2019, SME was found operational and all documents verified.
- PU-SMEDA has verified the SME in 2017, 2019, 2020 and found operational.

v. Sky Computer Hangu (Rs.1.2 M):

- The procurement and invoices/vouchers have been verified before and after disbursement of the grant.
- PU-SMEDA has re-verified the same invoices even recently in 2021 from the concerned vendor/supplier.
- Buying and selling of the Computers and accessories was based on daily basis, therefore, it is not essential to retain the whole procured items throughout the years.

- The ownership and existence of the SME before August, 2010 has been verified by the DC/DRO and Markazi Tanzeem-e-Tajiran, Hangu.
- In pursuance of the DAC decision, Departmental inquiry conducted in 2019, SME was found operational and all documents verified.
- PU-SMEDA has verified the SME in 2017, 2019, 2020 and found operational.

vi. Saadiq Mobile Zone Pezu Lakki Marwat (Rs.1.28 M):

- The procurement and invoices/vouchers have been verified before and after disbursement of the grant.
- PU-SMEDA has re-verified the same invoices even recently in 2021 from the concerned vendor/supplier.
- Buying and selling of the Mobile and accessories was based on daily basis, therefore, it is not essential to retain the whole procured items throughout the years.
- The ownership and existence of the SME before August, 2010 has been verified by the DC/DRO and Markazi Tanzeem-e-Tajiran, Lakki Marwat.
- In pursuance of the DAC decision, Departmental inquiry conducted in 2019, SME was found operational and all documents verified.
- PU-SMEDA has verified the SME in 2017, 2019, 2020 and found operational.

vii. Jan Shopping and Mobile Center Pezu Lakki Marwat (Rs.1.44 M):

- The procurement and invoices/vouchers have been verified before and after disbursement of the grant.
- PU-SMEDA has re-verified the same invoices even recently in 2021 from the concerned vendor/supplier.
- Buying and selling of the Mobile and accessories was based on daily basis, therefore, it is not essential to retain the whole procured items throughout the years.
- The ownership and existence of the SME before August, 2010 has been verified by the DC/DRO and Markazi Tanzeem-e-Tajiran, Lakki Marwat.
- In pursuance of the DAC decision, Departmental inquiry conducted in 2019, SME was found operational and all documents verified.
- PU-SMEDA has verified the SME in 2017, 2019, 2020 and found operational.

viii. Super Asia Electronic and General Order Supplier, Lakki Marwat (Rs.2.0 M):

- The procurement and invoices/vouchers have been verified before and after disbursement of the grant.
- PU-SMEDA has re-verified the same invoices even recently in 2021 from the concerned vendor/supplier.
- Buying and selling of the Electric equipment was based on daily basis, therefore, it is not essential to retain the whole procured items throughout the years.
- The ownership and existence of the SME before August, 2010 has been verified by the DC/DRO and Markazi Tanzeem-e-Tajiran, Lakki Marwat.
- In pursuance of the DAC decision, Departmental inquiry conducted in 2019, SME was found operational and all documents verified.
- PU-SMEDA has verified the SME in 2017, 2019, 2020 and found operational.

ix. Arif Electronics Pezu Lakki Marwat (Rs.1.6 M):

- The SME was authorized dealer of Orient Communications Pakistan since 2008.
- The procurement and invoices/vouchers have been verified before and after disbursement of the grant.
- PU-SMEDA has re-verified the same invoices even recently in 2021 from the concerned vendor/supplier.
- Buying and selling of the Electric equipment and accessories was based on daily basis, therefore, it is not essential to retain the whole procured items throughout the years.
- The ownership and existence of the SME before August, 2010 has been verified by the DC/DRO and Markazi Tanzeem-e-Tajiran, Lakki Marwat. .
- In pursuance of the DAC decision, Departmental inquiry conducted in 2019, SME was found operational and all documents verified.
- PU-SMEDA has verified the SME in 2017, 2019, 2020 and found operational.

x. Sami Dental Clinic, Lakki Marwat (Rs.1.44 M):

- The SME produced the following items:-
 - 02 complete dental units 01 for male and 01 for female.
 - Updated tools and equipment.
 - Sterilization unit.
 - Dental materials and dies.

- PU-SMEDA verified the procured items before and after releases of the grant.
- The SME has further expended his business by installing new additional machinery and equipments
- The ownership and existence of the SME before August, 2010 has been verified by the DC/DRO and Local trade Association of District Lakki Marwat. .
- PU-SMEDA has re-verified the same invoices even recently in 2021 from the concerned vendor/supplier..

xi. Zia Surgical Center Peshawar (Rs.0.9 M):

- The SME produced digital X-Ray machines out of the grant.
- PU-SMEDA verified invoices and payment receipt from supplier before and after released of grant.
- The ownership and existence of the SME before August, 2010 has been verified from the NTN certificate, business Bank account and registration with Health Regularly Authority (HRA).
- Confirmation of the supplier regarding payment and attested invoices provided to the Audit but the para was already printed and not considered.
- PU-SMEDA has re-verified the SME in 2017, 2019, 2020 and even 2022 and found operational.
- SME was located at Phase-III Chowk main University Road, Peshawar and can be verified any time.

xii. Dawn Riffat Public School Karak (Rs.1.0 M):

- The following items procured by the SME out of the grant:-
 - i. 200 Students Chairs,
 - ii. Four Computer Tables and Chairs.
 - iii. Science Lab Tables.
 - iv. 12 KVA Generator,
 - v. 12 White Board.
 - vi. Science Lab Equipments.
- PU-SMEDA repeatedly physically verified all the items in 2017, 2019 and 2020 as well as invoices/vouchers re-verified from supplier.
- The School is still operational at same premises having enrolment of 400 students.
- Business existence and ownership of SME has been confirmed/verified from BISE registration/renewal certificates/rent agreement.

xiii. Shaheen Children Academy Karak (Rs.1.0 M):

- The following items procured by the SME out of the grant:-
 - i. 500 Students Chairs,
 - ii. 50 Computer Tables and Chairs.
 - iii. Science Lab Tables.
 - iv. 12 KVA Generator.
- PU-SMEDA repeatedly physically verified all the items in 2017, 2019 and 2020 as well as invoices/vouchers re-verified from supplier.
- After ERKP grant the SME has expanded his business and established more campuses i.e:-
 - i. Boys Campus (School)
 - ii. Girls Campus (School)
 - iii. Boys Campus (College)
 - iv. Girls Campus (College)
 - v. 02 Hostels
- The SME has total enrolment of 2800 Students in the above campuses.
- Confirmation of the supplier regarding payment and verified invoices provided during DAC to the Audit but the para was not discussed.
- The ownership of SME has been confirmed/verified from BISE registration/renewal certificates/utility bill.

xiv. Hotels at Balakot (Rs.19.568 M):

(1). Pine View Hotel Bala Kot (Rs. 0.7 M)

The following items procured by the SME

- i. 10 single Beds,
 - ii. 10 Double Beds,
 - iii. 20 Sitting Chairs
 - iv. 10 Center Tables.
 - v. 01 Generator
 - vi. 10 LCD TVs
- PU-SMEDA repeatedly physically verified procured items in 2017, 2019 and 2020 and found available.
 - The invoices/vouchers have been verified before and after Audit from the concerned supplier/vendor.

- Existence and ownership of SME before August, 2010 verified by the Assistant Commissioner Balakot vide letter No.1118, dated 07-07-2014 having Registration No.KP-MSA-7009 and Kaghan Valley Hotels Association.
- The SME is still operational and the procured items are available and have further upgraded his business with additional facilities.

(2) Pine Track and Green Food Hotel Balakot (Rs.0.958 M):

The following items procured by the SME

- i. 10 single Beds,
- ii. 10 Double Beds,
- iii. 20 Sitting Chairs
- iv. 10 Center Tables.
- v. Renovation (750 meter floor Tiles)
- vi. 10 LCD TVs
- PU-SMEDA repeatedly physically verified procured items in 2017, 2019 and 2020 and found available.
- Existence and ownership of SME before August, 2010 verified by the Assistant Commissioner Balakot vide letter No.1118, dated 07-07-2014 having Registration No.KP-MSA-7009 and Kaghan Valley Hotels Association.
- The invoices/vouchers have been verified before and after Audit from the concerned supplier/vendor.
- The SME is still operational and the procured items are available and has further upgraded his business with additional facilities.

(3) Paradise Hotel (Rs.0.910 M):

The following items procured by the SME:-

- i. 10 single Beds,
- ii. 10 Double Beds,
- iii. 20 Sitting Chairs
- iv. 10 Center Tables.
- v. 01 Generator
- vi. Renovation (680 meter floor Tiles)
- vii. 10 LCD TVs

- PU-SMEDA repeatedly physically verified procured items in 2017, 2019 and 2020 and found available.
- Existence and ownership of SME before August, 2010 verified by the Assistant Commissioner Balakot vide letter No.1118, dated 07-07-2014 having Registration No.KP-MSA-7009 and Kaghan Valley Hotels Association.
- The invoices/vouchers have been verified before and after Audit from the concerned supplier/vendor.
- On expiry of the lease agreement in 2020 the land owner has not extended the lease agreement and converted the SME into Super Store.
- However, Muhammad Nawaz guarantee has started another business in the name of Madni Garments in Tehsil Balakot main Bazar after expiry of the lease agreement.
- After expiry of the grant validity period, beneficiary SME could not be bound not to sell or close or change the nature of business.

(4). Valley Gateway Hotel (Rs.0.9 M):

The following items procured by the SME:-

- i. 10 single Beds,
- ii. 10 Double Beds,
- iii. 20 Sitting Chairs
- iv. 10 Center Tables.
- vi. 01 Generator
- vii. 10 LCD TVs

- PU-SMEDA repeatedly physically verified procured items in 2017, 2019 and 2020 and found available.
- The invoices/vouchers have been verified before and after Audit from the concerned supplier/vendor.
- The Existence and ownership of SME before August, 2010 verified by the Assistant Commissioner Balakot vide letter No.1118, dated 07-07-2014 having Registration No.KP-MSA-7009 and Kaghan Valley Hotels Association.
- On expiry of the lease agreement in 2020 the land owner has not extended the lease agreement however, the grantee Mr. Muhammad Hanif is still running the same hotel and Balakot at another location.

xv. Sarir Mining Company Shangla (Rs.1.92 M):

- The SME produced the following machinery:-]\

- i. 3 Air Compressor.
 - ii. 3 Drill Machine.
 - iii. Tractors.
- PU-SMEDA repeatedly physically verified the procurement in 2017, 2019 and 2020 and found available.
 - Existence and ownership of SME before August, 2010 and damages have been verified from the DC Shangla letter No.7197/AG-II/1-23, dated 27-08-2012, District collector letter No.990/flood-2010/Asstt: Relief dated 03-08-2012 and report of Patwari and Gardawar circle Alpuri dated 01-08-2012.
 - The ownership has been verified from the Mining Lease (ML) renewed upto 2044 and the Frontier Mine Owners Association Khyber Pakhtunkhwa vide letter No.FMOA/Cr4/0314 dated 19-03-2014.

xvi. Taimur Mining Company (Rs.2.0 M):

The SME Procured Excavator EX-200/1 for his marble mine at Buner:-\

- PU-SMEDA repeatedly physically verified the procurement in 2017, 2019 and 2020 and found available.
- Taimur Mining Company Buner was a largest mining company in District Buner having several other businesses like marble processing units in Buner and Islamabad.
- Business existence of SME before August 2010 has been verified from DC/DRO letter/Mining lease and Association.
- After DAC meeting the required documents were provided to Audit but the Para was already printed hence not considered.

xvii. 64 SMEs of Lakki Marwat (Rs.52.14 M)

- ERKP project supports SME both for rehabilitation and up-gradation through matching grant.
- as per ERKP operational Manual, as affected SMEs was define as “SME” shall have been affected directly or indirectly by the conflict situation/natural calamities (Flood) and/or Covid-19 pandemic”
- Bomb blast accident occurred in Main Bazar Pezu near Police station on 01/-09/2011.
- There were more than 250 shops/business which were completely/partially damaged due to bomb blast, firing and looting after the incident.
- Out of the total 87 SME applied for rehabilitation. After security and verification
- 64 SMEs were found eligible as per criteria for availing the rehabilitation grant.

- These 64 SMEs were either completely or partially damaged.
- The FIR of Police Station of Pezu Lakki Marwat has reported only those persons who either sustained death or serious injuries not the directly or indirectly affected SMEs.
- Damages/losses of the supported SMEs of Main Bazaar Pezu Lakki Marwat have duly verified by the DC/DRO and Markazi Anjuman Tajaran District Lakki Marwat and PU-SMEDA field Staff.

PAC RECOMMENDATION

104. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled with the direction to the Department to streamline the system and make TORs for extending grant, so that the achievement of objective is secured.

HEALTH DEPARTMENT

OVERVIEW

Fifty Two (52) Draft Paras, reflected in the Auditor General's Report for the year 2016-17 against the Department, were examined by the Public Accounts Committee in its meeting held on 12/04/2021, 06/10/2021, 07/10/2021, 13/10/2021 and 14/10/2021. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|----------------------------------|---|
| 1. | Mr. Mushtaq Ahmad Ghani, Speaker | Chairman 2 nd sitting |
| 2. | Mr. Muhammad Idrees Khan, MPA | Acting Chairman 1 st , 3 rd , 4 th sitting |
| 3. | Arbab Muhammad Waseem Khan, MPA | Member |
| 4. | Mr. Babar Saleem Swati, MPA | Member |
| 5. | Mr. Salahuddin, MPA. | Member |
| 6. | Mr. Jamshaid Khan, MPA | Member |
| 7. | Mr. Inayatullah, MPA | Member |
| 8. | Dr. Asiya Asad, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

1. Mr. Samar Gul,
Additional Secretary.
2. Mr. Izazullah,
Deputy Secretary.

FINANCE DEPARTMENT

1. Mrs. Naghmana,
Additional Secretary (Regulation).
2. Mrs. Neelum Sultana,
Additional Secretary.
3. Mr. Tariq Mehmood,
Deputy Secretary.
4. Mian Shah Hussain,

Section Officer, (Dev-I)

AUDIT DEPARTMENT

1. Mr. Mehmood Ahmad Khan,
Director General, Audit.
2. Mr. Farrukh Sohail Malik,
Deputy Auditor General.
3. Mr. Sajid Khan,
Director.
4. Mr. Muhammad Fayyaz,
Deputy Director.
5. Mr. Zain-ul-Abidin,
Deputy Director.
6. Mr. Naseem Ahmad,
Account Officer.
7. Mr. Fazl-e-Maula,
Audit Officer.
8. Mr. Khalid Zaman,
Account Officer.
9. Mr. Mehmood-ul-Hassan Saeed,
Assistant Account Officer.

HEALTH DEPARTMENT

1. Syed Imtiaz Shah,
Secretary.
2. Dr. Farooq Jamil,
Special Secretary.
3. Mr. Amir Afaq,
Special Secretary.
4. Dr. Niaz Muhammad,
Director General, (Health Services).
5. Mr. Nadeem Akhtar,
Hospital Director.
6. Engr. Aminullah,
Director Civil.
7. Dr. Sahib Gul,
Director (MNHC).
8. Mr. Abdullah,
Director Finance, Hayatabad Medical Complex.

9. Dr. Tariq Mehmood,
Hospital Director Mardan
10. Dr. Sher Khan Afridi,
Director.
12. Abdul Qadeer,
Director Finance, (A.T.H).
13. Dr. Arif,
Director, (EPI DG Health).
14. Mr. Gul Azad Khan,
Director Finance, (MTI Bannu).
15. Colonel Gulzar,
Hospital Director, (MTI Bannu).
16. Brig (R) Abrar,
HD, LRH.
17. Mr. Muhammad Sheraz,
Director Finance, MTI Mardan.
18. Mr. Shms-Ur-Rehman,
Director, Finance, LRH.
19. Prof. Muhammad Fazal,
Dean, MMC Mardan.
20. Dr. Ashfaq Ahmad,
Associate Dean.
21. Dr. Muhammad Shoaib,
Medical Superintendent.
22. Dr. Jehanzeb Khan,
Medical Superintendent, DHQ Charsadda.
23. Dr. Fakhruddin,
Medical Superintendent NKBMH.
24. Dr. Niaz Muhammad,
M.S, (Police Hospital Peshawar).
25. Dr. Mujtaba Ali,
M.S, (DHQH, Nowshera).
26. Dr. Jehanzeb Khan,
MS, DHQ, (Charsadda).
27. Dr. Muhammad Naeem Awan,
MS, SGTH.
28. Dr. Irshad Ali,

- DHO, (Dir Lower).
29. Dr. Saeedullah,
DMS.
 30. Dr. Imran Taj,
DMS, DHQ, Haripur.
 31. Dr. Khalil-ur-Rehman,
Deputy Director, (EPI).
 32. Mr. Muhammad Ibrahim,
Section Officer
 33. Mr. Javed Iqbal,
Audit Officer, (A.T.H).
 34. Dr. Anwar Yaqub,
Pathologist, (MASH Peshawar).
 35. Mr. Shafiullah,
Health Educator.
 36. Mr. Javed Iqbal,
Assistant Director.
 37. Dr. Wahid Gul,
PM EBHS Project (Retired).
 38. Dr. Azhar Yaqub,
Pathologist, (MASH Peshawar).
 39. Mr. Asghar Khan,
Account Officer.
 40. Mr. Shafiullah,
Health Educater.
 41. Mr. Kamran Saleem,
Finance Officer, LRH.
 42. Mr. Basit Islam,
Accountant, DGHS

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Nasrullah Khan Khattak,
Secretary.
2. Mr. Amjad Ali,
Special Secretary.
3. Mr. Khalid Shaheen,
Deputy Secretary.
4. Mr. Amjad Ali,

Assistant Secretary.

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

AYUB TEACHING HOSPITAL ABBOTTABAD

DPNo.10.4.13 LOSS DUE TO LATE APPROVAL OF MCC RATES – RS.43.420 MILLION (Saidu group hospitals swat, Ayub Teaching Hospital Abbottabad, DHO Nowshera).

AUDIT VERSION

3. The Audit reported that according to the Government of Khyber Pakhtunkhwa Health Department Notification No.SO(Drugs/HD/7-1/MCC/2015 dated 31.03.2015, the devolved Medicine Committee was de-notified and restored MCC w.e.f 01.04.2015 with the directives to MCC to complete the activity of rates approval of medicines by 30th June 2015.

4. During the financial year 2015-16, the accounts record of following offices revealed that medicines & disposable items purchased from the local market through tenders by the hospitals management. The rates approved by MCC were much lower than the medicines purchased from market. This delay in acceptance of rates by MCC despite the clear schedule given by the Government, led to a loss of Rs.4,34,20,000/- as a result of purchase at higher rates from the market by the hospitals management.

AP No./Year	Office	Loss
114/2015-16	Saidu Group of Hospitals Swat	17,220,000
134/2015-16	Ayub Teaching Hospital Abbottabad	13,610,000
370/2015-16	DHQ Nowshera	12,590,000
	Total	43,420,000

5. Loss occurred due to delay in the approval of MCC rates, when pointed out in September 2016, the management stated that matter would be referred to the higher ups of Health Department for clarification.

6. The Department was requested repeatedly for holding the DAC meeting, however, neither DAC meeting was held nor any action initiated against the person(s) at fault.

DEPARTMENTAL REPLY

7. The Department informed that the subject Draft Para has been based on three different APs of the different Institutions. The explanation of each Intuition is reproduced as under:-

AYUB TEACHING HOSPITAL ABBOTTABAD

8. The representative of the Institution explained that the Government for the year 2014-15 did not issue the MCC list; therefore, all these purchases of medicines were made, based on approved tender rates by institution for the year 2013-14 later on the MCC list for the year 2015-16 was issued, on 17-02-2016. After the receipt of MCC list for the year 2015-16, was properly followed for the purchase of medicines.

9. The institution further explained that the purchase of medicine was made in the best public interest keeping in view the emergent need for these medicines and has not sustained any loss to the national exchequer in the absence of approved MCC list 2015-16.

DISTRICT HEAD QUARTER NOWSHERA

10. The representative of Institution explained that due to late approval of MCC rates. The purchase of medicine was made from Local Market, to cope with emergency need/requirement of DHQ Hospital Nowshera in the best Public interest, after completion of all codal formalities the said purchase of medicines have been made on discounted rate of 15%, from local market.

SAIDU GROUP OF TEACHING HOSPITALS SWAT

11. The representative of the Institution explained that the Institutional Management Committee of Saidu Group of Teaching Hospital, Swat during its meeting held on 29-07-2015, granted permission of District Medicine Committee. Contract rates of medicines were approved for the years 2014-15, due to non-availability of MCC rates for the year 2015-16. Later on, the District Medicine Committee was withdrawn and

centralized system of selection/approval through Government Medicines Coordination Cell (MCC) was restored vide Secretary Health Department letter dated 31-03-2016.

12. The DGHS Peshawar issued MCC approved rates for the year 2015-16 vide letter dated 17-02-2016 received in this office on 03-03-2016. Hence, the delay in approval of MCC rates was on the part of Director General Health Services, Peshawar and this office has no responsibility for the same.

PAC OBSERVATION

13. The Committee observed that:-
- i. The Institutions have miserably failed to justify the purchase of medicines in the absence of MCC rates; as, the relevant documents in support of their verbal explanation were not available with the Institutions.
 - ii. The Department has also conceded that the purchase of medicines was made in the best of public interest on emergency basis however, certain rules and regulation of the Institutions were ignored.
 - iii. The main reason for the loss to the government was non-issuance of MCC rates in time, which shows laxity on the part of the Department, therefore, the Government sustained huge loss.
 - iv. The Department has not issued any uniform Policy/Instruction for the purchase of medicine in the absence of MCC rates.
 - v. The codal formalities were not adopted while making purchases of the medicine.

PAC RECOMMENDATION

14. As the Department was failed miserably to provide any documents in support of its verbal explanation. The Committee therefore, decided to visit the concern Institutions for conducting a detailed inquiry and physical inspection of complete record of purchases made during the period.

15. The Department was directed to streamline the process of issuance of MCC rates in time in future. In case of unavoidable circumstances, uniform policy for purchases of medicine may be adopted/approved till the issuance of MCC rates.

DPNo.10.4.15 LOSS ON ACCOUNT OF AWARD OF PHARMACY WELFARE SHOP CONTRACT ON LESSER RATE – RS.10.370 MILLION.

AUDIT VERSION

16. The Audit reported that according to Chief Executive letter addressed to Secretary Health Khyber Pakhtunkhwa contract of pharmacy welfare shop was advertised and highest rates of Rs. 13,75,000/- per month was received.

17. During the financial year 2014-15, it was noticed that Chief Executive Ayub Teaching Hospital Abbottabad (ATH), had wrote a letter to Secretary Health Khyber Pakhtunkhwa. Wherein, they stated that the contract of Pharmacy Welfare Shop was advertised, 08 firms/contractors participated one of the them offered the highest bid of Rs.13,75,000/- per month and it was decided that the contract to be awarded to him. However, it was noticed that the contract was illegally extended to old contractor M/S Al-Shahbaz Traders @ Rs.10,11,560/- per month, till the date of the audit. Thus, the public exchequer was put into loss of Rs.1,03,70,000/- as detailed below: -

Rent recovered January 2014 to December 2015	Rent required to be recovered from Jan, 2014 to Dec, 2015 as per highest bid ignored	Difference (loss)
Rs.1,011,560×12 x 2 = Rs.24,277,440	Rs.1,375,000 ×12=16,500,000×10% increase = 18,150,000 = Rs.34,650,000	Rs.34,650,000-24,277,440 = Rs.10,372,560

18. The audit informed that initially the contract was advertised for 09 months from October 2011 to June 2012, but it was continued till the date of audit i.e. December 2015 without competitive rates. Detail record of the comparative statement and other bidding documents were not provided. Lapse occurred due to mismanagement, which resulted into loss of Rs.1,03,72,560/-. When reported to the management in November 2015, it was stated that detailed reply would be furnished after consulting the record.

19. In the DAC meeting held in August 2016, it was decided that, the loss occurred needs recovery. No progress was intimated till finalization of the report.

DEPARTMENTAL VERSION

20. The Department explained that the plea/observation of the audit was not correct because the Pharmacy shop was running without competitive bidding by the previous contractor with the connivance of the management. The details of the case are as under: -

21. On the decision of the Management Council after cancelling the extension of incumbent contractor. The tender was floated, the opening date was 12/12/2013. Meanwhile, the Contractor has obtained status-quo on 19-11-2013. The Department submitted an application for vacation of status-quo on 29-11-2013. The honorable court permitted to receive and open the tender with the direction for not issuing work order until the disposal of application of temporary injunction. The status-quo was intact up to 06-11-2014. However, the tender opened on 12-12-2013, the highest bid amounting to Rs. 13,75,178-/ was received, which was rejected by the Purchase Committee on the following grounds: -

- a) The mandatory documents required for the bidding were not provided, as per clause-23 of terms and conditions of tender documents.
- b) The bidder was not registered with Sales Tax.
- c) The Drug License was in the name of Mr. Mohammad Irshad and the rates quoted by Sardar Niaz Ahmed.
- d) The bidder was civil contractor and having no experience of pharmacy.

22. The contract was not awarded to Contactor due to non availability of the requisite documents require for bidding, the status quo, continued litigation and Government directives notification on 23/01/2014 that “no new contract regarding pharmacy shop may be made and all contracts already signed may not be renewed after expiry”. In response to these directives, the Chief Executive has written a letter to Secretary Health in order to save the public and institution interest but the same instructions was repeated by Health Department vide its letter dated 19th February 2014.

The Pharmacy shop cannot be closed due to above instructions and no new contract may be executed.

23. Hence, the bid of the un-experienced contractors who doing civil work somewhere else was rejected, because it would sustain loss to the government. The contractor has been directed to deposit the rent as per 10% increase of rent since October 2014 vide letter dated 08/01/2016 with direction to deposit due amount. The contractor has cleared/deposited the amount as per original contract with 10% increase.

24. The Department further explained that after vacating of status-quo On 06-11- 2014, the matter was placed before the Board of Governor meeting held on 15-01-2016, wherein it was decided to advertise the Pharmacy shop through wide publicity. In compliance with board decision, the said contract awarded to M/s Rajput Traders on 12-04-2016, who offered the highest rate of @ Rs. 14,28,000/- per month.

PAC OBSERVATION

25. The Committee observed that:-

- i. The Hospital authorities has not made any effort to safeguard the Government rights.
- ii. The stay was granted by the Court of Law for a week time but the Department has neither pursued the case in the Court of Law properly nor could it recover the outstanding amount from the Contractor on monthly basis.
- iii. The Institution has initially accepted the highest rate for which they approached the higher authority for obtaining their approval to award the said contract to the contactor but latter on it was shown rejected by the Purchase Committee.

PAC RECOMMENDATION

26. In view of above observations and after detail discussion, the Committee directed the Secretary Health Department to conduct Inquiry into the matter for fixing responsibility and to initiate action leading to recovery from the concerned within sixty (60) days. **Para Stands.** Progress be reported to PAC Cell.

DPNo.10.4.16 LOSS DUE TO DEVIATION FROM APPROVED PC-I, TS AND BOQ RS.8.680 MILLION.

AUDIT VERSION

27. The Audit reported that according to Para 95 of CPWD Code, Divisional Officer is strictly prohibited to deviate from the sanctioned design in the course of execution of work.

28. During the financial year 2012-13, the accounts record of Ayub Teaching Hospital Abbottabad revealed that the work Construction “Gynae & Peads Wards at ATH” expenditure of Rs. 2,41,22,191/- was incurred on the execution of a quantity of 12,859 m² an item of work “P/L of 20 x 20 floor tiles” @ Rs.1875.76 per m² instead of ceramic floor tiles 12 × 12 approved @ Rs.1,200 per m² in the PC-1, TS and BOQ. Thus hospital sustained the loss of Rs. 86,80,000/-.

29. Lapse occurred due to weak internal controls, resulting into loss of Rs. 88,60,000/-. When pointed out in April 2014, no reply was furnished. In the DAC meeting held in August 2016, it was decided that recovery should be made from the person(s) at fault. No progress was intimated till finalization of the report.

DEPARTMENTAL VERSION

30. The Department explained that 20”x20” porcelain tiles were installed in place of 12”x12” as per standards specification of Hospital Building & long lasting, under clause 12 of the contract agreement, which were approved by the competent forum, the item was included in the PC-1. The payment was made as per actual execution & CSR rate / Contractor rebate so that there was no loss to the public money. The revised TS would have to be obtained, accordingly.

31. The Department further explained that the tiles 20x20 were installed to reduce the groves/joints between the tiles as per requirements of medical ethics so that to reduce the germs quantity in the Hospital and OT’s. Moreover, the payment was made as per CSR.

PAC OBSERVATION.

32. The Committee observed that the prior approval for the change in tiles, being mandatory, was not obtained from the Competent Authority.

PAC RECOMMENDATION

33. The Committee has taken a lenient view of the issue and recommended the Para to be settled with the direction to the Institution to take proper approval, before completion of the work in future.

DPN_o.10.4.17 LOSS DUE TO HOUSE SUBSIDY AT HIGHER RATES – RS.7.580 MILLION.

AUDIT VERSION

34. The Audit reported that according to Finance Department Khyber Pakhtunkhwa Notification No. SOSR-OOI/FD/1 dated 14.05.2012, revised rental ceiling for hire & own residential accommodation in Peshawar & Abbottabad for BPS 1-22 was fixed.

35. During the financial year 2013-14, in Ayub Medical College, Abbottabad, Rs.2,72,20,000/- were drawn on account of house subsidy in respect of professors, senior lecturers and other officers/officials of the college. However, the drawl was in excess of the ceiling approved by the Government. This resulted into loss of Rs.78,50,000/- to the Government.

36. Moreover, all payments of housing subsidy were made to the employees instead of owners, which were unauthorized/unjustified. Ownership documents, maps of the houses showing the covered area with reference to entitlement and assessments were not available to authenticate the subsidy. Thus, excess over entitlement amounting to Rs.75,80,000/- needs recovery.

37. When pointed out in March 2015, the management stated that the same issue has already been discussed in the PAC meeting held on 10.02.2015. PAC has directed to stop the said allowance. Audit holds that the practice is in violation of government pay and package policy.

38. The Department was requested repeatedly through DO letters for holding the DAC meeting, however, neither DAC meeting was held nor any action initiated against the person(s) at fault

DEPARTMENTAL VERSION

39. The Department explained that the Housing subsidy at the rates of Peshawar have allowed to the employees of the Ayub Medical College Abbottabad, which was approved by the BOG in its meeting held on 10.4.1979. Since then all the Housing subsidy requisitioned cases are dealt according to the Government policy. It is pertinent to mentioned that all the relevant record regarding the ownership documents of the house land (mutation/Registry). Map of the house approved by the competent authority. Limit certificate issued by CD&MD Town and Affidavit on stamp paper that he/she is residing himself/herself in the said house are available in the concerned office. The concerned office has prepared individual file of each employee who was availing the facilities of housing subsidy, in which all the relevant documents which can be checked and verified. In response to PAC recommendation made during the meeting held on 10.02.2015, a notification dated 10.03.2015 has already been issued by then Principal for stoppage of housing subsidy at Peshawar rates. After the notification, all the employees who were affected by this notification went to Peshawar High Court Abbottabad Bench and got interim relief that till the disposal of the instant writ petition no action shall be taken against the petitioners. The Court asks comments from the PAC etc and respondent No. 4 has submitted comments, whereas comments from respondent No. 1 to 3 are still awaited. Now the matter is in the Court of law and no final has been announced in this regard.

PAC OBSERVATION

40. The Committee noted with concern that the same issue i.e “drawn of house subsidy” in respect of professors, senior lecturers and other officers/officials of the Abbottabad Medical College, have already been discussed in the previous Audit Reports, by the PAC and declared the said allowances in violation of financial Rules and regulation in vogue, the institution was therefore directed to stop the said practice forthwith and made recovery from the defaulters. However, the decision of the PAC has not been materialized by the Institution so for.

PAC RECOMMENDATION

41. In view of the above observation. The Committee once again directed the Department to stop the said practice forthwith and also to make recovery of the requisite

amount from the concerned Officer/Officials in case the person at fault has been retired from service then the recovery may be made from the person who had not implemented the PAC recommendation/decision within due time. **Para Stands.** Progress be reported to PAC Cell.

DPNo.10.4.23 LOSS DUE TO NON-RECOVERY OF RENT AND UTILITY CHARGES FROM CANTEEN CONTRACTOR RS.2.451 MILLION.

AUDIT VERSION

42. The Audit reported that according to contract clause, the monthly rent will be Rs. 3,60,800/- which will be payable each month. According to Para 26 of GFR Vol-I, it is the duty of the departmental controlling officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

43. During the financial year 2014-15, in Ayub Teaching Hospital Abbottabad contract of the main canteen was awarded to Mr. Waqar Abbasi S/o Muhamamd Iqbal Abbasi at a monthly rent of Rs.3,60,800/-. The contractor failed to deposit Rs.24,51,960/- as his monthly rent and utility charges during the year. The said amount is still outstanding against the contractor.

44. The lapse occurred due to weak internal controls resulting into loss of Rs. 24,51,960/-. The loss was pointed out in November 2015, it was stated that detailed reply would be furnished after consultation of record.

45. In the DAC meeting held in August 2016, the management replied that FIR has been lodged for recovery and further progress will be intimated after receipt of decision from the court. DAC decided that recovery should be made. No progress was intimated till finalization of the report. Audit recommends that efforts should be made to recover the outstanding amount.

DEPARTMENTAL VERSION

46. The Department explained it was correct that the amount of Rs.24,51,960/- electricity and Sui Gas Bill was recoverable from the Contractor on monthly rent basis. The Contractor was directed time and again vide letter dated 21-02-

2015, order No. dated 18-03-2015, letter dated 11-05-2015, letter dated 23-05-2015 and also involved local police vide letter dated 15/03/2015 for recovery of the amount but Contractor failed to clear the dues. By taking stern action as per relevant clause of agreement the contractor was blacklisted vide letter dated 23/11/2015 consequently the Sui Gas/Electricity has been disconnected and the premises were vacated vide letter No.7627-29 dated 16/12/2015.

47. The recovery suit has also been instituted in the court of Civil Judge-II Abbottabad of Rs. 28,00,000/- on account of rent etc, which was dismissed on the appeal of Department the court of ADJ-VIII. In addition, decreed the suit in favour of institution on 15-12-2020. The Department further explained that:-

- i) The Sui Gas and Electricity meters have been installed.
- ii) Against the dismissal order of Civil Judge-II, an appeal has been filed in the Court of ADJ-IV on 18-12-2019 and the court of ADJ-III on 15-12-2020 in as per decreed the case in favour of institution.
- iii) The Deputy Commissioner has also been requested for recovery of above amount through Revenue Department vide this office dated 26-10-2020.

PAC OBSERVATION

48. The Committee observed that the Department has not played its administrative role, despite the Court order neither the recovery was made nor any action initiated against the person who had not recovered the said amount so far.

PAC RECOMMENDATION

49. In view of the above, the Department was directed to recover the said amount within sixty (60) days as per Court degree and take proper action against the person under the Efficiency & Disciplinary Rules, who failed to affect recovery from the Contractor in time. Para Stands. Progress be reported to PAC Cell.

DPNo.10.4.26 LOSS DUE TO DOUBLE PAYMENT – RS.1.260 MILLION.

AUDIT VERSION

50. The Audit reported that according to rule 379 of FTR Vol-I read with Para 23 of GFR Vol-I, no payment can be made to a Contractor except for work actually done or supplies actually received. Every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinate.

51. During the financial year 2013-14, the accounts record of Ayub Teaching Hospital Abbottabad revealed that the work “excavation as in foundation of building up to required depth in any kind of soil” was awarded to a Contractor and Rs.52,10,000/- were paid vide Cheque No.A-250863 dated 26.02.2014. However, Rs. 5,27,833/- were also paid for transportation of extra earth @ Rs.25 each item, which was already included in the work.

52. Similarly, 31st and final bill of the Contractor M/s United Construction Co. Swat for a work, “Construction of Gynae Paeds Wards” revealed that an item of work “P/L gravel filling etc complete” of 3766.34 m³ @ Rs.500 per m³ was executed and Rs.18,83,170/- were paid vide cheque No.A-182387 dated 18.12.2012. However another item of work, “Compaction of earth/gravel upto 95% of 3766.34 m³ @ Rs.195.43 per m³ costing of Rs.7,36,056/- was also shown executed as separate item though this was already included in the 1st item. As such, double payment of Rs.7,36,056/- was again allowed. Thus the total double payment of Rs.12,60,000/- was paid to contractor. Double payment occurred due to weak internal controls. When pointed out in Feb 2014, it was replied that both executed items were separate work.

53. In the DAC meeting held in August 2016, the management admitted double payment. DAC directed recovery but no progress was intimated till finalization of the report. Audit recommends to implement DAC decision.

DEPARTMENTAL VERSION

54. The Department explained that the item of excavation includes disposal of material up to 25 meter. If required the excavated material has to be used in refilling around foundation and under floors, but the building of Gynae and Paeds has a basement. The excavated material was daedal and slush up to the depth of excavation, which has not refilled and compacted. Therefore, it was disposed off at different suitable places beyond

25 meter up to 500 meter and payment was made as per CSR with the same rebate of the Contractor.

55. The Department further explained that the bearing capacity of site for the construction of gynae and paed building was very much low and to enhance the bearing capacity river bed gravel and solid material was lied and compacted mechanically up to 95% to 100% and was paid accordingly, with same rebate of the Contractor. The same was executed in the best public interest.

PAC RECOMMENDATION

56. In view of the plausible explanation of the Department the Para was recommended to **be settled**.

57. The following Draft Paras fixed for the day were not discussed due to shortage of time and were deferred for the next meeting.

DPNo.10.4.30 NON-RECOVERY OF OUTSTANDING DUE FROM CONTRACTORS RS.6.135 MILLION.

DPNo.10.4.40 EXCESS PAYMENT OF SHARE – RS.2.760 MILLION.

DPNo.10.4.42 NON-DEPOSIT OF MAINTENANCE/DEPRECIATION CHARGES RS.14.990 MILLION AND LOSS DUE TO PAYING EXCESS SHARE TO STAFF ETC - RS.5.630 MILLION.

DPNo.10.4.51 WASTEFUL EXPENDITURE ON GYNAE PAEDS Ward - RS.338.690 MILLION.

OFFICE OF THE PROJECT DIRECTOR NATIONAL MATERNAL NEWBORN & CHILD HEALTH

**DP No.10.4.1 NON-PRODUCTION OF RECORD – RS.150.000 MILLION
AUDIT VERSION**

58. The Audit reported that according to Section-14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, to which the Auditor General has a statutory right of access, may be withheld from the Audit. Any person or authority hindering the auditorial functions shall be subject to disciplinary action under relevant Efficiency and Discipline Rules applicable to such person.

59. During the financial year 2014-15, in the office of Project Director “National Maternal, Newborn & Child Health (MNCH) Program” it was noticed that Rs.15,00,00,000/- was released to Provincial Coordinator MNCH vide Health Department letter No.SOB/HD/Special Initiative/2013-14 dated 27.11.2013. The relevant record, i.e. PC-I, Administrative Approval, Cashbook, Bank Statement, paid vouchers, tender documents, agreements, stock registers, and indents were demanded but the local office did not produce the same to audit. The amount was required to be deposited in the designated bank Account; however, the local office deposited the said amount in a commercial Bank without the approval of the Finance Department. Moreover, international donors like, DFID, UNICEF, WHO Save the Children and UNFPA are also providing support in the shape of huge amounts, equipment, vehicles, and medicines but the record of the same was not provided to audit.

60. Non-production of the record was due to weak internal controls, when pointed out in March 2016, the Department stated that a detailed reply would be submitted after consulting the relevant record.

61. The Department was requested repeatedly through DO letters for holding the DAC meeting, however, neither DAC meeting was held nor was any action initiated till finalization of the report.

DEPARTMENTAL VERSION

62. The representative of Maternal Newborn & Child Health explained that Rs.150 million was released to a new program under the name “CM initiative”. It was a separate program for the financial assistance of pregnant women. All the record is available and will be produced when demanded.

63. The account for the “CM initiative program” was open in HBL on approval of the Secretary Health Government of Khyber Pakhtunkhwa. Moreover, the Director General Audit was requested, for conducting certificate audit of the Chief Minister Initiative program. However, the reply from Audit is still awaited.

PAC OBSERVATION

64. The Committee observed that the requisite record was available with the institution but not produced to Audit, which indicate irresponsible attitude of the Department.

PAC RECOMMENDATION

65. In view of above, the Committee directed the Department to provide all the requisite record i.e. PC-I, Administrative Approval, Cashbook, Bank Statement, paid vouchers, tender documents, agreements, stock registers, and indents to the Audit for conducting a detailed audit within a month time. the Department was further directed to initiate action under E&D Rules 2011, against the person(s) who had not produced the requisite record to Audit during course of auditing, within thirty (30) days positively, progress be reported to PAC Cell.

DP No.10.4.7 MISAPPROPRIATION OF UNSPENT BALANCE – RS.2.078 MILLION

AUDIT VERSION

66. The Audit reported that according to Para 13 of GFR Vol-I, every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate offices and to guard against waste and loss of public money and stores.

67. During the financial year 2014-15, in the National Maternal, Newborn & Child Health (MNCH) Program, Rs.8,804,264, was released to the XENs C&W Department as detailed below:-

S/No.	Name of office	Description	Cheque No	Date	Amount (Rs.)
1.	XEN C&W Division Karak	Civil works	262816	16.09.2014	28,34,519/-
2.	XEN C&W Division Chitral	-do-	262817	16.09.2014	24,24,905/-
3.	XEN C&W Division Mansehra	-do-	262850	23.10.2014	15,10,000/-
4.	XEN C&W Division Karak	-do-	262851	23.10.2014	20,34,840/-
Total					88,04,264/-

68. Moreover Rs.72,94,264/- (48,69,359 + 24,24,905) paid to C&W Division Karak and Chitral, against which an expenditure of Rs.52,15,621/- was incurred by C&W Divisions and the balance amount of Rs.20,78,643 (17,05,669 + 3,72,297) was returned to PC MNCH vide cheque No.492325 dated 17.03.2015. The amount was neither taken on cashbook nor deposit challan was produced to audit. Where about of the amount was not known to audit.

69. The lapse occurred, due to weak internal controls, when pointed out in March 2016, the department stated that a detailed reply would be submitted after consulting the relevant record, the Department was requested repeatedly through DO letters for holding the DAC meeting, however, neither DAC meeting was held nor any action initiated until finalization of the report.

DEPARTMENTAL VERSION

70. The representative of Maternal Newborn & Child Health (MNCH) Program explained that an unspent amount of Rs. 20,78,643/- received from the C&W Department Karak and Chitral were taken on cashbook.

71. Moreover, the saving amount was paid to Regional Tax Office Peshawar on account of income tax vide cheque No. 2068316 amounting to Rs. 19,92,324/-, cheque No 2068324 amounting to Rs. 62,532/- and cheque no 2068338 amounting to Rs. 30,000/- for the purchase of money order forms, from GPO Peshawar.

PAC OBSERVATION

72. The Committee observed that:-
- i. The Cashbook was not maintained properly because the date and voucher numbers were missing.
 - ii. How the amount of saving was spent for the payment of Income Tax and purchase of Money Order (MO) forms.

RECOMMENDATION

73. In view of the above, the Committee directed the Department to conduct detailed inquiry into the matter and to submit report to PAC within thirty (30) days. Para stands, progress be reported to PAC Cell.

DP No.10.4.9 MISAPPROPRIATION OF LAPTOPS – RS.1.000 MILLION.

AUDIT VERSION

74. The Audit reported that according to Civil Services Regulation every officer on his transfer should properly hand over all items issued to him during his stay in that office.

75. During the financial year 2014-15, in National Maternal, Newborn & Child Health (MNCH) Program, 10 laptops worth Rs.10,00,000/- were issued to various officers. These officers were transferred and the laptops were not returned. Neither specifications of these laptops were available on record nor, the source of the receipt was mentioned in the stock register.

76. The lapse occurred due to mismanagement of assets, when pointed out in March 2016, the management stated that a detailed reply would be submitted after consulting the record. The Department was requested repeatedly for holding the DAC meeting, however, neither DAC meeting was held nor any action initiated till finalization of the report.

DEPARTMENTAL VERSION

77. The representative of the Maternal Newborn & Child Health (MNCH) Program explained that all the laptops are available in store of MNCH program, which can be seen in any office time as and when demanded.

PAC OBSERVATION

78. The Committee observed that:-

- i. If the meeting of DAC was held in time, the subject issue would have been resolved at that stage.
- ii. All the record was available but not shown to Audit.

PAC RECOMMENDATION

79. In view of the assurance given by the Department that the requisite record was available in Department and ready for verification. The Committee recommended the Para to be settled, subject to verification of stock register, Vouchers, Challan regarding the purchases of laptops and to whom issued, by Audit within thirty (30) days.

**DPNo.10.4.28 OVERPAYMENT ON ACCOUNT OF UNAUTHORIZED
UPGRADATION OF STAFF - RS. 14.550 MILLION.**

AUDIT VERSION

80. The Audit reported that according to the Finance Department notification dated December 21, 2015, the project employees are not entitled to up-gradation, as they are not civil servants.

81. During the financial year 2014-15, in the office of Project Director “National Maternal, Newborn & Child Health (MNCH) Program” the post of Account Assistant was up-graded from BPS-14 to BPS- 16 on the analogy of Khyber Medical University without the approval of Finance Department. The pay of the staff was increased from 15,000 to 30,000. The arrears of 20% was also paid on the basis of increased pay due to which Rs. 1,45,50,420/- was overpaid and needs recovery.

82. The lapse occurred due to financial indiscipline and weak internal controls, which resulted in an overpayment of Rs.1,45,50,000/-. When pointed out in March 2016, the Department stated that a detailed reply would be submitted after consulting the relevant record. The department was requested repeatedly for holding the DAC meeting, however, neither DAC meeting was held nor any action initiated till finalization of the report. Audit recommends to conduct the inquiry, fix responsibility against the person(s) at fault besides recovery from the project employees

DEPARTMENTAL VERSION

83. The representative of the Maternal Newborn & Child Health (MNCH) Program explained that the Accounts Assistants were upgraded on the basis of Finance Department Notification NO.FD/SO(FR)10-22/2014 dated 20/5/2014. Scales of Accounts Assistant were got approved in revised PC-1 in view of the notification mentioned above. Moreover, up- gradation of a post means the abolition of the existing post and creation of a new post in higher grade, how it is possible that a post demolish by Govt. and not in the project. Similarly, the contract agreement of all project employees clearly states that from time to time govt. orders shall be applicable on project employees, if there would be discrimination between the citizens. It was also violation of the constitution.

Recruitment/appointment/seniority and promotion rules (Chapter-2)

84. Framing of Recruitment Rules of Project Posts the Establishment Division keep on receiving references on the following points from Ministries/Divisions for advice:-

- (i) Whether project posts fall within the purview of the FPSC?
- (ii) Whether the recruitment rules of project posts require approval of the Commission in terms of FPSC Ordinance, 1977?

2. The position was clarified in the succeeding paragraphs.

3. The “project posts”, term has not used in the Civil Servants Act, 1973 and the Rules were made there under. The Civil Servants Act, 1973 uses the expression ‘civil posts in connection with the affairs of the Federation’. Thus the formulation of the question referred to in Para 1 was flawed. Projects were executed by the Ministries/Divisions/ Attached Departments/Subordinate Offices, as well as autonomous bodies. In case the project executed by the Government Department, i.e. Division/Attached Department, Subordinate Office. Then project posts shall fall in the category of civil posts. In connection with the affairs of the Federation the said post fall within the purview of the FPSC in terms of section 7 of the FPSC Ordinance, 1977 and recruitment rules for these posts require the approval of the Commission.

85. keeping in view the above facts & to avoid any discrimination and any violation of the contract between employees and program, the Para may please be settled.

PAC OBSERVATION

86. The Committee observed that:-

- i. The project employees has their own terms and conditions, including salary and allowances apart from the Government pay and package policy, so why on the analogy of Finance Department Notification they up-grade the post of Account Assistant.
- ii. The Finance Department Notification NO.FD/SO (FR)10-22/2014 dated 20/5/2014 was only applicable to Civil Servants not for project employees.

PAC RECOMMENDATION

87. In view of the above, the Committee directed the Secretary Health to conduct fact finding inquiry for fixing responsibility and to initiate action leading to recovery involved from the person(s) at fault within sixty (60) days. Para stands. Progress be reported to PAC.

**MARDAN MEDICAL COMPLEX & TEACHING
HOSPITAL MARDAN**

**DPNo.10.4.2 MIS-APPROPRIATION ON ACCOUNT OF CASUALTY/
EMERGENCY CHIT FEE – RS.46.264 MILLION.**

AUDIT VERSION

88. The Audit reported that according to Para 26 of GFR Vol-I, it is the duty of the departmental controlling officer to see that all sums due to the government are regularly and promptly assessed, realized, and duly credited to the Public Account. In all Teaching/District Headquarter Hospitals in Khyber Pakhtunkhwa, the fee @ Rs.20 and Rs.10 per chit was charged, respectively.

89. During the financial year 2015-16, in Mardan Medical Complex and Teaching Hospital Mardan, 2,052,543 patients were treated in Emergency and Casualty, but the fee @ Rs.20 per chit amounting to Rs. 4,10,50,860/- was not deposited into the Government Treasury. Similarly, DHQ Nowshera collected Rs.45,30,000/- on account of various tests, but only Rs. 15,16,000/- were deposited into hospital receipts and leaving a balance of Rs. 30,14,000/-. The retained amount of Rs. 4,40,64,860/- can lead to misappropriation.

91. It was further noticed that in Moulvi Amir Shah Hospital Peshawar, hospital user charges of Rs.76,69,318/- were received from patients of various wards from 01.07.2014 to 30.06.2015. However out of total receipt only Rs.54,61,138/- (verified from the AG office SAP System) were deposited into Government Treasury and Rs.22,00,000/- was not deposited and misappropriated. The misappropriation was due to weak internal controls. When pointed out in August 2016, the management replied that the funds released, under object emergency, therefore the chits were given free. The reply was not tenable because the fee was charged per chits, under rule quoted above.

92. The Department was requested repeatedly for holding the meeting of DAC, however, neither DAC meeting was held nor any action initiated against the person(s) at fault.

DEPARTMENTAL VERSION

93. The representative of the Mardan Medical Complex and Teaching Hospital Mardan explained /clarified that the A&E fee, in Mardan Medical Complex and Teaching Hospital Mardan was charged @ Rs 10 and the total patient's number 337701/- were treated in A&E of MMC during financial year, 2015-16, as per record. The patients numbers 2,052,543 as reported by audit team is not correct, which show a difference of 1,714,842.

94. As per Government policy emergency medicines, diagnostic facilities i.e investigations, X-Ray, ECG, Ultrasound etc will be free for emergency patients as per Health Department letter No. 1-362/ECO/PC/H/Vol-V/2014-15 dated 28-11-2014 and subsequently notified by the then Chief Executive, MMC vide office order No. 7978-82/MMC dated 02-09-2013 and No. 8151-54/MMC dated 07-09-2013. Hence, the patients noted by audit were exempted from payment including A&E fee in Mardan Medical Complex.

95. The representative of Moulvi Ameer Shah Memorial Hospital explained that the observation of the audit not based on facts because in the statement tentative amount were taken and exaggerated figures produced for comparison of the realization with the deposits. In the advance, Para No. 1066 total realization was shown as Rs. 12.801 million while in the instant advance Para it was shown as Rs. 7.669 million, which also indicates that the figures were not correctly collected/taken from the record of this office. However, as per this office record the correct figures were Rs. 5.608 million. In fact, all the receipts collected on different counters of the Hospital have properly been deposited in the Government Treasury and no misappropriation of the receipt or otherwise committed. All the amounts realized and deposited has properly been reconciled with the respective section of the AG Office.

96. The representative of the Medical Superintendent DHQ Hospital Nowshera explained that all the receipt Challan have been verified from AG office/PIFRA system.

PAC OBSERVATION

97. The Committee observed that the Para is pertaining to three-different institution, which is not only confusing but it was also difficult for the Committee to

reach to just and fair conclusion, as all the institutions involved came with different versions of reply.

98. There was huge difference in the figures pointed out by the Audit and that shown by the Department.

PAC RECOMMENDATION

99. In view of the above, the Committee recommended that the Department, the representative of Hospital, Audit and the PAC Cell to sit-together in the Assembly Secretariat to dig-out the actual figures within thirty (30) days. The PAC Cell will be a convener of the meeting.

DPNo.10.4.12 LOSS DUE TO NON-DEDUCTION OF MAINTENANCE CHARGES – RS.24.990 MILLION.

AUDIT VERSION

100. The Audit reported that according to the Government of Khyber Pakhtunkhwa Health Department Notification No.SO(B)HD/1-27 dated 20.02.2014, and 40% the cost of equipments/ materials used should be deducted from the total receipts and the balance of 60% should be treated as 100%, for onward distribution amongst the Doctors, Pathologist, Radiologist, Paramedics, Class-iv, Ministerial IT staff, administrative set up and for maintenance and repair.

101. During the financial year 2015-16, in Mardan Medical Complex and Teaching Hospital Mardan, Rs.6,24,90,000/- realized from MRI, CT scan, Ultrasound, X-Ray, Laboratory, ECG, Echo ETT, EEG and Endoscopy. The hospital management was required to deduct an amount of Rs.2,49,90,000/- at 40% and thereafter, the balance amount should have been distributed according to the approved formula duly circulated, which was not followed. This resulted in loss of Rs.2,49,90,000/- to the hospital management, the loss occurred due to weak internal controls and non-observance of instructions/rules.

102. When pointed out in August 2016, the management replied that notification was not received; the reply of the department is not tenable. The Department was requested repeatedly for holding the DAC meeting, however, neither DAC meeting was held nor any action initiated against the person(s) at fault.

DEPARTMENTAL VERSION

103. The representative of the Mardan Medical Complex and Teaching Hospital Mardan explained /clarified that as per Health Department Notification No. SO(B)Health/10-12/user charges dated 13th April, 2005 distribution of user charges in the Teaching /other Hospitals will be distributed on the following percentages after deduction of 5% cost of the material /kits and others and 5% depreciation.

i.	Govt share	60%
ii.	Doctors share	25%
iii.	Paramedics	10%
iv.	Administrative Staff	02%
v.	Repair Expenses	03%
	Total	100%

104. The amount was distributed in Mardan Medical Complex on said formula in the financial year, 2015-16 and as per Health Department letter No. SOB-I/HD/1-27/PR/Vol-II dated 19-04-2018, the above distribution formula as per Notification No. SO(B)Health/10-12/03-04/user charges dated 13th April, 2005 is still intact. Furthermore, the same distribution formula has being in practice all teaching /other Hospitals of the province.

PAC OBSERVATION

105. The Committee observed that the distribution of user charges was carried out, in view of Health Department Notification date 13/04/2005, which was time and again revised. While, Audit was of the opinion that said charges must be distributed on the basis of Finance Department Notification issue 29/04/ 2013.

PAC RECOMMENDATION

106 In order to ascertain which notification was applicable for distribution of user charges at that time. The Committee could not reach to just and fair conclusion therefore constituted a Sub-Committee comprising of following Members.

1.	Mr. Muhammad Idrees Khan, MPA	Chairman
2.	Mr. Babar Saleem Swati, MPA	Member
3.	Mr. Salah Uddin, MPA	Member
4.	Dr. Asiya Asad, MPA	Member

107. The Committee shall examine the following Notifications and recommend a uniform procedure for distribution of user charges.

- i. Health Department dated 13/04/ 2005 and subsequently other revised Notification of Health Department
- ii. Finance Notification 29/04/2013
- iii. Court decisions/order in this regard.

108. The Sub-Committee will submit its report to PAC within thirty 30 days.

DPNo.10.4.27 OVERPAYMENT DUE TO ALLOWING HEALTH PROFESSIONAL ALLOWANCE AT HIGHER RATES – RS.23.784 MILLION.

AUDIT VERSION

109. The Audit reported that according to Finance Department Notification No.FD(SOSR-II)8-18/2016 dated 07.01.2016, the Provincial Cabinet of Khyber Pakhtunkhwa has approved the incentive for doctors (all cadres) excluding those working in MTIs on the basis of territory (District declared as category A,B & C) unattractive/attractive specialties and enhanced the health professional allowance to ensure the presence of doctors at all levels of health facilities from 01.01.2016.

110. During the financial year 2015-16, the accounts record of Mardan Medical Complex and Teaching Hospital Mardan revealed that 77 doctors were allowed health professional allowance at higher rates instead of permissible in violation of the above quoted notification, which resulted into an overpayment of Rs.2,37,84,000/- for the period 01.01.2016 to 30.06.2016. The said allowance still paid at higher rates, which is not admissible to the employees working in MTI. The overpayment was due to not following the Finance Department notification. When pointed out in August 2016, the management furnished no reply.

111. The Department was requested repeatedly for holding the DAC meeting, however, neither DAC meeting was held nor any action initiated against the person(s) at fault.

DEPARTMENTAL VERSION

112. The representative of the Mardan Medical Complex and Teaching Hospital Mardan explained that the Notification No. FD/SDSR-II 18/2016 dated 07-01-2016 was also extended to Civil Servant Doctors working in Medical Teaching Institute (MTIs) in Khyber Pakhtunkhwa with effect from 01-01-2016 as per rates and conditions prescribed in the Notification i.e. @ Rs. 62,000/- to Medical Officers vide Notification No. FD/SDSR-II 18/2016 dated 12-11-2018.

RECOMMENDATION

113. In view of plausible explanation advanced by the Department, the Para was recommended to be **settled**.

DISTRICT HEADQUARTER HOSPITAL CHARSADE

DPNo.10.4.4 MISAPPROPRIATION OF CAPITATION FUND- RS.6.511 MILLION.

AUDIT VERSION

114. The Audit reported that according to Para 26 of GFR Vol-I, it is the duty of the Department controlling officer to see that all sums due to the government are regularly and promptly assessed, realized, and duly credited to the Public Account.

115. During the financial year 2015-16, the accounts record of District Head Quarter Hospital Charsadda revealed that Rs.1,90,80,150/- were received, from Jinnah Medical College Warsak Road, Peshawar as Capitation Fee of 417 medical students for the period January 2011 to December 2015. Out of this amount, Rs.63,22,636/- was paid to the medical staff as Teaching Allowance and Rs.62,45,627/- was available on 30.06.2016, in the Bank of Khyber Main Bazar Charsadda. The whereabouts of Rs.65,11,887/- (Rs.1,90,80,150 – Rs.63,22,636 + Rs.62,45,627) was not known. Lapse occurred due to financial indiscipline and weak internal controls, when reported to the management in August 2016, no reply was given by the management. Audit requested the Department repeatedly, for holding of the DAC meeting, however, neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

116. The representative of the District Headquarter Hospital Charsadda explained that the capitation fee Rs 1,90,80,150/- was received from Jinnah Medical College Peshawar from 01-01-2011 to 30-06-2016 out of the above mentioned amount 10% allowance Rs. 92,14,178/- was paid to Teaching and other staff while Rs. 39,79,136/- was spent on the purchase of various items in the Hospital and balance amount of Rs. 58,86,836/- was available in the concerned Bank on 30-06-2016. No loss sustained to Govt: the Para may please be settled.

PAC OBSERVATION

117. The Committee observed that the capitation fee received was utilized by the Hospital authorities in violation of Rules.

PAC RECOMMENDATION

118. The Committee directed the Department to conduct fact-finding inquiry and initiate action leading of recovery against the person(s) at fault. The Hospital authorities were also directed to follow Rules regulations in its true spirit and avoid such lapses in future. Para stands. Progress be reported to PAC Cell within thirty (30) days.

DPNo.10.4.18 LOSS DUE TO MISSING HOSPITAL EQUIPMENTS/ MACHINERY – RS.7.250 MILLION.

AUDIT VERSION

119. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured, or weighed as the case may be, when delivery is taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register. Para 23 of GFR Vol-I requires that every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the government through fraud or negligence on his part or on the part of his subordinates.

120. During the financial year 2015-16, in DHQ Hospital Charsadda, machinery & equipment worth Rs.7,50,000/- were found missing during physical scrutiny by the audit team on 05.08.2016. The lapse occurred due to weak internal controls, resulting in a loss of Rs.2,50,000/- when pointed out in September 2016, the

management replied that the matter will be inquired and reported to the audit. Audit requested the Department repeatedly, for holding of the DAC meeting, however, neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

121. The representative of the office of District Headquarter Hospital Charsadda explained that the inquiry has been conducted and responsibility fixed on the person at fault. Recovery will be started from his salary on monthly basis.

RECOMMENDATION

122. In view of above, the Committee directed the Department to recover the amount (in kind) otherwise equal amount from the person held responsible by the inquiry Committee within sixty (60) days. Para stands. Progress be reported to PAC Cell.

DPNo.10.4.20 LOSS DUE TO CHANGE IN RATE OF ULTRASOUND CHARGES RS.1.350 MILLION.

AUDIT VERSION

123. The Audit reported that according to the Government of KPK Health Department Notification No.SOH (V)1-1/92 dated 02.09.1996 Ultrasound charges are Rs.250.

124. During the financial year 2015-16, in District Head Quarter Hospital Charsadda, 20,526 ultrasounds were performed by the staff, out of which 1301 shown as free while for 19324 lesser rates of Rs.180 per case was charged against the approved rate of Rs.250 per case. Charging lesser rate resulted into loss of Rs.13,50,000/- (Rs.70 × 19324 Ultrasounds). The lapse occurred due to weak internal controls, resulting in a loss of Rs. 13,50,000/-.

125. When pointed out in August 2016, the management replied that Notification No.SOH(V)1-1/92 dated 02.09.1996 was not received in this office. The charges have been made @ Rs.180 per Ultrasound and deposited in Government Treasury accordingly. Audit requested the Department repeatedly, for holding of the DAC meeting, however, neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

126. The representative of the office of District Headquarter Hospital Charsadda explained that this office has not received notification No.SOH (V)1-1/92 dated 02.09.1996. Audit was requested to provide the notification copy for future line up, the charges has been made at the rate of 180/- per Ultrasound and deposited into Govt; Treasury accordingly.

PAC OBSERVATION

127. The Committee observed that the Hospital authority charged the rate of 180 for ultrasound test instead of Rs 250 in violation of Notification but no misappropriation was involved rather public at large was benefited.

RECOMMENDATION

128. In view of the above, the Committee recommended the Para to be **settled** with the direction to the Department to adopt a uniform policy in this regard and to circulate the same to all the Hospitals working under their control.

DPNo.10.4.21 NON-RECOVERY OF GOVERNMENT DUES FROM HOSPITALS STAFF ETC – RS.15.242 MILLION.

AUDIT VERSION

129. The audit reported that according to Para-26 of GFR Vol-I, it is the duty of the departmental controlling officer to see that all sums due to the government are regularly and promptly assessed, realized, and duly credited in the Public Account.

130. During the financial year 2015-16, the accounts record of District Head Quarter Hospital Charsadda revealed that Rs.34,78,320/- were received in cash on account of 19,425 ultrasounds after deduction of 1301 Free and Entitled cases. Out of the total receipts, Rs.2,246,001 were deposited in the treasury. The difference of Rs.12,32,319/- (Rs.34,78,320 – Rs.22,46,001) remained un-deposited.

131. Similarly, receipts of the laboratory tests were realized for Rs.38,98,375/- out of which Rs.30,18,500/- were deposited leaving a balance of Rs.879,875 un-deposited. Thus total amount of Rs.21,12,184/- (Rs.12,32,319 – Rs.8,79,875) was less deposited, which is a loss to government.

132. It was further noticed that during the financial years 2014-15 and 2015-16, in the following offices of the Health Department, **Government dues of Rs.13,130,000 were outstanding against various hospital staff and contractors.**

S/No.	Name of Office	AP No./Year	Amount (Rs)
1.	DHQ Charsadda	212 (2015-16)	21,12,194
2.	Ayub Teaching Hospital Abbottabad	147 (2015-16)	33,40,000
3.	District Headquarters Hospital Nowshera	382 (2015-16)	29,20,000
4.	District Headquarters Hospital Charsadda	218 (2015-16)	25,00,000
5.	District Headquarters Hospital Charsadda	206 (2015-16)	22,50,000
6.	Ayub Teaching Hospital Abbottabad	454 (2014-15)	21,20,000
Total			1,52,42,194

133. When pointed out in August 2016, the management furnished no reply. The Department was requested repeatedly for holding the DAC meeting, however neither DAC meeting was held nor any action initiated till finalization of the report.

134. Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault, besides depositing hospital receipts into Government treasury.

DEPARTMENTAL VERSION

135. The representative of the Institutions explained that:-

- (i) The representative of the office of District Headquarter Hospital Charsadda explained that during 2015-16 Ultrasound fee Rs. 34,7600/- was received from Radiology out of which Rs. 22,27,381/- were deposited into Govt Treasury, while 40% staff share were paid to concerned staff According Govt: of Health Department Notification No.SO (8) Health/10-12/03-04/User Charges dated 13-04-2005. Similarly Rs.34,50,605/- were received for Pathology Department out of which Rs. 28,72,505/- were deposited into Govt: Treasury while staff share Rs. 57,811/- were paid to concerned staff.

- (ii) The representative of the office of the Medical Superintendent DHQ Hospital Nowshera explained that all the necessary deductions have been completed within time and record available for ready reference.

PAC RECOMMENDATION

136. In view of plausible explanation of the representative of the concerned Hospital, the Committee recommended the Para to be settled, subject to verification of requisite record within sixty (60) days.

NASEERULLAH BABAR MEMORIAL HOSPITAL

DPN_o.10.4.32 NON-RECOVERY OF CAPITATION FEE – RS.3.430 MILLION.

AUDIT VERSION

137. The Audit reported that according to agreement executed with Jinnah Medical College Peshawar by the Secretary Health KP. The 20% of admission and tuition fee charged per student per class on the basis of its actual strength of students, attending the clinical classes, will be paid to the hospital management for use of facilities at the hospital for teaching purposes of the students of the college. The agreement shall be for 10 years, during which the college management will ensure establishment of its own hospital and upgrade the government hospital to the teaching level as per requirements of PMDC in terms of infrastructure, equipments, staff etc. The year capitation fee will be paid in, two installments each installments of six month.

138. During the financial year 2014-15, the accounts record of Naseerullah Baber Memorial Hospital Peshawar revealed that contrary to the above agreement, Rs.34,30,000/- for the period from 01.01.2015 to 30.06.2016 were not paid till the date of audit. The lapse occurred due to non-observance of laid down procedure in agreement, and weak internal controls, which resulted into non recovery of fee.

139. When pointed out in April 2016, the management stated that the Administration Department has been contacted through various letters for taking up the matter with the college management. However, audit disagreed with reply.

140. Audit requested the Department repeatedly, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

141. The Department explained that according to DAC decision, the internal audit of Jinnah Medical College was conducted on 12th to 15th October, 2020 wherein the Audit Team recommended the following:-

- i. The amount of Rs. 22,88,000/- paid by Jinnah Medical College to Government Naseerullah Khan Babar Memorial Hospital in the financial year, 2014-15 was right and accordingly on account of final year MBBS Students.
- ii. Recovery of Rs.1,04,000/- may be made from Jinnah Medical College on account of two poor students for the financial year 2014-15.

142. This Hospital has implemented the above recommendations and requested to Jinnah Medical College for payment of Rs. 1,04,000/- vide this officer letter No. 6951/GNBMH dated 27-10-2020.

PAC RECOMMENDATION

143. After detailed discussion, the Committee recommended the Para to be settled till the verification of record of Rs. 22,88,000/- by Audit and recovery of the balance amount Rs. 1,04,000/- by the Hospital Director from the Jinnah Medical College within sixty (60) days. Progress be reported to PAC Cell.

HAYATABAD MEDICAL COMPLEX

DPNo.10.4.14 LOSS DUE TO NON IMPLEMENTATION OF DISTRIBUTION SHARE FORMULA- RS. 15.917 MILLION.

AUDIT VERSION

144. The Audit reported that the Finance Department of K.P issued circular No.5-7/2011-12/Allowances dated 26.11.2014 that 50% deduction will be made from the total hospital receipts and the remaining balance will be distributed as per share formula.

145. During the financial year 2014-15, in Hayatabad Medical Complex, Peshawar, it was observed from shares, distribution of the hospital receipts that the hospital authorities deducted 10% depreciation value from receipts of user charges. The hospital authorities did not follow the above circular and deducted 10% instead of 50% from the receipts as depreciation value, thus the institution sustained a loss of Rs.1,59,17,604/-. The detail is as under:-

Total receipts from various tests	10% deducted	Deduction required 50%	Loss/Difference
3,97,94,009	39,79,401	1,98,97,004	1,59,17,604

146. The loss occurred due to financial indiscipline and violation of rules. When pointed out in October 2015, the management replied that the share were distributed in light of Notification of Government of KP Health Department, which is applicable in the Health Department; the reply was not tenable because the distribution was required to be carried out as per Finance Department circular.

147. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however, neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends recovery of loss.

DEPARTMENTAL VERSION

148. The Department explained that reference shall be made to the attached clarification from Section Officer Budget-I dated 18-05-2018 whereby it is clearly stated that, Health Department Notification No.SOB Health/10-12/03/04/User charges dated April 13/2005 is still intact and that the notification cited by the Audit Department that is No.SO (B)-I/HD-1-27/PR/Vol-II has been cancelled/ withdrawn no May 16th, 2014.

PAC RECOMMENDATION

149. After detailed discussion, the Para was referred to Sub-Committee already constituted in DP No. 10.4.12 for the year 2016-17.

AYUB TEACHING HOSPITAL ABBOTTABAD

DPNo.10.4.30 NON-RECOVERY OF OUTSTANDING DUES FROM CONTRACTORS RS.6.135 MILLION.

AUDIT VERSION

150. The Audit reported that according to clause-4 of the work order monthly rent shall have to be deposited by fifth of each month in advance failing which fine @ 3% to be imposed against the remaining one month after that contract to be cancelled upon forfeiture of security deposit and blacklist the firm.

151. During the financial year 2014-15, in Ayub Teaching Hospital Abbottabad, a contract of Mess of MO Hostel was awarded to Mr. Haq Nawaz vide No.ATH/AO/1905-09 dated 31.01.2014. The firm was not depositing its monthly rent, several notices were issued to clear the outstanding dues. His contract was cancelled vide No. PRO/ATH (Extcorres) 2014 /110-16 dated 23.01.2016 by forfeiting his call deposit, contractor was blacklisted and recovery of rent etc amount to Rs.21,55,270/- to be recovered through lodging recovery suit in the court of law.

152. The record further revealed that Rs. 39,80,000/- was outstanding against various contractors on account of rent of shops and utility charges. The management failed to implement the clauses of contract agreement. Thus, Rs. 61,35,270/- is outstanding against the contractors.

153. Non-recovery was due to non-observance of contract agreement and weak internal controls. When pointed out in August 2016, the management furnished no reply.

154. Audit requested the Department repeatedly, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

155. The Department explained that the recoverable amount against the following contractors was Rs. 50,22,270/- instead of Rs. 6.135 million.

156. It is pertinent to mentioned here that in the original Para an amount of Rs. (3,16,038+8,72,000=11,88,038/-) was pointed out by the audit officer as outstanding whereas in the heading of para he mentioned the amount of 3.988 million which was not justified and incorrect. The contract wise position of outstanding amounts and the action taken was as under.-

1. **Contract For Mess MO HOSTEL:**

157. As per record Rs. 21,55,270/- is outstanding against Mr. Haq Nawaz contractor mess MO hostel and he was time and again directed vide this office letters

mentioned in the audit report but he failed to deposit the said amount. The following actions have been taken for recovery of the said amount from the contractor.

- i. A FIR has lodged against him in police station Mirpur Abbottabad.
- ii. The contractor was black listed.
- iii His call deposit of RS. 10,000, has also been forfeited in favor of this institution

158. The recovery suit of Rs. 22,00,000/- for rent and utility charges of mess MO Hostel has filed in the Court of Civil Judge –IX Abbottabad. The present status of the case is at the evidence stage and the next date was fixed for 13/03/2021. Moreover, the Deputy Commissioner, has also been requested for recovery of above amount through Revenue Department.

2. **Contract for Main Canteen:**

159. As per record Rs. 28,00,000/- was outstanding against Muhammad Waqar Abbasi Contractor Main Canteen (old) ATH. The department has initiated the following action for the said recovery:-

- i. The Request has sent to Police Station Mirpur for lodging an FIR against Mr. Waqar Abbasi Canteen Contractor.
- ii. The Security Rs.6,00,000/- has forfeited and deposited in the receipt account of ATH, in ABL Mirpur Branch.
- iii. The recovery suit against Mr. Waqar Abbasi (canteen Contractor) has been lodged in the court of civil Judge-II Abbottabad where by the suit of recovery was dismissed and 20-10-2019.
- iv. Against the dismissal, order of civil Judge-II, an appeal filed on 18-12-2019, in the Court of ADJ-VII, which was decided in favor of institution on 15-12-2020. Based on this decree/judgment, the execution petition has filed to substantiate the subject amount.

3. **Contract for Tuck shop family hostel:**

160. The contractor (Mr. Asif Bhatti) tuck shop family hostel has Subletted the shop to another person in violation of the contract agreement, for which after various notices the shop was sealed by the Administration and civil suit filed for recovery of outstanding rent and utility charges. The court issued decree in favour of Institution on 05-01-2018. Now the petition for execution of said judgment /decree of Rs. 67,000/-is pending in the Court of Civil Judge-I. The progress of recovery suits will be set to the Audit after the receipt of decision of Honorable Courts.

PAC OBSERVATION

161. The Committee observed that the Institute absolutely failed to implement the contract agreement properly. Which show clear failure of the Administrative control of the Institution?

- i. The officer, who was on the helm of the affair at that time failed to take action against the person(s) at fault accordingly,
- ii. The board of Governor has not played their due role effectively.
- iii. The record of Institution was maintained very poorly.

PAC RECOMMENDATION

162. After detailed discussion, the Committee could not reach to just and fair conclusion therefore, recommended to constitute a Sub-Committee comprising the following.

1. Mr. Muhammad Idrees, MPA Chairman
2. Mr. Babar Saleem Swati, MPA Member
3. Mr. Salah Uddin, MPA Member
4. Dr. Asiya Asad, MPA Member

163. The Sub-Committee will examine the issue involved in Draft Para and submit its report to PAC within sixty (60) day.

DPNo.10.4.40 EXCESS PAYMENT OF SHARE – RS.2.760 MILLION.

AUDIT VERSION

164. The Audit reported that according to Peshawar High Court decision circulated vide Secretary Health letter No.SOB/HAD/1-27/PR/2010-11/VOL-II dated 12.02.2013 the doctor's share should not be more than 15% in the user charges against the existing 25%.

165. During the financial year 2015-16, in Ayub Teaching Hospital Abbottabad, Rs.69,10,081/- was paid to doctors on account of their 25% share in the user charges instead of admissible 15% amounting to Rs. 44,43,888/-. This resulted into excess payment of Rs. 27,60,000/-.

166. Excess payment was due to non-observance of court orders. When pointed out in August 2016, the management furnished no reply. Audit requested the Department repeatedly, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

167. The Department explained that the restriction on payment of share from 10 to 15 percent as mentioned in the High Court decision/Judgment dated 16-01-2013 is only for CT scan, MRI and Angiography and the same was not applicable on the other departments. The High Court orders were complied with true letter and spirit in share distribution. As for as the payment of 25% share was concerned it was applicable to other Departments and not to the above-mentioned three Departments according to the Health Department Notification dated 13-04-2005. However, this office paid the share to the Doctors as under:-

S/No.	Month	Doctors Share Paid during 2015-16
1.	Jul-15	5,73,638
2.	Aug-15	9,45,037
3.	Sep-15	7,56,197
4.	Oct-15	7,19,474
5.	Nov-15	7,28,640
6.	Dec-15	7,68,798
7.	Jan-16	8,16,565
8.	Feb-16	7,74,041
9.	Mar-16	8,38,851
10.	Apr-16	8,83,965
11.	May-16	9,99,549
12.	Jun-16	7,58,285
	Total	95,57,040
		Keeping in view the above explanation, there were no irregularity involved in payment of share to doctors, therefore, the audit is requested to settled the para

**DP No.10.4.42NON-DEPOSIT OF MAINTENANCE/DEPRECIATION CHARGES
RS.14.990 MILLION AND LOSS DUE TO PAYING EXCESS
SHARE TO STAFF ETC - RS.5.630 MILLION.**

AUDIT VERSION

168. The Audited reported that according to Finance Department Notification of Government of KPK No.BOV/1-1/2011-12 dated 29.04.2013. In order to streamline instruction on the subject, it is hereby informed that w.e.f 1st May 2013 at least 50% of the amount recovered from diagnostic services rendered to the patients will be directed to separate account to be maintained especially for the maintenance and repair of equipments. The fund only be utilized for the said purpose.

169. During the financial year 2014-15, in Ayub Teaching Hospital Abbottabad, a sum of Rs. 2,99,80,590/- was recovered from diagnostic services during the financial year. The local office did not diverted 50% Rs.1,49,90,295/- to separate Bank Account for repair and maintenance of equipments. The above quoted order was not followed because if the 50% share deducted from the gross receipts, for maintenance and repair of equipments, then the share of the shareholders would definitely be reduced as calculated below:-

Gross receipts	29,80,590
Less 50% for repair and maintenance of M&E	1,49,90,295
Balance amount for share distribution	1,49,90,295

170. The share of the doctors, paramedics and administrations were required to be paid from the balance amount of Rs.1,49,90,295/-. But contrarily to that the local office did not diverted the 50% of diagnostics service to a separate Bank Account and share of Doctors, paramedics and admin was paid from the gross receipt of 100% instead of 50% balance amount, resulting in an overpayment of Rs.59,96,118/- as detailed below:-

Share of doctors etc. paid from gross receipt (Rs.2,99,80,590×40%)	1,19,92,236
Share of doctor required to be paid from the balance amount (Rs.1,49,90,295×40%)	9,96,118
Excess share paid to share holders	59,96,118

171. The lapse occurred due to weak financial controls. When pointed out in November 2015, the management stated that detailed reply would be furnished after consultation of record.

172. In the DAC meeting held in August 2016, it was directed, that due to non-observance of Government orders, overpayment to be recovered.

DEPARTMENTAL VERSION

173. The Department explained that at present share distribution was made out of user charges, being calculated on the basis of Health Department notification dated 13-04-2015. The detail of shares is as under.-

1. Government share 60%
2. Doctors shares 25%
3. Paramedic 10%
4. Administration Staff 02%
5. Repair expenses 03%

174. The share was distribution after deduction of 05% costs of material and 5% depreciation charges in pursuance of Health department letter No. SO (B)/10-12-13-04 dated 13-04-2005. The objection raised by audit was not valid in light of order.

175. The Department further clarified that the total receipt collected from the diagnostic facilities during the financial year 2014-15 was Rs. 2,99,80,590/-. Instead of Rs. 7,41,79,246/-and the total share paid to doctor from 01-07-2014 to 30-06-2015 is Rs. 78,23,711/- whereas the Audit mentioned the payment of share in the Para is Rs. 1,31,26,698/-which was not justified, the said notification regarding payment of share to share holders is still in filed.

PAC OBSERVATION

176. The Committee observed that the same nature Draft Para No. 10.4.12, i.e non-deposit of maintenance/depreciation charges, was discussed in detailed on 6/10/2021, there were disagreement between the Audit and institution regarding the implementation of the Notifications of Finance and Health Departments. In order to

clarify as to what Notification was applicable for share distribution of user charges and for future guideline, a Sub-Committee was constituted to thrash out the issue and make recommendations to resolve the issue once for all.

PAC RECOMMENDATION

177. In view of the above, after detailed discussion the Committee referred both Draft Paras No.10.4.40 and 10.4.42 being of the same nature to the Sub-Committee already constitution in Draft Para No. 10.4.12 for the year 2016-17.

178. The Sub-Committee will examined the following documents.

- i. Health Department Notification dated 13-04-2005.
- ii. Finance Department Notification dated 29-04-2013.
- iii. Health Department Notification 2018, regarding the enforcement their previous Notification, dated 13-04-2005.
- iv. Court decision.

179. The Sub-Committee well also device mechanism for other institution for future guideline.

DPNo.10.4.51 WASTEFUL EXPENDITURE ON GYNAE PAEDS WARD - RS.338.690 MILLION.

AUDIT VERSION

180. The Audited reported that according to Para-10 read with Para-23 of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. Public moneys should not be utilized for the benefit of a particular person or section of community. Moreover, every government officer will be personally responsible for any loss or fraud on his part or on the part of his subordinate.

181. During the financial year 2014-15, in Ayub Teaching Hospital Abbottabad amount of Rs.30,00,00,000/- was spent on the construction of Gynae Paeds Ward during 2010-11 to 2013-14. In this connection, the following observations are made.

- i. The scheme was approved at a total cost of Rs.16,29,48,000/-. Which was revised to Rs.30,00,00,000/- and then to Rs.3,86,94,000/- and was approved accordingly. Thus a total cost of Rs.33,86,94,000/- was incurred on the construction. The revision of cost put the government into a loss of Rs.17,57,46,000/-, which needs proper inquiry and fixing responsibility on the person(s) responsible.
- ii. The building was completed but yet not handed over to Hospital authorities.
- iii. Rs.18,00,00,000/- were approved for purchase of equipments, furniture and installation of lifts. Only equipments were purchased since two years and dumped in an open lobby without inspection and taking on stock which are deteriorated day by day.
- iv. The furniture and lifts are yet not ordered.
- v. A sum of Rs.3,96,45,000/- were approved for the purchase of reverse ACs, Medical Gas supply system and balance work in 2013-14, but these works have not been started yet.

182. There was no need of purchasing all these equipments as these units are functioning properly in old units. Moreover, the Provincial Inspection Team Khyber Pakhtunkhwa has already conducted inquiry and recommended the disciplinary action may be taken against the concerned the consultant may be black-listed strict disciplinary action alongwith irregular payment of Rs.9,44,60,000/- and Rs.1,23,46,000/- may be recovered from them.

183. In the DAC meeting held in August 2016, it was directed that in light of inquiry recommendation, the loss be recovered from the persons at fault. No progress intimated till finalization of the report. Audit recommends to implement DAC decision.

DEPARTMENTAL VERSION

184. The Department explained that initially the PC-I for Gynae/Peads was prepared at a total cost Rs. 162.948 Million with budget Limitation by the Government of KP. The Health Minister later on, upon the request of end users order to enhance the scope of work, keeps in view the actual requirements of end users. So PC-I was revised from 162.948 Million to 338.694 Million civil works however few additional/balance works are to be executed which were under process.

- i. Equipment has been purchased. however; purchase of furniture & installation of lifts is in process.

- ii. After completing the codal formalities order for supply /purchase of furniture & installation of lifts will be issued.
- iii. Purchase & installation of reversible Air conditioners & Installation of Medical Gas System is also under process and will be installed in near future.
- iv. At the finalization of tender, the purchased of equipment was made, if it was done in time then there were chances of increase in cost of the equipment.
- v. In the light above Para may be pleased be dropped.

185. It is further submitted that the Lifts have already been installed and the furniture for Gynae/ Peads were procured. Besides that, medical gases and HVAC system was also installed and building were made functional from March 2018.

186. It is pertinent to mentioned here that in light of the fact finding inquiry report of PIT, the Board of Governors constituted Inquiry Committee under Rule-10 (1) (a) of KP Govt. Servant E&D Rules, 2011 (adopted by the institution). The Board agreed with the findings and recommendations of the inquiry committee held the view that there was no of the inquiry committee held the view that there was no definite evidence of corruption having been committed by the accused official. Later on, the Ehtesab Commission and NAB investigated the whole process of the construction and procurement of equipment. In the meantime accused official lodge writ petition No. 2566-P/2017 before the Honorable Peshawar High Court, Peshawar. The decision of the case is as under:-

187. “The leaned OPG for Ehtesab commission and learned ADPG for NAB state that the inquiry proceeding against the petition has been closed. This being the positions, the instant petition has become instructions, therefore disposed.

PAC OBSERVATION

188. The Committee observed that there are a lot of loop holes in the Institution which need proper attention for rectification.

189. On what ground did the Ehtesab Commission and NAB investigated the whole process of the construction and procurement of equipment.

190. There is always a provision in the agreement for escalation of rate, so there was no need to revise PC-I for escalation of rate.

191. There must be a fault in the designing/Consultancy for which the PC-I was revised.

PAC RECOMMENDATION

192. After detailed discussion, the Committee could not reach to just and fair conclusion. Therefore, a Sub-Committee comprising the following was constituted.

- | | | |
|----|-----------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Babar Saleem Swati, MPA | Member |
| 3. | Mr. Salah Uddin, MPA | Member |
| 4. | Dr. Asiya Asad, MPA | Member |

193. The Sub-Committee will visit the site and check/examine the following documents in order to dig out the issue and fix responsibility against the person at fault and initiation of action leading to recovery.

194. The concerned representative of C&W project should also be invited to assist the Committee during meeting.

- i. 1st inquiry for fact-finding.
- ii. 2nd inquiry for imposing a disciplinary action.
- iii. Inquiry report of EHTISAB Commission.
- iv. Inquiry report of PIT.
- v. Inquiry report of NAB.
- vi. Court decision.
- vii. The minutes of PWDP.

195. The Secretary Health was directed to provide record as mentioned above to PAC cell at the earliest for perusal of members of Sub-Committee, so that to arrange the visit of the site and also examine the said documents for future course of action.

DHQ HOSPITAL NOWSHERA

DPNo.10.4.29 OVERPAYMENT DUE TO PURCHASE OF LAB CHEMICALS & HBS/HCV STRIPS AT HIGHER RATE – RS. 2.820 MILLION.

AUDIT VERSION

196. The Audit reported that according to KPPRA Rule-6(3)(iv) the lowest offer from the qualified bidder shall be accepted for award of contract. Para 145 of GFR Vol-I, says that purchases must be made in the most economical manner and in accordance with the definite requirements of the public services. Care should be taken not to purchase store much in advance of actual requirements.

197. During the financial year 2015-16, in DHQ Hospital Nowshera lowest rates quoted by supplier for the purchase of laboratory chemicals and other items were ignored and higher rates accepted which resulted in overpayment of Rs. 28,20,000/- to different suppliers. Overpayment occurred due to violation of rules and financial indiscipline. When pointed out in December 2016, the management stated that purchases have been made on quality basis and that press cutting, comparative statements are there. Reply was not tenable because approval of competent authority not obtained, for purchase at higher rate.

198. Audit requested the Department repeatedly, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

199. The representative of the Medical Superintendent DHQ Hospital Nowshera explained that an inquiry was conducted and they (accuse) did not satisfy the inquiry officer. Recovery may be made.

PAC OBSERVATION

200. The Committee observed that the Department had already conducted in inquiry into the matter and ordered the recovery.

PAC RECOMMENDATION

201. In view of the above, the Committee directed the Departmental to recover the amount from the person at fault in the light of Departmental inquiry report within sixty (60) days positively. Para stand. Progress to be reported to PAC Cell.

DPNo.10.4.52 UNAUTHENTIC ISSUANCE OF MEDICINES ON DOUBTFUL INDENTS RS.24.810 MILLION.

AUDIT VERSION

202. The Audit reported that according to Paras-145 read with 147 & 149 of GFR Vol-I. The officer Incharge of the stores should see that an indent in the prescribed form and has been made by a properly authorized person, examine it carefully with reference to the orders or instructions for the issue of stores and sign it, after making suitable alterations under his dated initials. When materials are issued, a written acknowledgement should be obtained from the person to whom they are ordered to be delivered or dispatched, or from his duly authorized agent. The indents should be prepared in such form and in accordance with such general or special instructions may be issued by government in this behalf. Periodical indents should be prepared and as many articles as possible obtained by means of such indents.

203. During the financial year 2015-16, in DHQ Hospital Nowshera Rs.2,48,10,000/- were shown spent on the purchase of medicines during the year. Medicines were issued to Hospital emergency, OPD as well as Wards on the unnumbered indents. Usually serial number quoted on books and indents, obtained from the Government printing press, taken on stock of main store and these were issued to the concerned. However, in this hospital neither such routine has been adopted nor proper record of indents maintained, but unnumbered indent books and unnumbered indents were used for issuance of medicines from main stock. Thus the expenditure of Rs. 2,48,00,000/-, so incurred on the issuance of unnumbered indents is doubtful.

204. The lapse occurred due to weak financial controls. When pointed out in Dec 2016, the management replied that emergency medicines have been issued on the very indents issued from stock register of the hospital and no fake issue has been carried out. Reply of the management is not tenable.

205. Audit requested the Department repeatedly, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

206. The representative of the Medical Superintendent DHQ Hospital Nowshera explained that no indents book was available at the Government Printing Press at that time and the indents book printed from local printing press without serial numbers.

207. However, all the medicines supplied to concerned units of DHQ Hospital Nowshera with hand written serial number on cash slip. Moreover, the audit staff checks all record with sub units.

PAC RECOMMENDATION

208. In view of plausible explanation by the Institution the Committee recommended the Para to settled subject to verification of indents, Cashbook and issue Register within sixty (60) days, Progress be reported to PAC Cell.

SERVICES HOSPITAL, PESHAWAR

DPNo.10.4.19 UNAUTHORIZED LOCAL PURCHASE OF MEDICINES – RS.4.560 MILLION.

AUDIT VERSION

209. The Audit reported that according to Health Department Khyber Pakhtunkhwa letter No.SO-IV/24-20/2003-04 dated 22.10.2003, 10% funds to be spent on local purchase of medicines for day-to-day use in casualty, ICU & CCU etc. drugs should be required only for emergency use.

210. During the financial year 2014-15, in Services Hospital Peshawar an expenditure of Rs. 56,20,000/- incurred, out of the total medicines budget of Rs.1,06,30,000/- on local purchase of medicine. As per rules it was required that only 10% of the total budget of Rs. 1,06,30,000/- was to be utilized for the local purchase of medicines while the local office utilized more than 50% budget on local purchase. Thus Rs. 45,60,000/- was utilized unauthorized, on the said purchase of medicines.

211. Differences of approved MCC/medicine main contractor & LP rates on these medicines be worked out and loss so made to the Government be recovered from the person(s) at fault. Lapse occurred due to weak internal controls, when pointed out in April 2016, the management replied that relevant record will be examined and a reply will be submitted later on.

212. Audit requested the Department repeatedly, for holding of the DAC meeting, however, neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

213. The Department explained that being services Hospital; this Hospital had been exempted from 10% LIMIT of the total medicine budget as prescribed in the SOPs for Government.

PAC RECOMMENDATION

214. In view of plausible explanation of the Institution, the Committee recommended the Para to be **settled**.

MOLVI AMIR SHAH HOSPITAL, PESHAWAR

DPNo.10.4.39 IRREGULAR EXPENDITURE DUE TO VARIOUS MEDICAL PURCHASE WITHOUT COMPETITIVE RATES THROUGH BIDDING - RS.9.397 MILLION.

AUDIT VERSION

215. The Audit reported that according to chapter II (1) of KPPRA Rules, the procuring entity shall use open competitive bidding for the procurement of goods over the value of Rs. 1,00,000/-.

216. During the financial year 2014-15, in Moulvi Amir Shah Hospital Peshawar, Rs. 93,97,000/- were spent on the purchase of lab chemicals, medical gases and other hospital supplies without adopting open tender system as required under KPPRA Rules 2014. Therefore, irregular expenditure of Rs. 93,90,000/- was incurred. Irregular expenditure occurred due to violation of rules and weak internal controls. When

pointed out in July 2016, the management replied that the matter would be investigated and intimated to audit accordingly.

217. Audit requested the Department repeatedly, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

218. The Department explained that the observation of the Audit was not based on facts and totally irrelevant because all the expenditure on the purchase of medicines etc. were made after open competition and from the approved contractor/supplier whose rates were approved by the District Medicines Cell (DMC). However, in case of emergency and non-availability of life saving drugs/medicines in the approved list of DMC, the purchase were made on open tendering, after the approval of the Purchase Committee constituted for the purchase. Hence, no irregularity or loss was involved. Moreover, the local purchase of medicines has not made without tender and all the purchase for the Hospital store were made on the demand from the end user. No irregularity involved or loss sustained by the Government.

PAC RECOMMENDATION

219. After detailed discussion, the Committee settled the Para with the direction to the Audit to inquire the matter in detailed within thirty (30) days in order to ascertain that the subject Para is based on irrelevant documents as per Department observation if so then action may be initiated against the concern Audit officer. Progress be reported to PAC Cell.

HEPATITIS CONTROL AND BENAZIR HEALTH SUPPORT PROGRAM (DGHS)

DP No.10.4.3 NON-ACCOUNTAL OF STORE ITEMS - RS.11.810 MILLION.

AUDIT VERSION

220. The Audit reported that according to Para-148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be when delivery is taken and they should be taken in charge by a responsible officer, who should

see that the quantities are correct. Their quality good and record a certificate to that effect and record them in the appropriate stock register.

221. During the financial year 2011-12, in the Hepatitis Control and Benazir Health Support Program KP (DGHS), 05 Cold Rooms costing Rs.50,00,000/- and 32 Ice Liners with imported stabilizer costing Rs. 48,10,000/- were purchased in Support to Prime Minister Program. However, these cold rooms and Ice Liners were not entered in the stock registers. Physical verification revealed that there were only two containers, without cooling machinery, lying in EPI Store Peshtakhara. This shows that the amount of Rs.98,10,000/- was mis-appropriated.

222. It was further noticed that in the office of Deputy Director, EPI Director General Health Services (DGHS) Khyber Pakhtunkhwa, an expenditure of Rs. 20,00,000/- was incurred on the purchase of cold room. The following shortcomings were noticed:-

- (i) The firm, i.e. M/S Adil, Enterprises was not registered with DGHS KP in the relevant field.
- (ii) The work order was issued/placed on 01.06.2012 but supply made on 10.06.2011 i.e. one year before issue of work order.
- (iii) The item “10x10 cold rooms” was not included in the bid. The firms have not quoted the rates for the supply of cold room.
- (iv) The demand bill was not signed by any official/officer of EPI.
- (v) Neither the sanction nor the AC bill was signed by the DDO/ Controlling officer.
- (vi) Detail specification of cold room, i.e. make, model, material, performance, capacity, quality and warranty were not mentioned in the bill.

223. Miss-appropriation was due to weak internal controls, when pointed out in October 2012, the management furnished no reply.

224. Audit requested the Department repeatedly, for holding of the DAC meeting, however, neither DAC meeting was convened nor amount recovered till finalization of the report.

DEPARTMENTAL VERSION

225. The Department explained that this procurement was made from the ADP Scheme and Benazir Health Support Program for the treatment of Hepatitis-C patients in the Province. The program has been closed during the year 2012-13. The record of the program is not traceable at this Directorate. The following officers were dealing with the program:-

1. Dr. Sharif Ahmad Khan, Ex-Director General Health Services Khyber Pakhtunkhwa, Peshawar (Now Retired).
2. Dr. Ghulam Subhani Ex-Program Manager Hepatitis Control Program Khyber Pakhtunkhwa Peshawar (Now Retired).

226. All the financial transaction regarding bill payment was made by the Local Account Section of this Directorate.

DP No.10.4.6 MIS-APPROPRIATION OF DIAGNOSTIC KITS – RS.3.320 MILLION.

AUDIT VERSION

227. The Audit reported that according to Para-148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register. 20 PCR Genotyping Implication and 04 Extraction kits were shown issued to HMC on 27.10.2010.

228. During the financial year 2011-12, in Hepatitis Control and Benazir Health Support Program KP (DGHS), 20 PCR Genotyping Implication and 04 Extraction kits were shown issued to HMC on 27.10.2010. However the concerned Department of HMC has not acknowledged these kits nor taken on stock. This shows that the amount was drawn on fake demand bills and misappropriated.

229. The lapse occurred due to weak internal controls, which is resulted into misappropriation of diagnostic kits and pointed out in October 2012, the management furnished no reply.

230. Audit requested the Department repeatedly through DO letters for the holding of the DAC meeting, however, neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

231. The Department explained that this procurement was made from the ADP Scheme and Benazir Health Support Program for the treatment of Hepatitis-C patients in the Province. The program has been closed during the year 2012-13. The record is untraceable with Directorate. The following officers were dealing with the program:-

1. Dr. Sharif Ahmad Khan, Ex-Director General Health Services Khyber Pakhtunkhwa, Peshawar (Now Retired).
2. Dr. Ghulam Subhani Ex- Program Manager Hepatitis Control Program Khyber Pakhtunkhwa Peshawar (Now Retired).

232. All the financial transaction regarding bill payment was made by the Local Account Section of this Directorate.

OFFICE OF THE DEPUTY DIRECTOR EPI (DGHS)

DPN_o.10.4.36 UNAUTHORIZED EXPENDITURE FROM RECEIPTS-RS.2.000 MILLION.

AUDIT VERSION

233. Rule-7 of FTR Vol-I, provides that all moneys received by Government officers on account of the revenues of the Government shall without undue delay be paid in full into a treasury or into the bank. Moneys received shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Consolidated Fund.

234. During the financial year 2011-12, in the office of Deputy Director EPI (DGHS) Khyber Pakhtunkhwa, it was noticed that auction of huge quantity of condemned and surplus store including Motorcycles, Bicycles, Freezers, Ice Liners, Air Conditioners, Furniture and vehicle spare parts, was held on 14.03.2011 through government auctioneer. Again in July 2012 auction of another lot of surplus and condemned items was carried out. The auction documents were demanded time and again, but the same were not produced to audit.

235. The lapse occurred due to weak internal controls, which resulted into unauthorized expenditure. When pointed out in October 2012, the management stated that Rs.2.00 million was realized from both auctions and was spent on day-to-day expenses due to non-availability of budget in the month of July 2012 and will be deposited into government treasury as and when recouped. Reply of the Department is not tenable. However the amount not recouped.

236. Audit requested the Department repeatedly, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

237. The Department explained that Dr. Janbaz Afridi (Now Director General, Provincial Health Services Academy Khyber Pakhtunkhwa Peshawar) was Director EPI during that period and the following officials were dealing with procurements and accounts mater:-

1. Mr. Shad Ali, Senior Clerk (Died).
2. Mr. Ihsanullah (Retired).
3. Mr. Shahzad Ali Shah, Finance Manager (Terminated from Service).

238. Mr. Shahzad Ali shah, Finance Manager was terminated from services on the basis of the inquiry conducted in the said corruption. No record of the said procurement is available at Directorate level.

DPNo.10.4.38 WASTEFUL EXPENDITURE ON THE PURCHASE OF SUBSTANDARD STABILIZERS - RS.11.990 MILLION.

AUDIT VERSION

239. The Audit reported that according to Para-145 of GFR Vol-I, purchases must be made in the most economical manner in accordance with the definite requirements of the public services. Care should be taken not to purchase store much in advance of actual requirements. Para-23 of GFR Vol-I requires that every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinates.

240. During the financial year 2011-12, accounts record of the Deputy Director EPI (DGHS) Khyber Pakhtunkhwa revealed that expenditure of Rs. 68,95,000/- was incurred on the purchase of 700 stabilizers 4000W. The stabilizers were shown made of copper wire 100% but physical verification revealed that these were made of silver. The local office had already a handsome quantity of 3000 W stabilizers received from UNICEF. There was no provision for the purchase of stabilizers in the PC-I. There were no demands from the concerned units/field offices for supply of stabilizers. The field units reported that the old 3000 W Stabilizers are far better than the new 4000 W stabilizers.

241. Similarly, Rs.50,95,000/- were shown spent on purchase of 700 stabilizers of silver made instead of 100% copper. Rs.9,850/- per stabilizer was paid instead of Rs.4,000/-. Thus Govt was put to a loss by accepting substandard item at higher rate. The lapse occurred due to weak internal controls, which resulted into wasteful expenditure. When pointed out in October 2012, the management furnished no reply.

242. Audit requested the Department repeatedly, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

243. The Department explained that Dr. Janbaz Afridi (Now Director General, Provincial Health Services Academy Khyber Pakhtunkhwa Peshawar) was Director EPI during that period and the following officials were dealing with, procurements and accounts mater:

1. Mr. Shad Ali, Senior Clerk (Died).
2. Mr. Ihsanullah (Retired).
3. Mr. Shahzad Ali Shah, Finance Manager (Terminated from Service).

344. Mr. Shahzad Ali shah, Finance Manager was terminated from services on the basis of the inquiry conducted in the said corruption. No record of the said procurement is available at Directorate level.

**DPNo.10.4.44 FRAUDULENT DRAWAL ON REPAIR OF COLD ROOM–
RS.1.400 MILLION.**

AUDIT VERSION

245. The Audit reported that according to the para 13 of GFR Vol-I, every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores.

246. During the financial year 2011-12, in the office of Deputy Director EPI DGHS Khyber Pakhtunkhwa, expenditure of Rs. 14,00,000/- was incurred on the repair of cold room through M/S Adil Enterprises. The following observations were made:-

- (i) The item of work repair of cold room at Provincial EPI store at Pashtakara, was not included in the items list for which tenders opened on 01.11.2011.
- (ii) The firm M/S Adel Enterprises was not registered with DGHS KP in the field of cold rooms.
- (iii) The work order was issued/placed on 01.05.2012, but the work was done on 07.06.2011 i.e. almost one year before issue of work order.
- (iv) Demand for repair of cold room from store keeper/cold chain supervisor was not available on record.
- (v) The cold chain supervisor provided a certificate that no such heavy repair was carried out in cold rooms during 2011-12.
- (vi) The bill was not verified by the concerned officer/official i.e. AD logistic, store officer, store keeper or cold chain supervisor.

247. This shows that no repair work was carried out but the amount was fictitiously drawn and misappropriated by the concerned. When pointed out in August 2012, the management furnished no reply.

248. The Department was requested repeatedly for holding the DAC meeting, however neither DAC meeting was held nor any action initiated till finalization of the report.

DEPARTMENTAL VERSION

249. The Department explained that Dr. Janbaz Afridi (Now Director General, Provincial Health Services Academy Khyber Pakhtunkhwa Peshawar) was Director EPI during that period and the following officials were dealing with procurements and accounts mater:

1. Mr. Shad Ali, Senior Clerk (Died).
2. Mr. Ihsanullah (Retired).
3. Mr. Shahzad Ali Shah, Finance Manager (Terminated from Service).

250. Mr. Shahzad Ali shah, Finance Manager was terminated from services on the basis of the inquiry conducted in the said corruption. No record of the said procurement is available at Directorate level.

PAC OBSERVATION

251. The Committee observed with heavy heart that;

252. The working paper given to PAC Cell, were without supporting documents. While, now during the course of meeting, distribute the supporting document. Which show very casual attitude of the Institution about PAC business?

253. The Secretary PAC, informed the Committee that during the Pre-PAC, the same working paper without supporting documents were provided, moreover, the DG Health was also absent from the meeting without permission. Therefore, the displeasure was issued to Department for taking a corrective measure, but the Department has not taken any remodel measures, in this regard so far.

254. The Secretary Health informed the Committee that the project has been wind up since long. Therefore, the complete record is not available with Department at the amount, but we are doing our best in order to sort out the complete record pertaining to these Draft Paras and will be provided to the Committee in the next meeting positively.

255. The Secretary humbly requested to the Committee to keep the said Paras pending to the next meeting.

256. Upon the request/assurance of Secretary Health regarding the provision of the relevant record in next meeting, definitely. The Committee deffered the Draft Paras No. 10.4.3, 10.4.6, 10.4.36, 10.4.38 and 10.4.44 (2016-17) till next meeting with the

directed to the Secretary to inquire the matter (missing of record/assets of the project) and fix responsibility and initiation of action accordingly. Progress be reported to PAC Cell within thirty (30) days.

KHALIFA GUL NAWAZ TEACHING HOSPITAL

DP No.10.4.8 MISAPPROPRIATION ON ACCOUNT OF COST OF GAS CYLINDERS RS.1.090 MILLION.

AUDIT VERSION

257. The Audit reported that according to Para-148 of GFR Vol-I, all materials received should examine, counted, measured or weighed as the case may be. When delivery taken and they should be by taken in charge or responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

258. During the financial year 2014-15, in Khalifa Gul Nawaz Teaching Hospital Bannu, it was noticed that Rs.3,66,000/- were shown paid to M/S Raqibaz Khan & Bro for the supply of 400 medical Gas Cylinders @ Rs.915 each video supply order No.1397/S/ DT: 20.5.2015. Storekeeper certified the bill that 400 Cylinders received by him, but the Cylinders were neither taken on stock nor utilized till the date of audit i.e. March, 2016. X-Ray etc valuing Rs.3,38,680/- and Chemicals valuing Rs.3,83,960/- received from the main store for the consumption in the radiology Department, and laboratory, but the same were neither taken on stock nor shown consumed till the date of audit. Audit was of the view that the cost of these Cylinders, X-Rays and chemicals has been misappropriated. The lapse was occurred due to weak internal controls, when pointed out in March 2016, the management replied that the matter will be investigated.

259. Audit requested the Department repeatedly, for holding of the DAC meeting, however, neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

260. The representative of Khalifa Gul Nawaz Hospital explained that:-

1. The Medical Gas Cylinder received and entries were made in the relevant stock register and the same issued to sub units for further utilization.
2. The indents for supply of X-Ray and Chemicals, was made on 14/10/2014, but these items were under inspection in the main store and were issued on

08/11/2014, its further consumption record is available on the Stock Register.

261. There was no irregularity on the part of Hospital, as it was procedural lapse for which he apologized and assured that they will be vigilant in future, hence the Para may please be settled.

PAC OBSERVATION

262. The Committee observed that the properly printed stock register was not used for making entries rather a manual/ordinary register was maintained for said purpose, the subject record was prepared and entries made in the stock register was after thought. In the Stock Register the sign of figure tempering and overwriting was, very much obvious.

263. The representative of the Hospital could not defend its stance, as the supporting documents were also not produced to the Committee. Hence the observation of Audit i.e. misuse of the fund proved legitimate.

264. The Department admitted the lacuna on part of Institution and assured the Committee that the issues would be dig-out in order to fix responsibility.

PAC RECOMMENDATION

265. In view of the above, the Committee directed the Department to conduct fact finding inquiry into the matter, fix responsibility and to initiate action leading to recovery within thirty (30) days. Para stands. Progress be reported to PAC Cell.

DPN_o.10.4.22 LOSS DUE TO MISSING FURNITURE - RS.3.100 MILLION.

AUDIT VERSION

266. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be. When delivery is taken and it should be taken by in charge/responsible officer, who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate, stock register. Para 23 of GFR Vol-I requires that every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinates.

267. During the financial year 2014-15, in Khalifa Gul Nawaz Teaching Hospital Bannu furniture valuing Rs.31,00,000/- was purchased from the project fund, which were taken on stock on 26.07.2014. When asked, but it was did not physically exists. Thus, hospital sustained a loss of Rs.31,00,000/-. The lapse occurred due to weak internal controls, resulting into loss of Rs. 31,00,000/-. When pointed out in March 2016, the management replied that matter will be investigated.

268. Audit requested the Department repeatedly, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

269 The representative of Khalifa Gul Nawaz Hospital explained that enquiry into the matter has been ordered, for fixing responsibility and the enquiry report will be submitted accordingly.

PAC OBSERVATION

270. The Committee observed that the Institution has only ordered the inquiry into the matter at a very belated stage, while no further proceedings were made in this regard.

PAC RECOMMENDATION

271. In view of the above observation, the Committee directed the Department to conduct fact finding inquiry into the matter for fixing responsibility and to initiate action leading to recovery within thirty (30) days. Para stands. Progress be reported to PAC Cell.

DPNo.10.4.24 LOSS DUE TO NON-IMPOSITION OF PENALTY ON NON-REPAIR OF MRI MACHINE RS.2.100 MILLION.

AUDIT VERSION

272. The Audit reported that according to clause-9 of contract agreement with M/S Matora Digionics Pvt Ltd Lahore, machine down time will be counted if machine is down for more than 72 hours. If no parts replacement is required, then penalty of Rs.10,000/- per day will be paid by the contractor to the hospital after 72 hours, if the part replacement is required then down time will be counted after 14 days and penalty of Rs.10,000/- per day will be paid by the contractor to the user.

273. During the financial year 2014-15, in Khalifa Gul Nawaz Teaching Hospital Bannu, it was noticed that MRI machine remained out of order for 210 days excluding 14 days provided for the replacement of parts, but even then, the firm failed to repair the MRI. So penalty of Rs.21,60,000/- was required to be imposed on the firm, which was not done. Thus, due to disorder of MRI machine continuously for seven (70 months and 210 days), on the one hand patients suffered and on the other incurred financial loss to the hospital. The lapse occurred due to weak internal controls, which resulted into loss of Rs.21, 60,000/-. When pointed out in March 2016, the management replied that matter has already been reported to the Secretary Health.

274. Audit requested the Department repeatedly, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

275. The representative of Khalif Gul Nawaz Hospital explained that the MRI Machine was purchased under umbrella scheme of KP Govt and supplied on 6th Nov, 2010. The initial period of warranty regarding Repair and maintenance was three years, which was expired on 5th Nov, 2013, as per Clause-VII of the warranty period. It reported that the MRI Machine went out of order during 2014, after the expiry of the warranty period and the question of imposing penalty does not arise. Hence, the Agreement clause referred to in the Para does not fall effective during 2014-15.

PAC RECOMMENDATION

276. In view of the plausible explanation advanced by the Institution, the Committee recommended the Para to be **settled**.

DPNo.10.4.33 NON-RECOVERY OF STAMP DUTY – RS.1.030 MILLION.

AUDIT VERSION

277. The Audit reported that according to Assistant Secretary (Stamps) BOR letter No.14792-14801/AS(S)3/240C-III dated 20.07.2007, 1% stamp duty has been imposed on the purchase of equipments.

278. During the financial year 2014-15, in Khalifa Gul Nawaz Teaching Hospital Bannu, Rs.10,33,30,000/- were paid to various firms for the supply of

Equipments, Furniture, Medicines, Disposables and Vehicles etc. but 1% stamp duty amounting to Rs.10,30,000/- has not been recovered from the suppliers as required under BOR notification. The lapse occurred due to weak internal controls, which resulted into non recovery of Rs.10,30,000/-. When pointed out in March 2016, the management replied that matter will be investigated for recovery.

279. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

280. The representative of Khalif Gul Nawaz Hospital explained that under Section-29 Clause (F), of Stamp Duty Act 1889, the expense of Stamp duty shall be paid by the purchaser. However, in the instant case, the purchaser was the Provincial Government, who was exempted from payments of stamp duty under Section-3 of the Act. The exemption letter/order issued by the relevant Department. Since no loss was involved.

PAC RECOMMENDATION

281. In view of plausible explanation, the Committee recommended the Para to be settled.

DPNo.10.4.34 UNAUTHORIZED DRAWL FROM GOVERNMENT TREASURY AND RETENTION IN THE BANK ACCOUNT – RS.94.180 MILLION AND NON-MAINTENANCE OF CASH BOOK – RS.136.450 MILLION.

AUDIT VERSION

282. The Audit reported that Rule 290 of FTR, strictly prohibits incurrence of expenditure hastily during the month of June just to avoid lapse of funds.

283. During the financial year 2014-15, in Khalifa Gul Nawaz Teaching Hospital Bannu, it was noticed that Rs.6,98,20,000/- were drawn in the name of DDO from the treasury for the purchase of equipments and instead of payment to the supplier retained the amount in the bank account No.775-1 NBP till the date of audit i.e. March

2016. The amount was drawn from the treasury just to avoid lapse of funds, which is against the spirit of treasury rules.

284. Moreover, the transactions worth Rs.13,64,50,000/- were made from the NBP, however, cashbook was not maintained for the purpose. The lapse occurred due to financial indiscipline and weak internal controls.

285. When pointed out in March 2016, the management replied that due to late release of funds, the process of procurement also delayed, after completing all codal formalities the Payment was made, the pending amount will be paid after full satisfaction. Matter will further probed/investigates and audit will be informed.

286. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

287. The representative of Khalifa Gul Nawaz Hospital explained that as per standard procedure in vogue, the payment was made to the suppliers after the inspection carried out by the inspection Committee constituted for the said purpose. As such, the amount in question was retained until the Inspection. The Payment was released after inspection through crossed cheque.

288. He further certified that the necessary entries have been made, in the cashbook for the year 2014-15.No loss to Govt was involved in the instant case.

PAC RECOMMENDATION

289. In view of plausible explanation advanced by the Institution, the Committee recommended the Para to be **settled**.

DPNo.10.4.35 UNAUTHORIZED PAYMENT ON THE PURCHASE OF MEDICINES & EQUIPMENTS RS.6.270 MILLION.

AUDIT VERSION

290. The Audit reported that according to clause-7 of the contract agreement, (with Manufacturer/Importer) that after expiry of 30 days, the order shall stand cancelled. The purchaser will have the right and authority to arrange alternate purchase at the risk

and cost of the supplier in respect of non-supplied items and will be penalized according to terms and conditions of the procurement and purchase committee of the Teaching Hospital Bannu, the penalties will be deducted by the concerned Medical Superintendent from the defaulter's bills. The pending penalties, if any shall be deducted from the supplier before releasing their payment.

291. During the financial year 2014-15, in Khalifa Gul Nawaz Teaching Hospital Bannu, Rs. 62,70,000/- were drawn and shown paid to various suppliers for the supply of medicines and equipments. The said medicines/ items were not supplied till the date of audit. Hospital authorities had neither cancelled the supply order nor purchase was made at the risk and cost of the supplier. Therefore, on the one hand, government funds misused, by paying to the firm for no supply and on the other hand, the poor people of Bannu and IDPs of Waziristan, were depriving of free medicines. Thus, amount of Rs.62,70,000/- has to be recovered from the supplier.

292. The lapse occurred due to weak internal controls. When pointed out in March 2016, the management replied that inquiry will be conducted to ascertain the facts.

293. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

294. The representative of Khalifa Gul Nawaz Hospital explained that the Hospital was declared as Army field Hospital by the Competent Authority i.e Secretary Health Department through Notification No.SO(Asmn:)/HD/KGNH. Administration/ 2014 dated 11th July, 2014 and the Medicines consumed accordingly to the high influx of patients.

PAC OBSERVATION

295. The Committee observed that the reply of the Institution is incorrect, because they could not produce any solid reason/Documentary proof in support of his verbal explanations. Moreover, the working papers were also full of errors.

PAC RECOMMENDATION

296. In view of the above observation, the Committee directed the Department to conduct a fact finding inquiry into the matter for fixing responsibility (who provided uncorrected working paper to PAC) and to initiate action under E& D rule 2011, within thirty (30) days. Para stands. Progress be reported to PAC Cell.

DP No.10.4.37 UNAUTHORIZED OPENING OF BANK ACCOUNTS WITHOUT THE APPROVAL OF FINANCE DEPARTMENT.

AUDIT VERSION

297. The Audit reported that according to Para 7 of GFR-Vol I, money may not be removed from public account for investment or deposit elsewhere without the consent of the Finance Department.

298. During the financial year 2014-15, in Khalifa Gul Nawaz Teaching Hospital Bannu, four (4) bank accounts were opened by the Hospital Authority without sanction of the Finance Department. Therefore, opening of bank accounts and transactions taken place in these accounts stands unauthorized. Detail as under: -

S#	Name of bank	Account No	Date of transaction	Credit transaction	Debit transaction
1.	National Bank of Pakistan	2076-3	31.12.2015	15,500,000	12769134
2.	-do-	2074-5	04.01.2016	40,000,000	40,000,000
3.	-do-	775-1	30.06.2015	78,381,784	58,072,200
4.	-do-	-do-	22.02.2016	23,466,988	57,469,856
5.	The Bank of Khyber	10404-00-2	15.06.2016	15,000,000	6,684,969
Total				172,348,772	174,996,159

299. Opening of bank accounts without the approval of Finance Department is unauthorized. The lapse occurred due to non-observance of rules and financial indiscipline. When pointed out in March 2016, the management replied that the approval of Finance Department would be obtained.

300. Audit requested the Department repeatedly, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

301. The representative of Khalif Gul Nawaz Hospital explained that the irregularity was committed by the then Chief Executive of KGN Teaching Hospital, who has been retired from Government service. The Finance Department will be requested to accord ex-post facto approval to settle the Para.

PAC OBSERVATION

302. The Department admitted that the observation of Audit was valid and the Institution should have to obtain the prior approval of the Finance Department for opening the said Accounts.

PAC RECOMMENDATION

303. In view of above, the Committee recommended the Para to be settled with direction to the Department to approach Finance Department, for obtaining ex-post facto approval within thirty (30) days. Progress be reported to PAC.

BASIC HEALTH SERVICES KHYBER PAKHTUNKHWA

DPNo.10.4.10 LOSS DUE TO NON-DEDUCTION OF SALES/INCOME TAX – RS.127.950 MILLION.

AUDIT VERSION

304. The Audit reported that Federal Board of Revenue Islamabad through its office memo No.C.No.2(67)/EX/2011/80238-K dated 26.05.2014, rejected the request of the Project Management regarding exemption from taxes.

305. During the financial year 2014-15, in Equipment Basic Health Services Khyber Pakhtunkhwa Peshawar, the contractors/firms were paid Rs.62,28,57,302/- however, sales and income taxes of Rs.12,79,50,000/- were not deducted as per detail below:

(Rs.)

S#	Firms/ Suppliers	Particulars	Total amount paid	Sales tax @ 17%	Rate of tax	Amount of income tax
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1.	Various firms	Supply of equipments	355,581,882	60,448,919	6.5%	23,112,822
		Civil works	6,703,608	0	7.5%	502,770
2.	Training firms	Training materials	28,249,010	4,802,331	15%	4,237,351
3.	Consultancy firm (EPOS)	Consultancy services	232,322,802	0	15%	34,848,420
Total			62,28,57,302	6,52,51,250		6,27,01,363

306. The lapse was occurred due to violation of rules. Which was resulted in loss of Rs. 12,79,50,000/- when pointed out in May 2016, the Department replied that the project was exempted from all kinds of duties and taxes. The reply of the Department is incorrect in the light of instructions of the FBR wherein the project management was asked to act as withholding agents. FBR also rejected the request of the project management regarding grant of exemption from taxes.

307. The Department was requested repeatedly through DO letters for holding the DAC meeting, however, neither DAC meeting was held nor any action initiated till finalization of the report.

DEPARTMENTAL VERSION

308. The Department explained that Grant-in-Aid is always taxes exempted.

A As per Para 1.3 of article 1 of financing and program agreement amongst KFW, Govt of Pakistan and Govt of Khyber Pakhtunkhwa the taxes and import duties shall not be financed from the financial contribution.

B As per sub-head "Costs and public charges" of article 4 of the agreement, the recipient (Govt of Pakistan) shall bear all taxes and other public charges accruing outside the Federal Republic of Germany.

309. Letter of "Federal Board of Revenue" C.No.3 (6) Int. Taxes/08 part dated December 18, 2014 was a clear order for taxes exemption in case of Grant-in-Aid. Moreover, as per Para 7.4 of article-7 of financing agreement the agreement shall be governed by the law of Federal Republic of Germany, the KFW (Donor) and Consultants

(EPOS) were not agreeing to taxes deduction in any bill out of KFW share. As per claim of bidder, the prices of items were quoted according to DDU (Delivered duty Unpaid). The Secretary Health, Minister Health and Chief Minister duly signed the taxes exemption Summary.

310. In view of the given replies mentioned above where KFW was not agreeing for tax deduction out of its share as per agreement, the Para may please be dropped.

PAC RECOMMENDATION

311. In view of the plausible explanation, the Committee recommended the Para to be **settled**.

DPNo.10.4.41 IRREGULAR EXPENDITURE ON MANIKINS – RS.2.030 MILLION.

AUDIT VERSION

312. The Audit reported that Project management claimed that it was their responsibility to provide Manikins for the training of the trainees but Memorandum of Understanding (MOU) between Equipment Basic Health Services and Khyber Institute of Child Health did not contain any such clause. According to para-10 of GFR-Vol-I, every Government officer is expected to exercise the same vigilance in respect of expenditure incurred from the public money as a person of ordinary prudence would be exercise, in respect of expenditure of his own pocket and purchases must be made in most economical manner and in accordance with definite requirements of the public Service.

313. During the financial year 2014-15, the Accounts record of Equipment Basic Health Services, Khyber Pakhtunkhwa Peshawar revealed that the expenditure of Rs.20,30,000/- were incurred on the purchase of Manikins which were permanently given to Khyber Institute of Child Health (KICH) Peshawar, for imparting training to the trainees of the Integrated Management of New Born and Child illness (IMNCI) and Essential Maternal and Neonatal Care (EMNC).

314. As the training institute was paid enormously for arranging these trainings, therefore, the KICH was required to have purchased the Manikins or the project

management should have deducted the cost of Manikins from their bills. Moreover, bills of KICH submitted to the Project Management were not produced for audit scrutiny.

315. Audit holds that either cost of the manikins be recovered from the KICH or the manikins in original be got back and kept for similar trainings in future. The lapse occurred due to violation of rules. When pointed out in May 2016, the project management stated that detailed reply would be given later on.

316. Audit requested the department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

317. The Department explained that manikins were the essential tools for IMNCI and EMNC training. KICH was the only institute capable of imparting these trainings to Health Workers. KICH was at embryonic stage that time. They had the talents/expertise/facilitators but had no training tools/materials. KFW and EPOS decided to equip KICH in these essential requirements for trainings.

318. Manikins were placed at the right place. Providing Manikins to KICH was in the best interest of Public and state, these were purchased from saving in KFW Share otherwise the saved amount of grant (not loan) would have been transferred back to KFW (Germany).

319. In other words, KICH would have purchased these items from state fund. This should have been appreciated instead of making an audit reservation upon the action taken. Lastly, training component funds were transferred to EPOS and EPOS had done that useful action in the benefit of the country.

320. As Manikins were purchased from expected saving budget of training component from KFW share, so the Para may please be dropped.

PAC RECOMMENDATION

321. In view of the plausible explanation advanced by the Institution, the Committee recommended the Para to be **settled**.

DPNo.10.4.45 UNAUTHENTIC EXPENDITURE ON CIVIL WORK IN THE HEALTH FACILITIES - RS.129.859 MILLION.
AUDIT VERSION

322. The Audit reported that according to Para-10 of GFR-Vol-I, every Government officer is expected to exercise the same vigilance in respect of expenditure incurred from the public money as a person of ordinary prudence would exercise, in respect of expenditure of his own pocket and purchases must be made in most economical manner and in accordance with definite requirements of the public Service.

323. During the financial year 2014-15, in the Project Equipment Basic Health Services Khyber Pakhtunkhwa Peshawar expenditure of Rs.12,98,59,211/- was incurred on civil works in 12 health facilities. On verification of the Health Facilities of Ziarat Kaka Sahib, Manki Sharif, Marghuz, and Topi, the construction work carried out by the project management instead of C&W Department as these health facilities are being upgraded. Photographs taken of these sites clearly indicate that there is no such bungalow or any other construction, which was carried out by the project management. Hence the expenditure on civil works carried out in Health Facilities is unauthentic.

324. The lapse occurred due to violation of rules. When pointed out in May 2016, the project management stated that reply would be given after consultation with consultants.

325. The Department was requested repeatedly through DO letters for holding the DAC meeting, however neither DAC meeting was held nor any action initiated till finalization of the report.

DEPARTMENTAL VERSION

326. The Department explained that KFW do not carry out civil works through C&W. It had hired a construction consulting firm (GOPA-Germany). There were three National Civil Engineers hired for monitoring of civil works/rehabilitation supervised by a senior National consultant engineer. A visiting German Civil Engineer “Rainer Reha” paid visits quarterly to monitor the ongoing civil works.

327. The facts whether civil work was done in Health facilities (Ziarat KaKa sb, Manki Sharif, Marghuz and Topi) may be asked from the staff working there. Some

of the staff of that time might still be working there. The following civil works had been done in Health facilities.

Health Facilities	Details of work done
CH Ziarat KaKa Saib	X-Ray Block, Gynae Block, Two Ca-III residence , rehabilitation work in ward, Lab, General Hospital, Drains etc
CH Manki Sharif	Separate OPD Block whole, Gynae block, rehabilitation of 10-12 residence etc, Tube Well.
Marghuz RHC	Two Cat-III residences on 1 st Floor over hospital building . Rehabilitation in whole hospital.
CH Topi	Rehabilitation work in whole hospital and residences etc.

328. Any how the auditor is right in case of Ziarat KaKa sb and Manki Sharif only. Just after EBHS project was completed, the C.M (Mr. Pervaiz Khattak) upgraded both the hospitals because that was his constituency. Building might have been damaged. What had happened after the project was completed, not known because the undersigned was posted as MS DHQ Batkhela.

PAC RECOMMENDATION

329. In view of the plausible explanation by the Institution the Committee recommended the Para to be **settled**.

DPNo.10.4.47 WASTEFUL EXPENDITURE DUE TO SUB-STANDARD PROCUREMENT OF EQUIPMENT – RS. 315.770 MILLION.
AUDIT VERSION

330. The Audit reported that according to the para 13 of GFR Vol-I, every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores.

331. During the financial year 2014-15, the accounts record of the Project Equipment Basic Health Services Khyber Pakhtunkhwa Peshawar revealed that contracts amounting to Rs.31,57,70,000/- (EUR 2,346,870) for Lot-1, Lot-2, Lot-3A, Lot-3B, Lot-4A, Lot-4B, Lot-NM1 and Lot-NM2 were awarded to various suppliers for the supply/import of equipments from abroad. As per specifications the equipments of these

lots were to be imported from the countries such as USA, Germany, Japan, Korea, Turkey, Spain, Switzerland, Austria, Sweden, UK and China etc.

332. The project management was asked to produce shipping documents of the above mentioned lots so that the country of the equipments could be ascertained. The management failed to produce shipping documents of these lots except one i.e. Lot-3A. However, on scrutiny of the shipping documents of Lot-3A the following points were noticed:

- i. The contract agreement was signed on 1st December 2014 but some of the shipping documents contained date prior to the contract date as 27th April 2014, 21st April 2014.
- ii. The disbursement statement of the project indicates that 40% payment was made to the supplier of Lot-3A in the month of May, 2015 on presentation of shipping documents while the remaining 50% was made in July, 2015 on delivery of equipments. However, the delivery challans of items delivered to all the 12 Health Facilities indicate that the items were delivered in the month of March, 2015. It is, therefore, clear that the equipments were supplied/purchase from the local market but the payment was made for imported items.

333. However, during verification of equipments of the above mentioned all Lots in the Health Facilities it was noticed that stickers of plastic were pasted on the equipments instead of embossed stickers, which confirmed that the items were of local virgin. The supply of substandard equipments has negated the very clauses of contract agreements which were signed with the suppliers.

334. The lapse occurred due to violation of rules. When pointed out in May 2016, the project management stated that all equipments were duly inspected by the Consultants and Donors. Their inspection reports are available. Reply is not tenable because the relevant reports were not shown to Audit.

DEPARTMENTAL VERSION

335. The Department explained that the audit reservation was on the date of shipping documents and the date of signing of contract agreement, there was a great difference between the date of award of contract and the date of signing of contract document. Although the date of signing of contract documents is 1st December 2014 but actually the contract was awarded for 1 to 3A on 29-11-2013.

- i. Some time period had elapsed between award of contract and signing of contract agreement in preparing contract agreement because EPOS was preparing contract agreement in consultation with KfW which took time.
- ii. Besides that there was an issue that KfW wanted Bank accounts in Euro from the suppliers. As the supplier of Lot 3A did not have account in Euro, so this issue took considerable time. Supplier had placed supply orders after getting contract award. Shipping documents proved that equipment was imported, not local. As reservation is only on dates and the suspicion that items were purchased from local market, so the Para may please be dropped. The reply of the firm.

336. All items were inspected by a team of consultant engineers of Department of Health (Engineer Shuaib-0345-4447766, 0300-5920766 and Engineer Nadir Shah 03339145810) and hired by EPOS/KFW (Engineer Johar 0347-9703148, 0301-3023484). Who checked all aspects of equipments and reported that equipment was delivered according to quoted specification and origin of Countries.

337. The thinking of auditors may not be taken as facts. The reservation is based on thinking. Auditors had not visited sites. Equipment is lying still in Health facilities and open for verification.

PAC RECOMMENDATION

338. After detailed discussion, the Committee recommended the Para to be settled with the direction to Department to maintain record properly in future.

DHQ HOSPITAL BANNU

DPNo.10.4.48 MISUSE OF DISPLACED PERSONS FUNDS ON UNNECESSARY ACTIVITIES – RS.11.640 MILLION.

AUDIT VERSION

339. The Audit reported that according to para 12 of GFR Vol-I, a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided. He must be in a position to assume before Government and the Public Accounts Committee if necessary complete responsibility for departmental expenditures and to explain or justify any instance of excess or financial irregularity that may be brought to notice as a result of audit security or otherwise.

340. During the financial year 2014-15, in DHQ Teaching Hospital Bannu, an account No.4044809150 was opened in NBP Bannu for the Displaced Persons Funds. Funds to the tune of Rs.1,80,00,000/- (Rs.50,00,000, Rs.30,00,000 and Rs.1,00,00,000) were released for the procurement of medicines, equipments, repair of ambulances and other operational health services delivered to DPs. The said TOR was circulated vide letter No.912 dated 09.07.2014 by DG Health Services KP. The local office utilized only Rs.63,59,000/- on the purchase of medicines and relevant equipments while the remaining budget was utilized on other irrelevant activities i.e. on repair and renovation of various blocks of the hospital, white wash, purchase of furniture, preparation of lawn and printing charges etc. instead for the treatment and facilitation of displaced persons. The repair and renovation contract was awarded without tender procedure at higher rates i.e. at par of MRS 2015 and also paid a cost factor @ 3% instead of 1.03%. No measurement book was maintained for the work done. Further Rs.86,26,000/- was lying at the close of financial year. The said amount was hastily utilized and no proper procedure was adopted.

341. When pointed out in February 2016, the management furnished no reply. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

342. The Department explained that the fund utilization has been done in the best interest of TPDs by fictionalization of the hospital. TDPs were beneficiaries along with local people and the hospital electrification along with other works was done in their best interest.

343. The Director General Health Services Khyber Pakhtunkhwa Peshawar released funds for provision of best health care facilities to DPS with the direction that the procurement may be made under Rule-3 of KP Procurement Rules, 2013 read with Section-32 of NDMA Act, 2010.

344. As regards financial management it was directed that all expenditures shall be incurred with the approval of the Deputy Commissioner vide DGHS Peshawar letter

No. 1197/Acctt dated 29-09-2014, in this connection, proper approval of Deputy Commissioner Bannu has been obtained.

PAC OBSERVATION

345. The Committee observed that the fund was provided for provision of best health facilities to displaced person(s), which was misused for other activities i.e purchase of Equipment, Repair of Ambulances and mostly on whitewashing.

346. The representative of the Hospital could not defend his stance because he failed to produce supporting document in support of his verbal explanation

347. Therefore the observation of Audit i.e. misuse of the fund, was found legitimate.

PAC RECOMMENDATION

348. In view of the above, after detailed discussion, the Committee recommended to constitute an Internal Departmental Committee, comprising the following.

- | | | |
|----|---------------------------------------|----------|
| 1. | Mr. Inayatullah, MPA | Chairman |
| 2. | Representative of PAC Cell | Member |
| 3. | Representative of Finance Department | Member |
| 4. | Representative of the Law Department | Member |
| 5. | Representative of the Auditor General | Member |

349. The Committee will examine the issue involved in Draft Para 10.4.48 and report back to PAC within sixty (60) days.

DHO DIR LOWER

DPNo.10.4.50 BLOCKAGE OF PUBLIC MONEY DUE TO UNNECESSARY PURCHASE – RS.87.980 MILLION. AUDIT VERSION

350. The Audit reported that according to para 145 of GFR Vol-I, purchases must be made in the most economical manner and in accordance with the definite requirements of the public services. Care should be taken not to purchase store much in advance of actual requirements. Paras-151 and 167 of GFR Vol-I, requires that the head

of office should take special care for safe custody of store, keeping them in good condition and protecting it from any loss, damage or deterioration.

351. During the financial year 2013-14, in DHO Dir Lower, expenditure of Rs.7,51,90,000/- incurred on the purchase of medical equipments for THQ Samarbagh, RHC Munda and Category-D Hospital Mayar. In this connection following points needs clarification.

- i. Unnecessary purchases were made because as per physical verification all expensive and sensitive store received in 2011 was kept in store room till the date of audit i.e. October 2014.
- ii. The entire store still packed as received from suppliers. Neither equipments installed nor warranty period utilized.
- iii. Mostly store received for the installation and helping/training the staff of company was responsible, which was not done.
- iv. X-Ray plant, ultrasound machines, etc. purchased in 2010-11, without availability of the relevant staff.

352. During the financial year 2014-15, in DHQ Hospital Charsadda 4 dialysis machines amounting to Rs.43,80,000/- and 3 water treatment plants for Rs.14,10,000/- have been purchased in June 2012. On verification of stock register all, these equipments are lying unused. When asked it was replied that due to non-posting of Nephrologists the machines are lying inoperative. In absence of qualified staff, the purchase of machines and its non-operationalization was blocked of Government fund and deprival of General Public from its benefit.

353. During the financial year 2014-15, in Moulvi Amir Shah Hospital Peshawar Rs.70,00,000/- were spent on the purchase of Full Laundry Unit (Strongman) Pak made. The Laundry Unit is lying in a Garage since 2012 up till 2016 without utilization and that is why 80% gone out of work as evident from the attached pictures.

354. When pointed out in November 2014, September 2015 & July 2016, in cases of S.No.1&2 the management furnished no reply. In case of S.No.3 the management replied that in the Laundry building some deficiencies were noticed and the same are not yet rectified by Peshawar Development Authority therefore the laundry unit is not yet installed.

355. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. The Audit recommends to conduct fact-finding inquiry and fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

356. **The representative of the District Health Officer Dir Lower explained that:-**

- i. Machinery/Equipments, of THQ Hospital Samarbagh was procured by the Special Instructions of the then Finance Minister hailing from Samarbagh.
- ii. After surfacing the issue during the Audit observation of this audit Para, request was sent to the Provincial Government for provision of Specialists Doctors to the Hospital and upon arrival of the Medical Specialist District Surgeon, eye Specialist, ENT Specialist, Children Specialist, Cardiologist, Orthopedic Surgeon and Gynecologist, all the units were made functional and the dump equipments were installed which are now in full utilization to the best interest of public services.
- iii. Moreover, some of the equipments/machinery, which could not be utilized in the said Hospital were shifted to other Health Care formations of the District vide this office letter No. 2691 dated 15-05-2020.
- iv. Due to low voltage of Electricity in the area, the relevant MNA was requested he provided 200 KVA transformers in April 2020, which has been installed, and the Electricity need required for X-Ray plant has been met.

Reply of the Medical Superintendent of Moulvi Ameer Shah Memorial Hospital.

357. The representative of the Medical Superintendent of Moulvi Ameer Shah Memorial Hospital Peshawar replied that the observation of the audit regarding wasteful expenditure on worn out laundry unit is not based on facts because the unit was purchased during the year 2011-12 after proper approval from the competent authority and authorization of the high ups of the Department. Unfortunately, the Building, where installation of the units was to be made, abnormally delayed by the construction unit therefore, the laundry unit could not be installed as made functional. It was worth mentioning that the building was completed and Laundry unit installed, made functional now in running condition. No wastage of money was involved.

Reply of the office of district headquarter Hospital Charsadda.

358. The representative of the office of District Headquarter Hospital Charsadda explained that the Dialysis machines were purchased according to approved PC-1 in 2012 and installed, but due to non posting of Nephrologists against the existing sanctioned post, the machines are remained useless upto April 2021. Now Dr. Muhammad Aqeel qualified Nephrologists posted to this hospital and the Machines in question are properly functional.

359. The Secretary admitted that this is very chronic issue and repeated re-occurred in very institution ie the institution usually purchase machineries and equipments' in advance than they dump it in store or in where in hospital. Therefore, mostly the warranty these items were use to expire without installation. Apart from that, the some parts either were misplaced or became obsolete. The institution has to spend more money for replacing the missing or obsolete parts.

360. The Secretary further informed that we have carried out physical verification in un-installed machines, the most of uninstalled machines laying in very institution, were properly installed, and the concern institutions are utilizing these equipments' for the benefits of public.

PAC OBSERVATION

361. The Committee observed that:

362. The explanation of each representative with regard to matter pertaining to their Institution, were neither cogent nor they provide any documentary support in response to their verbal explanation.

- i. The Equipments /Machines were purchased without proper assessment or need base that is why very precious/unique equipments were dumped in Hospital without installation and proper utilization and their conditions deteriorated day by day at the end the equipments become obsolete due to the induction of new/latest Technology? And sustained loss to the Government.
- ii. The PAC time and again issued direction to the Department to discourage such a practice forthwith and to devise proper mechanism/policy for the purchase of Equipments /Machineries' in future, but all these directive were in vain.

- iii. There is proper template for each Hospital (different categories) showing complete detail of Assets and Posts etc, but the Institutions have not properly followed these template.
- iv. The Para was not of blockage of money but rather the wastage of Government money.

PAC RECOMMENDATION

363. In view of the above observation and after detailed discussion, the Committee directed the Department to inquire the matter properly and to ascertain that as to whether the losses was sustained to the Government due to negligence or intentionally after fixing responsibility and initiate action under E&D Rule, 2011 leading to recovery.

364. A part, from above direction to Department the Committee has also constituted a Sub-Committee comprising the following.

1. Mr. Muhammad Idrees, MPA Chairman
2. Mr. Inayatullah, MPA Member
3. Mr. Salah Uddin, MPA Member
4. Dr. Asiya Asad, MPA Member

365. The Sub-Committee will examine the fresh policy adopted for the purchases of Equipments/Machines etc and will devise foolproof and uniform mechanism for purchases of Equipments/Machines for the Health Department, so that the Government money is protected.

366. The Committee will Submit its report within sixty (60) days.

HOSPITAL DIRECTOR MTI (LRH)

DP No.10.4.5 MIS-APPROPRIATION OF LOCALLY PURCHASED MEDICINES RS.5.630 MILLION.

AUDIT VERSION

367. The Audit reported that according to Government instructions local purchase of medicines should be made for admitted patients only.

368. During the financial year 2014-15, in the office of Hospital Director, MTI LRH Peshawar medicines valuing Rs.56,30,000/- were supplied by the L.P. The contractor, to various wards/units for the poor and needy patients, but the record of these units/wards showed that these medicines were issued to the patients either not admitted or already discharged from the hospital. Thus the medicines were misappropriated.

369 The lapse occurred due to weak internal controls, which is resulted into mis-appropriation of Rs.56,30,000/- and was reported to the management in October 2015, but no reply was given by the management.

370. Audit requested the Department repeatedly through DO letters for the holding of the DAC meeting, however, neither DAC meeting convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

371. The Department explained that as per Health Department Notification No. SO(D)/Health/2-43/2000 dated 19-09-2006 the purchase of medicines shall be made for In-door (Hospitalized) Patients only. In case of local purchase, the request for local purchase was granted for respective ward for the admitted needy and poor patients, as mentioned in the Audit Para, all these requested were received from wards and sent to Pharmacy Department for any availability. In case of non-availability, the Manager Pharmacy plays role as a facilitator by giving non-availability (NA) certificate on the LP request, then forwarded to Competent Authority for approval. After the approval, the requests were sent to Local Purchase vendor for issuance of medicine to admitted patients for whom LP request given by the concerned ward/unit. All the medicines issued to the wards for admitted and poor patients as per SOP of the LP.

372. From above given protocol, it is clear that local purchase request cannot be generated for patients that were not admitted in Hospital, and which was itself cleared from the statement in Audit Para, hence the Para may please be dropped.

PAC OBSERVATION

373. The Committee observed that the requisite record in support of their verbal explanations was, not available with the Hospital Director, they were also not well prepared to explain the subject matter properly before PAC. Moreover, the subject record/documents upon which the Para based were neither maintained nor available with Institution and requested to Audit for provision of same record.

374. The Committee was stunned and confused that who it possible that the record in question was not available with Hospital Authority (being their property).

375. The Hospital Authority was not serious about the very imported Business of PAC. But rather, making a lame excuse for non-production of record.

PAC RECOMMENDATION

376. In view of the above, the Committee directed the Head of LRH Hospital to conduct a fact-finding inquiry into the matter (non-maintaining of record and its production to PAC cell) for fixing responsibility and to initiate action under E&D Rules against the person at fault, 2011 within thirty (30) days. Para stands. Progress be reported to PAC.

DPNo.10.4.31 NON-RECOVERY OF LIQUIDATED DAMAGES - RS.3.556 MILLION.

AUDIT VERSION

377. The Audit reported that according to clause-2(A) of the contract agreement, the contractor refusing to carry out the work or leaving in complete or late completed, the penalty should be imposed on contractor @ 10% on the amount of the estimated cost of the whole work.

378. During the financial year 2014-15, record of the Hospital Director MTI LRH Peshawar revealed that works were awarded to the contractors, which were not completed in time. No penalty was imposed. Details are as below:-

AP No.	No & date of cheque	Amount (Rs.)	Penalty @ 10% (Rs.)
277	163171 21.04.2015	1,98,46,000	19,85,000
279	167811 26.04.2015	80,02,000	8,00,000
280	106317 21.04.2015	77,14,000	7,71,000
Total		3,55,62,000	35,56,000

379. The lapse occurred due to non observance of laid down procedures and weak internal controls, which resulted into non imposition of penalty amounting to Rs.35,56,000/- When pointed out in October 2015, the management replied that the observation would be forwarded to the consultant for reply.

380. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends recovery of penalty.

DEPARTMENTAL VERSION

381. The Department explained that:-

i. Renovation of Admin Block

382. The work order was issue on 07-11-2012, and the Works commenced on 23-05-2013, the completion date work was 23-03-2014. However, due to demolishing of the old construction as per contract the Work completed on 15-01-2015, as the work was of the renovation of administration block and this work was carried on during working hours and the contractor has faced the difficulty in vacating the renovated areas due to which the contractor has requested for time extension. The extension of time granted for 10 months as per clause 5 of Contract.

ii. Renovation of GIU

383. The work order was issued on 07-11-2012 and the work was commenced on 29- 04-2013 due to the reason that these patients has been shifted to other IU and other place and at the time there was only one IU in the hospital so shifting of equipments and machinery taking time. Work completion date was 29-07-2013, and completed on 08-12-2013. Late completion of work was due to space problem, material dumping and law & order situation. The extension of time granted for 5 months as per clause 5 of contract agreement.

iii. EXT and Renovation of Leprosy.

384. The work order issued on 07/12/2012, and works commenced on 14-03-2013. Work completion date was 14-11-2013, but work completed late on 17/07/2017, because of the issues mentioned in letter No.01/WBCC/2017 dated 12-04-2017. Due to the reason of demolishing of old rooms on site. The extension of time has been obtained vide order No. 1418/LRH/deans dated 10/07/2017 as per clause 5 of contract agreements.

PAC OBSERVATION

385. The Committee observed that the time extension required to be obtained before the expiry of the stipulated time but in the instead case the time extension was obtained after the expiry of the stipulated time, which made the entire process illegitimate.

PAC RECOMMENDATION

386. The Committee has taken a lenient view and recommended the Para to be settled with the direction to Institution that the time extension must be obtained during the course of time, and avoid taking Ex post facto approval for a time extension, in future.

KING ABDULLAH TEACHING HOSPITAL

DPNo.10.4.43 ILLEGAL DRAWL OF CONSULTANT SHARE – RS.2.869 MILLION.

AUDIT VERSION

387. The Audit reported that according to Health Department Notification No.SO(B)/Health/10-12/D3-04/user charges dated 13.04.2015 and No.SO(B)Health/1-1/97/user charges dated 25.06.2002, awards 25% share to the consultants of the said department from the income generated by these units. Getting share of the doctors by medical superintendent in case of the concerned specialist/doctor not posted in the hospital has no logic and unprecedented and is hereby regretted.

388. During the financial year 2015-16, in King Abdullah Teaching Hospital Mansehra there was no pathologist, physiotherapist, cardiologist and radiologist but their 25% share was drawn by the Medical Superintendent, besides 2% administrative share, in violation to above mentioned policy. Detail is as under:-

S/No	Name of Medical Superintendent	Amount of share drawn (Rs.)
1	Muhammad Javid Khan	17,49,821
2	Muhammad Naeem Khan	11,19,773
Total		28,69,594

389. The drawl of consultant share of Rs. 28, 70,000/- by M.S was illegal and violation of Government orders, which needs recovery. The illegal drawl was due to violation of rules and weak internal controls. When pointed out in August 2016, the management furnished no reply.

390. The Department was requested repeatedly through DO letters for holding the DAC meeting, however neither DAC meeting was held nor any action initiated against the person(s) at fault. Audit recommends recover the illegal drawn amount.

DEPARTMENTAL VERSION

391. The representative of sKing Abdullah Teaching Hospital Mansehra explained that the audit party has mistaken this observation as this practice has been in vogue since (long) years, as and when, there was no concerned specialist posted then the Ms who looking after the administrative affair of the Hospital as well the post of

Radiologist & Pathologist were vacant during the period. The whole process of provision of those services were being monitored and supervised by Medical Superintendent. Therefore, he was entitled for 25% share of Doctor, as per notification, all other dividend were paid as per due shares to concerns accordingly. Moreover, the honorable High Court Peshawar had already passed the judgment regarding the share to all Medical Superintendents.

PAC OBSERVATION

392. The Committee observed that in view of the Peshawar High Court decision, the Institution stance regarding the 25% share, given to MS was not convincing because in the said decision there was no obvious/explicitly reference was made, which allowed the MS to avail the same incentive. In the said decision it's clearly stated that if the MS has performed the duty of blood bank officer (Radiologist & Pathologist being vacant) then the (MS) was entitled for the 25% share. However, the Institution failed to produce "any documentary proof" to the Committee, which shows that the MS was official responsible for performing the duty of blood bank officer (Radiologist & Pathologist being vacant), a part from their own duty.

393. The Department was of the opinion that it was a specialized Allowance for Specialist Doctors who have the specialty in the relevant field. While, the MS had not having the same specialty required for the said post, therefore the observation of the Audit was prevailing over the Institution, in same nature Para No. 9.4.3 the Committee directed the Secretary to conduct fact finding inquiry leading to recovery.

PAC RECOMMENDATION

394. In view of the above and being of a similar nature, the Committee endorsed the same recommendation as given in Draft Para No.9.4.3 for the years 2017-18.

DPNo.10.4.49 ILLEGAL RETENTION OF GOVERNMENT MONEY - RS.65.980 MILLION.

AUDIT VERSION

395. The Audit reported that according to paras 7 & 26 of GFR Vol-I, unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Finance Department. It is the duty of the

departmental controlling officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

396. During the financial year 2015-16, in King Abdullah Teaching Hospital District Head Quarter Hospital Mansehra Government receipts realized from OPD/Emergency, X-Ray Lab: ECG, Ultrasound, canteen, parking, Ambulance and share of government from capitation fee were deposited in three different bank accounts without authorization and concurrence of the Finance Department. These receipts were required to be deposited into the government treasury through challans. Thus on the one hand Government receipts were not deposited into treasury and on the other kept in unauthorized bank accounts. Detail as under:-

Name of Banks	Account Nos	Closing balance (Rs)
Khyber Bank Mansehra	PLS-02839-00-8	1,768,090.27
Habib Metropolitan Bank	20410-103605	44,212,170.77
National Saving Centre	SSA-205	20,000,000
Total		65,980,261.04

397. When pointed out in August 2016, the management furnished no reply. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

398. The Department explained that as per PPP Agreement Clause-8 (x) all the Hospital receipts should be deposited in the Hospital Management Board (HMB) Account, the matter was also discussed in the review Board meeting held on 02-04-2008, and decided to deposit all the Hospital receipt in Hospital Management Board Fund. So the receipts and Misc income + Capitation fee was deposited in HMB Account. The expenditure made under Hospital Management Board Fund was according to terms and conditions of PPP Agreement.

399. Moreover, for saving and profit purpose the saving of HMB fund were kept as TDR in different Banks on the basis of highest profit rate offered by the local Banks, the matter of Public Private Partnership was managed by Hospital Management Board (HMB), under the Chairmanship of Deputy Commissioner/Chairman HMB,

KATH Mansehra. The Hospital Management Board Account has operated in Bank of Khyber Mansehra.

PAC RECOMMENDATION

400. As a Sub-Committee has already been constituted, in the same nature Draft Paras No DP 10.4.12, for the year 2016-17, for detailed inquiry. Therefore, the Committee recommended, to club Draft Para DP.10.4.49 with the Draft Para No. 10.4.12 for the year 2016-17, for which a Sub-Committee has already been constituted.

DIRECTOR GENERAL HEALTH SERVICES

DPNo.10.4.11 LOSS DUE TO PURCHASES ON HIGHER RATES RS.103.050 MILLION.

AUDIT VERSION

401. The Audit reported that according to Para 145 of GFR Vol-I, the purchase must be made in the most economical manner and in accordance with definite requirement and care should be taken not to purchase stores much in advance of actual requirements. Further, according to KPPRA rule 6(3(iv) the lowest offer from the qualified bidder shall be accepted for award of the contract.

402. During the financial year 2011-12, in the office of DG Health, purchases were made on higher rates in the following cases due to which the government was put to a loss of Rs.6,92,00,000/-. Rates in the market were below than the purchased rates.

403. It was further noticed that tenders for the purchase of medical equipments/instruments for health institutions/ facilities in KP, were invited under ADP schemes. At the first time tender rates of 1030 items of 39 categories were invited and in the 2nd time tender rates of 930 items of 24 categories and in the 3rd time tender rates of 900 items of 15 categories were invited. Scrutiny of the tender documents revealed that the rates of M/S Paradise Export Co, received in the 2nd tender were rejected and the firm again participated in the 3rd tender. However, in the 3rd tender the firm quoted rates for the same items much higher than 2nd tender, which were approved by the committee. Thus, due to rejecting the lowest rates and approving the highest rates of the same firm for the same items, the Government was put to a loss of Rs.3,38,50,000/-.

404. The lapse occurred due to weak internal controls, when reported in October 2012, the management furnished no reply.

405. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however, neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

406. The Department explained that a procurement Cell was established at DGHS Office during financial year 2011-12 for the said purpose, the following officer / official were working there and dealing with procurement matters:-

1. Dr. Sharif Ahmad Khan, Ex-Director General Health Services Khyber Pakhtunkhwa, Peshawar (Now Retired).
2. Dr. Ghulam Subhani Ex- Program Manager Hepatitis Control Program Khyber Pakhtunkhwa Peshawar (Now Retired).

407. All the financial transaction regarding bill payment was made by the Local Account Section of this Directorate. Besides several time searches, no record has been found in this Directorate.

DENGUE PREVENTION PROGRAM

DPNo.10.4.25 LOSS DUE TO SHORT SUPPLY OF DIAGNOSTIC KITS – RS.1.518 MILLION.

AUDIT VERSION

408. The Audit reported that according to rule 379 of FTR Vol-I, no payment can be made to a contractor except for work actually done or supplies actually received. Para 148 of GFR Vol-I, says that all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

409. During the financial year 2011-12, the accounts record of Dengue Prevention Program (DGHS) KPK revealed that expenditure of Rs.5,099,940 was shown incurred on the purchase of Rapid Diagnostic Strips @ Rs.190 per kit from Sind Medical Store vide cheque No.0675448 dated 26.06.2012. The stock register revealed that only 20,332 kits were received against 28,323 kits and the same were still lying on the stock

and had not been issued to the end users due to no demand. Due to short supply of 7991 kits @ Rs.190/-, thus the government was put to a loss of Rs.15,18,290/-.

410. The lapse occurred due to weak internal controls, which resulted into loss of Rs.15,10,000/-. When pointed out in October 2012, no reply was furnished.

411. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. The Audit recommends to investigate the matter and recover the loss.

DEPARTMENTAL VERSION

412. The Department explained that dengue Control Program was an ADP Scheme run at this Directorate by the Public Health Section and the following officers were dealing with the program:-

1. Dr. Ziaul Hasnain Deputy Director Public Health DGHS office (Now retired).
2. Mr. Shafiullah Khan (Field Focal Person) DGHS) Office Peshawar.

413. This was a separate program, which was running besides the existing Roll Back Malaria Program, and Dengue Control Program at Provincial level. All the financial transaction regarding bill payment was made by the local Account Section of this Directorate. No record is traceable at this Directorate.

DPNo.10.4.46 NON-ACHIEVING OF GOALS/OBJECTIVES OF PROJECT – RS.1,360 MILLION.

AUDIT VERSION

414. The Audit reported that according to KPPRA rule 6(3)(iv) the lowest officer from the qualified bidder shall be accepted for award of contract. Para 145 of GFR Vol-I, says that purchases must be made in the most economical manner and in accordance with the definite requirements of the public services. Care should be taken not to purchase store much in advance of actual requirements. Para 148 of GFR Vol-I, requires that all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken in charge by a

responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

415. During the financial year 2011-12, in the office of Director General Health Services KP Rs.1,360/- million were released for prevention and control of Hepatitis in KP. Against which expenditure of **Rs.1068 million** was incurred upto August 2012. Audit raised the following observations.

- (i) The purchase of vaccine and diagnostic kits was made in excess of requirements as stated by the pathologist of the HMC. The purchase was made in bulk and was issued to 24 genital sites. Furthermore cold chain is essential for storage of these vaccines and cold facilities were not available at sites. In this connection, the DG Health Services issued circular regarding slow utilization of free diagnostic kits and its expiry.
- (ii) The concerned staff/units did not maintain proper record i.e. stock/ issue registers, OPD/Admission No, addresses of the patients. No monitoring system existed. Whereabouts of the balance kits in April 2012 was not reported to DG Health Services.
- (iii) The diagnostic kits/vaccines were substandard as reported by the field units. Lab test was not carried out and payment was made to the contractor in advance.

416. These lapses occurred due to financial indiscipline and weak internal controls. When pointed out in Oct 2012, the management furnished no reply.

417. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that detailed inquiry be carried out, fix responsibility.

DEPARTMENTAL VERSION

418. The Department explained that this procurement was made from the ADP Scheme and Benazir Health Support Program for the treatment of Hepatitis-C patients in the Province. The program has been closed during the year 2012-13. The record of the program is not traceable at this Directorate. The following officers were dealing with the program:

1. Dr. Sharif Ahmad Khan Ex-Director General Health Services Khyber Pakhtunkhwa, Peshawar (Now Retired).

2. Dr. Ghulam Subhani Ex-Program Manager Hepatitis Control Program Khyber Pakhtunkhwa Peshawar (Now Retired).
419. All the Financial transaction regarding bill payment was made by the local Account Section of this Directorate.

DIRECTOR GENERAL HEALTH SERVICES (2017-18)

DP No.9.4.6 NON-UTILIZATION OF (MEDICAL RELIEF) OF ENDOWMENT FUND RS.540.273 MILLION.

AUDIT VERSION

420. The Audit reported that the North West Frontier Province (Medical Relief) Endowment Fund Act, 2004 authorizes the establishment of fund and give guidelines for its use and management (investment) to provide relief to the needy and poor patients of the province. Clause 9 of the Act is specified for the keeping the accounts and conducting of audit of the Endowment Fund.

421. During the financial year 2016-17, in the office of DG Health Services, it was noticed that a sum of Rs. 340 million was earmarked in June, 2004 for Medical Relief Endowment Fund to provide free of cost health services to the needy and poor patients in all major hospitals of KPK (DI Khan, Peshawar, Swat, Mardan and Abbottabad). However, DG, Health instead of using this fund for providing health facilities to the poor patients as envisaged in the Act, kept the amount in PLS account of BOK, Hayatabad branch (Account number: 02561-00-8). At the time of audit the amount lying in the account amounted to Rs. 540.273 million. Only investment were made by installing RFA, MRI and CT Scan machine and opening a pharmacy shop in KTH to provide relief to the poor patients. However, no record of receipts from this investment is available with the department. This is clear violation of the clause 9 of the Endowment Fund act that provides for keeping the accounting record of the Fund.

422. Audit is of the opinion that the Endowment Fund of Rs. 540.273 Million is not properly utilized and poorly managed. When the observation is reported to the department in September 2017, no reply was given.

423. The observation was intimated to the Department vide letter dated 12.12.2017, however, no DAC meeting was held till the finalization of the report. The

Audit recommends a thorough overview of the fund in the light of its dismal performance so far.

DEPARTMENTAL VERSION

424. The Department explained that the Provincial Assembly of Khyber Pakhtunkhwa has passed the Khyber Pakhtunkhwa (Medical Relief) Act-2004 which was Notification vide No. PA/KP/Legis:-I/2004/9120-25 dated 26-04-2004.

425. The profit occurring from fund will be utilized for providing Medical relief to poor suffering from or requiring open Heart Surgery, Angioplasty, Placement of Pace maker Cancer, Advance renal failure, Dialysis, Hepatices C and other serious disease including the Thelasemia and burn injuries etc as may be notified by the Committee.

426. The fund should be under control of an operating upon by, a Committee, which referred to in Section-7, consist of the following:-

- a. Minister for Health Chairman.
- b. One member each from the opposition and treasury benches of the Provincial Assembly of Khyber Pakhtunkhwa to be nominated by the Speaker, Provincial Assembly of Khyber Pakhtunkhwa.

Member

- c. Secretary to Government of Khyber Pakhtunkhwa Health Department.

Member

- d. Secretary to Government of Khyber Pakhtunkhwa Finance Department

Members

- e. Secretary to Government of Khyber Pakhtunkhwa Zakat, Ushar & Social Welfare Department.
- f. Two Social Workers/ Philanthropists and two business person to be nominated by Chairman. Members
- g. Representative of each of the following Hospitals to be nominated by the Chairman
 - i. Lady Reading Hospital Peshawar.
 - ii. Khyber Teaching Hospital Peshawar.
 - iii. Hayatabad Medical Complex Peshawar.
 - iv. Institute of Radiotherapy and Nuclear Medicine, Peshawar
 - v. District Headquarter Hospital Dera Ismail Khan.
 - vi. Saidu Group of Hospital Dera Ismail Khan
 - vii. Ayub Teaching Hospital, Abbottabad.

viii. Mardan Medical Complex, Mardan.

- h. Director General Health Services Khyber Pakhtunkhwa Member-cum-Secretary.

427. As per Para-9 Sub-Section 02, no amount from the fund shall be unless it was approved by the Committee, according to the endowment fund Act, and account procedure for endowment fund, the Director General Health Services Khyber Pakhtunkhwa the Secretary of the said fund is responsible for transaction of money and keeping record of the fund.

428. As the sum of Rs. 137.90 million has been invested on purchase of RFC, MRI, CT scan, Pharmacy store at KTH & HMC Peshawar, revenue was generated and directly deposited into Bank account no. PLS 2561 8. The Bank of Khyber Hayatabad Islamic Branch (maintained for the purpose of endowment fund) by the project Director KTH MRI/CT Scan, so far as the maintenance of record of fund by the Director General Health Services, is concerned all the record of funds and cash book is being maintained in DG Health office which was up to date.

429. At present a sum of Rs. 69,11,49,633/- is available in the said bank account (Principal+ profit+ receipts). Besides a sum of Rs. 15,500,000/- has been released for treatment of HCV patient at LRH and Rs. 55,00,00/- released to Director IRNUM for treatment of cancer patient.

430. As the Director General Health Services was not competent to utilized the said fund for any purpose, without the approval of the committee as mentioned at Para No. 08/N of the ACT. The withdrawal of amount from the fund was permissible under the joint Signatures of the Chairman (Minister Health) and Secretary Finance (as Para 09 (03)/N of the ACT). However, for the last several years, the meeting of the committee has not been held and nor approval for the utilization of the funds has been issued by the said forum, so the DGHS cannot himself decided for the utilization of funds on any head of account. The transactions regarding endowment fund amount deposited into bank account, can be checked during the audit of the concerned entities, to whom the funds were issued.

431. Keeping in view of the above facts the said Para may be withdrawn as the Director General Health Services has no power of utilization of funds except maintaining of funds record.

432. The Director-General Health Peshawar apologies to the Committee for their improperly /unconvincing replies and as well for not producing a complete record. Therefore, he requested the Committee to give him some time, so that he could produce the complete record and also make himself well aware regarding the whole developments/scenario pertaining to the subject matter in order to explicitly respond to the query of the Committee so that to deprive the charges of Audit.

433. The Secretary agree with the suggestions of Director-General and requested to August Forum on the behalf of the Director-General to defer these Draft Paras to the next meeting.

PAC OBSERVATIONS:-

- i. The working paper was not properly signed by PAO, but rather the signature of the PAO was pasted in the working paper which shows that the Department has not serious about the Assembly Business and treated it very casually.
- ii. The explanation given by the representative of the Department was altogether different from the written replies as incorporated in Working Papers.
- iii. The DAC meeting was not conducted in time.
- iv. The representative of the Department was neither well prepared regarding to the subject matter, nor the relevant documents were provided to Committee in support of their verbal explanation.

PAC RECOMMENDATION

434. In view of the above observation, upon the assurance of Department, the Committee deferred the Draft Paras No. 10.4.11, 10.4.25 and 10.4.46 (2016-17) and Draft Para No. 9.4.6 (2017-18) to the next meeting with the direction to Secretary to conduct a fact finding inquiry into the matter that who was responsible for-

- (i) Cut and paste of the signature of PAO on working paper,
- (ii) Not conducting DAC well in time,
- (iii) Delay in submission of working papers, and
- (iv) preparing uncorrected Working papers.

435. After fixing responsibilities and initiate action under E&D Rules, 2011, within sixty (60) days progress be reported to PAC Cell for placing before the PAC in its next meeting.

HOME & TRIBAL AFFAIRS DEPARTMENT

PROCEEDINGS:

Thirty Two (32) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Home & Tribal Affairs Department were taken up for examination by the Public Accounts Committee in its meetings held on 10th, 11th and 17th of the October 2021. The following were presents:-

PUBLIC ACCOUNTS COMMITTEE

1. Mr. Babar Saleem Swati, MPA Acting Chairman 1st & 2nd sitting
2. Mr. Salah Uddin, MPA Acting Chairman 3rd sitting
3. Arbab Muhammad Waseem Khan, MPA Member
4. Mr. Inayatullah, MPA Member
5. Dr. Asiya Asad, MPA Member

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Izaz Ullah,
Deputy Secretary.

FINANCE DEPARTMENT

1. Mst. Neelam Sultana,
Additional Secretary.
2. Mst. Naghmana,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Mahmood Ahmad Khan,
Director General.
2. Mr. Farrukh Sohail Malik,
Deputy Auditor General (North).
3. Mr. Muhammad Asif Rasheed,
Director.

4. Mr. Muhammad Fayaz,
Assistant Director.
5. Mr. Fazl-i-Maula,
Audit officer.
6. Mr. Tariq Azim,
Audit Officer.

HOME & TRIBAL AFFAIRS DEPARTMENT

1. Mr. Muhammad Asif,
Special Secretary.
2. Mr. Usman Mehsud,
Additional Secretary.
3. Mr. Muhammad Saleem Marwat,
DIG, (Finance & Procurement).
4. Mr. Asif Iqbal,
Deputy Commandant Elite Force.
5. Mr. Feroz Shah,
Director Works, PCU Police.
6. Mr. Sabz Ali Khan,
Deputy Director Audit (CPO).
7. Mr. Fazal Ahmad Jan,
SSP Traffic HQ.
8. Mr. Jamil,
Addl: SP (M).
9. Mr. Arif Azeem,
PCU CPO Police.
10. Mr. Muhammad Imran Khan,
ADC (R) DC Office.
11. Mr. S.M Tahir Shah,
Pay Officer Police.
12. Mr. Mehmood Ahmad,
Secretary to Chairman.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Amjad Ali,
Special Secretary.
2. Mr. Ashtimand,
Deputy Secretary.
3. Mr. Ibrahim Khan,
Assistant Secretary.

4. Mr. Aamir Khan,
Assistant Secretary.
2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendations on each Para as under:-

DP No.11.4.1 UNVERIFIED EXPENDITURE ON ACCOUNT OF PAY AND ALLOWANCES DUE TO NON PRODUCTION OF RECORD- Rs.245.283 MILLION.

AUDIT VERSION

3. The Audit reported that according to Section 14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, to which the Auditor General has a statutory right of access, may be withheld from the Audit. Any person or authority hindering the auditorial functions shall be subject to disciplinary action under relevant Efficiency and Discipline Rules applicable to such person.

4. During the financial year 2014-15, in the office Capital City Police Officer Peshawar, it was noticed that an amount of Rs.24,52,83,989/- was drawn on account of pay and allowances of various police stations/units. Relevant record i.e., Registers 19, 20, and 21 were not produced to Audit for necessary audit scrutiny. Detail is as under: -

S.No.	Name of Police Station/Unit	Total Amount of pay & Allowances (Rs)
1.	Phari Pura	19,150,776
2.	Urmar	14,866,592
3.	Pishtakhara	28,756,779
4.	CIA/ACL	15,281,448
5.	NAB	3,680,367
6.	LO-II (Two Months)	163,548,027
Total		245,283,989

5. The matter was reported to the management in December 2015. The management replied that relevant register No.20 of the concerned Police Station are available and may be got verified. The pay and allowances were regularly disbursed through cashier of the concerned Police Stations. Necessary acquaintance rolls are also available which may be got verified.

6. In the DAC meeting held in March 2016, it was decided that the record be verified from Audit. However, complete record was not produced for verification. Audit recommends to investigate the matter and fix responsibility.

DEPARTMENTAL VERSION

7. The Department explained that the relevant register No.20 of the concerned Police Stations were produced to the deputed officials for necessary verification as on 12 and 13 January 2016, which were thoroughly examined and verified by the deputed team and no irregularity was found therein. However the pay and allowances were regularly disbursed through Cashier/concerned Police Stations and necessary disbursement entry of pay and allowances is available in the relevant register No.20, which can be examined by PAC.

PAC OBSERVATION

8. The Committee observed that all the record involved in the Para was readily available with the Department but was not produced to the Audit party during the time of conducting audit even the same was not produced to Audit during DAC meeting, which indicate causal and non responsive attitude and financial indiscipline in the Police Department.

PAC RECOMMENDATIONS

9. In view of reply advanced by the Department, the Para was recommended to be settled subject to verification of the whole record regarding the disbursement of Salary within thirty (30) days by Audit. The Department was directed to be careful and avoid all such lapses in future to ensure financial discipline.

DP No.11.4.2 MISAPPROPRIATION ON ACCOUNT OF REPAIR OF VEHICLES- Rs. 13.925 MILLION.

AUDIT VERSION

10. The Audit reported that according to the Para 13 of GFR Vol-I, every controlling officer must satisfy himself not only that adequate provisions exist within the Departmental Organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores.

11. During the financial year 2014-15, in the office of Capital City Police Officer Peshawar, an expenditure Rs.1,39,24,950/- was incurred on the major repair of Government vehicles. Scrutiny of the record revealed that on the dates of repair, these

vehicles were on the road as evident from logbooks. It shows that actually no repair has been carried out.

12. The lapse occurred due to weak internal controls. The matter was reported to management in December 2015. It was replied that actually the vehicles were in workshop. The reply of the Department is not tenable. Vehicles were on the road at the time of repair.

13. In the DAC meeting held in March 2016, it was decided that Engine works carried out on various vehicles and issuance of POL and performance of duties on the same day was serious irregularity, which needs verification. However, no record was produced for verification till finalization of the report. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

14. The Department explained that the contention of Audit was not correct as the said vehicles were actually in work shop on dates as mentioned by Audit. However after necessary minor repair the vehicles concerned were on road on the same day, which can be verified from the repair log Book as well as POL Log book. Original Log books can be examined by the PAC.

PAC RECOMMENDATIONS

15. In view of reply advanced by the Department, the Para was recommended to be settled subject to verification of complete record in support of reply of the Department within thirty (30) days.

DP No.11.4.3 MISAPPROPRIATION ON HIRING OF VEHICLES FOR POLIO CAMPAIGN-Rs. 9.250 MILLION.

AUDIT VERSION

16. The Audit reported that according to Para 10(i) of GFR Vol-I, every public officer incurring expenditure from public fund was expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

17. During the financial year 2015-16, in the office of District Police Officer Chitral, expenditure of Rs.18,70,000/- was incurred on the hiring of vehicles for polio

campaign. The roznamcha of police lane did not envisage the hiring of vehicles while the vehicles of the Police Department were shown used. Besides Rs.73,80,000/- released by the DC Chitral for the purpose were deposited into the designated account at NBP but no record regarding expenditure was available. In absence of record, the drawl of Rs.18,70,000/- from regular budget and Rs.73,80,000/- from DC fund is held doubtful which leads to misappropriation.

18. Misappropriation occurred due to weak internal controls. When pointed out in November 2016, the management stated that reply would be given later on. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault, besides recovery of the misappropriated amount.

DEPARTMENTAL VERSION

19. The Department explained that the actual expenditure was more than the released of fund by DC Chitral resultantly the District Police have done expenditure of Rs.18,70,000/- from regular fund. All relevant documents of expenditure shown from regular fund are available for verification which will be shown in PAC and the relevant documents of fund amounting to Rs.73,80,000/- issued by DC Chitral are also available for verification.

PAC OBSERVATION

20. The Committee noted with grave concern the non availability of relevant record with the working paper, which created hurdles for making decision.

PAC RECOMMENDATIONS

21. In view of the above, the Para was kept pending for next meeting of PAC to be held on 17/11/2021, with the direction to the PAC Cell, Audit and Department to sit together in the Provincial Assembly of Khyber Pakhtunkhwa and thoroughly examine the record pertaining to the Draft Para and submit a comprehensive report to PAC on the date mentioned above. Para Stands.

22. On 15-11-2021 a meeting for verification of record was convened but due to lack of time the above mentioned Draft Para was deferred till next meeting of PAC.

23. **The subject Draft Para was again placed in the meeting of PAC held on 17-11-2021 for examination.**

PAC RECOMMENDATIONS

24. During the meeting, the Department failed to produce relevant record therefore, the Committee referred the Draft Paras to the Verification of Record Committee and the Department was directed to produce complete record to the Verification of Record Committee (VOR) within thirty (30) days. Para stands till verification of record by the VOR Committee.

DP No.11.4.4 MISAPPROPRIATION ON ACCOUNT OF PURCHASE OF POL- Rs. 9.100 MILLION.

AUDIT VERSION

25. The Audit reported that according to the Para 13 of GFR Vol-I, every controlling officer must satisfy himself not only that adequate provisions exist within the Departmental Organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores.

26. During the financial year 2015-16 in the office of District Police Officer Chitral, expenditure of Rs.3,10,00,000/- incurred on the purchase of POL. Scrutiny of the log books show consumption of POL worth Rs.2,19,00,000/-. As such a difference of POL worth Rs.91,00,000/- was noticed. Audit holds that Rs.91,00,000/- misappropriated by the concerned.

27. Misappropriation occurred due to weak internal controls. When pointed out in November 2016, it was stated that reply would be given later on.

28. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of

the report. Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault, besides recovery of the misappropriated amount.

DEPARTMENTAL VERSION

29. The Department explained that All relevant record i.e Log book and bills of Rs.2,48,15,371/- are cross matching each other and available for verification. However Rs.43,95,658/- pertaining to the purchase of mobile oil from the same head of account. The detail of which has been given on the reply of Para No.11.4.5 the remaining POL used in motor cycle and generator of Police lines, wireless stations and control room. Original Log book will be shown in PAC.

PAC RECOMMENDATIONS

30. As per decision made on Draft Para No.11.4.3 (2016-17)

DP No. 11.4.5 MISAPPROPRIATION ON ACCOUNT OF PURCHASE OF MOBIL OIL- Rs. 6.764 MILLION.

AUDIT VERSION

31. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery was taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

32. During the financial year 2015-16, in the office of District Police Officer Chitral, advertisement for the purchase of mobil oil was given on 02-05-2016 and the last date of submission of bid was 03-05-2016 and the other advertisement was floated on 21-06-2016 and the date of submission was 24-06-2016. Oil was purchased for Rs.67,64,114/- (16,378 liters × 413 per liter). The same were neither taken on stock register nor handed over to the newly posted MTO. No bid security or bank guarantee was obtained from the supplier. No Committee was constituted for bulk purchase. This position depicts that mobil oil worth Rs.67,64,114/- have been misappropriation. Details is as under:-

S.No.	Name of supplier	Date of supply	Quantity	Rate (Rs)	Amount (Rs)
1.	Terichmer Filling	Not given	3200 ltrs	413	13,21,600

	Station Chitral				
2.	----do-----	Not given	13178 ltrs	413	54,42,514
Total			16378 ltrs	413	67,64,114

33. Misappropriation occurred due to weak internal controls. When pointed out in November 2016, the management stated that detailed reply would be given later on.

34. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault, besides recovery of the misappropriated amount.

DEPARTMENTAL VERSION

35. The Department explained that Trichmir Filling station was supplying POL & Mobil oil to the DPO Chitral in 2016. Rs.43,95,658/- was paid to Tirchmir Filling station for the purchase of Mobile oil in the month of May & June ,2016. This office had already borrowed Rs.63,93,658/- from Trichmir Filling station in emergency for expenditure on Shandoor Festival in anticipation of our demand for allocation of fund for the said Festival. Unfortunately the fund was not allotted timely and the borrowed amount could not be refunded to the firm, resultantly the firm withhold the supply of Mobile oil which it had to supply against the payment of Rs.43,95,658/-

PAC RECOMMENDATIONS

36. As per decision made on Draft Para No.11.4.3 (2016-17).

DP No.11.4.6 MISAPPROPRIATION ON ACCOUNT OF TRANSPORTATION OF VEHICLES FOR REPAIR TO PESHAWAR-Rs. 2.000 MILLION.

AUDIT VERSION

37. The Audit reported that according to Para 10(i) of GFR Vol-I, every public officer incurring expenditure from public fund was expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

38. During the financial year 2015-16, in the office of District Police Officer Chitral, Rs.20,00,000/- were drawn on account of transportation charges in May and June 2016 for transportation of vehicles from Chitral to Peshawar for repair and maintenance work in the Lane Workshop Peshawar. Scrutiny of the vouchers revealed that:-

- i. Sanction of the competent authority was not obtained.
- ii. The office had 40 vehicles and the same were shown transported to Peshawar. In absence of vehicles, the activities undertaken during the year seems doubtful.
- iii. Neither detail bills of the repaired vehicles nor entry in log books was produced to Audit.
- iv. No entry of transportation to Peshawar was found in Roznamcha of the Police Lane. In this regard a written certificate of RI Lane and Moharir Lane was obtained.

39. In the light of above facts, expenditure of Rs.20,00,000/- was thus held doubtful and leads to misappropriation. Misappropriation occurred due to weak internal controls. When pointed out in November 2016, the management stated that detailed reply would be given later on.

40. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault besides recovery.

DEPARTMENTAL VERSION

41. The Department explained that actually this amount was paid to Tirchmir Filling station as replacement of loan taken for expenditure on Shandoor Polo Festival. The fund for Polo festival was demanded but not allocated timely. The actual expenditure on Polo festival was Rs.63,95,658/- all relevant vouchers of the above mentioned festival are available for verification, which will be shown in PAC.

42. During the meeting, the Department further informed that an inquiry was conducted into the matter, in which the officer has been exonerated from the charges levied against him.

PAC RECOMMENDATIONS

43. In view of reply advanced by the Department, the Para was recommended to be settled subject to production of departmental inquiry in which he was exonerated from the charges. Para stands. Progress be reported to PAC.

DP No.11.4.7 MISAPPROPRIATION IN HIRING CHARGES FOR EMERGENCY DUTY-Rs. 2.280 MILLION.

AUDIT VERSION

44. The Audit reported that according to the Para 13 of GFR Vol-I, every controlling officer must satisfy himself not only that adequate provisions exist within the Departmental Organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores.

45. During the financial year 2015-16, in the office of District Police Officer Chitral, expenditure of Rs.22,80,000/- was incurred on hiring of vehicles on various occasions. Scrutiny of the record revealed that in one case vehicles were shown hired for 41 days whereas Roznmacha shows that only on 21-03-2016 one head constable and 10 FC personnel were deployed. The hiring of vehicles for 40 days was doubtful. Similarly, in by-election on 21-02-2016, the security plan shows deployment of 290 constables. The local office had 64 vehicles, which could easily be used for deployment of these personnel. Moreover, the claims were all prepared in hand-writing of one person. The aggregate expenditure of Rs.22,80,000/- was held doubtful and leads to misappropriation.

46. Misappropriation occurred due to weak internal controls. When pointed out in November 2016, the management stated that detailed reply would be given later on.

47. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault, besides recovery from the concerned.

DEPARTMENTAL VERSION

48. The Department explained that in the year 2016 an available hit village of Karimabas susum and 19 houses effected and 09 school children were buried under

avalanche resultantly this District dispatch the Police personnel's in private 4x4 vehicle due to heavy snowfall, for rescue the people, at that time no 4x4 vehicle were available in Police Lines. In by election 2016 total 290 officers/officials were deployed in polling stations, beside this the district police have also performed their routine patrolling and other security duties. The official vehicles engaged in the routine duties. Resultantly this District police hired private vehicles for transportation of Police personnel's to their place of duties. Original documents were shown in PAC.

PAC RECOMMENDATIONS

49. In view of explanation advanced by the Department and the fact that system of hiring vehicles had been streamlined, the Committee taken a lenient view recommended the Para to be settled.

DP No. 11.4.8 MISAPPROPRIATION ON ACCOUNT OF REPAIR OF VEHICLES-Rs.1.628 MILLION.

AUDIT VERSION

50. The Audit reported that according to Para 10(i) of GFR Vol-I, every public officer incurring expenditure from public fund was expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

51. During the financial year 2015-16, in the office of District Police Officer Chitral, a contract was awarded to M/s Almaftah Auto Toyota Motors Clinic Chitral for the repair work of vehicles and payment of Rs.16,30,000/- was made. These expenditure includes purchase of tyres, spare parts and batteries besides others. However, the replaced items were neither taken on stock registers nor cost thereof recovered from dealers. The drivers have given undertaking that they were unaware of the repair works. Therefore, payment of Rs.16,28,000/- was held doubtful and leads to misappropriation.

52. Misappropriation occurred due to weak internal controls. When pointed out in November 2016, the management stated that detailed reply would be given later on.

53. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any

progress intimated till finalization of the report. Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault, besides recovery of the misappropriated amount.

DEPARTMENTAL VERSION

54. The Department explained that all replaced items have been taken on stock/deed register and all original record available will be shown in PAC.

PAC RECOMMENDATIONS

55. The stance of the Department was accepted by the Committee, hence the Para was recommended to be settled subject to verification of the relevant record within thirty (30) days.

DP No.11.4.9 LOSS DUE TO NON-RECOVERY OF INCOME TAX-Rs.7.800 MILLION.

AUDIT VERSION

56. The Audit reported that according to Commissioner Inland Revenue letter No.WHU-II/RTO-PR/2104-15/86 dated 07-07-2014, income tax @ 10% should be recovered from the payment made for services rendered.

57. During the financial year 2015-16, in the office of Senior Superintendent Police Traffic Peshawar payment of Rs.7,80,80,000/- was made to wardens on account of their commission and rewards. Income Tax @ 10% amounting to Rs.78,00,000/- was not recovered which resulted in loss to Government. When pointed out in October 2016, the management replied that there exists no order regarding deduction of income tax on payments of reward from incentive money to the Government employees. The Finance Department has also not endorsed such order for the same. Audit disagreed and was of the view that income tax levied on all incomes. In the DAC meeting held in February 2017, the Department repeated the previous reply. DAC did not agree and directed to affect recovery. No progress was intimated till finalization of the report. Audit recommends recovery of Income Tax.

DEPARTMENTAL VERSION

58. The Department explained that as per Finance Act 2008, 97% of commission/ reward was paid to the lower formations i.e. FC, HC whose income even

after adding this amount does not fall in the income slab of taxable income, hence exempted from tax. The remaining 03% of commission/reward was paid to Gazetted officers who were regularly filling their tax return with FBR and showing their income therein.

59. Federal Board of Revenue vide RTO Peshawar letter No.RTO-PR/WHU-47/2017-18/238, dated 29-06-2018 has also clarified that incentive income paid to the Traffic wardens by your Department (being paid as commission income etc) was required to be included in salary income of the traffic wardens and as per provisions of section 149 of the ordinance the person responsible for paying salary to the employees was required to deduct tax from the gross amount of the salary paid as per prescribed tax rates.

PAC RECOMMENDATIONS

60. In view of reply advanced by the Department, the Para was recommended to be settled subject to verification of Pay slips of the employees with a view that their salary was not taxable even after the addition of commission/reward by the Verification of Record Committee within thirty (30) days.

DPNo.11.4.10LOSS DUE TO NON-UTILIZATION OF AVAILABLE MATERIAL-Rs.2.352 MILLION.

AUDIT VERSION

61. The Audit reported that according to estimate/BOQ of the work, the earth from excavation should be used in backfill.

62. During the financial year 2014-15, in Project Coordination Unit, Peshawar it was noticed that M/S Sarhad Engineering Electric Company was allowed payment of Rs.6,57,20,000/ in the construction of Police Lane Mardan-II, Package-I. This payment includes Rs.23,52,000/- for back filling of earth brought from outside including compaction @ Rs.1670.25/100 cft as non-schedule item. Sufficient quantity of ordinary earth was available from the excavation in foundation of building. Thus a loss of Rs.23,52,147/- sustained to Government. The detail was as under: -

(Rs)

Name of block	Excavated Earth (Cft)	Earth used in back fill (cft)	Rate per 100 Cft	Amount
Admin block	73830	51502	1670.25	8,60,206

Kot block	29486	13268	-do-	2,21,611
Barrack block	142130	76056	-do-	12,70,330
Total				23,52,147

63. Audit holds that sufficient quantity of earth was available that was required to have been used for back filling instead of earth brought from outside. This resulted into loss to Government. Loss occurred due to financial indiscipline and weak internal controls. When pointed out in August 2016, the management stated that the excavated earth was not feasible for reuse. Reply of the Department is not tenable.

64. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter and effect recovery.

DEPARTMENTAL VERSION

65. The Department explained that the soil excavated from the site was not feasible to be reused in support of any structural activity, however to make it suitable for use, filling material with a mix ratio of granular material to the already excavated material was used. Necessary test reports showing the condition of the underlying soil has been available.

PAC RECOMMENDATIONS

66. As the Department has adopted all codal formalities by obtaining soil test reports from reputed Laboratory declaring the soil as not suitable. Therefore the Committee recommended the Para to be settled.

DP No.11.4.11 NON-RECOVERY OF COST OF UN-ACQUIRED LAND-Rs.26.070 MILLION.

AUDIT VERSION

67. The Audit reported that according to District Police Officer Mansehra letter No. 833/GB, dated 11-01-2012, 128 kanal and 15 marlas land was not acquired by the DOR & E Mansehra.

68. During the financial year 2014-15, in the office of Principal Recruits Training Wing Mansehra, Rs.8,80,20,000/- was paid to DOR &E Mansehra for acquiring

521 kanal land for construction of Recruits Training Wing (RTW) Mansehra. Out of which 371 kanal and 5 marlas costing Rs.6,19,54,000/- was acquired through award No.271/DOR/ACQ (Moza Jallo & 272/DOR/ACQ (Moza Debgran) dated 02-10-2012. Moreover, acknowledgements of land owners were not produced. Beside neither remaining 150 kanal and 15 marlas land was acquired nor its cost worth Rs.2,60,70,000/- recovered from the DOR.

69. Non-recovery was due to weak internal controls. When pointed out in April 2016, the management furnished no reply. In the DAC meeting held in February 2017, the Department replied that case for acquiring the remaining land was under process. DAC directed that the process should be expedited and the remaining land measuring 150 Kanal and 15 Marla be acquired and record verified from Audit. No progress was intimated till finalization of the report. Audit recommends implementation of DAC decision.

DEPARTMENTAL VERSION

70. The Department explained that on the request of Police Department, the Deputy Commissioner Mansehra, u/s 4 has issued notification for acquisition of land measuring 521 Kanal and 6 marla vide DC No.2205-9 /Acq: & No.2210-14/Acq: dated 29-11-2008. DPO Mansehra paid Rs.8,80,25,000/- to DC Mansehra, who immediately deposited the same amount into Government Treasury under head G-11215 "Revenue Deposit". Later on, DC Mansehra issued corrigendum to his above referred Notifications and reduced the area of land to be acquired from 521 Kanal to 371 Kanal vide DC No.6000-6/Acq: dated 16-07-2012. Hence, the land measuring 371 Kanal was acquired in total cost of Rs.6,34,74,551/- and used for PTS Mansehra and payment to land owners was made under a proper mechanism by DAO Mansehra on the order of DRO Mansehra. The remaining amount Rs.2,60,71,150/- has been lying in Government Treasury. Another request for acquisition of land measuring 132 Kanal was sent to DC Mansehra in lieu of remaining amount of Rs.2,60,71,150/- but the land could not be acquired due to increase in rate/price of land as DC Mansehra forwarded estimated cost of Rs.6,34,74,551/-. The DPO Mansehra has again initiated a case for 45 Kanal & 19 Marlas, the DC Mansehra has sent cost of the said land as compensation for the land owners amounting to

Rs.5,70,70,254/- but due to non-availability of fund the compensated amount was not paid again. The same shall be completed at the earliest in the same amount that was Rs.2,60,71,150/-. Since the remaining amount of Rs.2,60,71,150/- is lying in Government Treasury, no loss was occurred to the ways and means of the Government.

PAC RECOMMENDATIONS

71. In view of the convincing reply of the Department, the Para was recommended to be settled.

DP No.11.4.12 NON-RECOVERY OF TAXES FROM THE FIRM-Rs. 3.272 MILLION.

AUDIT VERSION

72. The Audit reported that according to Commissioner Inland Revenue letter No.WHU-II/RTO/2014-15/86 dated 07-07-2014, Income Tax @ 10% should be recovered from the payment made for the services rendered.

73. During the financial year 2015-16, in the office of SSP Traffic Peshawar, Rs.1,19,30,000/- were paid to M/S Comm. Private Limited (Brand name A2Z E-Payment) on accounts of traffic penalty of Rs.1,04,84,885/- and driving license services Rs.14,43,315/-. However, Income Tax of Rs.11,94,000 million, sales tax of Rs.20,29,000/-, professional tax of Rs.25,000/- & Disable Persons Rehabilitation of Rs. 24,000 totaling Rs.32,72,000/- were not recovered.

74. Non-recovery of tax was due to weak internal controls and financial indiscipline. When pointed out in October 2016, the management stated that detailed reply would be furnished later on.

75. In the DAC meeting held in February 2017, the Department stated that case will be taken up with the firm for recovery. DAC directed to effect recovery. No progress was intimated till finalization of the report. Audit recommends that recovery should be made.

DEPARTMENTAL VERSION

76. The Department explained that:-

1. **Income Tax 10% amounting to Rs.11,93,720/- was not recovered.**

Section 153 of the Income Tax Ordinance 2001 wherein every prescribed person making a payment in full or part shall deduct Income Tax at prescribed rate. Since service fee @ Rs.15/- per transaction paid by the general public individual who do not fall under the definition of "prescribed person" as defined in section 153 of Income Tax Ordinance

therefore, no tax deduction was required. However, A2Z was registered firm and available on ATL of FBR and files its tax return in every financial year.

2. **Sales Tax @ 17% as required vide section of PPRA amounting to Rs.20,29,324/- was also not recovered.**

In the instant case, the Police Department was neither a withholding agent nor paying the services fee, but the firm collect the service fee from general public and on the amount received, the A2Z paid Sale Tax to Khyber Pakhtunkhwa Government @ 15% as per 2nd schedule of Khyber Pakhtunkhwa Sale Tax Act 2013, through bank challan/monthly Sale Tax return.

3. **Professional Tax amounting to Rs.25,000/- was also not recovered.**

The professional tax has already been paid by the company.

4. **Disable person revenue @ 0.2% amounting to Rs.23,874/- was also not recovered.**

The A2Z E collected its service charges from general public/traffic violators at the time of challan and not from SSP Traffic, hence the DPR charges could not be collected by this office.

PAC RECOMMENDATIONS

77. The Committee after detailed discussion the portion of the Para regarding Income Tax was recommended to be settled and the Portions regarding Sales Tax, professional Tax and deduction of DPR charges were settled subject to verification by the Verification of Record Committee within thirty (30) days.

DPNo.11.4.13 NON-RECOVERY OF DPR CHARGES FROM SUPPLIERS- Rs.3.196 MILLION.

AUDIT VERSION

78. The Audit reported that according to the Directorate of Social Welfare & Women Development Department letter No.DAB/279 dated 09-05-2012, all the Provincial Government Departments were directed to deduct DPR Fund for the rehabilitation of disabled persons from the bills of the contractors/suppliers @ Rs. 2000 each per million and deposit the same into Bank account No. 2626-5 in NBP to implement the orders of the Government as well as of the Apex Supreme Court of Pakistan.

79. During the financial year 2015-16, in the office of Inspector General of Police, Khyber Pakhtunkhwa, Rs.94,68,79,966/- was paid to different suppliers/contractors on different accounts. However, Disabled Person Rehabilitation

(DPR) charges of Rs.31,95,896/- @ Rs.2,000 per million were not deducted from their bills. This resulted into loss.

80. Loss occurred due to weak internal controls. When pointed out in August 2016, the management furnished no reply.

81. In the DAC meeting held in February 2017, it was replied that a case has been taken up with Finance Department for clarification. DAC directed for implementation of Finance Department clarification. No progress was intimated till finalization of the report. Audit recommends implementation of DAC directives.

DEPARTMENTAL VERSION

82. The Department explained that 90% Procurement of this office was made from Government organizations, who reserve 2% quota for disable person in their recruitment under Federal Government Recruitment Rules/Notifications. Therefore these organizations were exempted from such deductions as per DPR Notification. However, the deductions from private suppliers/firms were being made. It was worth mentioning that while discussing the same nature Draft Para No.8.4.6 (2015-16), PAC was agreed with the same reply of Department as mentioned above.

PAC RECOMMENDATIONS

83. In view of the explanation of the Department and the fact that corrective measures had been adopted and deduction of DPR charges are being made from the private firms, the Committee recommended the Para to be settled.

DPNo.11.4.14 OVERPAYMENT DUE TO PAYMENT AT INCORRECT RATES- Rs.2.860 MILLION.

AUDIT VERSION

84. The Audit reported that according to clause 2 of the contract agreement executed with M/S M.Comm Private Ltd., the firm will charge Rs.10 per penalty collected, payable by the penalty holder at the time of transaction.

85. During the financial year 2015-16, in the office of SSP Traffic Peshawar, Rs.85,90,000/- were paid to the firm on account of fine collection charges from the penalty holders. According to the contract agreement executed with the firm, payment

was required to have been made @ Rs.10 per case, while payment was made @ Rs.15. This resulted in overpayment of Rs.28,60,000/-.

86. When pointed out in October 2016, the management replied that payment @ Rs.15 per penalty/transaction had correctly been made. The reply of the Department was not tenable as there was no provision for enhancement of charges in the contract agreement.

87. In the DAC meeting held in February 2017, the Department repeated their previous reply. DAC did not agree and directed to effect recovery. No progress was intimated till finalization of the report. Audit recommends that recovery of the overpaid amount be made.

DEPARTMENTAL VERSION

88. The Department explained that the payment @ Rs.15/- on account of firm charges for per penalty/transaction had correctly been made vide letter No.752/EC, dated 22-06-2016, as the enhancement of per penalty charges from Rs.10 to Rs.15 was recommended by high level Committee of Police Department keeping in view the increased in inflation rate on advice of KEPRA. Hence no overpayment was involved.

89. The Department further explained that as per contract agreement “10% service charges will apply for the first two years once the project is implemented”.

PAC RECOMMENDATIONS

90. The explanation of the Department was found plausible, hence the Para was recommended to be settled.

DPNo.11.4.15 UNAUTHORIZED EXPENDITURE ON THE PURCHASE OF BULLET PROOF JACKETS AND HELMETS-Rs. 68.885 MILLION AND NON-DEDUCTION OF INCOME TAX-Rs. 3.100 MILLION.

AUDIT VERSION

91. The Audit reported that 100% advance payment was approved with certain conditions vide Finance Department letter addressed to the Secretary to Government of Khyber Pakhtunkhwa, Home & Tribal Affairs Department vide No. BO-III/FD/1-1/2015-16 dated 05-04-2016. According to Section-49 (3) of the Income Tax Ordinance

circulated by the Government of Pakistan, Revenue Division FBR Vide No.1 of 2007 Income Tax was deductible from the business entity.

92. During the financial year 2015-16, in the office of Inspector General of Police, Khyber Pakhtunkhwa, an expenditure of Rs.6,88,85,250/- was incurred on the purchase of 883 Bullet Proof Jackets @ Rs.57,750 each and 852 Bullet Proof Helmets @ Rs.21,000 each from Heavy Industries Taxila without executing a contract agreement. Detail is as under:-

S.No.	Cheque No.& dt	Amount (Rs)	Item
1.	1351275 20.06.2016	50,993,250	883 Bullet Proof Jackets @ Rs.57,750 each
2.	1336021 24.06.2016	17,892,000	852 Bullet Proof Helmets @ Rs.21,000 each
Total		68,885,250	

93. The items were not received till the date of audit i.e. 24-08-2016 and Income Tax amounting to Rs.30,99,836/- (68,885,250×4.50%) was not deducted. Unauthorized expenditure incurred due to weak internal controls. When pointed out in August 2016, no reply was furnished.

94. In the DAC meeting held in February 2017, it was replied that the advance payment was made after approval by Finance Department, the supply was in pipeline and the firm produced exemption certificate. DAC directed that Finance Department's conditions were not fulfilled, supply not made and Income Tax has also not been deducted, hence the position be explained before PAC.

DEPARTMENTAL VERSION

95. The Department explained that Contract Agreement has been signed by both the parties vide No.479/AP-III, dated 31-05-2016. 883 Bullet Proof Jackets have been received from HIT and taken on stock register. 852 No BP Helmets have also been received from HIT and taken on stock registered. HIT was exempted from Income Tax by Federal Board of Revenue, vide C.No.1 (3) WHT/2009, dated 02-10-2009. The supply

was delayed due to test trial of the items through Inspection & Testing Department GHQ Rawalpindi.

PAC OBSERVATION

96. The Committee observed that regular correspondence was not made by the Department with the Government Organization/supplier for in time supply of the items involved.

PAC RECOMMENDATIONS

97. The Committee taking a lenient view recommended the Para to be settled with the direction to the Department to follow terms and conditions of the contract agreement in its true spirit in future.

DPNo.11.4.16 UNAUTHORIZED RETENTION/NON-DEPOSIT OF UNDISBURSED PAY-Rs. 29.282 MILLION.

AUDIT VERSION

98. The Audit reported that according to Rule 283 of FTR Vol-I, the head of an office was 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 obtain a legally valid acquittance on the office copy of the bill.

99. During the financial year 2015-16, in the office of Chief Capital Police Officer Peshawar, it was noticed that Rs.2,22,80,000/- was drawn from the public exchequer as pay & allowances of the police personnel were not disbursed to the concerned persons. The undisbursed pay was required to be deposited into Government Treasury.

100. The lapse occurred due to weak internal controls. When pointed out in January 2017, the management stated that detailed reply would be given later on.

101. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that unauthorized retention and non-deposit of undisbursed pay may be justified.

DEPARTMENTAL VERSION

102. The Department explained that the pay has been disbursed among all the employees/recipients. The Audit observed that pay and allowances of Police personnel were not received by the persons and the amount was received by someone on behalf of the righteous person. While performing official duty in various places they had no time. Therefore, their colleagues had received their salaries and thumb impression, NIC copies were taken and name/number was also recorded by recipients. Relevant documents are available will be shown to PAC.

103. During the meeting, the Department stated that now we have streamlined our system as the salaries are now received through Banks.

PAC RECOMMENDATIONS

104. In view of adopting corrective measures by the Department and the ground realities at that time, the Para was recommended to be settled subject to verification of record of the disbursed amount to concerned persons within thirty (30) days. Progress be reported to PAC.

DP No.11.4.17 UNAUTHORIZED PAYMENT DUE TO ALLOWING DELETED ITEM OF WORK-Rs. 2.361 MILLION.

AUDIT VERSION

105. The Audit reported that in the variation order No.2 dated Nil, the RCC 1:2:4 as in foundation and PCC 1:4:8 was replaced with stone masonry upto DPC level and PCC 1:3:6 respectively by the engineer and was approved by the Director General Project Coordination Unit.

106. During the financial year 2014-15, in the office of Director General Project Coordination Unit Peshawar, M/s Bannu Construction Co. was paid Rs.10,24,85,000/- upto IPC# 5. This includes payment of Rs.23,61,000/- on the deleted items of work as per following detail:-

Particles	Qty	Rate	Amount
RCC 1:2:4	80.96 m ³	4,860.62	3,93,516
PCC 1:4:8	132.31 m ³	7,299.60	8,65,810
Steel	10 ton	1,10,134	11,01,340
Total			23,60,666

107. The above items of work were deleted through variation order hence its payment was held unauthorized. Unauthorized payment occurred due to weak internal

controls. When pointed out in August 2016 the management stated that during execution of the project it was decided that the front RCC Boundary Wall was not suitable and economical hence it was replaced by RR/CR Masonry as a gravity wall. The remaining three sides of the Police lines has been constructed of RCC including steel and concrete. The reply of the management was not supported by documentary evidences.

108. The Department was requested repeatedly through DO letters for holding DAC meeting, however neither DAC meeting was held nor any action initiated till finalization of the report. Audit recommends to investigate the matter for fixing responsibility and appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

109. The Department explained that during execution of the said project it was decided by the consultant that the front RCC Boundary wall was not suitable and economical hence it was decided to provide RR/CR Masonry as a gravity wall. However, variation order for RR/CR Masonry has been approved by the competent authority. The remaining three sides of the Police Lines has been constructed of RCC Beam and columns used as structure frame for brick masonry wall. The payment on steel and concrete was carried out only on the remaining 03- sides (other than front boundary wall) and no payment on these items was made in work of front boundary wall as per IPCs.

PAC RECOMMENDATIONS

110. The Para was kept pending till verification of variation orders of RR/CR and the approval of the competent authority for RR/CR masonry within a week. Progress be reported to PAC in the next meeting.

111. In the meeting of verification of record held on 15-11-2021, the representative of the Department produced record i.e IPCs 1 to 5, which revealed that the said work was carried out for the three side walls and not for front wall, for which RRM/CRM work was carried out as mentioned in variation order No.2 and also mentioned in drawing.

112. The report of verification of record on the subject Draft Para was placed before the PAC meeting held on 17-11-2021 for examination.

PAC RECOMMENDATIONS

113. In view of plausible reply duly verified by Audit, the Committee recommended the Para to be settled.

DP No.11.4.18 IRREGULAR TRANSFER OF FUNDS TO IGP OFFICE-Rs. 48.800 MILLION.

AUDIT VERSION

114. The Audit reported that according to Section 116-A sub section (6) (c) of the Finance Act 2008 (Traffic fines), 25% of fine recovered from the offenders shall be allocated for traffic training & education and purchase of machinery & equipments to facilitate traffic.

115. During the financial year 2015-16, in the office of SSP Traffic Peshawar Rs.19,52,20,000/- was collected on account of traffic fine. The fine collecting firm (A2Z) transferred 25% of the said fine amounting to Rs.4,88,00,000/- to IGP account NO.5523-4 at Bank of Khyber Civil Secretariat Branch Peshawar. Audit has the following observations:-

- i. The fund was required to have been spent on the related activities by the funds generating units. The transfer of funds to the IGP bank account was not covered under the rules hence held irregular.
- ii. Details of expenditure incurred from this fund were not produced to Audit for scrutiny.

116. When pointed out in October 2016, the management stated that detailed reply would be given later on. In the DAC meeting held in February 2017, it was replied that the amount was transferred to IGP Office and expenditure incurred by that office. DAC directed that violation of Finance Act be regularized and expenditure from the said fund should be verified from Audit. No progress was intimated till finalization of the report. Audit recommends that rules should be observed in letter & spirit and irregular transfer of funds be explained before PAC.

DEPARTMENTAL VERSION

117. The Department explained that according to Para 2 (C) of the NWFP Finance Act, 2008, 25% of fine recovered from the offenders shall be allocated for the traffic training and education and purchase of machinery and equipment to facilitate

Traffic. The amount recovered on this account was directly transferred to the PPO account No.5523-4 in Khyber Bank Civil Secretariat Branch by all the districts. Wherefrom, centralized procurement of traffic related items was made for the entire Province of Khyber Pakhtunkhwa as per annual procurement plan prepared at CPO level.

PAC OBSERVATION

118. The Committee observed that transfer of funds to the designated Bank account of IGP being PAO was correct as per clarification of the representative of Finance Department. However, record of expenditure made from 25% share need verification to ensure that the amount was spent on the intended purpose.

PAC RECOMMENDATIONS

119. In view of the above, the Para was kept pending for next meeting of PAC to be held on 17/11/2021, with the direction to the PAC Cell, Audit and Department to sit together in the Provincial Assembly and verify the record of expenditure made from the 25% share collected during the period in question. Para Stands.

120. In the meeting of verification of record held on 15-11-2021, the representative of the Department produced Bank statement which shown the open balance of Rs.296.033 million on date 01-07-2015 and closing balance Rs.458.367 million on dated 30-06-2016. According to verification of cash book and bank statement the expenditure made from 25% share i.e Rs.51.545 million was spend on the procurement of the following items:-

- i. forty (40) 250CC bikes which cost to Rs.40.00 million.
- ii. two lac thirty thousand (230000) RFID Cards which cost to Rs.8.855 million.
- iii. Hundred (100) No's of Cement blocks which cost to Rs.2.690 million which was duly verified by Audit.

121. All the items were taken on stock register and the same were issued to the Traffic Police for their further use, which was verified by Audit.

122. The report of verification of record on the subject Draft Para was placed before the PAC meeting held on 17-11-2021 for examination.

RECOMMENDATION OF PAC

123. The Committee directed the Department to provide certificate showing that the Traffic Training & Education and purchase of machinery & equipments of fund has been carried out from the 25% share and not from other resources to Audit.

124. The Committee further directed the Audit Department to carry out detailed Audit of the account mentioned in the Para since its opening. Produce report to PAC within thirty (30) days positively. Para stands.

DPNo.11.4.19 IRREGULAR EXPENDITURE DUE TO EXCESS CONSUMPTION OF POL-Rs. 35.700 MILLION.

AUDIT VERSION

125. The Audit reported that according to Finance Department Notification No.SO(A/Cs)FD/2-3/96 dated 17-04-1996 on page 137, consumption of POL per liter be got fixed from technical officer of S&GAD & Motor Vehicle Examiner of the District Peshawar.

126. During the financial year 2015-16, in the office of Chief Capital Police Officer Peshawar 445,515 liters diesel costing Rs.3,57,00,000/- were consumed in vehicles @ 3 to 8 km per liter less than standard scale of 12 kms per liter in violation of fixed scale. This resulted into loss due to excess consumption of 4,45,515 liters diesel costing Rs.3,57,00,000/-.

127. Irregular expenditure incurred due to violation of rules and weak internal controls. When pointed out in January 2017, the management stated that detailed reply would be given later on.

128. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to investigate the matter, fix responsibility and take appropriate action.

DEPARTMENTAL VERSION

129. The Department explained that Capital City Police Office has various types of vehicles, such as APC's, Trucks, Buses, Water Tanker, Pickups, Shahzoor and

Cars e.t.c. All vehicles have different consumption rates. The Finance Department letter and direction referred by Audit pertains to the vehicles of Civil Secretariat motor cars and could not be applied on the operational vehicles of Police Department, whereas Motor Vehicle Examiner of District Peshawar has issued MPG certificate for each vehicle and available with proper entry in the log books.

PAC OBSERVATIONS

130. The PAC observed that in certain cases KM/liter certificate was obtained very late and log books were not maintained properly

PAC RECOMMENDATIONS

131. The explanation of the Department was found plausible, hence the Para was recommended to be settled with the direction to the Department to adopt corrective measures and follow all codal formalities in future to safeguard public money from wastage.

DPNo.11.4.20 IRREGULAR EXPENDITURE ON HIRING CHARGES AND PROVISION OF POL FOR PRIVATE VEHICLES-Rs.26.65 MILLION.

AUDIT VERSION

132. The Audit reported that according to chapter II (1) of KPPRA Rules, the procuring entity shall use open competitive bidding for the procurement of goods over the value of Rs. 1,00,000. Para-13 of GFR VoL-I, says that every controlling officer must satisfy himself not only that adequate provisions exist within the Departmental Organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate offices and to guard against waste and loss of public money and store.

133. During the financial 2014-15, in the office of Capital City Police Officer Peshawar expenditure of Rs.1,99,42,000/- was incurred on hiring of private vehicles for transportation of Police personals for B.D. Election. POL costing Rs.67,10,137/- were also provided to these private vehicles. The following shortcomings were noticed:-

- i. Being preplan activity, open tender system was required.
- ii. No comparative statement was prepared/available on record for comparison of the lowest and fair rate.
- iii. Registration numbers of the relevant vehicles were not available for authentication.

- iv. No identification/location alongwith cell phone/land line phone of Transporter was available.
- v. 235 Government vehicles were available on pool of CCPO including Trucks. In the presence of which hiring of private vehicles was not understandable.

134. In the light of above short comings the expenditure was irregular. The lapse occurred due to weak internal controls. The matter was reported to management in December 2015. The management replied that funds under the relevant object for Local bodies elections were released in the last week of May, 2015 due to which there was no time/period for proper NIT hence the emergent arrangements were made. All the relevant record in support thereof was available.

135. In the DAC meeting held in March 2016, it was decided that detail verification i.e. vehicles No from Excise & Taxation Department and actual payees and non-using of own vehicles be justified. List of vehicles alongwith receipt of hiring charges be provided for verification from Excise Department. However, no detail provided till finalization of the report. Audit recommends implementation of DAC decision.

DEPARTMENTAL VERSION

136. The Department explained that the funds were released by the IGP vide letter endst: No.4122-4202/B-1, dated 26-05-2015, therefore there was no enough time for proper NIT, hence emergent arrangements for hiring of private vehicles were made, in addition to our own vehicles to cop-up with the requirements for deployment of Police personnel within 996-Polling Stations according to contingent plan. The amount so drawn for hired vehicles for three days w.e.f 28-05-2015 to 31-05-2015 was properly disbursed amongst the drivers after obtaining actual pay receipts on acquaintance roll alongwith copy of NIC, vehicle registration number e.t.c. 68. Now the system had been streamlined and tenders are being floated every year for provision of transport.

PAC RECOMMENDATIONS

137. In view of adopting corrective measures by the Department, the Committee recommended the Para to be settled subject to verification of requisite record within thirty (30) days by the Audit. Progress be reported to PAC.

**DP No.11.4.21 IRREGULAR EXPENDITURE DUE TO PROCUREMENT OF
SUBSTANDARD MOVEABLE SECURITY WALLS AND
PLANTERS- Rs. 9.640 MILLION.**

AUDIT VERSION

138. The Audit reported that according to chapter-V KPPRA Rules Bid solicitation documents (2), in case of procurement of works, solicitation documents shall contain technical specifications, drawings and designs, bill of quantities and estimated costs whatever applicable, evaluation criteria, expected commencement of contract and time period for completion, bid validity, securities demanded, payment schedule, general and special conditions of contract, in case of procurement of works.

139. During the financial year 2015-16, in the office of Chief Capital Police Officer Peshawar, Rs.96,40,000/- were paid to M/S Symbol Engineering Services for the construction, supply and fixing of 254 moveable security walls were procured @ Rs.23,329 each and 300 security planters @ Rs.12,399 per number. The standard specification of security wall was 8 feet height in BOQ with base size 4×3×2 in 10'' thick RCC. However, during verification/visit of police stations, the following shortcomings were noticed:-

- i. The width of the wall at the top of 8 feet height wall was 1 feet instead of required 2 feet as in PS Peshtakhara.
- ii. The strength of RCC wall in BOW is 3000 PSI whereas spot verification shown 2200 PSI strength when checked with the PSI hammer used for 3000 PSI in Police Station Peshtakhara.
- iii. The security pots/planters varied in its BOQ standard of 5 feet length, 2 feet width and 4.5 feet height. Particularly required 2 feet width and it was one feet in Police Station Hayatabad.
- iv. There were four large size peeping holes in the center, right and left side of security planters in the boundary wall of Police Station Hayatabad.
- v. RCC strength of security planters 2500 PSI instead of 3000 PSI as required in the BOQ.
- vi. As per agreement with M/S Symbol Engineering was required to supply & fix 30, 99 & 71 security walls at Police Station KRS, Gulbahar & PS AMJ Shah but on physical verification 26 costing Rs.6,06,554/- were supplied and fixed without agreement.

140. Payment of standard items should have been made, which was not done. Thus the expenditure incurred was irregular. The irregularity occurred due to violation of set standards and weak internal controls. When pointed out in December 2016, the management furnished no reply.

141. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to conduct inquiry and fix responsibility.

DEPARTMENTAL VERSION

142. The Department explained that that work construction of moveable security wall and planters was awarded to M/S Symbol Engineering. The contractor executed the work at various Police Stations in accordance with the site requirement and accordingly payment was made to the supplier. The quantity stated in the BOQ was based on estimated whereas the payment was made to the contractor for actual execution/supplied of each item. The difference of the items of executed work was due to actual site requirement, therefore the question of execution of work below specification did not arise. Relevant documents were shown to PAC for verification.

PAC RECOMMENDATIONS

143. In view of the reply of the Department, the Committee recommended the Para to be settled subject to verification of relevant record within thirty (30) days. Progress be reported to PAC.

DPNo.11.4.22 IRREGULAR EXPENDITURE ON THE PURCHASE OF PLANT AND MACHINERY AND PRINTING CHARGES-Rs 2.570 MILLION.

AUDIT VERSION

144. The Audit reported that Rule 14 of Khyber Pakhtunkhwa Procurement of Goods, Works and Services Rules 2014 says as otherwise provided hereinafter and subject to the provision of rule 10, the procuring entity shall use open competitive bidding as the principal method of procurement of goods over the value of Rs. 1,00,000/-.

145. During the financial 2014-15, in the office of Capital City Police Officer Peshawar, expenditure of Rs.25,70,000/- was incurred on the purchase of machinery, equipments and printing charges, but open tender system was not adopted. Thus the expenditure of Rs.25,70,000/- was irregular. The lapse occurred due to non-observance of Government rules/procedures.

146. The matter was reported to the management in December 2015. The management replied that the printing has been made of various items throughout the year on different dates after observance of all codal formalities. All the relevant record was available which can be verified at any time.

147. In the DAC meeting held in March 2016, it was decided that clarification be obtained from KPPRA for non-obtaining the open tender system. However, no clarification furnished till finalization of the report. Audit recommends implementation of DAC decision.

DEPARTMENTAL VERSION

148. The Department explained that the funds for the purchase of plant and machinery were released by the IGP vide their letter No.4856/B-1, dated 15-06-2015, therefore there was no enough time for proper NIT. The items under observation were purchase on three quotations basis after observance of all codal formalities. The item so purchased were properly taken on stock and distributed accordingly. As far as the printing charges were concerned the same has been made of various items throughout the year on different dates after observance of all codal formalities. No irregularity was committed. All the relevant record is available which can be examined by PAC.

PAC OBSERVATION

149. The Committee observed that there was some flaws and shortcomings in the process of purchase in the Department which were required to be streamlined and inconformity with KPPRA rules.

150. The Committee also observed that the Finance Department releases the funds at the end of financial year which is not a good practice, it was required to release the fund in time to enable the Department to fulfill all codal formalities before making purchases.

PAC RECOMMENDATIONS

151. During the meeting the Department accepted its fault and assured that in future all the codal formalities shall be adopted to avoid such flaws. The Committee taking a lenient view recommended the Para to be settled with the direction to the Department to avoid such lapses in future. The Committee also directed the Finance Department to release the fund in time to enable the Department to fulfill all codal formalities before making purchases.

DP No.11.4.23 NON-DEPOSIT OF GOVERNMENT RECEIPTS-Rs. 9.696 MILLION.

AUDIT VERSION

152. The Audit reported that according to Para 26 of GFR Vol-I, it was the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

153. During the financial year 2014-15, in the office of SSP Traffic Peshawar two driving schools are imparting driving training and an amount of Rs.67,20,000/- was realized from the driving training fee but was not deposited into Government Treasury. Amount realized be deposited into Government Treasury.

154. It was further noticed that Rs.29,76,500/- were collected on account of medical check up from the applicants who apply for learner driving license, fresh driving license, conversion, endorsement and duplicate while Rs.50 was also charged from applicants over the age of 50 years in case of renewal. Detail as below:-

No. of learners	No of fresh license	Renewal above 50 years age	Others	Total/cost	Amount (Rs)
29001	23150	5000	2379	59530×50	2,976,500

155. Rs.29,76,500/- was realized from the medical fee was required to have been deposited into Government Treasury, which was not done. The lapse occurred due to non-observance of Government rules/procedures and weak internal controls. When pointed out in November 2015, the management furnished no reply. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however

neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter, fix responsibility besides recovery.

DEPARTMENTAL VERSION

156. The Department explained that no Government Money was involved in the establishment of 02-driving schools. These were the welfare projects of the Traffic Police. No separate Government land was used for these schools. The strength deployed at schools performed as visiting faculty members while performing their traffic duties side by side. All expenses were met from fee of the students. These projects were for facilitation of the road users to give them quality education. It was pertinent to mention that the Para was not discussed with the Department and included later on, however in compliance of Audit observation these schools have now been wind up vide CPO letter No. 4359-95/PA, dated 23-07-2020.

PAC RECOMMENDATIONS

157. After detailed discussion, the Committee could not reach to a just and fair conclusion, therefore the Committee constituted an Inter Departmental Committee (IDC) comprising the representatives of the PAC Cell, Audit, Law, Finance and Department under the Chairmanship of Arbab Muhammad Waseem Khan, MPA to examine the issue involved in the Draft Para in detail and submit report to PAC within thirty (30) days. Para Stands. Progress be reported to PAC.

DP No.11.4.24 UNDUE FAVOUR DUE TO NON-ENHANCING AMOUNTS OF BANK GUARANTEES-Rs. 16.000 MILLION.

AUDIT VERSION

158. The Audit reported that according to Deputy Inspector General of Police (Traffic) Peshawar letter No.1210/EC dated 26-11-2014 & Senior Superintendent of Police (Traffic) Peshawar letter No.3735/PO dated 21-11-2014, the firm M/S A2Z was required to submit bank guarantee at the following enhanced rates:-

- i) Traffic ticketing manager system from Rs.30,00,000 to Rs.1,00,00,000.
- ii) Driving license fee collection from Rs.60,00,000 to Rs.1,50,00,000.

159. The firm also agreed to enhance the same vide their letter dated 15-05-2016 as (i) Traffic Ticketing Manager System from Rs.1,50,00,000/- (ii) Driving license fee collection from Rs.40,00,000/-.

160. During the financial year 2015-16, in the office of SSP Traffic Peshawar M/S A2Z has submitted their Bank guarantee for the amount much lesser than the required and agree upon as under:-

- i. Traffic ticketing manager system for Rs.60,00,000 vide CPBD/0667/090032 dated 12-08-2016.
- ii. Driving license fee collection for Rs.30,00,000 vide CPBD/1798/100032 dated 12-08-2016.

161. The firm did not observe the departmental directions nor uphold their own commitments while renewing the existing bank guarantee. It tantamount to undue favour with firm therefore held irregular. The undue favour was due to weak financial controls. When pointed out in October 2016, the management stated that detailed reply would be furnished later on.

162. In the DAC meeting held in February 2017, it was replied that the quarter concerned has been directed to provide guarantee at enhanced rate. DAC directed to expedite the guarantee on enhanced rates. No progress intimated till finalization of the report. Audit recommends to investigate the undue favour and non-observing directions.

DEPARTMENTAL VERSION

163. The Department explained that vide letter No.1210/EC, dated 26-11-2014 the firm M/S A2Z was directed to enhance the guarantee rate to Rs.10 million and 15 million for Ticketing management system and driving license fee respectively. However, the firm could not submit the required guarantee. The letter for enhancement of guarantee has been written on the basis of Para 7 of the agreement and efforts were made for enhancement of guarantee but due to pending issue between A2Z and Police Department in the honorable High Court Peshawar, the guarantee could not be enhanced. Later on it was enhanced on 08-03-2018.

PAC RECOMMENDATIONS

164. In view of explanation advanced by the Department and the fact that corrective measures had been adopted, the Para was recommended to be settled.

DP No. 11.4.25 NON-RETURN OF WEAPONS-Rs. 18.265 MILLION.

AUDIT VERSION

165. The Audit reported that according to Civil Services Regulations 1973, Government property be returned at the time of charge relinquishment on the eve of transfer/retirement.

166. During the financial year 2015-16, in the office of Chief Capital Police Officer Peshawar, 171 weapons costing approximately Rs.1,82,65,000/- were not returned by the police officers. KOT record shows that the Government weapons are still outstanding.

167. Non-return of weapons occurred due to weak internal controls. When pointed out in December 2016, it was stated that written replies would be given later on.

168. The Department was requested repeatedly through DO letters for holding DAC meeting, however neither DAC meeting was held nor any action initiated till finalization of the report. Audit recommends to recover the outstanding weapons.

DEPARTMENTAL VERSION

169. The Department explained that all the officer while posted in Peshawar have been allotted the arms for their security. All these officer performing duty throughout province. Correspondence was being made with officers transferred to other provinces, through Government for the recovery of the weapons. ASI Zain ud Din of this unit has been deputed vide order No.432-37 dated 19-02-2020 for the collection of arms, which were in the custody of officers/official. The following arms has been collected. The current position in detail were shown to Audit in the PAC meeting.

S.#	Name	Arms No.	Magazine	Rounds	Remarks
1	DSP Saida Jan	14069472	2	7	30-09-2020
2	SP Khushdil Khan	14077678	2	10	08-10-2020
3	DSP Abbas Ali Babar	13037988	2	10	02-10-2020
4	SSP Ghulam Husain	14076082	2	10	17-09-2020
5	SI Muhammad Ali	14076274	2	5	16-09-2020
6	DSP Saif Ullah Khan	146-MRE	2	30	10-09-2020
7	Muhammad Adnan	MRC-327	2	30	10-08-2020
8	ASI Khair Ullah	KHD-817	2	30	10-09-2020
9	Ibrahim 1522	KHD-822	3	30	10-09-2020

10	DIG Iqbal	14072408	1	10	10-09-2020
11	Insp: Sikandar Shah	14010530	2	10	10-09-2020
12	DSP Atta Ullah	140135143	2	10	03-11-2020
13	SP Zafar Ullah	14073978	2	10	03-11-2020
14	SP Gulzar	18194065	3	90	02-04-2021
15	SP Akhtar Ali	1406520	3	90	02-04-2021
16	SP Shah Ali Kayani	1403754	2	12	21-04-2021
17	Atta ur Rehman	14064917	2	12	21-04-2021
18	Insp: Muhammad Noor	1406287	2	30	21-04-2021

PAC OBSERVATION

170. The Committee noted with grave concern for non recovery of the allotted weapons from the concerned Officers/Officials after their transfer/retirement. The Department was required follow the rules and not relieve the persons till return of Arms and Ammunitions allotted to them.

PAC RECOMMENDATIONS

171. After detailed deliberation, the Committee directed the Department to recover all the weapons within a month. The Committee also directed the Department that proper mechanism should be devised under the rules for allotment and return of weapons. Para stands till complete recovery of Arms and ammunitions from the concerned Police Officers within thirty (30) days. Progress be reported to PAC Cell.

DPNo.11.4.26 ILLEGAL EXPENDITURE FROM GOVERNMENT REVENUE- Rs.10.210 MILLION.

AUDIT VERSION

172. The Audit reported that according to Rule-7 of FTR Vol-I, moneys received shall not be appropriated to meet departmental expenditure.

173. During the financial year 2015-16, in the office of SSP Traffic Peshawar revenue of Rs.61,30,000/- was generated from two driving schools. Similarly, Rs.40,80,000/- collected on account of medical fee from driving licenses. As such, the aggregate amount of Rs.1,02,10,000/- was required to have been deposited into Government Treasury. Contrarily it was diverted towards expenditure. The expenditure so incurred was neither reflected in the Provincial Government accounts nor codal formalities fulfilled. All this expenditure tantamount to parallel budgeting, which is not admissible under the rule.

174. The lapse occurred due to weak internal controls. When pointed out in October 2016, the management stated that detailed reply would be given later on.

175. In the DAC meeting held in February 2017, it was replied that the schools have been established to provide training to the private individuals and Government provided no funds. Therefore, the receipts were diverted towards expenditure. DAC directed to regularize the expenditure from the competent authority. No progress was intimated till finalization of the report. Audit recommends to investigate the matter and fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

176. The Department explained that driving schools have been established for providing training to the private individuals/persons to enhance safety measures for the performance of schools and no budget was provided by the Government as such fees are the sole incomes for running these schools. All the expenditures were incurred from the income derived from fees etc from the students. In compliance to the Audit observation these schools were wind up vide CPO letter No.4359-95/PA dated 23-07-2020.

PAC RECOMMENDATIONS

177. Being similar nature the Para was referred to IDC already constituted vide Draft Para No.11.4.23 (2016-17).

DPNo.11.4.27 UNJUSTIFIED EXPENDITURE ON PURCHASE OF BANDOLIER- Rs.7.597 MILLION.

AUDIT VERSION

178. The Audit reported that according to chapter II (1) of KPPRA Rules, the procuring entity shall use open competitive bidding for the procurement of goods over the value of Rs. 1,00,000. Para 10 (i), 11 and 12 of GFR Vol-I, says that every public officer incurring expenditure from public fund was expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money and that each head of a Department was responsible for enforcing financial order, strict economy at every step and observing all relevant financial rules and regulations by his own office and by subordinate disbursing officers. According to Section-49 (3) of the Income Tax

Ordinance circulated by the Government of Pakistan, Revenue Division FBR Vide No.1 of 2007 income tax is deductible from the business entity.

179. During the financial year 2015-16, in the office of Inspector General of Police, Khyber Pakhtunkhwa, Rs.75,97,091/- were paid in advance to POF WAH Industries Limited on account of purchase of bandoliers.

S.No.	Cheque No. & Date	Amount (Rs)	Items
1.	1300505 18-03-2016	56,09,651	1030 No. Bandolier Special @ 3141.93 each + 5% Sales Tax 838 No. Bandolier Ordinary @ Rs.2028.06 each + 5% Sales Tax. 1562 No. Sling SMG @Rs.260.45 + 5% Sales Tax.
2.	1332847 02-02-2016	19,87,440	728 No. Bandolier G-III @ Rs.2600 each +5% Sales Tax
Total		75,97,091	

180. The expenditure stands unjustified:-

- i. Bandolier was not propriety item. Advertisement was required to be made which was not done. Purchases without advertisement is, therefore, invalid.
- ii. The sanction for 100% advance payment accorded by the Finance Department is in conflict with Rule-379 of Treasury Rules. These items were not propriety or extra ordinary, which did not require advertisement.
- iii. The items have not been received till the date of audit i.e. 24.08.2016. The public funds were therefore, blocked for about six months.
- iv. Agreement was not executed and the contractor was at liberty to make the supply as per his own will.
- v. Bank Guarantees against the advances were not obtained. As such, the public interest was put at stake.

181. The lapse occurred due to weak internal controls. When pointed out in August 2016, no reply was furnished.

182. In the DAC meeting held in February 2017, it was replied that observations of Audit have been fulfilled. DAC directed to investigate the non-observance of Finance Department decision and ensure early supply. No progress

intimated till finalization of the report. Audit recommends that Department may explain its position before PAC.

DEPARTMENTAL VERSION

183. The Department explained that:-
- i. Bandolier was uniform and Arm related item. Therefore, purchased from POF Wah on single source under rule 10 of Procurement Rule 2014.
 - ii. Finance Department was competent to accord advance payment sanction after its satisfaction.
 - iii. The items have been received and distributed amongst the districts/units.
 - iv. At the beginning POF authorities were supplying items to this Department as term & condition fixed by Federal Government vide No.1/41/2013 CAF(C) 24-1-2014 now in compliance of Audit observations Police Department is regularly signing contract with POF Wah.
 - v. POF Wah was a Government Organization and there was no risk of defective or short supply as all items have been supplied and there was no loss to Government exchequer.
 - vi. Now after the Audit objection purchases are made as per provisions of KPPRA rules.

PAC RECOMMENDATIONS

184. In view of the plausible reply advanced by the Department, the Committee recommended the Para to be settled.

DPNo.11.4.28 NON-IMPOSITION OF PENALTY FOR DELAY IN EXECUTION OF WORK-Rs. 2.060 MILLION.

AUDIT VERSION

185. The Audit reported that according to Para 26 of GFR Vol-I, it was the duty of the Departmental Controlling Officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

186. During the financial year 2015-16, in the office of Director General Project Coordination Unit, Peshawar “establishment of offices for Special Branch Police Khyber Pakhtunkhwa” was under execution upto January 2015, which should have been completed before 2014-15. The completion period of this scheme was 12 months,

sufficient funds were also provided for the execution. The Project Director was required to impose at least 2% penalty of Rs.20,60,000/- in the following cases:-

(Rs)

S.No.	Contractor	Name of work	Agreement	Work order dated	Estimate cost	Penalty 2%
1.	MS Haji Aurangzeb	Construction of special branch office at DIK	23/DG/2013-14	10-01-2014	2,45,11,000	4,90,000
2.	MS Abdur Rehman & CO	Construction of special branch at Abbottabad	16/DG/2013-14	10-01-2014	2,45,00,000	4,90,000
3.	MS Dilawar Khan	Construction of special branch at Peshawar		04-01-2014	1,77,95,000	3,55,000
4.	MS Naiz Muhammad	Construction of special branch at Kohat	24/DG/2013-14	13-01-2014	2,09,83,000	4,19,000
5.	MS Sher M. Wazir	Construction of special branch office at Mardan	22/DG/2013-14	15-01-214	1,53,26,000	3,06,000
Total						20,60,000

187. Unauthorized payment occurred due to non-adherence to the provision of the clauses of the contract agreement, financial indiscipline and weak internal controls. When pointed out in Aug 2016, the management stated that due to land issues, the handing/taking of site was delayed for a considerable time and accordingly the work could not be started at site as per schedule time. No delay in the projects occurred on the part of the contractor. Audit disagrees as work order issued after clearance of site.

188. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to investigate the matter, fix responsibility and take appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

189. The Department explained that the date of commencement as per actual was different for each sub-project. The clearance of the site, being on part of the local police was delayed and was not started as planned. Besides, there were other reasons

beyond the control of the contractor which caused the delay in the completion of the project. However penalty where required was imposed. The project has successfully completed and handed over to the end users in the year of 2016 as per PC-4. The sub-project wise report regarding the delay, grant of extension and imposition/recovery of penalty is as under:-

ABBOTTABAD

Penalty has been imposed @ 2000/ day on the contractor with effect from 01-06-2016 to 30-6-016 vide 2nd EOT granted by the competent authority amounting to Rs.3,60,000/-.

D.I. KHAN

Extension in time has been granted up to 31-5-2015 with valid and justified reasons as detailed below and recommended by the consultants being “The Engineer” of the project. Reason for delay:-

The recent militancy and suicidal attacks have sent wave of discontent and huge concerns for personnel safety and this badly affecting the provision of the skilled/trained and qualified project staff. Occupation of building by local police.

PESHAWAR

Extension in time has been granted up to 06-12-2015 with valid and justified reasons as detailed below and recommended by the consultants being “The Engineer” of the project. Reason for delay:-

- i. Due to Military paratrooper academy, the working activity was restricted. Due to security problems i.e. access of the material and labours were the main issue for the permission of such takes lot of time.
- ii. Due to no working space at site for material stocks, the cantonment board stops over construction activity more than period of 03 months and also take equipments along themselves.
- iii. The military and judicial attacks have sent a wave of discontent huge concern for personal safety and this was badly affecting the provision of the skilled/trained project staff.
- iv. The continuous rains in March & April 2015.
- v. The material vehicle and labours for the construction activity was blocked by the law & enforcing agency i.e. check post near the Gora Qabristan.

MARDAN

Penalty has been imposed @ 2000/ day on the contractor with effect from 06-10-2015 to 15-04-2016 vide 1st EOT granted by the competent authority amounting to Rs.3,80,000/-.

KOHAT

Extension in time has been granted up to 30-04-2015 with valid and justified reasons as detailed below and recommended by the consultants being “The Engineer” of the project. Reason for delay:-

- i. The recent militancy and suicidal attacks have sent wave of discontent and huge concern for personal safety and this was badly affecting the provision of the skilled/trained and qualified project staff.
- ii. The lengthy traditional holidays of labour during Ramzan, Eid Festival and Muharram ul Haram.
- iii. Due to rain days the work was stopped for almost 01 month.

PAC RECOMMENDATIONS

190. The Para was kept pending till verification of record i.e. whether Deputy Director, Project Coordination Unit is authorized to grant approval in time extension and penalty imposed on the contractors within a week. Progress be reported to PAC in the next meeting.

191. In the verification of record meeting held on 15-11-2021, the representative of the Department informed the Committee that the approval in time Extension has been granted by the Director, PCU who is authorized to grant approval of time Extension and on behalf of the Director, PCU, letter issued by the Deputy Director, PCU and in this regard a documentary proof was also provided which was verified. The record of Construction of special branch at Abbottabad, DIK, Peshawar, Mardan and Kohat were checked as per detail bellow:-

ABBOTTABAD

192. The delay in the construction of Special Branch at Abbottabad was due to the following reasons i-e.

- i. The site proposed for the construction of special branch police was not cleared.
- ii. A piece of police land which proposed for construction was temporally structured which was demolished due to which the delay occurred.

- iii. The penalty imposed on the contractor shown recovered in its bill and verified by the Audi. The penalty imposed on the contractor was retained by the Department but could not deposit into the Government Treasury or specified head. Therefore the Department was directed to not retain the money in future.

D.I.KHAN

193. The Department explained that, Extension in time has been granted due to certain reasons i.e the original plane of the scheme was changed by deleting the approved basement/lower ground floor due to high water level at the site. Therefore the structure and original design was changed and the Malkhana located in lower ground floor was extracted and proposed on the ground floor in the revised plane. Therefore the delay was occurred in the subject scheme.

PESHAWAR

194. Extension in time has been granted by the competent authority with valid and justified reasons i-e

- i. The location of the scheme was changed by the police authorities from Hayatabad to CID building opposite to Gora Qabristan.
- ii. Due to change of site the project structure and design was changed
- iii. Being Cantt area the supply of the material was not delivered on time.
- iv. Due to military paratrooper academy the main issue was permission of both labour and material excess to the site

MARDAN

195. The subject work was proposed for the site of Police line-II Mardan comprising of basement and ground floor with a total covered area of 5553 sft. But due to raised water table in the locality, basement portion was not feasible. Therefore the basement was replaced by the ground floor and the ground floor was replaced by the 1st portion. Overall design was changed due to which the delay occurred in the scheme.

196. The penalty imposed on the contractor shown recovered in its bill and verified by the Audi. The penalty imposed on the contractor was retained by the Department but could not deposit into the Government Treasury or specified head. Therefore the Department was directed to not retain the money in future.

KOHAT

197. The Department explained that, Extension in time has been granted due to certain reasons i.e militancy and suicidal attacks have been sent wave of discontent and huge concerns for personal safety due to which the provision of the skilled/trained and qualified project staff was badly affected. Moreover, due to rainy weather the work was stopped for almost one (01) month and also delayed due the lengthy traditional holidays of Labour during Ramzan, Eid Festival and Muharram ul Haram.

198. The report of verification of record on the subject Draft Para was placed before PAC meeting held on 17-11-2021 for examination.

PAC RECOMMENDATIONS

199. In view of explanation advanced by the Department, the Para was recommended to be settled, with the direction to the Department to avoid defective designing in future.

DP No. 11.4.29 DIFFERENCE IN RECORD OF RECEIPTS-Rs. 48.260 MILLION. AUDIT VERSION

200. The Audit reported that according to Para 15 of the GFR vol-1, every officer whose duty was to render any account in respect of the public money is personally responsible for its completeness and strict accuracy.

201. During the financial year 2015-16, in the office of SSP Traffic Peshawar, it was noticed that 84,055 driving license were issued and revenue of Rs.4,82,60,000/- was realized whereas detail of payment made to the firm M/S A2Z shows total 1,15,492 transactions during the year. As such, difference of 31,437 transactions was noticed.

202. For test audit, the local office was requested to provide individual details of driving licenses issued under the caption conversion, renewal, fresh, endorsement and duplicate for three month. The same were compared and a difference of 134 cases was noticed.

203. The lapse occurred due to weak internal controls. When pointed out in October 2016, the management stated detailed reply would be furnished later on.

204. In the DAC meeting held in February 2017, the Department admitted the shortcomings. DAC directed to investigate the matter and result intimated to Audit within a month. No progress intimated till finalization of the report. Audit recommends that detailed inquiry be conducted to examine all shortcoming and difference in two sets of accounts i.e. driving license issued and revenue realized.

DEPARTMENTAL VERSION

205. The Department explained that as per Audit Report of Para No.205(ii), the difference between number of license processes (learner, permits, fresh, renewal, conversion, endorsement, duplicate) and transactions (115492-84055) were due to the following reason:-

- i. In every fresh license process there are at least two transactions.
- ii. Some applicants failed in test/try, in such a case transaction accomplished but figure does not increase in the license process.
- iii. Some applicants submit fee for license process but due to fear of test/try, they leave the ground without test/try.
- iv. It is also observed that some applicants face domestic issues/emergency calls and leave the process in the mid after transaction and never returned.

PAC RECOMMENDATIONS

206. After detailed deliberation, the Committee recommended the Para to be settled subject to verification of record in support of the departmental reply within thirty (30) days.

DP No.11.4.30 DOUBTFUL EXPENDITURE ON ENTERTAINMENT-Rs. 20.919 MILLION.

AUDIT VERSION

207. The Audit reported that according to chapter II (1) of KPPRA Rules, the procuring entity shall use open competitive bidding for the procurement of goods over the value of Rs. 100,000. Para-13 of GFR Vol-I, says that every controlling officer must satisfy himself not only that adequate provisions exist within the Departmental Organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and store.

208. During the financial 2014-15, in the office of Capital City Police Officer Peshawar expenditure of Rs.2,09,19,000/-, was incurred on the entertainment of police personnel deployed during B.D election duty w.e.f 28-05-2015 & 31-05-2015. The expenditure was held doubtful on the following grounds:-

- i. The expenditure was incurred without adopting the open tender system.
- ii. Detail break-up of the personnel deployed was not available on record.
- iii. The source of delivery of lunch/dinner boxes/breakfast and juices to the individual concerned were not available on record.
- iv. Acknowledgements/certificates to the effect of receipt of these boxes was not available on record.
- v. No roznamcha reports regarding arrival and deployment of extra force for the election duty was available.

209. The lapse occurred due to non-observance of Government rules/procedures. The matter was reported to management in December 2015. The management explained that funds were released in the last week of May 2015, therefore there was not enough time for proper NIT. However proper contingency plan was prepared and implemented in letter and spirit. The lunch/dinner was properly delivered to the Police personnel so deployed.

210. In the DAC meeting held in March 2016, it was decided that clarification from KPPRA may be obtained for non-adopting the open tender system beside verification of the relevant record. No progress was intimated till finalization of the report. Audit recommends to implement DAC decision.

DEPARTMENTAL VERSION

211. The Department explained that the funds were released by the IGP vide their letter Endst: No.4122-4202/B-1, dated 26-05-2015, therefore there was no enough time for proper NIT. However proper contingency plan was prepared and implemented in letter and spirit.

PAC OBSERVATION

212. The Committee noted with grave concern the non availability of relevant record with the working paper, which created hurdles in making decision.

PAC RECOMMENDATIONS

213. After detailed deliberation, the Committee recommended the Para to be settled subject to verification of requisite record within thirty (30) days by the Audit. Progress be reported to PAC.

DPNo.11.4.31 BLOCKADE OF FUND DUE TO UNNECESSARY ADVANCE PAYMENT-Rs. 946.870 MILLION AND LOSS DUE TO NON-DEDUCTION OF INCOME TAX- Rs. 7.05 MILLION.

AUDIT VERSION

214. The Audit reported that according to Rule 379 of FTR Vol-I read with Para 23 of GFR Vol-I, no payment can be made to a contractor except for work actually done or supplies received. Every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinate. According to Section-49 (3) of the Income Tax Ordinance circulated by the Government of Pakistan, Revenue Division FBR vide No.1 of 2007 Income Tax was deductible from the business entity.

215. During the financial year 2015-16, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that Rs.94,68,70,000/- was paid in advance to POF Wah, National Radio & Tele-Communication Corporation (NRTC) Haripur, Heavy Industries Taxila & Defense Science & Technology Organization Chaklala Rawalpindi on account of purchase of store for Police in the Province. Despite the advance payments, the store was not received till Aug 2016. Moreover, the purpose of purchases of store was to equip the Provincial Police well in time in order to combat the menace of terrorism in the Province. On the one hand, benefit of expenditure was not achieved while on the other huge public funds of Rs.94,68,70,000/- were blocked.

216. POF WAH was business entity and not exempted from deduction of Income Tax as per Income Tax Rules. Thus, 4.50% Income Tax of Rs.70,50,000/- was required to have been deducted which was not done and the public exchequer sustained loss of Rs.70,50,000/-. Blockade of funds occurred due to financial indiscipline and weak internal controls.

217. In the DAC meeting held in February 2017, it was replied that delivery of equipments was in process. DAC directed to expedite the supply and verify the record

from Audit. No progress was intimated till finalization of the report. Audit recommends to investigate the matter and take appropriate action to safeguard public interest.

DEPARTMENTAL VERSION

218. The Department explained that the purchase of 1030 Nos Bandolier Special, 838 Nos. Bandolier ordinary, 1562 Nos. Sling SMG, 728 Nos. Bandolier G3, Pistol ST-9 & 826583 9mm IZ and uniform items were purchased from POF Wah. 883 Nos. Bullet Proof Jackets and 852 Nos. Bullet Proof Helmets from Heavy Industries Taxila. 483 Nos. long range shell, 482 Nos. short rang shell from DESTO Rawalpindi & communication equipments were purchased from NRTC Haripur which being Government organizations are exempted from Income Tax. Supply of all the items was received taken on stock register & distributed amongst districts/units.

PAC RECOMMENDATIONS

219. The explanation of the Department was found plausible, hence the Para was recommended to be settled subject to verification of record pertaining to supply of items involved in the Para and its further disbursement by the Verification of Record Committee (VOR) within a week. Progress be reported to PAC in the next meeting.

220. On 15-11-2021 a meeting for verification of record was convened during which, the representative of the Department produced the following record:-

- a) Record pertaining to cheque No 1332768 dated 30-05-2016 and 1186294 dated 19-11-2015 for rupees 156.674(M).

Delivery challans of 68000 shirts, 68000 trousers, 3620 Trouser blue and 3620 trousers were produced to the Verification Committee, according to the contract agreement the supply was required to be completed within 10 months i.e. upto December 2016 however the supply was actually completed on 17- 04-2018. following penalty was required to be imposed on late supply of the uniforms which was not done.

S No.	Name of Uniform	Quantity	Rate	Amount in million	2% Penalty amount in million
1	Black Shirt	68000	1087	73.916	
2	Khaki Trouser	68000	977	66.436	
3	Shirt Grey	3620	1181	4.275	
4	Trouser Blue	3620	1267	4.586	

Total	149.213	2.984
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Late supply may either be justified or recovery may be made from the supplier.

- b) Record pertaining to cheque No 1334383 dated 10-06-2016 for rupees 215.600(M).

Delivery challan of 44000 Blue jersey and Blue jacket revealed that all the items were supplied by the firm in the stipulated time, taken on stock and issued to the end user.

- c) Record pertaining to Cheque No 1335611 dated 22-06-2016 for rupees 140.241(M).

Delivery challan of the items revealed that one item named “basestation” equipment (MTS-4) alongwith towers 2 No’s costing rupees 53(M) were not yet handed over to the police Department. Late supply may either be justified or recovery may be made from the supplier.

- d) Record pertaining to cheque No 1353045 dated 27-06-2016 for rupees 10.456(M).

Delivery challan of 90No Kenwood Wakie talkie and MTP3550 Hand Portable revealed that all the items were supplied by the firm in the stipulated time, taken on stock and issued to the end user.

- e) Record pertaining to cheque No 1300505 dated 18-03-2016 for rupees 5.609(M).

Delivery challan of all the items revealed that supply was completed on 25-10-2017 after a lapse of one year and seven months; however no penalty of Rs. 0.560 million was imposed on the firm due to non caring out contract agreement as required under Para 19 of GFR.

- f) Record pertaining to cheque No 1332847 dated 02-02-2016 for rupees 1.987(M) was produce by the Department.

Delivery challan of bandolier G-III revealed that supply was made on 25-10-2017 after a lapse of one year and five months; however no penalty was imposed on the firm due to non carrying out contract agreement as required under Para 19 of GFR.

- g) Record pertaining to cheque No 1348288 dated 03-06-2016 for rupees 140.520(M).

i. Delivery challan revealed that the following items were late supplied and as per contract agreement clause No 3.1(a) supply was required to be made within four (4) months, however the supply was made after 9 and 8 months respectively, clause 9.3 of the contract agreement revealed that in case National Radio & Telecommunication Corporation make default, in the due performance of this agreement/contract agreement or in part or full, Inspector General of Police, Khyber Pakhtunkhwa,

Peshawar shall be at liberty to impose and recover late delivery charges not exceeding 2% per month thereof. The penalty shall be applicable only to the extent of items/articles. Following penalty was required to be imposed as required under contract agreement clauses: -

S.No.	Name of item	Quantity	Rate	Amount	Due date of delivery	Actual date of delivery	Delay	Penalty @ 2% per month
1	IMSI	02	5500000	12870000	4.10.2016	30.3.2017	5 months	1287000
2	GSM Locator vehicle (Toyota Fortuner)	01	5200000	5200000	4.10.2016	13.2.2017	4 months	207999
3	GSM Jammer	01	26500000	26500000	4.10.2016	11.5.2017	7 months	2650000
4	GSM Jammer	01	26500000	26500000	4.10.2016	28.2.2017	4 months	2120000
Total								6264999

ii. According to function test result of Jammer GSM frequencies of all operators could only be jammed at distance of only 10 meter, partially jammed at distance of 20 meter and no jamming beyond that.

So low function of Jammers may be justified and late supply may either be justified or recovery may be made from the supplier.

h) Record pertaining to cheque No 1351275 dated 20-06-2016 for rupees 50.993(M).

Delivery challan revealed that the Bullet Proof Jackets were supplied after elapse of 1 year and 5 months however no penalty of Rs. 5.099 million was imposed on the firm due to non carrying out contract agreement as required under Para 19 of GFR.

Late supply may either be justified or recovery may be made from the supplier.

i) Record pertaining to cheque No.1336021 dated 24-06-2016 for rupees 17.892 (M).

Delivery challan revealed that the Bullet proof Helmets were supplied after elapse of 2 year and one month however no penalty of Rs. 1.789 million was imposed on the firm due to non carrying out contract agreement as required under Para 19 of GFR.

Late supply may either be justified or recovery may be made from the supplier.

- j) Record pertaining to cheque No.1330456 dated 20-05-2016 for rupees 1.198(M).

According to pre-receipted bill rate of long and short range tear gas was Rs. 1242/-, however Advance payment was made @ Rs. 1383/- each for 840 number (420 long & 420 short) which comes to Rs. 1161720/-, so an overpayment of Rs. 36810/- was made (1198530 – 1161720).

Overpayment may either be justified or recovery may be made from the supplier.

- k) Record pertaining to cheque No 133437 dated 10-06-2016 for rupees 203.359 (M).

- l) **Pistol ST-9**

Supply of this item for a quantity of 3346 was completed on 03-01-2017 after elapse of 6 months , however as per pre receipt bill the supply was required to be completed within 4 months however no penalty of Rs. 10.762 million was imposed on the firm due to non carrying out contract agreement as required under Para 19 of GFR.

- m) **Ammunition (9x19mm)**

Supply this item for a quantity of 826583 was completed on 08-09-2020 after elapse of 4 years and 9 months, however as per pre receipt bill the supply was required to be completed within 4 months however no penalty of Rs. 2.398 million was imposed on the firm due to non carrying out contract agreement as required under Para 19 of GFR.

DEPARTMENTAL REPLY

221. The Department explained that purchase was made from POF Wah a Government organization, therefore, no agreement was signed with them, hence penalty could not be imposed but now after the Audit objection proper agreements are signed with every supplier.

222. The report of verification of record on the subject Draft Para was placed before PAC meeting held on 17-11-2021.

PAC RECOMMENDATIONS.

223. In light of the above, the Committee decided as follows:-

- i. In view of the explanation and the fact that corrective measures had been adopted, hence Portions **(a), (e), (f), (h), (i), (j), (k), (l) and (m)** were recommended to be settled.
- ii. in view of reply duly verified by Audit, hence Portions **(b) and (d)** were recommended to be settled.

- iii. the items in Portion (c) “**basestation equipment**” were now handed over to the Police Department. The Department accepted late supply from the supplier. Therefore, the Committee directed the Department to impose penalty on the firm as per penal clause of the agreement signed between the parties.
- vi. The supply of the items in Portion (g)-i (**GSM locator, GSM jammer**) was late, as per contract agreement clause No.3.1 (a), therefore the Committee directed the Department to impose the penalty as per clause of the agreement signed between the parties.
 - ii. supply was according to specification, hence settled.

DPNo.11.4.32 UNAUTHENTIC PAYMENT OF ESCALATION AND NON-INVOKING CLAUSE OF DE-ESCALATION-Rs. 3.110 MILLION.

AUDIT VERSION

224. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

225. During the financial year 2015-16, in the office of Director General Project Coordination Unit Peshawar, Rs.8,79,67,000/- were paid for construction of Police Station Char Bagh Swat. The payment included escalation of Rs.31,17,000/- allowed on the basis of 1st and 12th running bill. Item wise detail of escalation with rates applicable for escalation was not found attached with the bill therefore the authenticity of the escalation of Rs.31,17,000/- so paid could not be ascertained.

226. Similarly, the rates of POL and steel gradually decreased since last two years like POL from Rs.110 per liter to Rs.72 per liter almost 40% decrease occur therefore de-escalation in the rates from 13th to 18th running bill was also required to have been made and accordingly recovery effected from the contractor which was not done, this resulted into loss.

227. Unauthentic payment occurred due to financial indiscipline and weak internal controls. When pointed out in August 2016, the management stated that detailed reply would be furnished after scrutiny of the record.

228. The Department was requested repeatedly through DO letters for holding DAC meeting, however neither DAC meeting was held nor any action initiated till

finalization of the report. Audit recommends to investigate the matter for taking appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

229. The Department explained that the escalation for the said project has been calculated and paid on generalized formula notified by the Provincial Government and Pakistan Engineering Council duly reflected in the COC of the said project, wherein the escalation was based on the rate of 05-items i.e cement, bricks, labour, steel and POL. While calculating the escalation, the effect of decrease in the rate of POL has already been taken into account as per IPCs.

PAC RECOMMENDATIONS

230. The Para was recommended to be settled subject to verification of record of escalation and de-escalation bills by the Verification of Record Committee within thirty (30) days. Progress be reported to PAC.

PROVINCIAL HOUSING AUTHORITY (PHA)

PROCEEDINGS:

Ten (10) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Provincial Housing Authority (PHA) were taken up for examination by the Public Accounts Committee in its meetings held on 21st of February, 2022. The following were presents:-

PUBLIC ACCOUNTS COMMITTEE

1.	Mr. Mushtaq Ahmad Ghani, Speaker	Chairman
2.	Mr. Muhammad Idrees, MPA	Member
3.	Mr. Babar Saleem Swati, MPA	Member
4.	Arbab Muhammad Waseem Khan, MPA	Member
5.	Mr. Salah Uddin, MPA	Member
6.	Mr. Ahmad Kundi, MPA	Member
7.	Dr. Asiya Asad, MPA	Member

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Javed,
Section Officer.

FINANCE DEPARTMENT

Mr. Hassan Abid,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Israr-ul-Haq
Director General.
2. Mr. Muhammad Fayaz,
Deputy Director.

HOUSING DEPARTMENT.

1. Mr. Muhammad Ali Shah,
Secretary, Housing.
2. Mr. Imran Khan,
Director General, (PHA).

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Kifayatullah Khan Afridi,
Secretary,
 2. Mr. Amjad Ali,
Special Secretary.
 3. Mr. Ashtimand,
Deputy Secretary.
 4. Khalid Shaheen,
Deputy Secretary.
 5. Mr. Haris Khan,
Assistant Secretary.
 6. Mr. Amjad Ali,
Assistant Secretary.
2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendations on each Para as under:-

DP No.16.4.1 LOSS TO THE GOVERNMENT DUE TO NON-ADVERTISMENT OF CONSULTANCY CONTRACT RS.17.400 MILLION.

AUDIT VERSION

3. The Audit reported that according to Section-2 of the Procurement Rules 2003 read with Para-144 of GFR Vol-I and Para 2.61 of the B&R Code, in giving out works on contract, tenders must be invited in the most open, public and transparent manners by the advertisement in the local English and Urdu newspapers through the Director Information.

4. During the financial year 2014-15, in the office of Director General Provincial Housing Authority Peshawar, consultancy for the preparation of Drawing, Design and Supervision was assigned to M/S Pervez Iqbal Consultant for Rs.1,04,80,000/-. He completed the task of preparation of drawing, design, PC-1 and left 15% of Rs.1,04,80,000/- of Supervision Charges.

5. The PC-I was prepared on MRS 2013 and the cost was increased from Rs.84,00,00,000/- to Rs.1,11,50,00,000/-. Later on the supervision of the said scheme was assigned to the same consultant M/S Pervez Iqbal Consultant at Rs.2,78,86,000/- without any advertisement. This resulted into loss of Rs.1,74,06,000/- to the government which needs recovery.

6. When pointed out in April 2016, the Department stated that detailed reply would be furnished after consulting the record. The Audit requested the Department repeatedly, through management letter and DO letter dated 06-12-2016, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. The Audit recommends that the matter may be investigated, responsibility be fixed besides affecting recovery.

DEPARTMENTAL VERSION.

7. The Department explained that the consultancy of Planning, Designing and Supervision for (High Rise Flats at Phase-V, Hayatabad Peshawar) was awarded to M/s Parvez Iqbal Associate Lahore, in light of approved summary from the then Honorable Chief Minister of Khyber Pakhtunkhwa, different types of inquiries have already conducted, however, the Provincial Inspection Team of Khyber Pakhtunkhwa, has cleared all the allegations against the PHA. Detail report of PIT was shown to PAC for consideration.

PAC OBSERVATION

8. The PAC observed that:-

- i. Law Department was approached for legal opinion on the validity and maintainability of the 2nd agreement. They opined that since the Chief Minister KP had approved Para 7 of the Summary, hence the same was required to be implemented in its true spirit and it was advised that the

matter mentioned in the Para may be investigated by the Provincial Inspection Team.

- ii. Inquiry was conducted by the Provincial Inspection Team which also recommended to settle the issue. Disciplinary action against the concerned for presenting a defective summary was recommended by the PIT.
- iii. The officer was also exonerated from charges by the Chief Minister Khyber Pakhtunkhwa on the grounds that no loss was sustained to the Government and the concerned officer already stand retired from service.

PAC RECOMMENDATION

9. In view of the above, the Para was recommended to be settled, with direction to the Department to streamline the system and to avoid such lapses in future. The Committee further directed to issue warning to the Department for submitting faulty and poor working papers to the Committee.

DP No.16.4.2 LOSS TO PUBLIC EXCHEQUER DUE TO SHOWING AVAILABLE EARTH AS BROUGHT FROM BORROW PIT EXCAVATION- RS.199.552 MILLION

AUDIT VERSION

10. The Audit reported that according to clause-11 of the contract agreement and PC-I of the scheme, work shall be executed strictly in accordance with specifications, designs, drawings and within the approved tendered cost.

11. During financial year 2015-16, in the office of the Director General, Provincial Housing Authority Peshawar, a work “Construction of Roads at Jalozai, Sector C&E” awarded to three Contractors. According to the approved PC-I and contract agreement, the earth available from excavation in common material shall be used in formation of embankment. However, the available earth was not used and the Contractors were allowed to bring 393,049.56 M³ earth from outside borrow pits at higher rates. This resulted in loss of Rs.18,67,24,436/- to public exchequer as detailed below:-

Voucher No. & date	Quantity M ³	Rate P.M ³	Amount Paid Rs.	Less excavation Rs.	Loss Rs.
<u>35</u> 13.07.2016	173,399.55	556.56	9,65,07,254	58,85,148	9,06,22,106
<u>54</u> 26.02.2016	206,971.06	618.40	12,79,90,904	3,97,29,234	8,82,61,670
<u>15</u> 05.04.2016	12,678.95	618.40	78,40,660	0	78,40,660

Total	393,049.56		23,23,38,818	4,56,14,382	18,67,24,436
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- i. Feasibility studies, drawing/designs and master plans were prepared through consultants M/s EPAC Consultants Peshawar duly approved by the Provincial Housing Authority for which payment of Rs.71,89,000/- was made to the consultant. Therefore, the payment to the Contractors should have to be made as per approved design and drawings, which was not done.
 - ii. There was no provision for the formation of embankment from borrows excavation in the original PC-1 & BOQ floated with tenders but this item of work was executed. Moreover, Technical Sanction also not granted, by the Competent Authority.
12. Similarly, in the work “Jerma Housing Scheme Kohat SH: Road and Sewerage system”, 23981 m³ earth was obtained from excavation which was required to be used in formation of embankment, but the same was not used and the contractor was allowed to bring 23981 m³ earth @ Rs.534.92 for “Formation of embankment from borrow excavation” which resulted in loss of Rs.1,28,28,060/- to the Government exchequer.
13. The matter was reported to the management in April & December 2016. The management stated that in case of loss of Rs.18,67,24,436/-, joint investigation was carried out and FIR also lodged and in case of loss of Rs.1,28,28,060/-, no reply was furnished. The Department was requested through DO letter to arrange DAC meeting but with no response.
14. The Audit recommends investigating the matter, fixing responsibility and recovering the loss.

DEPARTMENTAL VERSION

15. The Department explained that:-
1. **Jalozai Hosing Scheme,**
The Para has been settled upon provision of approved Technical Sanction in the DAC meeting held on 08 & 09 August,2017.
 2. **For Jerma Housing Scheme, Kohat.**
Initially the quantities were calculated for approval of PC-I. When the site was explored and necessary tests were conducted, the available material was declared as unsuitable for road embankment formation. As per engineering practice, the Geometric Design prepared and carried out in

order to calculate the actual quantities required on site and the variation occurred. Moreover, the PC-I has the provision for the same quantities and rate.

PAC OBSERVATION

16. The Committee observed that the Department was claiming that the available earth was utilized and the contractor was allowed to bring remaining required earth from outside. However, the Audit was of the opinion that the public exchequer was put to huge loss due to showing available earth as brought from borrow pit excavation.

17. Technical issues of complex nature were involved which are required to be examined and resolved with the assistance of technical experts.

PAC RECOMMENDATION

18. In view of the above a Sub-Committee comprising the following was constituted for detailed examination of the issues involved in the para:-

- | | | |
|----|----------------------------|-----------|
| 1. | Mr. Ahmad Khan Kundi, MPA. | Chairman. |
| 2. | Mr. Muhammad Idrees, MPA | Member |
| 3. | Mr. Salahuddin, MPA | Member |

19. Technical experts may be invited to assist the Sub-Committee.

20. The Sub-Committee will also visit the site for carrying out physical verification.

21. The Sub-Committee will submit report to PAC within 30 days positively.

DP No.16.4.3 LOSS DUE TO LESS REALIZATION OF COST OF TENDER FORM- RS.1.850 MILLION.

AUDIT VERSION

22. The Audit reported that according to Government of Khyber Pakhtunkhwa Finance Department Notification No BO (Res) FD/1-55/2011 dated 01-07-2011, cost of tender form at the rate of 0.05 % of the bid cost was required to be realized from the bidders.

23. During the financial year 2012-13, in the Office of Director General Provincial Housing Authority Peshawar, it was noticed that different works were put to

tender during the period from 14-09-2011 to 28-02-2013 and the tender cost @ 0.03% of the estimated value of the works was realized from Contractors despite the fact that the Government of Khyber Pakhtunkhwa has fixed the rate of 0.05% of the estimated cost as cost of tender form. The less realization of cost of tender form from the contactors resulted into loss of Rs.18,50,000/- to the public exchequer.

24. Audit holds that loss was occurred due to weak financial management and violation of the rules. When pointed out in January 2014, the management stated that no such notification has been received during the period.

25. In the DAC meeting held in March 2016, the management furnished the previous reply. DAC did not agree and directed that amount be recovered from the contractors. However, no progress was intimated till finalization of the report. Audit recommended to implement the DAC decision.

DEPARTMENTAL VERSION

26. The Department explained that the Finance wing has not intimated tender cost @ 0.05% or no notification received during the period from 14/09/2011 to 28/02/2013.

PAC OBSERVATION

27. The Committee observed that:-

- i. The representative of Law and Finance Departments did not support the stance of the Department and termed it as a lapse on part of the officers concerned.
- ii. The Department failed to defend its stance.

PAC RECOMMENDATION

28. The Committee recommended to initiate action leading to recovery of the balance amount reflected in the Para, after fixing responsibility from the person (s) at fault coupled with appropriate disciplinary action against the persons responsible for the lapse within 30-days. Para stands till the recommended action is taken. Progress be reported to PAC Cell.

DP No.16.4.4 LOSS TO THE AUTHORITY DUE TO LESS RECOVERY OF PLOT CHARGES RS. 3.289 MILLION.

AUDIT VERSION

29. The Audit reported that according to S. No 10 (ix) of the Broacher for the housing scheme at Mulazai Peshawar, if for any reason the allottees surrender the plot to the authority, 10 % of the total cost of the plot shall be forfeited and the balance amount refunded.

30. During financial years 2011-12 and 2012-13, in the office of the Director General Provincial Housing Authority Peshawar, the allottees of the plots in the Mulazai Housing Schemes have surrendered their plots and were refunded the amount deposited for the purchase of plots by deducting only Rs.5,000/- per allottee instead of 10% of the total cost of the plot resulting into loss of Rs.32,89,000/- to the public exchequer which needs recovery.

31. Audit holds that loss was occurred due to non observance of the rules and procedures and financial indiscipline. When pointed out in January 2014, the management stated that comprehensive case was submitted to Secretary Housing and as per his guidance, deductions were made.

32. In DAC meeting held in March 2016, the chair directed to recover the amount from defaulters. No further progress was intimated till finalization of the report. The Audit recommends that recovery may be made and deposited into government treasury.

DEPARTMENTAL VERSION

33. The Department explained that in 2011 PHA received 15 No's application of Allottees for Mulazai Housing Scheme for refund of down payment. As the brochure for Mulazai Housing Scheme has a provision of 10% deduction of total plot price in case of refund. For seeking guidance of the Secretary Housing Department, a letter dated 21/07/2011 was sent to Secretary Housing Department. The Secretary Housing Department after a thorough discussion in a meeting decided that in the case of Mulazai Housing Scheme Rs.5000/- administration charges be deducted.

PAC OBSERVATIONS

34. The Committee observed that:-

- i. deductions were made from public who were not at fault.
- ii. abnormal delay was made by the Department in materializing the project.

PAC RECOMMENDATIONS

35. The Para was recommended to be settled with the direction to the Department to give due importance to its official duties and to fulfill their commitments in time in future to facilitate the public at large.

DP No.16.4.5 OVERPAYMENT DUE TO INCORRECT RATES – RS.4.242 MILLION

AUDIT VERSION

36. The Audit reported that according to item No.03-06-b of CSR-2009, the rate for the item of work “Earth filling in lawn including dressing and compaction borrowed” Rs.93.60 per m³.

37. During the financial year 2014-15, in the office of Director General Provincial Housing Authority, the contractor M/S Jamal Badshah & Brothers was paid for the item of earth fill in lawn including dressing/compaction borrowed @ Rs.367.54 p.m³ instead of CSR–2009 rate of 93.6 PM³ for 11,758 M³ which caused an overpayment of Rs.42,41,580/- detail below which needs recovery.

S#	Item of work	Paid rate P.M ³	Required rate (3-6-b)	Diff	Quantity M ³	Amount (Rs)
1	Earth fill in lawn including dressing/compaction borrowed	367.54	93.60	273.84	11,758	32,19,811
				Add Area Factor 3%		96,594
						33,16,405
				Add 28.50% above		9,45,175
				Total Rs.		42,41,580

38. When pointed out in April, 2016, the Department stated that reply would be furnished after consulting the record. The matter was reported in May, 2016 through management letter followed by DO letter for arranging DAC meeting. No progress was intimated till finalization of the report. The Audit recommends that recovery of

overpayment may be made and deposited into Government Treasury and position explained before PAC.

DEPARTMENTAL VERSION

39. The Department explained that the Contractor was paid on actual work done at site, which includes the filling of material, compaction and carrier within the project site. The paid rate includes the same alongwith transportation from 5 Km as per CSR-2009. The rate given for 05-km to the contractor has been calculated as below:

CSR-2009 Reference	Rate/M3	Total Rate
03-06-b	93.60	93.60/-
03-17-a (Every 25m up-to 250m)	2.96 x 9	26.64/-
03-18-a (250m to 500m)	69.95	69.95/-
03-18-b (Every 100m, 500m – 1500m)	10.84 x 10	108.40/-
03-18-c (Every 500m, 1500m – 5000m)	9.85 x 7	68.95/-
Total Rate:		367.54/-

40. Moreover the same quantities and rates are present in the approved PC-I. The copy of PC-I and T.S are available for ready reference.

PAC OBSERVATION

41. The rate applied was composite rate which include rate of earth, transportation, laying, spreading and compaction. 100% compaction was not required to be performed in lawns, hence separate rates excluding compaction should have been fixed.

PAC RECOMMENDATION

42. After detailed discussion the Para was kept pending, as technical issue of fixation of rates was involved, therefore, the Committee directed the Department to get a certificate from Monitoring & Evaluation Section of P&D Department in support of stance of the Department after examining the issue and report back to PAC within 30-days.

DP No.16.4.6 LOSS DUE TO PAYMENT AT HIGHER RATE – RS.1.380 MILLION.

AUDIT VERSION

43. The Audit reported that according to the approved PC-1, the rate for the item of work, construction of main hole was approved @ Rs.3,500 per main hole.

44. During the financial year 2014-15, in the office of Director General Provincial Housing Authority Peshawar, in the scheme “Completion of Balance Work at Nasafa Payan SH: External works, rate of Rs.3,500 for the item of work “construction of 154 main holes” was approved in the PC-I. However, higher rates were approved and the contractor M/S I.K Marwat & Co. was paid @ Rs.12,500 per main hole which resulted into loss of Rs.13,86,000/- to the government as per detail given below:-

Paid rate	PC-I rate	Difference	Quantity	Loss Total Rs
12,500	3,500	9,000	154	1,386,000

45. When pointed out in April, 2016, the Department stated that reply would be given after consulting the record. The Audit requested the Department repeatedly, through management letters and DO letter for holding of DAC meeting, however DAC meeting was not convened till finalization of the report. The Audit recommends recovering the overpayment and fixing responsibility against the person at fault.

DEPARTMENTAL VERSION

46. The Department explained that the rate of Rs.12500/- has been quoted and was approved rate of the Contractor, so the Department was bound to make payment to the Contractor on his approved rates instead of PC-I rate. Necessary approval for the above quoted rate of the Contractor has been granted in the revised PC-I. moreover the Audit had inadvertently taken the rate of 3500 per manhole which was applicable for washrooms only.

PAC RECOMMENDATION

47. In view of the explanation advanced by the Department, the Para was recommended to be settled.

DP No.16.4.7 UNAUTHORIZED PAYMENTS NOT PROVIDED IN THE PC-I/BOQ – RS.32.833 MILLION

AUDIT VERSION

48. The Audit reported that according to clause-11 of the contract agreement and PC-I of the scheme, work shall be executed strictly in accordance with specifications, designs, drawings and within the approved tendered cost.

49. During the financial year 2014-15, in the Office of Director General Housing Authority Peshawar, expenditure of Rs.3,02,60,359/- was incurred on the Scheme “Nasafa Payan Block (E&F)”, through Contractor M/s Sabz Ali Khan & Co. however comparison of BOQ, PC-I items with the final bill revealed that 107 items paid in the final bill were totally different from those provided in the PC-I and BOQ. The expenditure was therefore unauthorized.

50. Similarly Rs.25,72,661/- was paid to Contractor M/S I.K Marwat & Co. in the final bill for those items which were not provided in the revised PC-I and BOQ of the scheme “Completion of balance work at NASAPA Payan” (External Works) as per detail given below, which was unauthorized.

S#	Name of items	Paid Qty M ³	PC-I	Difference M ³	Rate PM ³	Amount (Rs)
1	Back filling around the pipe	3634	0	3634	62.95	2,28,760
2	Roadway excavation	2629	0	2629	245.96	6,46,629
3	Stone soling	982	0	982	1536.00	15,08,352
4	Sand filling	212	0	212	891.13	1,88,920
					Total	25,72,661

51. When pointed out in April, 2016, the Department furnished no reply. The Audit requested the Department repeatedly, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. The Audit recommends that the matter may be investigated and the unauthorized expenditure be regularized.

DEPARTMENTAL VERSION

52. The Department explained that the item has been executed as per sites requirement. Necessary approval for the stated item has been granted by PDWP in the revised PC-I.

PAC RECOMMENDATION

53. In view of plausible reply of the Department duly supported by documentary evidence, the Para was recommended to be settled.

DP No.16.4.8 UNAUTHORIZED PAYMENT OF ESCALATION – RS.4.440 MILLION AUDIT VERSION

54. The Audit reported that according to the revised PC-I, revised administrative approval and technical sanction, there is no provision exist for the payment of escalation to the contractor.

55. During the financial year 2014-15, in the office of Director General Provincial Housing Authority Peshawar, the work “Completion of balance work at Nasafa Payan” was awarded to the Contractor M/S Sabz Ali Khan with completion period of one year (12 months). The contractor failed to complete the work within stipulated period of 12 months and delayed the work for four years.

56. There existed no provision for the payment of escalation in the revised PC-I, revised administrative approval and technical sanction, even then payment of Rs.44,40,000/- was made to the contractor on account of escalation which was unauthorized and needs recovery. When pointed out in April 2016, the management stated that detailed reply would be furnished after consulting the record.

57. Audit requested the Department repeatedly, through management letter and DO letter dated 06-12-2016, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. The Audit recommends to recover the escalation amount from the concerned and position be explained before PAC.

DEPARTMENTAL VERSION

58. The Department explained that the project for “Completion of Balance work at Nasapa Payan Flats” has been delayed for the following reasons.

- i. Some blocks were occupied by Police which were vacated time and again and the damages carried out were repaired on the cost of the contractor.

- ii. Some area was under the constructed Police picket, which was vacated and demolished after a huge efforts and time.
- iii. During the flood of 2010, the Government resides flood affecters in the same flats which also took time and caused damages.
- iv. The local also created hindrance in disposal of wastewater and stop the work time and again.
- v. The same premises and flats were also used by District Government for various occasions such as polio campaign and Eid-ul-Azha Police force duties etc.

59. In light of the explained position, the contractors have several made good the damages on their own cost. Therefore, the contractors were not at fault at any stage, where penalty would be imposed upon them, while the Government allowed escalation for enhancement of rates.

PAC RECOMMENDATION

60. As multiple issues of complex nature were involved, the Para was, therefore, referred to the Sub-Committee already constituted on DP No.16.4.2.

DP No.16.4.9 NON IMPOSITION OF PENALTY – RS. 33.299 MILLION.

AUDIT VERSION

61. The Audit reported that according to clause-II of the contract agreement, 10% penalty of the contract amount should be imposed on the contractor for non-completion of the work within the stipulated time.

62. During the financial year 2014-15, in the office of Director General Provincial Housing Authority Peshawar, the work “Completion of Balance work at Nasapa Payan and Jerma scheme” was awarded to different contractors with completion period of 12 months.

63. All the work were delayed up to 04 years and extensions were granted from time to time by Director General Provincial Housing Authority who was empowered to accord extension in time limit not exceeding one half of the original time. Therefore, penalty of Rs.3,32,99,000/- may be imposed as per annex-AA.

64. When pointed out in April, 2016, the Department stated that reply would be furnished after consulting the record. Audit requested the Department repeatedly,

through management letters and DO letter for holding of DAC meeting; however DAC meeting was not convened till finalization of the report. The Audit recommends that penalty along with escalation may be recovered and deposited into Government Treasury.

DEPARTMENTAL VERSION

65. The Department explained that the work completion of balance work at Nasapa Payan flats was awarded in various contracts & packages. The work was stopped for 04-months due to Court stay order imposed by the previous contractor involved in the construction back in 1999. Secondly the flats in block A, G, H and K were occupied by Police force and beside that the District Govt. also resided IDP's of flood affectees for a period of 06-month. The two blocks were located over an area where a Police Post exists; the same was also vacated at the end 2014-15 after too many efforts. Therefore, the contractor was not at fault for the implementation of penalty due to late completion. Correspondence made with Police Department for the vacation of flats is available for reference

66. The work at Jerma Housing Scheme was time & again stopped by the local Courts as well as High Court Peshawar.

67. During the meeting the Department explained that the chief engineer was competent enough to grant extension in time limit beyond one and a half year.

PAC OBSERVATION

68. The Committee observed that:-

- i. The process of extending time for completion of the project was not followed.
- ii. The Committee shown dismay over the irresponsible attitude of the Department, for not regularizing the issue of time extension in time.

PAC RECOMMENDATION

69. The reply advanced by the Department was not found convincing. Therefore, the Committee could not reach to a fair and just conclusion. Hence, the Para was referred to the Sub-Committee already constituted in DP No.16.4.2.

DP No.16.4.10 UNAUTHENTIC PAYMENT – RS.47.026 MILLION.

AUDIT VERSION

70. The Audit reported that according to Section 14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, to which the Auditor General has a statutory right of access, may be withheld from the Director General Audit.

71. During the financial year 2014-15, in the office of Director General Provincial Housing Authority Peshawar, Rs.4,70,26,000/- was paid to Land Acquisition Collector out of assignment accounts for the purchase of Land of Housing Scheme in Swat, vide cheque No.A404288 dated 13.03.2014, the following documents were not provided to Audit for verification.

- i. Fardh & Sketch map of the land
- ii. Feasibility Report of Communication & Works Department or Consultants.
- iii. Cost of Land Assessment/Reasonability Certificate by the Revenue Department.
- iv. Agreement deed with the owner of land.
- v. Section 4 under Land Revenue Act 1884.
- vi. Land Award Statement.
- vii. Mutation Deed.
- viii. Actual payees Receipt of Individuals/owners of land

72. When pointed out in April 2016, the management stated that detailed reply would be furnished after consulting the record. Audit requested the Department repeatedly, through management letter and DO letter dated 06.12.2016, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

73. The Audit recommends to investigate the matter and fix responsibility against the person (s) at fault.

DEPARTMENTAL VERSION

74. The Department explained that first of all no land was purchased in the instant case. However an amount of Rs. 47.026 million was due on Mulazai Housing Scheme for Sui Gas connection.. The same was reported to Finance Department for release. The Finance Department issue an advice vide letter No. SO (Dev-II)FD/2-

54/2011-12 dated 26-06-2012, “that either P&D Department may be approached to arrange for the required funds through re-appropriation saving in the Grant or the same may be provided already released amount to PHA scheme lying in the PHA Account on loan basis, which may be recouped once the funds to the instant scheme was arranged by the Department. Furthermore, on advice of Finance Department the amount of Rs.47.026 million was paid from LAC PHA Swat vide cheque No. 4667603 amounting to Rs. 47.026 million. Later on, in financial year 2014-15 the same amount was recouped/ transferred to Land acquisition Collector PHA Swat account.

PAC RECOMMENDATION

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

EXCISE & TAXATION DEPARTMENT

PROCEEDINGS:

Two (02) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Excise and Taxation Department were taken up for examination by the Public Accounts Committee in its meetings held on 21st of February, 2022. The following were presents:-

PUBLIC ACCOUNTS COMMITTEE

1.	Mr. Mushtaq Ahmad Ghani, Speaker	Chairman
2.	Mr. Muhammad Idrees, MPA	Member
3.	Mr. Babar Saleem Swati, MPA	Member
4.	Arbab Muhammad Waseem Khan, MPA	Member
5.	Mr. Salah Uddin, MPA	Member
6.	Mr. Ahmad Kundi, MPA	Member
7.	Dr. Asiya Asad, MPA	Member

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Javed,
Section Officer.

FINANCE DEPARTMENT

Mr. Hassan Abid,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Israr-ul-Haq
Director General.
2. Mr. Muhammad Fayaz,
Deputy Director.

EXCISE, TAXATION & NARCOTICS CONTROL DEPARTMENT

1. Mr. Mahmood Aslam,
Director General.
2. Mr. Muhammad Rehman,
Deputy Director.
3. Mr. Shah Faisal,
Computer Operator (Audit)
4. Mr. Zahid Iqbal,
Incharge, Ware House

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Kifayatullah Khan Afridi,
Secretary,
 2. Mr. Amjad Ali,
Special Secretary.
 3. Mr. Ashtimand,
Deputy Secretary.
 4. Khalid Shaheen,
Deputy Secretary.
 5. Mr. Haris Khan,
Assistant Secretary.
 6. Mr. Amjad Ali,
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 No.8.4.1 LOSS DUE TO NON DISPOSAL/NON AUCTION OF 103
CONFISCATED VEHICLES– RS.51.500 MILLION**

AUDIT VERSION

3. The Audit reported that according to Rule 8 of the Khyber Pakhtunkhwa Province Seizure and Disposal of Motor vehicles Rules 1999, if no claim is received or if received and the claimant is unable to prove his bona-fide ownership, the District Officer shall record his order for confiscation of the vehicles and disposed off the vehicle by way

of sale in an open auction. The sale proceeds thereof shall, after clearance of the Government dues, be paid into Government treasury.

4. During the financial year 2012-13, in the office of Director General Excise & Taxation Khyber Pakhtunkhwa Peshawar, it was noticed that out of total 120 seized vehicles, 17 vehicles were released to the owners while disposal/auction of remaining 103 vehicles costing approx: Rs.5,15,00,000/- was not made. Due to non-disposal/auction of these vehicles the government sustained a loss of Rs.5,15,00,000/-.

5. The lapse occurred due to non-implementation of Khyber Pakhtunkhwa Province Seizure and Disposal of Motor Vehicles Rules 1999, which resulted into loss of Rs.5,15,00,000/- to government. When pointed out in June 2014, the Department furnished no reply.

6. In the DAC meeting held in November 2014, the Department replied that 103 vehicles were not disposed off as confiscation of these vehicles was delayed on legal grounds. However DAC did not agree and directed to conduct facts finding inquiry and results be intimated within 30 days. No progress was intimated till finalization of the report. The Audit recommends that the DAC decision be implemented.

DEPARTMENTAL VERSION

7. The Department explained that in light of the DAC decision, a fact finding inquiry was conducted into the matter. Findings of the report are narrated as under:-

- i. The register of the seized vehicles produced to Audit was not properly maintained on the prescribed printed Form-B as mentioned in Motor Vehicle Ordinance 1965.
- ii. Disposal/Auction of 103 Nos. vehicles costing approx: Rs. 51.500 Million has not so far made. Had the auction/disposal of these vehicles been finalized, the Government could have been received revenue through auction or could have been avoided from the purchase of new vehicles by the Government Department.

Reply to the 1st objection:

8. The pointed register has been properly maintained on the prescribed Form-B.

Reply to the 2nd objection

9. Valuation of the potential revenue from auction of pointed vehicles had been exaggerated in the Audit observation. On ground, a total of Rs.2.565 Million revenue did realize from auction of 17 Nos of such vehicle with an average of Rs.0.1508 per vehicle. The average per vehicle value estimated by the Audit at Rs. 0.5 million is much higher than the actual revenue realized through open competitive bidding/auction process i.e market value of the vehicle.

10. Secondly, no specific time frame has been prescribed in the relevant rules i.e Khyber Pakhtunkhwa seizure and disposal of Motor Vehicles Rules, 1999 for disposal of the vehicles. The time frame, mode, and process of disposal vary from vehicle to vehicle due to the following non controllable factor:-

- i. Chemical examination of the chassis sheet verification of the documents from the concerned Motor Registering Authority, proclamation.
- ii. Identification of theft and snatched vehicles and their return to the concerned provincial Government through Home Department.
- iii. Identification of Non Custom paid (NCP) vehicles and their return to Custom Department.
- iv. Completion of the litigation process before and after proclamation/confiscation.
- v. Cases under trial at appellate authorities, Honorable courts and subsequent releases (if any)
- vi. CNSA case properties.
- vii. Vehicles presented for auction but remain unsold due to certain reasons like:
 - a. The bidders do not offer bid on the vehicle due to its condition or minimum bid vale set for it.
 - b. Certain additional clarifications required prior to proceeding the bid process.
 - c. Objections raised by certain stake holders like custom Department etc.

11. At the stage when Audit raised the observation, all the (103) Nos of vehicles were not in a position to be put in the auction, allot to other Departments, or to be disposed through other means; as later on (18) Nos of the same were released to their bonafied owners (05) Nos. were found theft and snatched vehicle and accordingly were disposed through Home Department, (01) No. was Non Custom paid (NCP) vehicle and

accordingly was handed over to custom Department. Accordingly (24) Nos. of vehicles were allotted to Administration and other Departments for official use. The vehicles accordingly have been disposed of upon completion of the due process.

12. In view of the above all, the vehicles have been dealt in accordingly within the given inevitable limitations, hence the Government has not sustained any loss.

PAC OBSERVATION

13. The Committee observed that abnormal delay has been made in disposing of the confiscated vehicles, main reason of which is non provision of time frame in rules for disposing of the said vehicles.

14. The Committee further observed that the register of the seized vehicles was not maintained on printed Form-B which created doubts.

15. The Administration Department also makes abnormal delay in auction or disposal of these vehicles which on side deprived the Government from revenue and on the other hand the said vehicles lose their value and become damaged.

16. The Committee desired to streamline the system and to device a fool proof mechanism for timely disposal and auction of the said vehicles.

PAC RECOMMENDATION

17. In view of the above a Sub-Committee comprising the following was constituted for detailed examination of the issues involved in the para:-

- | | | |
|----|----------------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Salahuddin, MPA | Member |
| 3. | Arbab Muhammad Waseem Hayat, MPA | Member |
| 4. | Dr. Asiya Asad, MPA | Member |

18. The Sub-Committee will submit report to PAC within 30 days positively.

DP No.8.4.2 LOSS DUE TO NON ALLOTMENT OF 37 CONFISCATED VEHICLES FOR OFFICIAL DUTIES- RS.18.500 MILLION

AUDIT VERSION.

19. The Audit reported that according to Rule-8 of the Khyber Pakhtunkhwa Province Seizure and Disposal of Motor Vehicles Rules 1999, the confiscated vehicle on which no other number is deciphered on its chassis number or its chassis sheet is refitted

and welded, will not be put to sale by way of auction. Such vehicles can be retained in the Excise & Taxation Department for performance of official duties or allotment to other Departments of the Government for official duty, by the secretary after fulfilling all codal formalities.

20. During the financial year 2012-13, in the office of Director General Excise & Taxation Khyber Pakhtunkhwa Peshawar, it was observed that a list for auction of 37 confiscated vehicles were provided to Audit. The chassis numbers of these vehicles were tampered/ welded but references of date of seizure of these vehicles, page Numbers of the relevant stock register and the assessed value of these vehicles were not recorded in the list. The list was also not signed by any responsible officer and the relevant stock register was not produced to Audit. According to the above rule these vehicles could not be auctioned and can only be allotted within the Excise Department for performance of official duties or to other Government Departments for official duties. If the average value of Rs.5,00,000/ per vehicle is considered then the total value of these 37 vehicles comes to Rs.1,85,00,000/-. Had these vehicles been allotted for official duties, the Government could have been saved from the loss of more than Rs.1,85,00,000/- on the purchase of new vehicles for official duties.

21. Audit holds that the irregularity occurred due to non-implementation of Khyber Pakhtunkhwa Province Seizure and Disposal of Motor Vehicles Rules 1999, which resulted into loss of Rs.1,85,00,000/- to Government. When pointed out in June 2014, the management furnished no reply.

22. In the DAC meeting held in November 2014, the Department replied that there is no direct involvement of Excise and Taxation Department in the process of auction. The Department send proposed list of confiscated vehicles to Administration Department for auction. To assess value of the vehicle for auction is the responsibility of the auction committee, Administration Department. However, DAC did not agree and directed to conduct facts finding inquiry and to intimate report within 30 days. No progress was intimated till finalization of the report. The Audit recommends that DAC decision be implemented.

DEPARTMENTAL VERSION

23. The Department explained that in the light of the DAC decision a fact finding inquiry was conducted. According to the inquiry report there is no restriction/ bar on disposal of such vehicle through auction. The relevant rules might have been misinterpreted, as such no lapse occurred.

PAC RECOMMENDATION

24. The Para was referred to the Sub-Committee already constituted in Draft Para. No.8.4.1.

AGRICULTURE, LIVESTOCK & COOPERATIVE DEPARTMENT

PROCEEDINGS:

Twenty seven (27) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Agriculture, Fisheries, Livestock & Cooperative Department were taken up for examination by the Public Accounts Committee in its meetings held on 22nd and 23rd of February, 2022. The following were presents:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|---------------------------------|-----------------|
| 1. | Mr. Muhammad Idrees, MPA | Acting Chairman |
| 2. | Mr. Salah Uddin, MPA | Member |
| 3. | Mr. Ahmad Kundi, MPA | Member |
| 4. | Mr. Jamshaid Khan, MPA | Member |
| 5. | Dr. Asiya Asad, MPA | Member |
| 6. | Arbab Muhammad Waseem Khan, MPA | Member |
| 7. | Mr. Inayatullah, MPA | Member |
| 8. | Mr. Babar Salim Swati | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Muhammad Javed,
Section Officer.

FINANCE DEPARTMENT

Mr. Bashir Ahmad,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Israr-ul-Haq
Director General.
2. Mr. Muhammad Fayaz,
Deputy Director.
3. Mr. Muhammad Javed Afridi,
Assistant Audit Officer.

AGRICULTURE, LIVESTOCK AND DAIRY DEVELOPMENT & COOPERATIVE DEPARTMENT

1. Mr. Muhammad Israr Khan,
Secretary.
2. Dr. Alamzeb,
D.G. Livestock.
3. Dr. Khisrao Kalim,
D.G. Fisheries.
4. Dr. Javid Jan,
Director Agriculture Research System.
5. Dr. Abdul Bari,
Director, Agriculture Research.
6. Dr. Sajjid Anwar,
SRO, Agriculture Research.
7. Dr. Muhammad Iqbal,
PRO (Maize).
8. Mr. Bakhtawar Shah,
Distt: Director, Water Management.
9. Mr. Naseeb-ur-Rehman,
Director (HQ), OFWM.
10. Mr. Shamsur Rehman,
DDA,(Ext:).
11. Dr. Hafiz Farhad,
SMS PP, Agriculture (Ext:).
12. Mr. Muhammd Ismail,
SMS PP, Agriculture (Ext:) D.I.Khan.
13. Mr. Muzaffar Khan,
Ex- BDA Peshawar.

14. Mr. Inayatullah,
Section Officer (PAC).

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Amjad Ali,
Special Secretary.
 2. Mr. Ashtimand,
Deputy Secretary.
 3. Mr. Haris Khan,
Assistant Secretary.
2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendations on each Para as under:-

DP No. 2.4.1 NON-PRODUCTION OF RECORD OF THE PROJECT EXPENDITURE—Rs. 51.130 MILLION.

AUDIT VERSION

3. The Audit reported that according to Section 14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, to which the Auditor General has a statutory right of access, may be withheld from the Audit. Any person or authority hindering the auditorial functions shall be subject to disciplinary action under relevant Efficiency and Discipline Rules applicable to such person.
4. During the financial year 2015-16, in the office of Director General Agriculture (Extension) Peshawar, it was noticed that funds to the extent of Rs.5,11,40,000/- were released to District Director Agriculture (Extension) Peshawar, for the ADP Scheme "Development Activities in Militancy Hit Area of Koh-e-Daman". The entire allocated budget was utilized on the purchase of Store and Machinery. The Director was requested time and again for provision of record of all Schemes/Projects, but no auditable record, except PC-I, was provided. Non-production of record of the expenditure of Rs.5,11,30,000/- was a serious lapse on the part of management.
5. The lapse occurred due to weak internal controls. When pointed out in December 2016, the Department stated that detailed reply would be furnished after consulting the record.

6. Audit requested the Department, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that responsibility be fixed for non-production of record against the person(s) at fault under intimation to Audit and record be produced to Audit.

DEPARTMENTAL VERSION

7. The Department explained that the whole record of the project under the ADP scheme “Development Activities in Militancy Hit Areas of Koh-e-Daman” was present in office of the District Director Agriculture Extension Peshawar. The delay was occurred due to the collection of record from the sub offices and therefore, due to shortage of time the record was not provided it earliest.

8. Furthermore, the Anticorruption and Monitoring Cell of Planning and Development Department had monitored the above mention project record, and visited the area and met with the beneficiary of the project and it was found all the activities satisfactory.

9. The following whole record is available for verification:-

- i. PC-1/Revised PC-1.
- ii. Financial sanction of the scheme.
- iii. Utilization of Funds and various activities.
- iv. Activity Plans of the scheme.
- v. Tender Documents & Supply Order.
- vi. Beneficiary lists.

PAC OBSERVATION

10. The Committee observed with heavy heart that:-

- i. the non production of record for such a huge amount was violation of Section 14 of the Auditor General’s Ordinance, 2001.
- ii. DAC was not convened; hence the record was left un-audited.
- iii. the documents were also not found attached with working paper.

PAC RECOMMENDATIONS

11. The Department was directed to produce complete record involved in the Para to Audit for conducting detailed audit of the record and to submit its report within fifteen (15) days. Para stands. Progress be reported to PAC.

DP No. 2.4.2 MISAPPROPRIATION ON ACCOUNT OF WHEAT SEED/LOADING UN-LOADING-Rs. 292.813 MILLION.

AUDIT VERSION

13. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery was taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register. Para 23 of the GFR Vol-I, requires that every Government Officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinate staff.

14. During the financial year 2015-16, in the office of Director General Agriculture (Extension) Peshawar, it was noticed that, order for the transportation of wheat seed of 340,000 bags was issued, but on verification of record it was noticed that payment was made for the transportation of 452,638 bags, including loading & unloading charges. On further scrutiny, it was observed that 374,330 bags were distributed and the balance 78,308 bags were missing and not shown to Audit, thus misappropriated. This resulted into loss of Rs.29,28,13,189/-, including the price of the bags for Rs.17,89,33,780/- @ Rs.2,285 each, and its loading and unloading charges for Rs.11,38,79,409/-.

15. The public exchequer sustained loss due to weak internal controls. When pointed out in December 2016, the Department stated that detailed reply would be furnished after consulting the record.

16. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to conduct inquiry, fix responsibility and recover the amount from person(s) at fault.

DEPARTMENTAL VERSION

17. The Department explained that mis-calculation was made in the comments of Audit office as the amount of Draft Para No.2.4.2 (2015-16) was shown Rs.292.813

Million which was incorrect as the actual amount was Rs 190.321 Million as pointed by the Audit party.

18. The Government of Khyber Pakhtunkhwa facilitated the farmers of Khyber Pakhtunkhwa with free wheat seed so to achieve the objective of the project. Certified Seed was purchased from the following Government entities during 2015-16.

i. Punjab Seed Corporation = 368,684 bags.

ii. Agriculture Development Fund = 5,651

Total = **374,335 bags**

19. Due to natural harsh climatic and environmental condition and short spell of wheat sowing season, in the first phase the seed was transported/shifted from Punjab Seed Corporation through large Trallas to the Bulk store of Agriculture Development Funds (ADF) situated, at Tarnab, Takh Bai, D.I Khan and Havalian (Abbottabad). Main portion of wheat seed were distributed from the Bulk Stores amongst the farmers of surrounding area. While in the second phase, the remaining seed was shifted from Bulk store to other distribution centers through Mini Trucks. Re-shifting of wheat seed was made due to the following reason:-

i. No storage facilities were available in remote areas to save the seed from natural climatic and harsh weather condition.

ii. Mostly villages were located on narrow, un-even and kacha roads, thus large Trallas could not move on these kacha and un-even roads. So the re-shifting was made through Mini Tracks.

iii. To facilitate the formers of remote areas with free wheat seed during the financial year 2015-16 as per the objective of Project.

20. Due to shifting of Wheat seed bags i.e from Punjab Seed Corporation to bulk store and from bulk store to distribution centers, the number of bags increased in transportation. Actually the Department has purchased 374,335 bags Wheat Seed under the Project Insaf Food Security Program during the financial year 2015-16.

21. First work order issued to M/S Shoaib Shah carriage contractor vide No 19516/ DGAE dated 12/10/2015 for the Transportation of 340,000 bags.

22. While the second work order was issued for 29,500 bags vide work order No. 20259-88/DGAE dated 21/10/2015. (G-Total 369,500 bags)

23. However due to lack of wheat seed the Punjab Seed Corporation supplied only 368,684 bags instead of 369,500 bags.

24. While Agriculture Development Fund local supplied 5,651 bags.

Total Purchase 374335 bags.

25. The Audit officer himself admits the distribution of 374,330 bags. While the total purchase was 374,335. So purchase and distribution were almost equal and no misappropriation has been occurred.

PAC RECOMMENDATIONS

26. The explanation advanced by the Department duly endorsed by Audit was accepted and the Para was recommended to be settled subject to verification of record in support of departmental reply.

DP No.2.4.3 MISAPPROPRIATION ON ACCOUNT OF REGISTRATION AND SHARE FEE-Rs. 220.140 MILLION.

AUDIT VERSION

27. The Audit reported that as per approved criteria each applicant was to deposit Rs.100 for registration and Rs.500 as share fee. Para 23 of GFR Vol-I, requires that every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

28. During the financial year 2015-16, in the office of Director General Agriculture (Extension) Peshawar, it was noticed that, 374,330 bags were received under “Insaf Food Security Program” wherein 11,700 bags were allocated to District Director Bannu, and the balance 363,130 bags were issued to other districts of the province. In District Bannu, the approved criteria was followed and the amount realized of Rs.600 on account of registration and share fee per applicant was deposited into Model Farm Services Center account, however, in other districts the fee realized, Rs.22,01,40,000/- (3,63,130×Rs.600) has not been deposited into the relevant account and hence misappropriated by the concerned.

29. The lapse occurred due to weak internal controls, which resulted into misappropriation of Rs.22,01,40,000/-. When pointed out in December 2016, the Department stated that detailed reply would be furnished after consulting the record.

30. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that the amount be recovered and deposited into public treasury and also conduct fact finding inquiry.

DEPARTMENTAL VERSION

31. The Department explained that registration Model Farm Services throughout the Province were 1,60,000 Nos. and the proposed seed distribution of amongst the farming community were targeted as 376,000 Bags to cover 376,000. acre of land under Wheat Crop. To cover more area under certified seed in the 1st year of the project (2015-16), registrations with the Model Farm Service Centers exempted in the 1st year of the project.

32. Further, a meeting was held on 7th October 2015 under the chairmanship of Chief Minister Khyber Pakhtunkhwa to discuss the Insaf Food Security Program, in order to ensure wide spread coverage and avoid any eligible farmer left out of the benefits the condition of Model Farm Services Center was also exempted for the first year.

PAC OBSERVATION

33. The Committee observed that:-
- i. the relaxation extended for the first year was justified, but at the time of formulation of PC-I such things should have been kept in mind and while preparing PC-1rosy picture should have been avoided.
 - ii. Smart Card System should be introduced so that the farmers get all the benefits extended to them by the Government from time to time.

PAC RECOMMENDATIONS

34. The Committee recommended the Para to be settled as the criteria was revised and first year was exempted from registration of the farmers. The Department also was directed to introduce Smart Card System to facilitate the farmers.

**DP No.2.4.4 MISAPPROPRIATION ON ACCOUNT OF FOOD INSECTICIDES-
Rs 5.849 MILLION**

AUDIT VERSION

35. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery was taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register. Para 23 of GFR Vol-I, requires that every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

36. During the financial year 2015-16, in the office of Director General Agriculture (Extension) Peshawar, it was noticed that, an expenditure of Rs.58,48,587/- was incurred under “Food Security Program” on the purchase of insecticides for its Sub Offices in the province. The supplier/contractor was required to complete supply as per district wise approved plan to respective Districts, alongwith delivery challans and obtain acknowledgement from the Assistant Director concerned, but, stock entries were recorded on the invoices without delivery challans. The storekeeper was asked to provide delivery challans, in response blank delivery challans, duly signed by the supplier and storekeeper were provided.

37. On visit to Chitral, Mr. Aziz Ullah, Incharge Store Keeper of the District, provided a written statement that nothing was received on this account from the Headquarter. The lapse occurred due to financial indiscipline and weak internal controls, which resulted into misappropriation of food insecticides of Rs.58,48,587/-. When pointed out in December 2016, the Department stated that detailed reply would be furnished after consulting the record.

38. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that inquiry be conducted, fix responsibility and recovery be made.

DEPARTMENTAL VERSION

39. The Department explained that the funds was allocated to the Headquarter under Food Security Program for purchase of insecticides and issued to all districts in precise and proper acknowledgment and (Demand Note) for receipt of letter available for verification.

PAC OBSERVATION

40. The Audit re-iterated its stance and told that no record was present in all the Directorates, Chitral was quoted just as an example.

PAC RECOMMENDATIONS

41. The Committee directed the Secretary Agriculture Department to conduct detailed inquiry into the matter and submit report to PAC within thirty (30) days. Para stands.

DP No. 2.4.5 LOSS TO GOVERNMENT DUE TO PAYMENT AT HIGHER RATES FOR EXECUTION OF CONSTRUCTION WORK- Rs.1,320.527 MILLION.

AUDIT VERSION

42. The Audit reported that according to Para-VI on page 18 of the PC- 1 “Lining/ Improvement of Watercourses in Khyber Pakhtunkhwa” District Rate Assessment Committee comprising of Representative of Director General on Farm Water Management (OFWM) Office as Chairman, Concerned DD/DO OFWM, as Member, One Chairman Water User Association (WUA) as Member and Concerned DD/WMO OFWM as Member will assess the Water Course construction material rates and fix the maximum ceiling on six month or annual basis in accordance with the specifications prescribed in the Field Manuals of Khyber Pakhtunkhwa OFWM.

43. During the financial year 2014-15, in various offices of Agriculture Department, On Farm Water Management, it was noticed that, construction of Water Courses worth Rs.13,205,27,132/- was executed on the higher rates, rather than assessing the Water Course construction material rates, without fixing ceiling on six month/annual basis in accordance with the specifications prescribed in the OFWM Field Manuals. Detail as under: -

S.No	Name of Office	Amount Paid (Rs)
1.	District Officer OFWM, Peshawar	59,309,118
2.	DG OFWM, Peshawar	1,087,239,986
3.	District Officer OFWM, Dir Lower	38,626,116
4.	District Officer OFWM, Tank	23,338,482
5.	District Officer OFWM, D.I.Khan	112,013,430
Total		1,320,527,132

44. The rates analysis was not approved by the competent forum but the bills were entertained at higher rates. The public exchequer sustained loss due to weak internal controls and financial indiscipline.

45. In the DAC meeting held in December 2016, the Department replied that cost estimates of all OFWM schemes are based on local market rates, assessed by the designated Committee, wherein there is a representative of farmers. According to PC-I of the project, rate Assessment Committee carries out the exercise twice a year subject to a significant change in the material rates. As there was no considerable change in the material rates, hence, the rates were kept same during the whole year. The Departmental reply was not satisfactory, as no rate analysis, duly signed & approved by DRAC, was carried out either annually or biannually. DAC directed that rate analysis Committee be constituted, so that comparison of the market rates and those applied by the Department in the purchase of materials be properly ascertained. However, no progress was intimated till finalization of the report. Audit recommends that the rates applied be analyzed, and the DAC directives be implemented in letter and spirit.

DEPARTMENTAL VERSION

46. The Department explained that the Cost Estimate of all the OFWM Schemes were prepared on the basis of local market rates assessed by the designated

committee (District Rate Assessment Committee-DRAC) having a member from the local farming community as per approved Project PC-I. Accordingly, the respective DRACs conducted the rate assessment exercise in their respective districts and finalized the rates for execution of OFWM schemes. The Audit observation at S.No. 2 doesn't seem correct as there is no direct execution of any scheme from the DG OFWM office.

47. According to the PC-I, DRACs carryout the exercise on six monthly/annual basis subject to significant change in the material rates. As there was no significant change noted, the rates were assessed only once during the year. As the schemes have been carried out as per approved procedure and the rates used were duly approved by the designated Committee as per approved project documents, no loss to the public exchequer was involved in the instant case.

PAC RECOMMENDATION

48. The Department could not explain its stance during the meeting, hence the Para was referred to Sub-Committee already constituted in Draft Para No.2.4.2. (2017-18).

DP No.2.4.6 LOSS DUE TO NON-DEDUCTION OF SALES TAX FROM SUPPLIERS-Rs. 32.254 MILLION.

AUDIT VERSION

49. The Audit reported that according to Regional Tax Office Peshawar No.RTO/WHU-I)23 dated 23-07-2014 Sales Tax on supply be deducted @ 17% from contractors/suppliers.

50. During the financial year 2014-15, in various offices of Agriculture Department, OFWM, it was noticed that Rs.18,97,31,489/- was paid to suppliers/manufacturers for construction of various schemes of water courses, its lining and improvement, however, Sales Tax of Rs.3,22,54,353/- @ 17% was not deducted from their bills and the amount was thus overpaid. Detail is as below:-

(Rs)

S.No.	Name of office	Amount paid	Amount of Sales tax
1.	District Officer OFWM, Lakki Marwat	45,770,000	7,780,900

2.	District Officer OFWM, Peshawar	69,354,269	11,790,226
3.	District Officer OFWM, Mardan	74,607,220	12,683,227
Total		189,731,489	32,254,353

51. The public exchequer sustained loss due to weak internal controls and financial indiscipline. In the DAC meeting held in December 2016, the Department replied that 1/5th of 17% sales tax was deducted from all the payments to WUAs, and the record is available, which can be verified any time. However, no evidence regarding deduction of Sales Tax, either 17% or 1/5th was produced. The DAC directed for production of record for verification, but no record was produced for verification till finalization of the report. Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault besides recovery of the loss.

DEPARTMENTAL VERSION

52. The Department explained that:-

i. **District Director, OFWM, Lakki Marwat**

All the payments have been made after deduction of sales tax @ Rs.17% as per supplier's invoices. In view of the above, it is submitted that all the payments made through this office are justified and according to the approved procedure and there is no irregularity involved.

ii. **District Director, OFWM, Peshawar**

All the payments to WUAs have been made after deduction of necessary taxes (sales tax and Income Tax). As per notification Regional Tax Office Peshawar No. WHO-II/RTO-PR/2015/92 dated 21-07-2014, 1/5th of 17% Sales Tax was to be deducted at source which has been followed and not a single payment has been made without deduction of the taxes. Record of tax deducted is also available in each and every scheme file which can be verified any time. In view of the above, the payments made are justified and according to the approved procedure.

iii. **District Director, OFWM, Mardan**

An Expenditure of Rs.7,46,07,220/- incurred for various OFWM activities at this office in 2014-15 out of which Sales Tax was leviable on Rs.3,17,85,500/- The Sales Tax Calculated @ 17% of the taxable amount comes to Rs. 54,03,535/- As per Sales Tax Notification Regional Tax Officer, Peshawar No: WHO-2/RDO-

TR/2015/92 dated: 21-07-2014, 1/5th of the amount come to Rs. 10,80,707/- which has been deposited to the concerned authority as per detail given below: -

S.No.	Cheque No: & Dated	S. Tax (Rs)
1.	838617 dt: 20.3.15	58,677
2.	838649 dt: 02.4.15	109,315
3.	838657 dt: 06.04.15	131,929
4.	838659 dt: 07.4.15	14261
5.	838667 dt: 07.04.15	52744
6.	916940 dt: 29.6.15	686078
7.	838681 dt: 8.4.15	27703
Total Amount		1,080,707

53. In view of the above, all the leviable Sales Tax has been paid as per policy/rules and there is no lapse involved on the part of this office.

PAC RECOMMENDATIONS

54. The reply of the Department being convincing was accepted however, the relevant record in support of departmental reply was required to be verified, hence the Para stands till verification of record in support of departmental reply by Audit within 30 days.

DP No.2.4.7 LOSS DUE TO NON DEDUCTION OF INCOME TAX-Rs. 29.493 MILLION.

AUDIT VERSION

55. The Audit reported that according to Regional Tax Office Peshawar No.RTO/(WHU-I)/23 dated 24-07-2014 Income Tax on supply be deducted @ 4.5% from suppliers.

56. During the financial the year 2014-15, in various offices of Agriculture Department, On Farm Water Management, it was noticed that an amount of Rs.44,42,51,483/- was paid to the Chairmen of Water User Associations. The amount was spent by the respective Chairmen on the purchase of various items, however, income tax of Rs. 2,94,93,000/- @ 4.5% was not deducted from the bills of suppliers. The detail is given below:-

(Rs)

S.No.	Name of office	Amount Paid	Amount of Income
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			Tax
1.	District Officer OFWM, Abbottabad	13,648,3000	614,000
2.	District Officer OFWM, Lakki Marwat	58,915,881	2,651,000
3.	District Officer OFWM, Mardan	74,852,442	25,359,000
4.	District Officer OFWM, Tank	31,279,560	156,000
5.	District Officer OFWM, D.I.Khan	142,720,600	713,000
Total		444,251,483	29,493,000

57. The public exchequer sustained loss due to weak internal controls and violation of rules. In the DAC meeting held in December 2016, the Department replied that income tax was deducted from the bills according to rules. The Departmental reply was not based on facts, as Income Tax @ 4.5% was not deducted from the suppliers' bills at the time of payment by the Chairmen. The DAC directed for production of original challans for verification, however, no record was produced for verification of recovery of income tax till finalization of the report. Audit recommends recovery of Income Tax.

DEPARTMENTAL VERSION

58. The Department explained that:-

1. **District Officer, OFWM, Abbottabad**

In this context it was stated that according to the expenditure incurred by this office for the year 2014-15 amounting to Rs.1,36,48,300/- on following materials:-

- i. Total Expenditure for purchase of Pipe net Rs. 98,10,128/-
- ii. Less of 17% GST amounting to Rs.16,67,720/- net Rs.8,142,408 /-
- iii. Total Expenditure of WST Rs. 38,38,177/-
(Total Amount Liable to deduction of Income Tax is Rs. 11,980,585*4% = 479,223/-)

The amount of Income Tax has been deducted and deposited into NBP is as under:-

<u>Challan Date</u>	<u>Amount (Rs)</u>
7.10.2015	228,172
7.10.2015	51,901
17.11.2015	36,750
17.11.2015	108,380
17.11.2015	15,331
18.11.2015	38,622

Total Amount	479,156
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2. **District Director, OFWM, Lakki Marwat**

According to approved procedure, project funds are utilized through the respective Water User Associations. Income Tax @ Rs.4.5% has been deducted from each scheme and challan was deposited in respective National Bank of Pakistan. No over payment of Income Tax is made.

3. **District Director, OFWM, Mardan**

The Audit Department has taken the expenditure incurred by this office for various OFWM's Schemes worth Rs. 7,48,52,444/- out of which taxable amount was Rs. 6,19,92,500/- the Income Tax amount deducted Rs. 27,89,662/- the Income Tax at prescribed @ 4.5% has been deducted from the bills of WUA's and deposited into Government Treasury through Cross cheque in the name of Inland Revenue Officer District Mardan with the detail as under: -

S.No.	Cheque No: & date	IT Amount (Rs.)
1.	838620 dt.24.3.15	97872
2.	838666 dt: 7.4.15	111999
3.	838651 dt: 2.4.15	397571
4.	916939 dt: 26.6.15	96228
5.	838656 dt: 06.04.15	199966
6.	838660 dt: 7.4.15	27973
7.	838683 dt: 8.4.15	60032
8.	916932 dt: 26.6.15	216720
9.	916933 dt: 26.6.15	1581301
Total Amount (Rs)		2789662

4. **District Officer, OFWM, Tank**

Audit Department has taken the expenditure of Rs. 3,12,79,560/- which included the payments on account of precision Land Leveling amounting to Rs. 64,00,000/- which was exempted from Income Tax. As payment was made to farmers for execution of the Land Leveling. The Income Tax at prescribed Rate of 4.5% has been deducted from the bills of WUA's and deposited into treasury through cross cheque in the name of the Inland Revenue Officer Tank. Moreover, the bills under the project rehabilitation/improvement of existing WCs, were entertained through DAO Tank & Income Tax was deducted from the bills by the DAO Tank Rs. 1,99,677/- which can be verified by Audit. An

Amount of Rs.9,05,400 +1,99,677 =Rs. 11,05,077/- has been recovered on the paid amount of Rs.2,48,79,560/-.

5. **District Director, OFWM, D.I.Khan**

Audit Department has taken the expenditure of Rs. 14,27,20,600/- which included the payment on account of Precession Land Leveling amounting to Rs 3,04,89,600/- which was exempted from the deduction of Income Tax. As payment was made to farmers for the execution of Land Leveling, the Income Tax at prescribed Rate 4.5% has been deducted from the Bills of WUA's and deposited into treasury through cross cheque in the name of the Inland Revenue Officer, D.I.Khan.

59. Moreover, the bills under project Reh:/Improvement of existing WCs, were entertained through DAO D.I.Khan & Income Tax were deducted from the bills by the DAO D.I.Khan, which can verified by Audit. An amount of Rs. 48,52,144/- has been recovered on the paid amount of Rs. 11,22,31,000/-.

PAC RECOMMENDATIONS

60. The reply of the Department being convincing was accepted however, the relevant record in support of departmental reply was required to be verified hence, the Para stands till verification of record in support of departmental reply by Audit within thirty (30) days.

DP No.2.4.8 LOSS ON THE CONSTRUCTION/INSTALLATION OF SUB-STANDARD HIGH ROOF TUNNELS IN KP-Rs. 15.334 MILLION.

AUDIT VERSION

61. The Audit reported that according to chapter II (1) of KPPRA Rules, the procuring entity shall use open competitive bidding for the procurement of goods over the value of Rs. 100,000.

62. During the financial year 2015-16, in the office of Director General Agriculture (Extension) Peshawar, it was noticed that 68 Nos. High Roof Tunnels were approved at a total cost of Rs.1,53,34,000/- in PC-I of the Project "Sustainable Agriculture Development for Food Security through Integrated Approach in Khyber Pakhtunkhwa". The work was awarded to M/S Spinkai Builders Mardan vide supply order No.DGA/E/2390 dated 04-11-2015. The supplier was required to complete the work upto 25th June 2016.

63. The following irregularities were noticed:-
- i. The work was carried out through quotations instead of wide publicity; the Government was deprived of economical rates.
 - ii. Work order was issued before signing of the contract.
 - iii. A complaint was lodged by Mr. Rooh Ullah of Maryamzai, that the tunnels installed in his fields were substandard and low cost. An inquiry was conducted into the matter, and it was found that the items installed in the foundation were not according to specification and were not uniform from top to bottom/depth, and needed proper rectification.
 - iv. No proper inspection was carried out by DDA to certify the construction/installation of High Roof Tunnels, as per approved specifications.
 - v. Payment was made before the submission of inquiry report.
 - vi. The completion certificates were not provided to Audit.

64. Same was the case in Mardan, D.I. Khan, Haripur and Chitral. The contractor was to pay penalty, @ 10% of the contract value, for failure to supply the implements/equipments to the requisite quantity, quality and specifications within the specified time, and to provide warranty certificate for the structure as 10 years, authorization certificate from the manufacturer/ importer, and indemnity bond. But, no penalty was imposed, and no security was obtained.

65. The lapse occurred due to weak internal controls, which resulted into sub-standard work and loss. When pointed out in December 2016, the Department stated that detailed reply would be furnished after consulting the record.

66. Audit requested the Department, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that fact finding inquiry be conducted, responsibility be fixed and the loss be made good.

DEPARTMENTAL VERSION

67. The Department explained that reference Advance Para No.2.4.8 regarding construction of High Roof Tunnels under the project title “Sustainable Agriculture Development for Food Security through Integrated Approach in Khyber Pakhtunkhwa:-

- i. As per KPPRA Rules, The work was carried out through proper tenders that have been called twice in the Daily News paper “The News” “Ajj” “Mashriq” & Express” news papers alongwith the office order tender Evaluation and Scrutiny Committee, attendance sheet of tender opening Committee and attendance sheet of the bidders are available for ready reference.
- ii. As for the work order is concern, it was issued after signing of the proper contract and understanding the TORs of the contract.
- iii. The installation of the High Roof Tunnel was carried out through proper applications and upon Mr. Rooh Ullah his complaint two members inquiry Committee comprising the SMS Horticulture and SMS Agronomy of District Peshawar was constitute to investigate the matter. The Committee report is evident that the tunnel and its material as per specification expect minor difference in foundation that was rectified.
- iv. Furthermore it is stated that the inspection of construction of tunnels were made from time to time by the DDA/AO’s Field staff.
- v. As for as the payment to the Contractor is concerned 60% payments was made in December 2015, while the remaining 40% was made in installment after the timely completion of construction in May, 2016.
- vi. Furthermore, in district Peshawar the contractor had supplied implements/equipment as per specification on time and the installation work was carried out on time. Therefore, no penalty @ 10% from the contractor was deducted.

PAC OBSERVATION

68. The Committee observed that:-
- i. the record was not available at the time of Audit, but later on the record was obtained from the field offices.
 - ii. The departmental officers present during the meeting were neither fully prepared nor could they respond properly to the queries raised by the Members. The administrative Secretary of the Department also noted the irresponsible attitude of the officers with heavy heart.

PAC RECOMMENDATIONS

69. In view of the above, the Committee directed the Secretary Agriculture to conduct inquiry into the matter of non production of record in time, and take disciplinary action against the concerned for coming un-prepared to the meeting, Para stands progress be reported to PAC within thirty (30) days.

DP No.2.4.9 LOSS DUE TO MISMANAGEMENT OF FARMS-Rs. 11.719 MILLION.

AUDIT VERSION

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

71. During the financial year 2015-16, in the office of Directorate General (Extension) Livestock & Dairy Development Department Khyber Pakhtunkhwa, it was noticed that a sum of Rs.1,12,87,820/- was shown spent on poultry feed and purchase of chicks in Government Poultry Farm Peshawar as per detail below:-

S.No.	Description	Amount(Rs)
1.	Poultry Feeds	1,50,40,996
2.	Purchase of chicks	12,98,500
Total		1,63,39,496

72. It was further noticed that in the office of Buffalo Breeding & Dairy Farm D.I.Khan, 60 to 90 buffalo per month remained on stock and a sum of Rs.48,69,525/- was shown spent on medicines/drugs/Fodder of these animals. The details of expenditure incurred are given below:-

S.No.	Item	Amount (Rs.)
1.	Purchase of medicines	4,99,955
2.	Other store (fodder)	43,69,570
Total		48,69,525

73. Audit was of the view that, against the total expenditure of Rs.2,12,09,021/- the amount of income realized was Rs.94,89,130/-, hence Government sustained loss of Rs.1,17,19,891/-. The farm business was not properly managed.

74. Loss occurred due to financial discipline and weak of internal controls. When pointed out in December 2016, the management stated that detailed reply would be furnished later on.

75. Audit requested the Department, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends for investigation of the matter and appropriate action.

DEPARTMENTAL VERSION

76. The Department explained that:-

Part-1 is related to Government Poultry Farm Peshawar

77. It is very clear from the PC-1 that Government Poultry Farm, Peshawar, was established for training and demonstration purposes and not for commercial activities. The poultry birds kept at Government Poultry Farm, Peshawar were utilized for the training and demonstration of Veterinary Assistants, Doctor of Veterinary Medicine (DVM) graduate, Internees of different Universities, Farmers, Women community members, trainees of Animal Husbandry Inservice Training Institute (AHITI), NGO, and research activities for post graduate Students and have comparatively high indirect contribution towards provincial economy and poverty alleviation.

78. In compliance with the Departmental Accounts Committee meeting held on 14 & 15-05-2018, the Administrative Department nominated Dr. Muhammad Iqbal, Director General Fisheries Khyber Pakhtunkhwa Peshawar to conduct inquiry into Advance Para No. 391,392,393,394,401,402,403,404,405 & 406 for the year 2015-16. The inquiry officer concluded that monetary losses amounting to Rs. 52,58,235/- was detected. However, the inquiry officer has stated in his recommendation that the poultry Farm was established for training and demonstration purposes and not for commercial activities. Presently the birds kept at Government Poultry Farm Peshawar was utilized for the training and demonstration of Veterinary Assistants, Doctor of Veterinary Medicines (DVM) graduates Internees, farmers, other personnel under training in AHITI, NGOs and some time research activities for post-graduates studies. Therefore the technical aspect of Government Poultry Farm Peshawar may be given due consideration, while considering monetary losses.

79. It was further to add that in identical nature of Draft Para No. 2.4.2 for the year 2014-15 a Joint Inquiry was conducted by three members committee including member from Agriculture Department, Finance department and Director General (Audit). They also recommended that the technical aspect of the farm with high indirect contribution towards provincial economy, poverty alleviation and rural women empowerment may be given due weightage instead of monetary aspects.

Part -2 is related to Deputy Director, Purebred Buffalo Breeding & Dairy Farm D.I.Khan.

80. Purebred Buffalo Breeding & Dairy farm D.I.Khan was established in 2005-06 to 2009-10 under the developmental project with the following objectives:-

- i. The establishment of a dairy demonstration center, which will help tremendously the local dairy farmers of the area in increasing their livestock production & bringing change the subsistence dairy farming to commercial dairy farming being need of the time.
- ii. To undertake selective breeding at the farm and in the field to increase milk & meat production in the province.
- iii. To exploit the milk production potentials of the local buffaloes.
- iv. To create awareness in the field about hygienic dairy production through extension services.
- v. To produce purebred buffalos dairy bulls for breed improvement program = 10 bulls (annually).
- vi. To produce dairy type purebred buffalo heifers for herd replacements with the surplus made available to progressive farmers in suitable southern areas of the Province.
- vii. To serve as a demonstration and teaching dairy center for Farmers of the southern Districts of Khyber Pakhtunkhwa:-
 - a. Arrangements of training for Inservice Project staff (Veterinary Graduate and Para Veterinary Staff).
 - b. Arrangements of training of dairy farmers.
 - c. Arrangements of training dairy of Non-Government Organizations.
 - d. Production of Pure and Hygienic milk in the district/Province.

81. To determine the most practical methods suitable under local conditions, of dairy management, to include maximum utilization of existing byproducts of the agro based industry for stock feeds, as well as existing and recommended on the farm Buffalo feeding and housing. The detail of income (direct and indirect) provided by the Deputy Director, Purebred Buffalo Breeding & Dairy farm D.I.Khan are as under:-

S.No	Items (direct income)	Amount(Rs.)
1.	Milk production	1126245
2.	A.I	12480
3.	Other services	300
Approx(indirect income)		
4.	Induction of 09 Nos of breeding Heifer in the farm(purebred heifers born at the	1759500

	farm and become matured)	
5.	Supply of 04 Nos of breeding bulls to SPU Harichand	320,000
6.	Available calves (57 Nos)	570,000
7.	Green fodder produced/(626000 kg) (G.fodder fed=531450 kg) Hay produced=94550 kg	=4729905 =378200
Total		8906650/-

82. Up till now near about 79 animals were distributed to progressive farmer and near about 120 students and farmer internee were trained at farm. Similarly at farm near about 162 animals were kept in the month of June 2016. At June 2016 near about 57 calves were ready for progressive farmers and upto 34 Nos. of heifer inducted in herd. Moreover, there is 12 acre of land available which is insufficient to fulfill the fodder requirement of the farm. So due to less land and increasing no of animals at farm, expenditure is naturally increased.

83. In compliance with the DAC decision held on 14 & 15/5/2018 the Administrative Department nominated Dr Muhammad Iqbal Director General Fisheries Khyber Pakhtunkhwa Peshawar to conduct inquiry into advance Para No 391,392,393,394,401,402,403,404,405 & 406 for the year 2015-16.

84. Inquiry was made in the instant Paras, which also state that the PC-1 of purebred buffalo breeding and dairy farm D.I.Khan was thoroughly examined, which clearly indicate that the farm was not established for commercial activities rather the main purpose for the establishment of the farm includes dairy demonstration, selective breeding, creates awareness, to produce purebred buffalo bulls/heifers and to serve as demonstration and teaching dairy center for farmers.

85. The inquiry officer concluded that Purebred Buffalo Breeding and Dairy Farm D.I. Khan, was established for obtaining specific objectives, which was a continuous process and not for commercial activities and recommended that due consideration may be given to the technical aspects in light of the objectives/mandate of the farm. Moreover, the income (directly and indirectly) was got intimately to Rs.89,06,650/- accordingly in the form of cash, animals, and fodder crop etc. during the financial years.

PAC RECOMMENDATIONS

96. In view of the explanation advanced by the Department and the fact that Social and Technical objectives were achieved, the Para was recommended to be settled.

DP No.2.4.10 UNAUTHORIZED EXPENDITURE ON TRANSPORTATION OF WHEAT SEED-Rs. 9.238 MILLION.

AUDIT VERSION

87. The Audit reported that according to work order issued to carriage Contractor, vide No.19516/DGA/E, dated 12-10-2015, the contractor was directed to supply wheat Seed from Punjab Seed Corporation store Khaniwal and Sahiwal. Para 23 of the General Financial Rules Volume, I requires that every Government Officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinate staff.

88. During the financial year 2015-16, in the office of Director General Agriculture (Extension) Peshawar, it was noticed that, work order for the transportation of wheat seed of 340,000 bags, under “Insaf Food Security Program” was issued to contractor, from Punjab Seed Corporation Store Khaniwal and Sahiwal, however, in addition to the approved quantity, 42944 bags were shown transported from Rahim Yaar Khan, the purchase/procurement of which was not approved. Thus an expenditure of Rs.92,38,000/- incurred on transportation of wheat from Rahim Yaar Khan was unauthorized as transportation was not provided in the work order.

89. The lapse occurred due to weak internal controls, which resulted into unauthorized. When pointed out in December 2016, the Department stated that detailed reply would be furnished after consulting the record.

90. Audit requested the Department, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends recovery of the carriage charges as well cost of the excessive unauthorized procurement from the person(s) at fault.

DEPARTMENTAL VERSION

91. The Department explained that the Para has not been discussed with competent authority. In pursuance of comments of the Finance Department as they are stated that neither caption nor amount of the Para tally with the DP No. 2.4.10 printed in the Audit Report 2016-17 in light of Advance Para No.156 (2015-16). captioned and amount both are incorrect as shown in Draft Para No. 2.4.10, while the actual captioned and amount of Advance Para No. 156 as for detail log on to following:-

- i. Captioned (undue favor to carriage contractors of Rs. 7.320 Million on account of transportation of wheat seed from Rahim Yaar Khan instead of unauthorized expenditure on transportation of wheat seed Rs. 9.238 million.
- ii. Amount (Rs.7.320 Million) instead of 9.238 million.
- iii. However, purpose of both (DP and AP) are the same and identical.

92. During the financial year 2015-16 the Government of Khyber Pakhtunkhwa facilitated the farmers of Khyber Pakhtunkhwa with free wheat seed distribution under the Insaf Food Security Program Project.

93. The Agriculture (Extension) Department purchased 368684 bags from Punjab Seed Corporation, for free distribution amongst the farmers of Khyber Pakhtunkhwa. Such huge quantity was impossible to be available/stored in one place. M.O.U was signed with Punjab Seed Corporation where in it is clear mentioned that Punjab Seed Corporation will provide wheat seed from its main sale point i-e Sahiwal and Khaniwal and if the supply effects, the Punjab Seed Corporation will provide seed from its other sale point preferably Rahim Yaar Khan and Piplan District Mianwali.

94. The authentication of 368684 bags can be verified from the following letters:-

- i. Punjab Seed Corporation letter No. PSC/HQ-GD/15/1312 dated 15-12-2015.
- ii. Secretary Agriculture Livestock & Cooperative Department Peshawar letter No. PS/Secy: Agril: 2016 Dated Peshawar the 21-03-2016.

95. First work order was issued to M/S Shoib Shah Carriage contractor vide No. 19516/DGAE dated 12-10-2015 for the Transportation of **340000** bags while second work order was issued for **29500** bags. **Total = 369500 bags**

96. Vide Notification No. 20259-88/DGAE Dated Peshawar the 21-10-2015 where in Rahim Yaar Khan Station was also mentioned for the supply of wheat seed However the Punjab Seed Corporation supplied certified seed 368684 bags due to lack of seed.

97. For evidence a letter of Punjab Seed Corporation No.PSC/HQ–MKT/50/2015/ 614 dated 18-11-2015 was available where sale point wise detail of supplied seed is mentioned as under :-

S.No.	Name of sale Point	Total Numbers of bags
1.	Khanewal	194950 bags
2.	Sahiwal	126790 bags
3.	Rahim Yaar Khan	42944 bags
4.	Piplan	4000 bags
Total Bags		368684

98. As explained above total 368684 bags seed have been supplied from four point of Punjab Seed Corporation i-e Khanewal, Sahiwal, Rahim Yaar Khan, & Piplan (Mianwali) 42944 bags actually been purchased and transported from Rahim Yaar Khan.

PAC OBSERVATION

99. The Committee observed that the supply of seed from Rahim Yaar Khan was not mentioned in Work Order, however, covered in the MOU.

PAC RECOMMENDATIONS

100. In view of the above and satisfaction of Audit, the Para was recommended to be settled.

DP No.2.4.11 LOSS DUE TO SHOWING LESS YIELD OF MILK-Rs. 7.963 MILLION.

AUDIT VERSION

101. The Audit reported that according to the review carried out by the Department of Livestock Management University of Agriculture Faisalabad, milk yield of Nelli Ravi was 1200 to 2500 liters per buffalo during lactation period i.e. average milk production was 7.5 liter per day per buffalo.

102. During the financial year 2015-16, in the office of Buffalo Breeding & Dairy Farm D.I.Khan, it was noticed that there are 45 milking buffalo namely (Nelli Ravi

New) on the strength of farm. The record shows that these buffalos have produced 31,363 liters milk i.e. 2.343 liter per day per buffalo. However out of which 21,085 liters milk was shown fed to the calves which is 67.22% of the total production, whereas 10,278 liters milk was sold which was 32.77% of the total production. However, according to the established standards, 7.5 liters milk is required per buffalo, per day and thus 102,937 liters milk is required to be produced.

103. It was further noticed that there are 24 milk Shaker Buffalos (Nelli Ravidold) in other farm and these buffalos have produced 12,839.50 liters milk, which comes to 1.53 liter per day per buffalo. Out of overall production, 6,593.50 liters milk was shown fed to calves, which was 51.38% of the total production, whereas 6,237 liters were sold which was 48.61% of the production. According to the standard production of milk, the farm was required to yield 54,900 liters. Thus by showing less yield, the Government was put into a loss of Rs.25,23,000/-.

104. Similarly, there are 07 milk shaker Buffalo (old Kundi) on the stock of the local farm. According to the study of Agriculture Live Stock (Faisalabad), average production of one (Kundi) buffalo was 6.5 liter per day. Accordingly, 14625 liters milk was required to be produced whereas the record shows that only 2,678.50 liters milk was produced, which comes to 1.14 liter per buffalo per day, which was not justified. On further verification it was pointed out that of total production, 1398.50 liters milk was feed to calves which was 52.21% of the production whereas 1280 liter milk was sold i.e. 47.78% of the production. Hence, 11,199 liters milk was either less produced and thus an amount of Rs.6,71,000/- have been misappropriated.

105. It was further noticed that local office has received 15 Nos milking buffalo (kundi) in February 2016. During these five month, the local farm shown produced 8495 liters milk, which means that 3.772 liter per buffalo per day yield. On further verification it revealed that out of total production 5963 liter milk was shown feeded to calves which are 70.19% of the total production, whereas 2532 liter milk was sold which is 29.80% of the total production. While as per standard, the average yield of Kundi Buffalo was 6.5 liter per buffalo per day.

106. Audit was of the view that by showing less yield, the Government was put into a loss of Rs.74,88,000/-.

107. Loss occurred due to mismanagement and weak internal controls. When pointed out in December 2016, the management stated that detailed reply would be furnished later on. Audit requested the Department, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to investigate the matter, fix responsibility and take appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

108. The Department explained that the Advance Para No.401 & 402(2015-16) have been clubbed in the Draft Para No.2.4.9 for the year 2016-17. It is to clearly that the purebred buffalos Breeding and Dairy Farm at D.I.Khan was established in 2005-06 to 2009-10 and its expansion was made under the Project titled “expansion of purebred buffalos breeding farm in D.I.Khan and improvement and conservation of Azikheli buffalos breed with establishment of dairy technology facilities in Khyber Pakhtunkhwa” with the following objectives:-

- (i) To establish a dairy demonstration centre which will help tremendously the local dairy farmers of the area in increasing their livestock production and bringing change in subsistence dairy farming to commercial dairy farming being need of the time.
- (ii) To undertake selective breeding at the farm and in the field to increase milk and meat production in the province.
- (iii) To exploit the milk production potentials of local buffaloes
- (iv) To create awareness in the field about hygienic dairy production through extension services.
- (v) To produce purebred buffaloes dairy bulls for breed improvement program.
- (vi) To produce dairy type pure breed buffalo’s heifers for herd suitable replacement with the surplus made available to progress farmers in southern areas of the province.
- (vii) To serve as a demonstration and teaching dairy centre for farmers of the southern Districts including arrangement of training for Veterinary graduates/ Para vets/ farmers/ NGOs etc.
- (viii) To determine the most practical methods suitable under local conditions of dairy management.

109. In this regard separate inquiries in each Paras has been conducted and the conclusion/recommendation are reproduced as under:-

(a) Inquiry in respect of 45 milking buffaloes namely (Nilli Ravi new) on the strength of farm was conducted and the conclusion/recommendations are as under.

Conclusion:

- (i). It is very clear from the PC-1 that the purebred buffalo and dairy farm D.I,Khan was established under special objectives already stated above in detail including for demonstration, training and production of heifer and bull and not for commercial activities. The income raised from the milk, fodder, artificial insemination, auction of animals and other sources are the secondary benefits, of the farm.
- (ii). The record provided indicate that the strength of total animals and milking animals during various months of the financial year 2015-16 were different due to date/month of calving of animals. The milking days of the animals in-milking were accordingly counted throughout the financial year 2015-16 and as such become 5322 days. Similarly, milk production in 5322 days was calculated and as such became 31363 kg. As per approved PC-1 (page-18), the calves were allowed to suckle their dams for 210 days, get the milk as per requirement and as such calves utilized 21085 kg milk accordingly, while the balance 10278 kg milk were sold to the open market as per approved rate.
- (iii). The observations raised by the audit authorities clearly indicate that the milk production/yield of Nili Ravi is 1200 to 2500 liter as per review of the Department of Livestock Management University of Agriculture Faisal Abad and as such the average milk production become $1200+2500=3700=1850$ liters per buffalo/lactation . it is further to clarify that average lactation period of buffalo is 305 days and average milk production per day /buffalo become $1850/305=6.06$ liters per day per animal.
- (iv). The milk production performance of animal is mostly affected by two types of factors;
 - a) Environmental factor including feeding, management, disease control measures, lactation nos, lactation age, lactation stage and others.
 - b). Genetic factor.

110. In this regard the comparison of feed ingredients requirements and its availability as per expert opinion is reproduced below:-

Requirement of feed(green fodder wheat straw and Vanda)	Availability of feed ingredients
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<p>a) production requirements for buffalos having 500 kg body weight and producing 6.5 to 6.7 liters milk/day</p> <p>1) green fodder=50 kg 2) wheat straw=4-5 kg 3)Vanda = 3-5 kg</p> <p>Maintenance requirements for buffalos having 500kg body weight</p> <p>1) green fodder=50 kg 2) wheat straw=4-5 kg 3) vanda=1-5 kg</p>	<p>A) From the month of July to October 2015.</p> <p>1)Average green fodder provided per day per animal=31kg 2)Average wheat straw provided per day/animal=05 kg 3)Average Vanda provided per day/animal=03kg</p> <p>B) Feed provided to the animals from Nov. 2015 to June 2016.</p> <p>a.) Average green fodder provided per day per animal=12 kg b.)Average wheat straw provided per day /animal= 3.6 kg. c.)Average Vanda provided per day/animal=5.8 kg</p>
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111. The above details clearly indicate the feeding especially green fodder requirements/animal/day was not sufficient.

- ii. Total milk production during the year 2015-16 was 31363 liters and milking days of different animals during 2015-16 was 5322 and as such the milk production/day/animal/become 31363/5322 milk days=5.892(say 5.9 liters/day), which is very close to the average milk production rate 6.06 liter/day/animal reported by Audit authorities in spite of the fact that the green fodder availability was not sufficient.
- iii. Other factors responsible for less milk production are as under:-
 - a. the farm having the mandate of demonstration/training and was used for demonstration and training purposes for the internships of the veterinary graduates, Para vets, farmers and NGOS participants throughout the year and irrational handling of animal certainly adversary effect the milk production.
 - b. The farm infrastructure was constructed for 60 numbers of adult animals (buffalos), while the available animal unit during 2015-16 was more than 100 units and as such the available space/animal becomes comparatively less, which adversary effect the production aspect of the animals.
 - c. The original birth place of the buffalo was central Punjab, which is climatically slightly different from,. Dera Ismail khan and this factor also adverse effect on production of animals.

Recommendation:

112. In light of the above findings and conclusion, the technical aspects may be considered on priority basis for the settlement of the Para above.

a. Inquiry in respect of 24 milk shaker buffaloes (Nilli Ravi old) on the strength of the farm was conducted and the conclusion/recommendation are as under:

Conclusion.

- i. It is very clear from the PC-1 that the Purebred Buffalo & Dairy Farm D.I.Khan was established under special objectives already stated above in detail including for demonstration, training and production of heifer & bull and not for commercial activities. The income raised from the milk, fodder, artificial insemination, auction of animals and other sources are the secondary benefits.
- ii. The record provided indicate that the strength of total animals and milking animals during various months of the financial year 2015-16 were different due to different date/month of calving of animals. The milking days of the animals in milking were accordingly counted throughout the financial year 2015-16 and as such become 3237 days. Similarly, milk production in 3237 days was calculated and as such became 12969 kg. as per approved PC-1 (page-18), the calves were allowed to suckle their dams for 210 days, get the milk as per requirement and as such calves utilized 7374 kg milk accordingly, while the balance 5595 kg milk were sold to the open market as per approved rate.
- iii. The observations raised by the audit authorities clearly indicate that the milk production/yield of Nili Ravi is 1200 to 2500 liter per buffalo as per review of the Department of Livestock Management University of Agriculture Faisal Abad and as such the average milk production become $1200+2500=3700/2=1850$ liter per buffalos/lactation. It is further to clarify that average lactation period of buffalo is 305 days and average milk production per day/buffalo become $1850/305=6.06$ liter/day.
- iv. The milk production performance of animal is mostly affected by two types of factors:-
 - a) Environmental factor including feeding, management, disease control measures,, lactation nos, lactation age, lactation stage and other.
 - b). Genetic factor.

113. In this regard the comparison of feed ingredients requirements and its availability as per expert opinion is reproduced below:-

Requirement of feed(green fodder wheat straw and Vanda)	Availability of feed ingredients
a)production requirements for buffalos	1)Average green fodder provided per day per

<p>having 500 kg body weight and producing 6.5 to 6.7 liters milk/day</p> <p>1)green fodder=50 kg</p> <p>2)wheat straw=4-5 kg</p> <p>3)Vanda = 3-5 kg</p> <p>Maintenance requirements for buffalos having 500 kg body weight</p> <p>1)Green fodder=50 kg</p> <p>2)Wheat straw=4-5 kg</p> <p>3)Vanda=1-5 kg</p>	<p>animal=18 kg</p> <p>2)Average wheat straw provided per day/animal=06 kg</p> <p>3)Average Vanda provided per day/animal=3.7 kg</p>
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114. The above details clearly indicate the feeding especially green fodder requirements/animal/day was not sufficient.

- v. Total milk production during the year 2015-16 was 12963 liters and milking days of different animals during 2015-16 was 3237 and as such the milk production/day/animal/become 12963/liters /3237 milk days=4,00 liters per day per animals while the average milk production become 6.06 liter/day/animal reported by Audit authorities. The less milk production by the animals is probably due to less availability of green fodder and old age of the majority of the lactating animals.
- vi. Other factors responsible for less milk production are as under:-
 - a.) The farm having the mandate of demonstration/training in addition to other objectives and was used for demonstration and training purposes for the internships of the veterinary graduates, Para vets, farmers and NGOS participants throughout the year and irrational handling of animal certainly adversary effect the milk production.
 - b.) The farm infrastructure was constructed for 60 numbers of adult animals (buffalos), while the available animal unit during 2015-16 is more than 100 units and as such the available space/animal becomes comparatively less, which adversary effect the production aspect of the animals.
 - c.) The original birth place of the buffalo is central Punjab, which is climatically slightly different from Dera Ismail Khan and this factor also adverse effect on production of animals.

Recommendation.

115. In light of the above findings and conclusion, the technical aspects may be considered on priority basis for the settlement of the Para above.

(c). Inquiry in respect of 07 milk shaker buffaloes (old kundi) on the stock of the local farm was conducted and the conclusion/recommendation are as under:-

Conclusion.

- i. It is very clear from the PC-1 that the Purebred Buffalo & Dairy Farm D.I.Khan was established under special objectives already stated above in detail including for demonstration, training and production of heifer & bull and not for commercial activities. The income rose from the milk, fodder, artificial insemination, auction of animals and other sources were the secondary benefits.
- ii. The record provided indicated that the strength of total animals and milking animals during various months of the financial year 2015-16 were different due to different date/month of calving of animals. The milking days of the animals in milking were accordingly counted throughout the financial year 2015-16 and as such become 630 days. Similarly, milk production in 630 days was calculated and as such became 2596 kg. as per approved PC-1, the calves were allowed to suckle their dams for 210 days, get the milk as per requirement and as such calves utilized 1398 kg milk accordingly, while the balance 1198 kg milk were sold to the open market as per approved rate.
- iii. The observations raised by the Audit authorities clearly indicated that the milk production yield of kundi was 6.5 liter per buffalo as per review of the Department of Livestock Management University of Agriculture Faisal Abad.

116. It is further to clarify that average lactation period of buffalo was 305 days and average milk production per day/buffalo become $2596 / 630 = 4.12$ liter /day.

- iv. The milk production performance of animal was mostly affected by two types of factors;
 - a) Environmental factor including feeding, management, disease control measures, lactation Nos, lactation age, lactation stage and other.
 - b).Genetic factor.

117. In this regard the comparison of feed ingredients requirements and its availability as per expert opinion is reproduced below:-

Requirement of feed(green fodder wheat straw and Vanda)	Availability of feed ingredients
a)production requirements for buffalos having 500 kg body weight and producing 6.5 to 6.7 liters milk/day	1)Average green fodder provided per day per animal=15 kg
1)green fodder=50 kg	2)Average wheat straw provided per day/animal=06
2)wheat straw=4-5 kg	
3)Vanda = 3-5 kg	

Maintenance requirements for buffalos having 500 kg body weight 1)Green fodder=50 kg 2)Wheat straw=4-5 kg 3)Vanda=3-5 kg Maintenance requirements for buffalos having 500 kg weight. 4)green fodder-50 kg 5)wheat straws= 4.5 kg 6)Vanda=1.5 kg	kg 3)Average Vanda provided per day/animal=3.5 kg
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118. The above details clearly indicate the feeding especially green fodder requirements/animal/day was not sufficient.

- v. Total milk production during the year 2015-16 was 2596 liters and milking days of different animals during 2015-16 was 630 and as such the milk production/day/animal/become 2596/liters /630 milk days=4.12 liters per day per animals while the average milk reported by Audit authorities was 6.05 liter/day/animal reported by Audit authorities. The less milk production by the animals is probably due to less availability of green fodder and old age of the majority of the lactating animals.
- vi. Other factors responsible for less milk production are as under:-
 - a.) The farm having the mandate of demonstration/training in addition to other objectives and was used for demonstration and training purposes for the internships of the veterinary graduates, Para vets, farmers and NGOS participants throughout the year and irrational handling of animal certainly adversary effect the milk production.
 - b.) The farm infrastructure was constructed for 60 numbers of adult animals (buffalos), while the available animal unit during 2015-16 was more than 100 units and as such the available space/animal becomes comparatively less, which adversary effect the production aspect of the animals.
 - c.) The original birth place of the buffalo was central Punjab, which is climatically slightly different from D.I.Khan and this factor also adverse effect on production of animals.

Recommendation.

119. In light of the above findings and conclusion, the technical aspects may be considered on priority basis for the settlement of the Para above.

(d). Inquiry in respect of 15 buffaloes received in the local office in February 2016 was conducted and the conclusion/recommendation are as under:-

Conclusion.

- i. It is very clear from the PC-1 that the Purebred Buffalo & Dairy Farm D.I.Khan was established under special objectives already stated above in detail including for demonstration, training and production of heifer & bull and not for commercial activities. The income rose from the milk, fodder, artificial insemination, auction of animals and other sources are the secondary benefits.
- ii. The record provided indicated that the strength of total animals and milking animals during various months of the financial year 2015-16 were different due to different date/month of calving of animals. The milking days of the animals in milking were accordingly counted throughout the financial year 2015-16 and as such become 1350 days. Similarly, milk production in 1350 days was calculated and as such became 8497 kg. As per approved PC-1, the calves were allowed to suckle their dams for 210 days, get the milk as per requirement and as such calves utilized 5963 kg milk accordingly, while the balance 2534 kg milk were sold to the open market as per approved rate.
- iii. The observations raised by the Audit authorities clearly indicate that the milk production/yield of Kundi was 6.5 liter per buffalo as per review of the department of Livestock Management University of Agriculture Faisal Abad.

120. It is further to clarify that average lactation period of buffalo was 305 days and average milk production per day /buffalo become $8497 / 1350 = 6.29$ liter per animal/day, which is very close to the milk production reported by authorities.

- iv. The milk production performance of animal is mostly affected by two types of factors;
 - a) Environmental factor including feeding, management, disease control measures, lactation Nos, lactation age, lactation stage and others.
 - b). Genetic factor.

121. In this regard the comparison of feed ingredients requirements and its availability as per expert opinion is reproduced below:-

Requirement of feed(green fodder wheat straw and Vanda)	Availability of feed ingredients
a)production requirements for buffalos having 500 kg body weight and producing 6.5 to 6.7 liters milk/day 4)green fodder=50 kg 5)wheat straw=4-5 kg 6)Vanda = 3-5 kg	4)Average green fodder provided per day per animal=11 kg 5)Average wheat straw provided per day/animal=06 kg 6)Average Vanda provided per day/animal=04 kg
Maintenance requirements for buffalos having 500 kg body weight	

7)Green fodder=50 kg	
8)Wheat straw=4-5 kg	
9)Vanda=1-5 kg	

122. The above details clearly indicate the feeding especially green fodder requirements/animal/day was not sufficient.

- v. Total milk production during the year 2015-16 was 8497 liters and milking days of different animals during 2015-16 was 1350 and as such the milk production/day/animal/become 8497/liters milk days=6.29 liters), which is very close to the average milk production rate 6.5 liter/day/animal reported by audit authorities in spite of the fact that the green fodder availability was not sufficient.
- vi. Other factors responsible for less milk production are as under:-
 - d.) The farm having the mandate of demonstration/training and was used for demonstration and training purpose for the internships of the veterinary graduates, Para vets, farmers and NGOS participants throughout the year and irrational handling of animal certainly adversary effect the milk production.
 - e.) The farm infrastructure was constructed for 60 numbers of adult animals (buffalos), while the available animal unit during 2015-16 was more than 100 units and as such the available space/animal becomes comparatively less, which adversary effect the production aspect of the animals.
 - f.) The original birth place of the buffalo was central Punjab, which is climatically slightly different from, D.I.Khan and this factor also adverse effect on production of animals.

Recommendation;

123. In light o the above findings and conclusion, the technical aspects may be considered on priority basis to the settlement of the Para above.

124. The enquiry officer concluded in his report the low production of milk was due to different factors including low availability of green fodder requirements/animals/day. Milk production was 5.9 liter which is very close to the average milk production rate 6.06 liter /day/animal. The farm having the mandate for demonstration and training to Veterinary Graduates, Para veterinary staff, NGOS and

farmers. Further the infrastructure constructed for 60 animals while more than 100 units were kept at the farms, which also adversely affected the milk production.

PAC OBSERVATION

125. The Committee observed that the main objective was research and breeding which was very nicely done. Moreover, Social and Technical objectives were achieved.

PAC RECOMMENDATIONS

126. In view of the fact that the Social and Technical objective of the project i.e Breeding, research and training was achieved, the Para was therefore, recommended to be settled.

DP No.2.4.12 LOSS DUE TO ILL PLANNING AND IRREGULAR/UN-AUTHORIZED PAYMENT-Rs. 3.017 MILLION.

AUDIT VERSION

127. The Audit reported that according to Para 145 of GFR Vol-I, purchases must be made in the most economical manner in accordance with the definite requirements of the public services. Care should be taken not to purchase store much in advance of actual requirements.

128. During the financial year 2015-16, in the office of Director General Agriculture (Extension), Peshawar, it was noticed under “Insaf Food Security Programme”, that seed bags were transported to the distribution points in excess of the actual need. The seed bags lifted in excess of the need were again shifted from different points to ADF stores and an amount of Rs.30,17,737/- was paid to the contractor as carriage charges. Thus, public exchequer was overburdened. Moreover, it was directed by the Director Seed to ensure the actual distance claimed in the bill, however, payment was made without such verification. There was no planning on the part of management; hence, no due diligence was exercised.

129. The loss occurred due to weak internal controls, non-observance of Government rules/regulations and financial indiscipline. When pointed out in December

2016, the Department stated that detailed reply would be furnished after consulting the record.

130. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that responsibility be fixed and the loss be made good.

DEPARTMENTAL VERSION

131. The Department explained that the amount Rs. 3.017 million was paid to the contractor on account of transportation of 3943.3 M. tons of wheat seed procured from various Government Seed Farms and progressive growers in D.I.Khan. The amount was not paid on distribution of seed to various sale points as mentioned in the audit Para.

PAC RECOMMENDATIONS

132. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled with the direction to the Department to make efforts for improvement in planning, start public awareness campaigns and get the unregistered farmers registered so that they could be facilitated in a better way according to their need.

DPNo.2.4.13 LOSS DUE TO MISAPPROPRIATION ON ACCOUNT OF PURCHASE OF 3 TRACTORS AND TRANSPORTATION CHARGES-Rs.2.250 MILLION.

AUDIT VERSION

133. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery was taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register. Para 23 of GFR requires that every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

134. During the financial year 2009-10, in the office of District Officer Agriculture (Extension) D.I.Khan, it was noticed that Rs.22,50,000/- was drawn vide

cheque No.00429569 on 29-06-2010 for the purchase of 3 tractors, NH fiat 640-S, for the seed farms. The amount was forwarded to Director General Agriculture (Extension) vide letter No.3796/DOA(Agri) and bank draft No.181288 dated 14-07-2010, for payment of tractors. The Director General Agriculture Department issued letter No.8352/DGA(E) alongwith demand draft dated 14-07-2010 in the name of M/S Sadat Bro authorized dealer of Al-Ghazi Tractor Ltd. and asked for the delivery of 3 tractors at the farm, but M/S Sadat Bro denied the receipt of payment. The tractors were neither received, nor taken on stock register and not issued to the Farm Manager till the date of audit.

135. Audit holds that the tractors were not received by the Farms Managers and hence the amount misappropriated. The loss occurred due to weak internal controls. When pointed out in November 2010, the management furnished no reply.

136. In the DAC meeting held in January 2011, the Department replied that three tractors were received from dealers after audit and issued to seed farms, and payment to dealer was made vide draft No.181288 on 14-07-2010. The DAC did not agree and directed for Departmental inquiry. However, the inquiry was not conducted till finalization of the report. Audit recommends that DAC decision be implemented.

DEPARTMENTAL VERSION

137. The Department explained that:-

- i. According to the report of enquiry officer, the 03 Nos: Tractors were purchased under proper scheme, physically checked and found entered in different stock register of the relevant government farms, D.I.Khan.
- ii. The tractors were issued to the respective government seed farms, D.I.Khan accordingly.
- iii. Payment have made to the concerned dealer vide demand draft No.181288 dated 14-07-2010.
- iv. Necessary entries were given as mentioned below:-

S.No.	Name of Farm	Stock Register Page No.
1.	GSF, Rakh Band Kurai	379
2.	GSF, Rakh Manghan	380
3.	GSF, Ratta Kulachi	381

- v. Proper registration, chassis Nos. and Model of three (03) Nos. available for verification

PAC OBSERVATIONS

138. The Committee observed that record was available but neither efforts were made by the Department to get it verified by Audit nor DAC was convened to resolve the issue.

PAC RECOMMENDATIONS

139. As the Tractors have been supplied and its record duly verified by the Audit, the Para was therefore recommended to be settled with the direction to the Department that the Internal Audit System may be strengthened and DAC may be convened regularly to avoid such lapses in future.

DP No.2.4.14 LOSS DUE TO ILLEGAL EXCAVATION OF SOIL OF AGRICULTURE LAND WORTH MILLIONS OF RUPEES.

AUDIT VERSION

140. The Audit reported that according to clause 4 of the NIT dated January 28, 2015, it was given that block-A be excavated upto 3 feet while in block-B it should be 4 feet. Whereby it was clearly mentioned that if the contractor violated the agreed upon agreement regarding excavation of the land, the Department shall be legally authorized to penalize the contractor and also the violation done in excavation may be corrected at the cost of the contractor.

141. During the financial year 2015-16, in the office of Director Agriculture Research Institute, D.I. Khan, it was noticed that contract for excavation of land was award to the contractor. For this purpose the land was divided into block A, measuring 36 kanal and 2 marla, which was required to be excavated upto 3 feet, whereas block B, measuring 69 kanal and 5 marla to be excavated upto 4 feet, so as to bring it to watering level, suitable for sowing as per NIT.

142. However, the land was excavated 6 feet illegally, due to which it became misfit for Agriculture purpose and became barren. The Government was thus deprived of income generation from this land. It was a recurring loss.

143. The loss occurred due to weak internal controls. When pointed out in November 2016, the Department stated that detailed reply would be furnished after examination of relevant record.

144. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to conduct inquiry into the matter, fix responsibility against the person(s) at fault, and the loss sustained by the Government be made good.

DEPARTMENTAL VERSION

145. The Department explained that After attending the pre-PAC meeting held on 26-01-2021 at provincial Assembly Khyber Pakhtunkhwa on Draft Para No.2.4.14, for the year, 2016-17, this office issued letters to all accused officers /officials vide office letter No. 209, 211, 213, 215/DAR [DK] dated 29-01-2021 with a copy to the Director General Agriculture Research System Khyber Pakhtunkhwa, Peshawar for deposit of outstanding dues with submission of challan to this office. In response to this office letters reference given above:-

- i. The accused person Mr. Inayat Hussain Shah has submitted the service appeal No. 14051/2020 alongwith stay from service tribunal Khyber Pakhtunkhwa Peshawar camp office D.I.Khan. "It is therefore prayed that respondents may be restrained not to recover penalty amount of Rs.2,20,069/35 from the applicant till disposal of his main service appeal in the Interest of Justice".
- ii. The accused person Mr. Shahid Iqbal Khattak has submitted the service appeal No. 13902/2020 alongwith stay from service tribunal Khyber Pakhtunkhwa Peshawar camp office D.I.Khan. "Annexed with the memo of appeal is an application for restraining the respondents from making recovery from the appellant. Notice of the said application also be issued to respondent to suspend the order of recovery till further orders, if not acted upon earlier".
- iii. The accused person Mr. Kazim Shah has submitted the writ petition in service appeal vide No. Nil of 2020 dated 05-10-2020 but did not submit any stay order from the Honorable Court so far. This office has mentioned all the outstanding dues/recoveries upon him in his pension paper to the head Quarter as he has submitted the Affidavit, the recovery upon him may be deducted from the pension commutation amount, in case my appeal is rejected by the competent authority.

- iv. The accused person Mr. Muhammad Usman has submitted the service appeal No. 13901/2020 alongwith stay from service tribunal Khyber Pakhtunkhwa Peshawar camp office D.I.Khan. "It is therefore prayed that respondents may be restrained not to recover penalty amount of Rs. 1,46,712/90 from the applicant till disposal of his main service appeal in the Interest of Justice".

PAC RECOMMENDATIONS

146. Being Subjudice the Para was kept pending till the decision of the Court of law. The Department was directed to cultivate the barren land after leveling it through departmental machinery as soon as possible.

DP No.2.4.15 NON-RECOVERY ON ACCOUNT OF SALE OF WHEAT- Rs.19.348 MILLION.

AUDIT VERSION

147. The Audit reported that according to Para 26 of GFR, it was the duty of the Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in Public Account.

148. During the financial year 2015-16, in the office of Director General Agriculture (Extension) Peshawar, it was noticed that, Rs.14,72,96,740/- were realized from the sale of wheat seed by various districts. Out of the total amount, Rs.12,79,49,140/- were deposited in the ADF account and the balance amount of Rs.1,93,47,600/- was outstanding against various District Directorates.

149. The non-recovery was due to non-observance of financial rules/regulations and weak of internal controls. When pointed out in December 2016, the Department stated that detailed reply would be furnished after consulting the record.

150. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that the matter may be investigated, responsibility fixed and the amount be recovered.

DEPARTMENTAL VERSION

151. The Department explained that almost more than 86% of the amount was deposited in December, 2016 at the time of audit and remaining amount Rs. 1,74,41,800/-

has been deposited and more than 98.70% of the amount has been deposited in ADF account while only Rs.19,05,800/- and Rs.6,44,590/- is pending against the ex-store keeper D.I.Khan. The case regarding the outstanding amount against the Ex-store keeper was under investigation with NAB.

PAC OBSERVATION

152. The Committee observed that Store Keeper was made a scapegoat, no other officer in chain of command was held responsible.

PAC RECOMMENDATIONS

153. The Para being subjudice was kept pending till the decision of the Court of Law. The Audit was directed to conduct verification of the record of the recovered amount within thirty (30) days.

DP No.2.4.16 NON-RECOVERY OF SALE PROCEEDS OF MAIZE-Rs. 7.790 MILLION.

AUDIT VERSION

154. The Audit reported that according to Para 26 of GFR Vol-I, it was the duty of the Department to see that all sum due to Government are regularly and promptly assessed and duly credited in the public accounts and no amount should be left outstanding and the amount need to be compared with the statement of treasury.

155. During the financial year 2014-15, in the office of Director General Crops Research Institute Pirsabak Nowshera, it was observed that an amount of Rs.9.79 million was outstanding against various dealers on account of sale proceeds of maize hybrid seed Baber which was not recovered. Detail as below:-

S.No.	Name of Firm	Total Qty Sold in Kgs	Total Qty Paid for in Kgs	Qty outstanding in Kgs	Rate Rs. Per Kg	Amount outstanding (Rs)
1.	M/S Waqar & Co	67,190	7500	59,690	160	95,50,400
2.	Fazal Hussain Wadpaga Pesh	500	-	500	-do-	80,000
3.	District Director Shangla	1,000	-	1,000	-do-	1,60,000
Total						97,90,400

156. The amount was outstanding due to financial discipline, and weak internal controls. In the DAC meeting held in August 2016, the Department replied that the whole quantity was not sold by the dealers, and that some was returned. Out of the sold quantity, an amount of Rs.10,86,600/- received, while the remaining amount for the sold quantity will soon be recovered. DAC directed that recovery be made till December, 2016, and details be provided to Audit, however, no documentary evidence regarding recovery was provided till finalization of the report. Audit recommends that the outstanding amount be recovered and deposited into public treasury.

DEPARTMENTAL VERSION

157. The Department explained that:-

i. M/S Waqar & Co. Mardan

As per Audit observation the total quantity sold on M/S Waqar & Co. was 67190 kg, the payment was done against the quantity of 7500 kg as per Audit observation. The Audit team mentioned that the outstanding quantity against the said dealer was 59690 kg. The detail of which is given as under:-

Outstanding quantity=59690 kg

Returned Quantity=38285 kg (auctioned as mixed grain, the detail of which is given in the coming paragraphs)

Balanced outstanding quantity=21405 kg

Amount of outstanding quantity= 21,405 kg x Rs. 160/kg=
Rs.34,28,800/-

158. Detail of amount received against the outstanding quantity (21,405 kg) from M/S Waqar & Co. Mardan is as below:-

S.No.	Challan #	Dated	Amount (Rs.)	Against Quantity (kg)
1.	52	30-06-2015	1,06,000/-	662.50
2.	30	06-10-2015	44,800/-	280.00
3.	60	26-01-2016	7,30,000/-	4562.50
4.	154	11-02-2016	50,000/-	312.50
5.	61	29-02-2016	6,400/-	40.00
6.	40	08-03-2016	1,40,000/-	875.00
7.	41	08-03-2016	93,000/-	581.25
8.	41	24-03-2016	53,000/-	331.25
9.	52	06-04-2016	37,000/-	231.25
10.	53	11-04-2016	50,000/-	312.50
11.	08	10-05-2016	1,00,000/-	625.00

12.	29	01-06-2016	70,000/-	437.50
13.	26	08-06-2016	40,000/-	250.00
14.	45	27-06-2016	2,00,000/-	1250.00
15.	88	30-06-2016	2,00,000/-	1250.00
16.	14	16-08-2016	1,70,000/-	1062.00
17.	24	26-09-2016	1,52,000/-	950.00
18.	67	30-06-2017	1,50,000/-	937.50
19.	34	19-12-2017	2,53,800/-	1586.25
20.	12	26-05-2018	3,75,000/-	2343.75
21.	31	19-11-2020	4,03,800/-	2523.75
Total Amount Received(Rs.)			34,24,800/-	21,405

ii. Fazal Hussain, Wadpaga, Peshawar

As pointed out by the Audit team the outstanding quantity against the Fazal Hussain was 500 kg. The detail of which is given as under:-

Outstanding quantity=500 kg

Returned Quantity=175 kg (auctioned as mixed grain, the detail of which is given in the coming paragraphs)

Balanced outstanding quantity=325 kg

Amount of outstanding quantity= 325 kg x Rs. 160/kg= Rs. 52,000/-

159. The outstanding amount of. Rs.52,000/- against the said quantity of 325 kg was received and deposited in Government Treasury vide challan No.28 dated 01-06-2016.

iii. District Director, Shangla

As per Audit observation the outstanding quantity against DDA, Shangla was 1000 kg, the detail of which is as follow:-

Outstanding quantity=1000 kg

Returned Quantity=580 kg (auctioned as mixed grain, the detail of which is given in the coming paragraphs)

Balanced outstanding quantity=420 kg

Amount of outstanding quantity=420 kg x Rs.160/kg= Rs.67,200/-

160. The outstanding amount of. Rs. 67,200/- against the said quantity of 420 kg was received and deposited in Government Treasury vide challan No. 28 dated 06-08-2015.

DETAIL OF RETURNED QUANTITY

S.No.	Firm	Quantity Returned (kg)
1.	M/S Waqar & Co. Mardan	38285

2.	Mr. Fazal Hussain, Wadpaga, Peshawar	175
3.	District Director, Shangla	580
Total Quantity Returned (kg)		39040

161. The above mentioned returned quantity (39040 kg) was open auctioned as mixed grain in the next year.

162. Detail of amount deposited from returned quantity is as under:-

S.No.	Challan #	Dated	Amount (Rs.)	Auctioned Quantity (kg)	Rate/ kg (Rs.)
1.	62	29-02-2016	90,225/-	8020	11.25
2.	63	29-02-2016	90,750/-	8250	11.00
3.	64	29-02-2016	88,000/-	8000	11.00
4.	65	29-02-2016	81,300/-	8130	10.00
5.	39	08-03-2016	73,040/-	6640	11.00
Total Amount Received (Rs.)			4,23,315/-	39040	

PAC RECOMMENDATIONS

163. In view of the reply advanced by the Department, the Para was recommended to be settled with the direction to the Department to devise proper mechanism for disposal of seed, so that such like instances are not repeated in future and precious seed produced is not wasted.

DP No.2.4.17 NON-RECOVERY OF 1% STAMP DUTY ON THE PURCHASE & SUPPLY OF PARABOLIC IRRIGATION SEGMENTS-Rs.2.780 MILLION.

AUDIT VERSION

164. The Audit reported that according to Para 22(A) (b) of Finance Act 2007 1% stamp duty for procurement of store and materials be charged.

165. During the financial year 2014-15, in various offices of Agriculture Department, On Farm Water Management, it was noticed that an amount of Rs.27,81,33,569/- was incurred on the purchase of various items used in the construction/lining and improvement of water courses in agricultural land under respective irrigation command areas, but, 1% stamp duty amounting to Rs.27,80,000/- was not recovered as required. Detail is as under:-

(Rs)

S.No.	Name of office	Amount Paid	Amount of Stamp Duty
1.	District Officer OFWM, Abbottabad.	13,648,300	136,000
2.	District Officer OFWM, Lakki Marwat.	58,915,881	589,000
3.	District Officer OFWM, Peshawar.	62,058,828	621,000
4.	District Officer OFWM, Tank	31,279,560	312,000
5.	District Officer OFWM, D.I.Khan.	112,231,000	1,122,000
Total		278,133,569	2,780,000

166. The non-recovery was due to non-observance of financial rules/regulations and weak of internal controls. When pointed out in June 2016, it was replied that all schemes were carried out through WUAs, and not by contractors, therefore, no stamp duty was required on this procurement. Reply of the Department is not tenable as materials for the schemes of watercourses and storage tanks were supplied by contractors, therefore, deduction of 1% stamp duty was mandatory.

167. In the DAC meeting held in December 2016, Department replied that, the schemes were executed on participatory approach, procurement was made by the farmers themselves, on no profit no loss, and not by the contractor. Hence, 1% stamp duty does not apply for such transaction. DAC disagreed and directed that recovery to be made, as there is no exemption. However, recovery was not made till finalization of the report. Audit recommends that recovery to be made.

DEPARTMENTAL VERSION

168. The Department explained that OFWM follows participatory approach to carry out different schemes. Farmers are organized in to water user associations (WUAs) and all the schemes are executed through active involvement of WUAs. No contractor was hired and no contract signed for a specific amount, for execution of any OFWM scheme. Only a Term of Partnership is signed with the each WUA reflecting responsibilities of both the partners. Under OFWM schemes, the material cost is provided by the OFWM while the skill and un-skilled labour was provided by the concerned WUAs in shape of kind. All the public funds were transferred to joint bank account of respective WUAs for further utilization as per approved cost estimate. As there is no

contractor involved and the schemes were executed on participatory approach on no profit no loss, stamp duty @ 1% doesn't apply for such transactions. In view of the above, the payments made are justified and according to the approved procedure.

PAC RECOMMENDATIONS

169. In view of the explanation advanced by the Department duly endorsed by the Finance Department, the Para was recommended to be settled.

DP No.2.4.18 UNAUTHORIZED/UNAUTHENTIC DISTRIBUTION OF WHEAT SEED-Rs. 295.091 MILLION.

AUDIT VERSION

170. The Audit reported that according to PC-I the distribution of wheat will be made to applicants already registered with MFSC, who have paid registration fee and who are in possession of agricultural land 1 to 3 kanals of land and forms signed by village/union council, khasra No. etc. duly verified by Revenue Authorities.

171. During the financial year 2015-16, in various offices of District Directors, under the Director General Agriculture (Extension), it was noticed that, wheat seed was distributed under “Insaf Food Security Program” throughout the province. The verification of record revealed that wheat bags were distributed among un-registered farmers, in violation of the approved criteria of the PC-I. The application forms were not signed by the village/union council or other authorized person, Khasra No., and location of the Revenue Patwari was also not mentioned, so as to make sure that the recipient was a genuine and eligible applicant. Moreover, the collection point, address of the recipient and date of receipt was not mentioned on the registration card. The Detail is given below:-

S.No.	Name of the District/Division	Number of Bags	Price Per Bag	Amount
1.	Abbottabad	9,100	2285	20,793,500
2.	Battagram	8,000	-do-	18,280,000
3.	D.I. Khan	60,000	-do-	137,100,000
4.	Haripur	15,000	-do-	34,275,000
5.	Tor Ghar	3,400	-do-	7,769,000

6.	Mardan	25,000	-do-	57,125,000
7.	Kohistan	4,600	-do-	10,511,000
Total		125,100		285,853,500

172. The approved criterion was not followed, the eligibility and genuineness of the applicants were not authenticated, and wheat seed was distributed among unregistered and unverified applicants. Hence, public exchequer sustained huge loss of Rs.28,58,53,500/-.

173. It was further noticed that, as per written statement given by Incharge Field Assistant of Daraban distribution point, wherein he stated that 9700 Bags were provided under Insaf Food Security Program for distribution amongst eligible farmers, whereas 5820 Bags were distributed by the field staff and the remaining 3880 bags were stated to have been distributed by the District Director Agriculture (Extension) himself without application forms or verification by Revenue Patwari/Staff. This act was against the procedure, rules and regulations. Thus the distribution of 3880 bags costing Rs.92,38,280/- (3880×2381) was unauthorized.

174. The loss occurred due to weak internal controls and financial indiscipline. When pointed out in December 2016, the Department stated that detailed reply would be furnished after consulting the record.

175. Audit requested the Department, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to conduct inquiry, responsibility be fixed for the gross violation and the loss be made good.

DEPARTMENTAL VERSION

176. The Department explained that all the application forms were verified by the District Director Agriculture or Subject Matter Specialist or Agriculture officer. The seed was provided to the actual wheat crop growers and were sown by the farmers. None of the application form was left un-verified by the concerned district authority. Criteria for registered growers with the MFSC was relaxed for the first year of the project as per

criteria reflected in the approved PC-I and Minutes of the meeting chaired by Honorable Chief Minister Khyber Pakhtunkhwa available for ready reference.

PAC OBSERVATION

177. The Committee observed that;-
- i. such like relaxation should be avoided to promote Kissan Centres
 - ii. need basis distribution would only be possible if Farmers are registered.

PAC RECOMMENDATIONS

178. Due to explanation advanced by the Department, the Para was recommended to be settled with the direction to avoid such relaxations and to distribute seeds on need basis.

DP No. 2.4.19 UNAUTHORIZED EXPENDITURE FROM CESS FUND-Rs. 7.730 MILLION.

AUDIT VERSION

179. The Audit reported that according to Rule-7 of FTR Vol-I, money received as Government revenue shall not be appropriated to meet Departmental expenditure nor kept apart from the consolidated fund.

180. During the financial year 2015-16, in the office of Director Sugar Crop Research Institute Mardan, it was noticed that the local office incurred expenditure of Rs.77,30,000/- under Cess Fund. The verification of record revealed that, no action plan, for the year 2015-16, was approved by the competent authority and the amount was utilized without approval, mostly on miscellaneous items, for which already sufficient amount was released in regular budget.

181. Letter was written to Director General Research Khyber Pakhtunkhwa, for the approval, but till the last date of audit, i.e. October 2016, no approval was accorded for incurring expenditure from CESS Fund. The budget was hastily utilized on unproductive activities and even the unapproved action plan was also violated. Thus, incurrence of Rs.77,30,000/- from CESS Fund without approval was unauthorized.

182. The unauthorized expenditure was made due to non-observance of rules and weak internal controls. When pointed out in October 2016, the management

furnished no reply. The Department was requested for holding the DAC meeting, however neither DAC meeting was held nor any action initiated against the person(s) at fault. Audit recommends that unauthorized expenditure incurred from the CESS Fund needs a detailed inquiry and appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

183. The Department explained that the action plan for the year 2015-16 was approved in the Steering Committee on 17-09-2015 and send to the higher ups. Meanwhile the CESS rules were changed. The action plan 2015-16 was reapproved under revised CESS rules.

184. The main target/aim of the CESS fund was the strengthening of research activities at the institute as well as at A.R.I. D.I.Khan and Breeding Station Jabban Dargai.

185. The budget was utilized according to the action plan. The expenditure was also utilized for the establishment of the analytical laboratory at A.R.I. D I Khan and also expenditure was utilized in Breeding Station Jabban Dargari.

186. During 2015-16 only 0.7 million were allocated to Chip bud project and the activities of the same project were covered in that amount. As such this has no relation with CESS activities.

PAC RECOMMENDATIONS

187. The reply advanced by the Department was accepted, the Para was therefore, recommended to be settled subject to verification of record in support of departmental version.

DP No. 2.4.20 UNAUTHORIZED AND DOUBTFUL EXPENDITURE ON DAILY PAID LABOUR FROM THE RECEIPTS-Rs. 1.373 MILLION.

AUDIT VERSION

188. The Audit reported that according to Para 7 of GFR Vol-I, unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Finance Department

189. During the financial year 2015-16, in the office of Director Sugar Crop Research Institute Mardan, it was noticed that Farm Manager of Agriculture Research Station Harichand Charsadda incurred an expenditure of Rs.13,72,939/- from the receipts of the Farm.

190. Audit holds the expenditure unauthorized on the following grounds:-

- i. The expenditure was incurred from the receipts of the Farm, which was unauthorized and no one can utilize receipts for the expenditure.
- ii. No detail of labour was given in any documented record that where the labours were engaged.
- iii. Neither thumb impressions of labourers were taken nor was any acknowledgement/copy of CNIC found on muster roll of the recipient.
- iv. No certificate was given on muster roll as required under the rules.
- v. No approval of the competent authority was obtained for payment.
- vi. No proper crop register was prepared from which the authenticity of engaged labours could be verified.

191. The unauthorized and doubtful expenditure of Rs.13,72,939/- was made due to weak internal controls. When pointed out in October 2016, the management furnished no reply. Audit requested the Department, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends inquiry, fixing of responsibility and appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

192. The Department explained that:-

- i. During 2015-16 the S.N.E was not approved of the station and no budget/fund was received. The expenditure incurred from the receipt generated in the station.
- ii. The detail of labours engaged are available and can be verified.
- iii. Thumb impression and CNIC,s are also present on muster rolls and can be verified.
- iv. Payment certificate was given on muster rolls by the concerned.
- v. Crop register was maintained and can be verified.

PAC RECOMMENDATIONS

193. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled subject to verification of record by Audit within 30 days.

DP No.2.4.21 LOSS DUE TO NON-DEDUCTION OF INCOME TAX-Rs. 6.750 MILLION.

AUDIT VERSION

194. The Audit reported that according to Regional Tax Office Peshawar No.RTO/WHU-I/23 dated 24-07-2014, Income Tax on supply be deducted @ 4.5% from supplies.

195. During the financial year 2015-16, in the office of Director General Agriculture (Extension) Peshawar, it was noticed that the local office paid Rs.14,99,98,955/- from ADF and paid to Punjab Seed Corporation. Income tax @ 4% was deducted instead of 4.5% which resulted into less deduction of Rs.7,49,995/-. The Department recouped the ADF payment by adjusting for net amount of Rs.14,39,98,872/- instead of Rs.14,99,98,955/-. Thus the Income Tax was deducted from the ADF instead of contractor. Thus loss to the public exchequer was Rs.67,49,948/-.

196. The lapse occurred due to financial indiscipline and weak of internal controls. When pointed out in December 2016, the Department stated that detailed reply would be furnished after consulting the record.

197. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends recovery of Income Tax and regularization of advance payment from Agriculture Development Fund.

DEPARTMENTAL VERSION

198. The Department explained that the wheat seed has been procured from Punjab Seed Corporation which is Government institution and registered with FBR. The Income Tax @4% has been deducted as per notification of the income tax Department No. WHU-II/RTO-PR/2015-16/559 dated 09-12-2015.

PAC OBSERVATION

199. The Committee observed that Income Tax was wrongly deducted from ADF which was required to be deducted from the Punjab Seed Corporation, resultantly Government was put to loss.

PAC RECOMMENDATIONS

200. The Department was directed to conduct inquiry for fixing responsibility against the concerned officers and to make adjustment with Punjab Seed Corporation. The Committee also directed to avoid such practice in future. Para stands. Progress be reported to PAC within thirty (30) days.

DP No.2.4.22 IRREGULAR AND UNAUTHORIZED AWARD OF CONTRACT OF FISHING RIGHT IN TARBELA DAM-Rs. 105.030 MILLION.

AUDIT VERSION

201. The Audit reported that according to sub-rule (i) of rule-20 of Khyber Pakhtunkhwa, Fisheries Rule-1976 and subsequently amendment issued vide notification date 26-08-2013 “the lessee shall at his option either pay the offered bid for fishing rights in full at the time of auction at the spot or 1/3rd of the bid at the time of auction at spot, the remaining amount in two equal installments on or before 31st July for the subsequent 2nd & 3rd year, read with clause-3 the terms & condition of auction of fishing Right of Public water body of Tarbela Dam Haripur for the three years 2016-19, that 1/3rd of contract value are ought to be deposited on spot, otherwise the contract will be cancelled.

202. During the financial year 2015-16, in the office of Director Fisheries Khyber Pakhtunkhwa Peshawar, it was noticed that Fishing Rights of Public Water body of Tarbela Dam Haripur for the years 2016-17 to 2018-19 were auctioned on 23-08-2016, where fourteen (14) bidders participated. Mr. Shahid Ali S/o Muhammad Sadiq offered the highest bid of Rs.10,50,30,000/-. Hence, a sum of Rs.3,50,10,333/- was required to be deposited on spot, failing which will result in cancellation of contract as well as forfeiture of security in favour of the Government and the contract was required to be offered to the 2nd higher bidder.

203. The 1/3rd of contract value was not deposited till 13-12-2016. Moreover, the contract was awarded in August, 2016 and approval granted in December 2016, vide No.2372-74/DF/GS/ dated 20-12-2016, which shows that the contractor was involved in

un-authorized fishing from August 2016 to December 2016, this resulted into loss to the public exchequer.

204. Furthermore, the Department failed to comply with the approved SOPs/criteria duly approved for awarding the contract, as follows:-

- i. No contract Agreement on judicial paper was executed with the contractor.
- ii. No bank guarantee was obtained from the contractor to secure the Government interest.
- iii. According to the sanction, the contractor shall deposit income tax in advance which was not done till the date of Audit.
- iv. No license/permit was issued to the contractor.

205. The loss occurred due to financial indiscipline and weak internal controls. When pointed out in December 2016, the management stated that reply would be furnished after consulting the record.

206. Audit requested the Department, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends a facts finding inquiry, fixing of responsibility against the person(s) at fault and recovery of the amount.

DEPARTMENTAL VERSION

207. The Department explained that the 1st installment for the year 2015-16 amounting to Rs.3,50,10,400/- has been received alongwith penalty amount of late payment Rs.10,93,488/-, Income tax amounting to Rs.35,01,040/- has already been received from the concerned contractor while security in shape of Mortgage property was also retained from the concerned authorities. Contract agreement on judicial stamp paper was executed with the contractor after clearance of all liabilities. Furthermore as stated by Audit party. No Fishing permit was issued to Fish contractor before sanction of fishing Rights. Therefore the contractor was not involved in illegal fishing. Hence the amount payable for the year 2016-17 was collected alongwith penalty and Income Tax. No financial loss occurred to Government.

PAC OBSERVATIONS

208. The committee observed that the lapses pointed out by the Audit were correct as after going through the record attached with the working paper it was found that:-

- i. despite clear cut Rules, the Department failed to obtain 1/3 of the amount at the time of auction .
- ii. the property mortgaged in lieu of Bank Guarantee was not in the name of successful bidder i.e Mr. Shahid Ali S/O Muhammad Sadiq, hence the Government interest was not secured.
- iii. no proper contract agreement was signed with the contractor.
- iv. advance Income Tax was not deposited.
- v. no license/permit was issued to the contractor.

PAC RECOMMENDATIONS

209. In view of the above, the Committee directed the Secretary Agriculture to conduct inquiry into the matter and submit report to PAC within thirty (30) days. Para stands.

DP No.2.4.23 IRREGULAR DRAWAL ON ACCOUNT OF PURCHASE OF CONCENTRATE FOR BEEF ANIMALS-Rs. 7.290 MILLION.

AUDIT VERSION

210. The Audit reported that according to Para 11 of GFR Vol-I, each head of a Department was responsible for enforcing financial order, strict economy at every step and observing all relevant Financial Rules and Regulations by his own office and by subordinate disbursing officers.

211. During the financial year 2014-15, record of Director General (Extension) Livestock & Dairy Development Department, revealed that an expenditure of Rs.72,90,000/- was incurred by the Project Director Meat & Dairy Production Development Peshawar on the purchase of concentrate for beef animals. The project management failed to formulate proper criteria for the selection of farmers, number of registered farmers in each district and the rate of registration fee etc. Moreover, the payment was drawn from the public exchequer through DDO instead of making payment directly to the farmers. Thus the expenditure of Rs.72,90,000/- was irregular.

212. When pointed out in September 2015, the Department failed to produce the aforementioned documents. In the DAC meeting held in August 2016, the Department replied that the list of farmers and support package to farmers was approved by the Project Support Package Committee. Moreover, there was no need of either registration for farmers nor any fee of registration existed for this project. As most of the farmers belonged to far-flung areas, therefore, the bills were drawn in favour of DDO. DAC did not agree and directed that a joint inquiry should be conducted within 15 days for probing the matter. No progress has been intimated till finalization of the report. Audit recommends inquiry, fixing of responsibility and intimate final status to PAC and audit.

DEPARTMENTAL VERSION

213. The Department explained that The ADP Project “Meat and Dairy Production and Development with Market Linkages in Khyber Pakhtunkhwa” approved to facilitate Feedlot and Dairy Farmers in order to enhance meat and milk production in the province. Feedlot farmers include Beef feedlot and mutton feedlot farmers to whom grant in cash was provided for purchase of concentrate feed @ Rs 1500/- per animal to beef feedlot and Rs 500/- to mutton feedlot farmers. Replies, to observations raised by Audit party are furnished as under:-

- i. Quota of beef and mutton farmers were allocated to each district. However if applications received from any of the district is less than the quota allocated, then applications from other districts will be considered in order to meet targets fixed for certain period of time/year.
- ii. As most of the farmers belong to far flung areas & have no bank accounts, therefore the bills been drawn in favor of DDO. However the grant money was paid to the concerned farmers with proper acknowledgment receipt obtained dully witnessed by two officers of the respective Districts.

PAC OBSERVATION

214. The Committee observed that the same explanation was advanced during the DAC, which was not accepted and an inquiry was ordered by the DAC, the same was not conducted as yet.

PAC RECOMMENDATIONS

215. The Committee directed the Department to conduct inquiry coupled with appropriate disciplinary action under E&D Rules against the persons who failed to implement the DAC decision, within thirty (30) days. Para Stands.

DP No.2.4.24 NON-DEPOSIT OF RECEIPTS AMOUNTING-Rs. 6.135 MILLION. AUDIT VERSION

216. The Audit reported that according to Para 26 of GFR Vol-I, it was the duty of the Departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

217. During the financial year 2015-16, in the office of Director Sugar Crop Research Institute Mardan, it was noticed that Agriculture Research Station Harichand has 110 acres land, and during the last 03 financial years, various crops were sown and on their sale, Rs.61,34,566/- received, but not deposited in the Government Treasury. Detail is as under:-

S.No	Year	Receipt (Rs.)	Deposit in Government Treasury
1.	2013-14	1,921,850	Nil
2.	2014-15	2,179,512	Nil
3.	2015-16	2,033,204	Nil
		6,134,566	

218. The amount was required to be deposited in Government Treasury on time, which was not done. Thus Government sustained a loss of Rs.61,34,566/-. Non-deposit of receipts for the last three years was a serious lapse and violation of rules, which was due to financial indiscipline and weak internal controls. When pointed out in October 2016, the management furnished no reply.

219. The Department was requested for holding the DAC meeting, however neither DAC meeting was held nor any action initiated against the person(s) at fault. Receipt was also not deposited in Government treasury. Audit recommends inquiry, fixing of responsibility against the person(s) at fault, besides deposit of receipts in the treasury.

DEPARTMENTAL VERSION

220. The Department explained that the project of ARS, Charsadda was approved for 2012-13 to 2013-14. An amount of Rs.18,14,012/- was deposited in the Government Treasury (verified income statement & challans available). After completion of the project the S.N.E/evaluation report/PC-IV was submitted to high ups for approval, but after long correspondence. The S.N.E was approved from 01-07-2016.

221. During the period i.e. 2014-15 & 2015-16 the activities of such a large station were carried out by the income generated in the station as no budget was released during the mentioned period. Mr. Sardar Ikramullah Khan Gandapure, the then Minister for Agriculture, Muhammad Israr, Secretary Agriculture, Mr. Shoukat Yousafzai, the then Additional Secretary Agriculture, Mr. Noor Ahmad Shah, the then Deputy Secretary, Finance and Dr. Naveed Akhtar, the then Director General visited the station and appreciated the work carried out at the station. The Audit party physically visited the station and verified all the record and appreciate that the billion of property and research activities, buildings etc secured from any losses on your risk.

PAC RECOMMENDATIONS

222. The Para was recommended to be settled subject to, a certificate to be given by the Administrative Secretary that the amount was spent in good faith and on the works as reflected in the departmental reply. The Department was also directed to avoid such practice of utilizing the revenue in future as it is violation of Constitution as well as Finance Act.

DP No.2.4.25 EXCESS PAYMENT ON ACCOUNT OF LOADING AND UNLOADING CHARGES-Rs. 2.994 MILLION.

AUDIT VERSION

223. The Audit reported that according to Para 10 of GFR Vol-1, every public officer was expected to exercise the same vigilance in respect of expenditure from the public funds as a person of ordinary prudence would exercise in respect of expenditure of his own money, read with the work order issued to M/S Shoib Shah Carriage contractor vide No.19516/DGA/E dated 12-10-2015, wherein, the contractor was directed to start supply/lifting of Seed from Punjab Seed Corporation store Khaniwal and Sahiwal.

224. During the financial year 2015-16, in the office of Director General Agriculture (Extension) Peshawar, it was noticed that work orders were issued for the transportation of wheat seed bags, 50 Kg each, which were to be supplied at the specified distribution points, identified in each district of the province. The contractor supplied 374330 bags for which the contractor was paid Rs.48 per bag, from Punjab Seed Corporation to distribution points, for two times loading and unloading, which was Rs.24 for loading and unloading each. These charges are too exorbitant as compared to the prevailing market rate.

225. The actual charges paid for loading and unloading were in the range of Rs. 4 to 7, as evident from the convey notes, from Takht Bhai main store to Mardan, Buner, Malakand Swat, Shangla and Chitral. Even if a maximum of Rs.10 is considered as loading and unloading charges, then Rs.40 should have been paid for two times loading and unloading. But, the contractor was paid per bag Rs.8 (R.48-Rs.40) in excess of the maximum average, resulting into excess payment of Rs.29,94,640/- (374,330×8).

226. The loss occurred due to financial indiscipline and weak internal controls. When pointed out in December 2016, the management stated that reply would be furnished after consulting the record.

227. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends recovery of the amount paid in excess.

DEPARTMENTAL VERSION

228. The Department explained that the Government of Khyber Pakhtunkhwa desired to distribute free wheat seed amongst the farmer of Khyber Pakhtunkhwa. For the supply of wheat seed a MOU was signed between Punjab Seed Corporation & Director General Agriculture Extension, Khyber Pakhtunkhwa. For the transportation of wheat seed loading & un-loading tenders were called through advertisement, which were published in Daily Mashriq on 14-09-2015 and Daily Aaj on 13-09-2015.

229. A Committee comprising on the following officers constituted for Tenders process.

1.	Director General Agri. (Ext) Khyber Pakhtunkhwa	Chairman
2.	Director Field Operation	Member
3.	Director Seed HQ office	Member
4.	Director Food, Govt. of KP Food Khyber Pakhtunkhwa Department, Peshawar	Member
5.	Dy: Director Planning HQ	Member
6.	Assistant Accounts Officer HQ	Member
7.	Representative of KPPRA Khyber Pakhtunkhwa	Observer
8.	Representative of Anti Corruption Dept: Khyber Pakhtunkhwa	Observer

230. The following Firms were participated in bidding competition.

1.	M/S Union carriage Company Malakand Road Bughdada, Mardan.
2.	M/S Mardan Traders, par hati Mardan.
3.	M/S Mulim Khan Food Deptt. Contactor, Dargai.
4.	M/S Bilal
5.	M/s New Friends Good, Bannu Road D.I. Khan

231. As per comparative statement, the rates offered by M/S Union Carriage Co. Mardan for loading & un-loading @ Rs.480/- per Ton was lowest which was approved by the relevant Committee (Ton means-20 Bag @ 50 KG each =1000 kg (Rs. 480 -20 = Rs.24/- per bag loading & un loading)(Rs.24+24=48/-). Proper criteria has been adopted for Loading & Un-loading, the lowest rate accepted by the respective Committee after the competition of Five Firms,

PAC RECOMMENDATIONS

232. The Committee could not reach to a just and fair conclusion, therefore, constituted a Sub-Committee comprising the following to look into the whole process of requirement, agreement, procurement, transportation, loading/unloading, distribution and facilitation of Farmers etc. and to devise a fool proof system to avoid complications in future:-

- | | | |
|----|-----------------------|----------|
| 1. | Mr. Salah Uddin, MPA | Chairman |
| 2. | Mr. Jamshid Khan, MPA | Member |
| 3. | Mr. Ahmad Kundi, MPA | Member |

233. The Sub-Committee will submit its report to PAC within 30 days positively.

**DP No. 2.4.26 EXCESS PAYMENT DUE TO PURCHASE ON HIGHER RATES-
Rs.1.980 MILLION AND NON-DEDUCTION OF INCOME TAX-
Rs.0.476 MILLION.**

AUDIT VERSION

234. The Audit reported that according to S.No.3(b)(iv) of chapter-2 of the procurement of goods and Services Rules 2014, the procuring entity shall use open competitive bidding as a principal method of procurement for the procurement of goods over the value Rs.100,000 and the lowest offer from bidder shall be accepted for award of contract.

235. During the financial year 2014-15, in the office of DG (Extension) Livestock & Dairy Development Department, Khyber Pakhtunkhwa, it was noticed that the Project Director Meat & Dairy Production Development invited quotations for the purchase of different items through daily Dawn on 06-03-2015. The lowest bid was rejected on the plea that the supplier was not in position to supply the items before 30-06-2015. The lowest bidder requested for extension of deadline to August 2015, but extension was not granted, and purchases were made on higher rates, even though, the items were supplied in August, 2015, by the highest bidder, which was previously refused to the lowest bidder. Further, income tax was not deducted.

236. The public exchequer was put to loss for Rs.19,80,000/- due to purchase on higher rate, and for Rs.4,76,000/- due to non deduction of income tax. No penalty was imposed on the supplier for late supply.

237. In the DAC meeting held in December 2016, the Department replied that the lowest bidder requested for extension of deadline to August, 2015, and that they will get 100% payment against CDR of 5% of the total value within June, 2015. The bid security of lowest bidder was forfeited on KPPRS's advice, and the contract was awarded to 2nd lowest bidder. The firm was unable to supply the items in June 2015, so were supplied in August 2015. Income Tax @ 7% was not required as per section (5)(a) of section 153 of Income Tax Ordinance 2001. The DAC directed for inquiry, but no inquiry

was conducted till finalization of the report. Audit recommends that fact finding inquiry be conducted, the loss sustained by the Government, due to higher rates, be made good, and responsibility be fixed against the person(s) at fault.

DEPARTMENTAL VERSION

238. The Department explained that during the year 2014-15, the office of Project Director “Meat and Dairy Production and Development with Market Linkages in Khyber Pakhtunkhwa” invited quotations/tender for the purchase of following items through National dailies to be opened on 6th March 2015:-

- a. Exotic semen
- b. FMD vaccine
- c. Mineral blocks

239. All documents related to the tender are available and were provided to the Audit party, whatever they asked for. The replies, to the observations raised are furnished as under:-

- i. Tender register was available, 08 forms were issued for the specified tender. The amount of Rs 4000/- received from sale of tender documents along with Rs 6000/- received from sale of documents of the previous tender have been deposited in Government Treasury.
- ii. The following three firms participated in the tender of exotic semen, the comparative statement was also prepared after fulfilling all codal formalities.
 - a. M/S Maxim International (Pvt.) Ltd, Lahore.
 - b. M/S Snam Pharma Lahore.
 - c. M/S Dymedix System, Lahore.
- iii. After appearance of the tender advertisement in daily Dawn dated 18-02-2015, the Transparency International-Pakistan, Karachi (an NGO), vide its letter dated 23-02-2015 raised a few observations to the above said tender notice. The said letter of Transparency International was sent to KPPRA for their advice vide letter dated 27-02-2015. The tenders were opened on 06-03-2015, however

further processing of the tenders was suspended till advice of KPPRA. After KPPRA's advice vide its letter dated 13-04-2015, the tenders was duly evaluated and minutes of evaluation committee were sent to KPPRA for their opinion vide letter dated 25-05-2015 after fulfilling all codal formalities, the lowest bidder MS Maximum International Lahore was approached through email to sign the contract agreement. In response, Maxim International vide their mail dated 29-05-2015 replied the following:-

“We can proceed and place order to WWS as per following understanding:-

- a. We get extension letter after June 30th from your kind self. Extending the deadline to August 30, 2015.
- b. We will offer CDR of 5% of the total value against which we will get 100% payment within June 2015”.

240. Reply of Maxim International was sent to KPPRA for consideration in their opinion vide letter dated 01-06-2015. KPPRA vide its letter dated 12-06-2015 advised to forfeit bid security of Maxim International and award contract to 2nd lowest bidder. In compliance to KPPRA's advice, a letter dated 12-06-2015 was issued to Maxim International informing about forfeiture of their bid security. In view thereof contract was awarded to 2nd lowest bidder viz Snama Pharma Lahore Vide Letter Dated 12-06-2015. The 2nd lowest bidder was also unable to complete the supply by 30th June 2015 as he was given supply order just 2 weeks before closing of Financial Year. However the firm submitted a commitment letter to complete the supply in August 2015 and provided a CDR of Rs 6.8 million, equal amount of the bill value as performance security. The validity of performance security CDR was confirmed from the concerned bank.

- iv. As explained above, the matter remained under correspondence with KPPRA and no time was wasted by the project management in finalizing the contract.
- v. The consignment of semen was received at the airport by the compliance committee specially constituted for the purpose.
- vi. Forfeiture Challan of Rs 1,20,000/-.
- vii. Proper Contract agreement was executed with the firm in anticipation of supply order.

- viii. The semen was purchased as per approved cost offered in the tender & in light of KPPRA's advice.
- ix. Supply was made in time as per commitment, hence no penalty was required. After completion of supply, the semen was handed over to the Provincial semen store for onward distribution to the Districts. 7% income tax deduction was not required as per sub section (5) (a) of section 153 of Income tax ordinance 2001.

PAC OBSERVATION

241. The Committee observed that the same explanation was advanced during the DAC, which was not accepted and an inquiry was ordered by the DAC, the same was not conducted as yet.

PAC RECOMMENDATIONS

242. The Committee directed the Department to conduct inquiry coupled with appropriate disciplinary action under E&D Rules against the persons who failed to implement the DAC decision within thirty (30) days.

DP No.2.4.27 OUTSTANDING DUES AGAINST VARIOUS SISTER OFFICES/ STORE KEEPER-Rs. 13.910 MILLION.

AUDIT VERSION

243. The Audit reported that according to Para 26 of GFR Vol-I, it was the duty of the Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in Public Account.

244. During the financial year 2015-16, in the office of Director General Agriculture (Extension) Peshawar, it was noticed that, a sum of Rs.60,55,000/- was outstanding to be recovered as detailed below:-

S. No.	Out-standing against	Amount (In Rs)
1.	DD (Agriculture) Extension D.I.Khan	3,589,450
2.	A.R.I D.I.Khan	30,000
3.	Outstanding on account Machinery	260,550
4.	Outstanding against farmers	1,000,000
5.	Misc: Store	1,042,843
6.	O/Standing against Ex-Store Keeper	132,000
Total		6,055,000

245. Similarly, an amount of Rs.76,61,475/- was also outstanding against different sister offices since long. Sufficient funds were provided to the office every year, but no one cleared the out-standing dues of Model Farm Services Centre (MFSC) D.I.Khan.

246. The Government sustained loss due to weak internal controls and financial indiscipline. When pointed out in December 2016, the Department stated that detailed reply would be furnished after consulting the record.

247. Audit requested the Department, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that the outstanding amount be recovered.

DEPARTMENTAL VERSION

248. The Department explained that the actual amount for recoveries of dues was Rs.50,12,000/- instead of Rs.60,54,843/- and this office has recovered a sum of Rs.50,12,000/- and balance NIL as per detail given below:-

SNo.	Name of Authority	Total Dues	Total recovery	Remarks
1.	DDA DIKhan	3589450	3589450	Amount recovered vide cash Book Page No.30, 65
2.	ARI, DIKhan	30000	30000	Amount recovered vide cash Book Page No.44
3.	Machinery rental	260550	260550	Deposit vide cash Book Page No.34,58,51,69,66,70,75,80,87,91 And Balance amount will be recovered upto 6/2017
4.	Farmers outstanding	1000000	1000000	Deposit vide cash Book PageNo. 42,48,49,50,59,63,70,75,80 and remaining amount will be recovered upto 6/2017.
5.	Ex-Store keeper	132000	132000	-do-
Total		5012000	5012000	
6.	Misc Store	1042843	-	These are Store items which are available in store.
Grand Total		6054843		

249. The Audit party raised the observation that 7.66 Million against the sister Department of MFSC D.I.Khan, While the actual amount was outstanding Rs.6.6 Million at this stage i.e MFSC D.I.Khan earlier received all the outstanding amount against the sister Department vide cash Book Page Nos. was already mention above, is as Vendor duly signed by the facilitation of Model Farm Service Centre at that time.

PAC RECOMMENDATIONS

250. The reply of the Department was convincing, however there was difference in the figures reported by Audit and the Department, The Audit was therefore directed to conduct verification of record and to submit factual position to the PAC within fifteen (15) days. Para stands.

ENVIRONMENT DEPARTMENT

PROCEEDINGS:

Twenty eight (28) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Environment, Forestry & Wildlife Department were taken up for examination by the Public Accounts Committee in its meetings held on 24th and 25th of February, 2022. The following were presents:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|---------------------------------|----------------------------------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman 1 st sitting |
| 2. | Arbab Muhammad Waseem Khan, MPA | Chairman 2 nd sitting |
| 3. | Mr. Salah Uddin, MPA | Member |
| 4. | Mr. Inayatullah, MPA | Member |
| 5. | Mr. Ahmad Kundi, MPA | Member |
| 6. | Mr. Jamshaid Khan, MPA | Member |
| 7. | Dr. Asiya Asad, MPA | Member |
| 8. | Mr. Babar Salim Swati | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Muhammad Javed,
Section Officer.

FINANCE DEPARTMENT

1. Mr. Basharat Ahmad,
Additional Secretary.
2. Mr. Adnan Farid,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Israr-ul-Haq
Director General.
2. Mr. Muhammad Fayaz,
Deputy Director.
3. Mr. Muhammad Javed Afridi,
Assistant Audit Officer.
4. Mr. Jawad Anwar,
Assistant Audit Officer.

ENVIRONMENT DEPARTMENT

1. Mr. Abid Majid,
Secretary.
2. Mr. Shafiullah Khan,
Additional Secretary.
3. Mr. Muhammad Irfan Khan,
Director Audit (F&W).
4. Mr. Zia-ur-Rehman,
Deputy Director (CDEGAD), Forest

5. Mr. Farhad Ali,
DFO, Forest.
6. Mr. Faiz-ur-Rehman,
DFO, Forest.
7. Mr. Muhammad Waseem,
DFO, Swat.
8. Mr. Ijaz-ur-Rehman,
DFO, Forest.
9. Mr. Shahid Noor,
DFO, D.I.Khan.
10. Mr. Altaf Ali Shah,
DFO, Wildlife.
11. Mr. Muhammad Ali Shah,
S.C, Wildlife.
12. Mr. Asif Ali Shah,
DFO, Forest.
13. Mr. Nasar Khan,
Assistant, Forest.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Amjad Ali,
Special Secretary.
2. Mr. Ashtimand,
Deputy Secretary.
3. 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:-

**DP No.7.4.1 MISAPPROPRIATION DUE TO NOT SHOWING 78,084.68 CFT
TIMBER ON STOCK-Rs. 82.390 MILLION.**

AUDIT VERSION

3. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery was taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

4. During the financial year 2015-16, in Divisional Forest Office Dir Upper, it was noticed that various Court cases were decided in favor of Department and the honorable Court imposed penalties on offenders, ordered confiscation of timber and even granted reward to the concerned staff. However, the case property i.e. timber measuring 78,084.68 cft worth Rs.82,390,000/- was not taken in the concerned Timber Form 17 and 07. Thus local office misappropriated the timber worth Rs.8,23,90,000/-.

5. The lapse occurred due to weak internal controls, resulting into misappropriation of Rs.8,23,90,000/-. When pointed out in December 2016, the management stated that detailed reply would be given later on.

6. In the DAC meeting held in December, 2016 on AP No. 410 (2014-15), the Department furnished no satisfactory reply. DAC decided to affect recovery and conduct detailed inquiry. However, no progress was intimated till finalization of the report. Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault and recover value of the misappropriated timbers.

DEPARTMENTAL VERSION

7. The Department explained that during the year 2014-15 and 2015-16 the timber so seized/confiscated by the Department/Courts have already been incorporated and taken into Timber Form-7. Furthermore, it was decided in DAC meeting held on 14, 15 & 26-12-2016 that the Para stands for detail enquiry. In response Deputy Secretary-I, Government of Khyber Pakhtunkhwa Forestry, Environment and Wildlife Department enquired the case.

PAC OBSERVATION

8. The Committee observed with grave concern huge difference in figures reported by Audit and Department, moreover, Inquiry report was not found attached with the Working Paper and only recommendation was incorporated in the Working Paper.

PAC RECOMMENDATIONS

9. The Committee recommended that the Audit, PAC Cell and Department should sit together and to examine complete record of both Audit and Department and to come up with agreed upon figures to PAC. Para stands.

DP No. 7.4.2 MISAPPROPRIATION ON ACCOUNT OF AFFORESTATION-
Rs.8.250 MILLION
AUDIT VERSION

10. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

11. During the financial 2015-16, in the office of Divisional Forest Officer Chitral, it was noticed that under Billion Trees Tsunami Afforestation Project in Khyber Pakhtunkhwa, expenditure of Rs.82,50,000/ was incurred on plantation, detail is as under:-

S.No	Particulars	Area	Amount (Rs)
1.	Barnis Afforestation at Booni	35 Hectors	1,734,000
2.	Balpanch Afforestation	35 Hectors	1,078,500
3.	Markazabad Afforestation	08 Hectors	177,200
4.	Gumbas Afforestation	74 Hectors	2,055,500
5.	Kaldam Afforestation	55 Hectors	1,140,400
6.	Kalkatak Afforestation	34 Hectors	940,000
7.	Shadok Afforestation	14 Hectors	711,700
8.	Kaghozi Afforestation	12 Hectors	416,500
Total			8,253,800

12. The said plantation was physically checked alongwith concerned Range Officer and other staff. It was noticed that only few plants were seen. Thus, the said amount was misappropriated. The lapse occurred due to weak internal controls, resulting into misappropriation of Rs.82,53,800/-. When pointed out in December 2016, the management stated that detailed reply would be submitted later on.

13. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to conduct inquiry and fix responsibility besides recovery from the concerned.

DEPARTMENTAL VERSION

14. The Department explained that during 2015-16 Departmental afforestation was carried out in Chitral Forest Division on close spacing keeping in view the land sliding factor, fragile nature of Chitral mountains and good directives of Hon'ble

Secretary FE&W during September, 2015 visit to Chitral as well as directives of meeting held on 17-01-2017 at Chakdara Rest House. Areas claimed/charged on the basis of No. of plants as evident from the monitoring report. After receipt of monitoring report as well as directives of higher ups the areas have been extended without incurring further expenditure. The PMU accordingly re-measured and monitored the areas. However, it was further mentioned here that the area at S.No.1 due to scarcity/non availability of water was re-allocated to Avilasht and Project Director, BTAP has already requested vide this office No.353-56/B&A, dated 24-07-2018 for verification of the work done. The work has been duly verified by PMU Officer.

15. It was added here that the contention of Audit regarding not holding of DAC was incorrect, as the DAC meeting was convened on 28-03-2017 wherein for the verification of the Audit Para, a Committee was constituted for verification of the Audit observations vide Notification No.B&A/2015-16/AUDIT/DAC/2200-02, dated 09-08-2017 and in compliance of the Notification referred above, Mr. Muhammad Farooq, DFO physically inspected the sites referred to in the Para, furnish his comments/reports which reveals that the plantation raised on the sites were satisfactory.

PAC OBSERVATION

16. The Committee observed that there was huge difference between the contention of Audit and the reply given by the Department, both were insisting on their stance. Moreover, the Committee noticed that PMU submitted its report in May, 2016 and Physical Verification was made by Audit in October/November and DAC meeting was not held till the finalization of Audit Report. The Audit insisted for physical verification/visit of sites involved in Draft Paras pertaining to DFO Chitral.

PAC RECOMMENDATIONS

17. After detailed and hectic discussion, the Committee could not reach to clear conclusion in the matter, therefore, a Sub-Committee comprising of the following was constituted:-

- | | | |
|----|--------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Salah Uddin, MPA | Member |
| 3. | Mr. Inayatullah, MPA | Member |
| 4. | Mr. Ahmad Kundi, MPA | Member |
| 5. | Mr. Jamshaid Khan, MPA | Member |
| 6. | Dr. Asiya Asad, MPA | Member |

18. The Sub-Committee will conduct Physical Inspection of selected sites involved in Draft Paras pertaining to DFO Chitral to ensure that the said afforestation was carried out as per planning and the expenditure made from project funds was justified as per stance of the Department, The Sub-Committee will also examine complete record pertaining to the Paras to ensure that no extra amount from the regular budget was incurred.

19. The Committee will submit its report within thirty (30) days.

DP No. 7.4.3 MISAPPROPRIATION DUE TO MISSING TIMBERS-Rs. 3.730 MILLION

AUDIT VERSION

20. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery was taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

21. During the financial year 2014-15, in the office of Divisional Forest Officer Dir Upper (SDFO Dir Upper), it was noticed that he had taken various quantities of Timber on Timber form-7 of different kinds, but the same were neither shown disposed off nor handed over to depot incharge. Thus, timber valuing Rs.37,30,000/- was misappropriated.

22. The lapse occurred due to weak internal controls, resulting into loss of Rs.37,30,000/-. When pointed out in June 2016, the management stated that detailed reply will be given later on.

23. In the DAC meeting held in December 2016, the Department furnished no satisfactory reply. DAC decided that inquiry be conducted and recovery be affected from the person(s) at fault. However, neither inquiry conducted nor any progress regarding recovery intimated till finalization of the report. Audit recommends that DAC decision be implemented.

DEPARTMENTAL VERSION

24. The Department explained that the reported Timber have already been taken into account and entered in Form- 07 to avoid any chances of mis-appropriation as acknowledged by the Audit party. In the DAC meeting held on 14, 15 & 26-12-2016 it was decided that Para stands for detail inquiry. Accordingly the Deputy Secretary-I, Government of Khyber Pakhtunkhwa Forestry, Environment and Wildlife Department had conducted inquiry into the matter.

PAC OBSERVATION.

25. The PAC observed that inquiry officer in its report result at page-82, reported that timber was entered and disposed off.

PAC RECOMMENDATIONS

26. In view of recommendation of the inquiry report that all the timber had been disposed off, the Para was recommended to be settled subject to verification of complete record alongwith deposit of the timber value into Government Treasury by VOR Committee within thirty (30) days.

DP No. 7.4.4 MISAPPROPRIATION OF 200,509 PLANTS-Rs. 3.334 MILLION.

AUDIT VERSION

27. The Audit reported that according to Para 6.3.21 of the PC-1 of Billion Trees Afforestation Project in Khyber Pakhtunkhwa, the project director will monitor the activities of the project through monitoring and evaluation officers. Monitoring through GIS, fixed point topography (pre, during and post activity) and physical verification will be carried out.

28. During the financial year 2015-16, in Divisional Forest Office Chitral, under the Billion Trees Afforestation Project the local office showed 658 Hectares of afforestation in different locations of the division. During physical verification by Monitoring Team of the Project alongwith GIS expert, it was noticed that 186.52 hectares was shown in excess, as compared to the actual afforestation measured through GIS, which were claimed on Muster Rolls. As per approved PC-1, 1075 plants should be planted in one hectare. As per calculation the local office showed 200,509 excess plants

utilized (186.52 hectares x 1075 plants) costing in excess Rs.33,34,465/- (200,509 plants @ Rs.16.63 per plant = Rs.33,34,465) as compared to actual utilization.

29. The lapse occurred due to weak internal controls, resulting into misappropriation of Rs.33,34,465/-. The excess utilization leads to misappropriation. When pointed out in December 2016, the management stated that detailed reply would be submitted later on.

30. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault, besides recovery from the concerned.

DEPARTMENTAL VERSION

31. The Department explained that the plea of the Audit that DAC was not convened was incorrect. Actually the DAC meeting was convened on 28-03-2017, and vetted minutes were received from Director General Khyber Pakhtunkhwa Peshawar vide their letter No. Audit DAC/Environment/2015-16/199 dated 20-06-2017.

32. The spacing in most plantation area has been reduced as per ground reality by concerned field staff in order to mitigate failure of plants due to extreme and climatic condition, bad soil nature and fragile topography of District Chitral. The plantation condition with close spacing as reported by Monitoring Officer BTAP and Working Plan Unit-IV was satisfactory. They also acknowledged the success of plantation in the monitoring reports. On the other hand due to close spacing No. of plants per hectare increased. Therefore the plants hectare commensurate with the work done. Furthermore the areas have extended and PMU BTAP has been asked to re-measure the same. Moreover, honorable Secretary FE&W during his visit to Chitral in September, 2015 directed field formations for close spacing plantation in wake of fragile nature of mountains as well as land sliding factor. The good directives of Secretary FE&W on 17-01-2017 at Chakdara Rest House further authenticate the close spacing. Hence no misappropriation of plants has been made.

PAC RECOMMENDATIONS

33. In view of the plausible explanation advanced by the Department, duly endorsed by the Audit, the Para was recommended to be settled.

DP No. 7.4.5 MISAPPROPRIATION DUE TO UNAUTHORIZED PAYMENT TO THE OWNERS OF PRIVATE NURSERIES-Rs. 3.320 MILLION.
AUDIT VERSION

34. The Audit reported that as per clause 6 of the agreement executed between nursery growers and forest Department the payment will be made in three installments as per following conditions:-

- a. The first installment of 25% of payment will be made upon reserving of land, completion of earth work, procurement of seeds, sowing, dully verified by the Committee constituted by the D.F.O. concerned.
- b. Second installment of 25% of payment will be made upon completion of 80% of work dully verified by the Committee constituted by the D.F.O. concerned.
- c. Final payment will be made on actual receipt of standard quality of plants after deducting the amount granted in 1st and 2nd installments.

35. During the financial year 2014-15, in Divisional Forest Office Dir Upper, contracts were awarded to 55 farmers for raising 55 nurseries. The record revealed that only 31 farmers provided plants to the Department as per agreements signed by them while the remaining 24 farmers defaulted. The record also showed that an amount of Rs.10,87,551/- was paid in advance as 1st and 2nd installments without conducting survey and physical inspections of the nurseries. No report of the internal Committee regarding inspections and their comments were available on record. Moreover, the Department itself had issued notices to all these 24 defaulters on 06-05-2016 for refund of Government money on account of default i.e. after 15 months of release of the said payment. The Bank Statement shows that cash payments were drawn from the bank instead of cross cheques.

36. The lapse occurred due to weak internal controls, resulting into misappropriation of Rs.33,20,000/-. When pointed out in June 2016, it was stated that detailed reply would be given later on.

37. In the DAC meeting held in December 2016, the Department stated that 55 units of private nurseries were raised under proper agreement. First and second installments and final 50% payment has been made in 2015-16, through cross cheques for 1087,551 plants against the agreements of 1,375,000 plants. The DAC, however, disagreed and decided to conduct detailed inquiry and affect recovery. However, neither

inquiry conducted nor recovery effected till finalization of the report. Audit recommends implementation of DAC decision.

DEPARTMENTAL VERSION

38. The Department explained that 55 units of private Bare rooted and tube nurseries were raised under proper agreement in light of approved PC-I. Mobilizations (1st) installment for the said nurseries was paid on execution of agreement to the farmers and second installment during May/June, 2015. The final 50% payment has been made to the nursery growers only for fit planting stock only through crossed cheques and payment for 1087,551 plants actually produced by the farmers against agreed of 1375,000 Nos plants has made after Internal, External monitoring & 3rd party validation by Experts carried out. Thus this office has made payment of receipt fit plants only from the said owners. In the DAC meeting held on 14, 15 & 26-12-2016 it was decided that Para stands for detail inquiry. Accordingly the Deputy Secretary-I, Government of Khyber Pakhtunkhwa Forestry, Environment and Wildlife Department conducted inquiry into the matter.

PAC RECOMMENDATIONS

39. The Para was recommended to be settled subject to verification of record in support of departmental reply by the VOR Committee within thirty (30) days.

DP No. 7.4.6 MISAPPROPRIATION DUE TO MISSING TIMBER-Rs.4.521 MILLION.

AUDIT VERSION

40. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery was taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

41. During the financial year 2014-15, in the office of Divisional Forest Officer Dir Upper, the SDFO Darora Dir Upper had taken various quantities of Timber on Timber Form 05 of various species, valuing Rs.21,20,000/- but it was noticed that the same were neither shown disposed off, nor recorded in the Timber form 07 of the depot.

Moreover, in the same office timber confiscated from un-known offenders of kail and fir measuring 858.53 cft valuing Rs.19,00,260/- was missing in the concerned timber form-17. While transportation charges were claimed on the said quantities of timber. No entries of the said timber were found in other timber registers. Thus the quantities of timber amounting to Rs.40,20,260/- were misappropriated.

42. Furthermore Compensation Cases Register and Timber Form-7 of Fateh Pur and Matta Sub Division in DFO Swat, various quantities of confiscated Fir & Kail were shown confiscated from the forest offender and reflected in compensation Cases register, however, these quantities were not shown in Timber Form-7 of the same Range nor in the stock of Central Depot. As such, where about of the timber valuing Rs.5,00,975/- was not known and, thus, misappropriated. The lapse occurred due to weak internal controls, resulting into loss of Rs.45,21,235/-. When pointed out in January 2016, it was stated that detailed reply would be furnished later on.

43. In the DAC meeting held in December 2016, the Department gave a lengthy reply. DAC disagreed and decided that inquiry be conducted and recovery be made. However, till finalization of the report no progress was intimated. Audit recommends implementation of DAC decision.

DEPARTMENTAL VERSION

44. The Department explained that the timber in question has already been taken into Form-7 showing receipt and disposed. In the DAC meeting held on 14, 15 & 26-12-2016 it was decided that Para stands for detail inquiry. Accordingly the Deputy Secretary-I, Government of Khyber Pakhtunkhwa Forestry, Environment and Wildlife Department conducted inquiry into the matter.

PAC RECOMMENDATIONS

45. The Para was recommended to be settled subject to verification of record in support of departmental reply by the VOR Committee within thirty (30) days.

DP No.7.4.7 MISAPPROPRIATION ON ESTABLISHMENT OF TUBE NURSERIES- Rs. 2.32 MILLION.

AUDIT VERSION

46. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

47. During the financial year 2015-16, in the office DFO Chitral, an expenditure of Rs.12,19,200/- was incurred on the establishment of two tube nurseries at Damik and Rs.11,00,000/- at Chumor Kon respectively. The record revealed that the amount was utilized on 10,00,000 polythene bags and seeds of different species, but concerned material Form-7 revealed that neither such items were issued to the said nurseries, nor any other source was shown to Audit. The said nurseries were physically checked and it was observed that instead of hand watering, flood irrigation was done, due to which most of the polythene bags were lying empty and the plants could not germinate. Even at the time of physical verification of the nurseries, it was seen that flood irrigation was started, while expenditure was claimed on hand watering.

48. The lapse occurred due to weak internal controls, resulting into misappropriation of Rs.23,20,000/-. When pointed out in December 2016, the management stated that detailed reply would be submitted later on.

49. The Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

50. The Department explained that the entries of polythene bags and seed of different species were available in the relevant Material Form No.7 Drosh North and Chitral Forest Sub-Divisions which shows proper entry of the polythene bags and various seed.

51. The version of Audit that flood irrigation was observed was incorrect as 4,48,510 plants in Chumor kun and 10,00,000 Nos. of plants in Damik Tube nurseries have been produced and utilized as per nursery journal. If the flood irrigation would have been made then the No. of plants would not have been produced.

52. It is pertinent to mention here that the plea of the Audit that DAC was not convened was incorrect. Actually the DAC meeting was convened on 28-03-2017 and vetted minutes were received from Director General Khyber Pakhtunkhwa Peshawar vide their letter No. Audit DAC/Environment/2015-16/199 dated 20-06-2017.

53. Accordingly the Administrative Department vide Notification No.B&A/2015-16/Audit/DAC/2200-02 dated 09-08-2017 appointed Mr. Muhammad Farooq, DFO as Inquiry Officer to conduct inquiry and submit report. The Inquiry Officer conducted inquiry, visited the sites and furnished his comments/reports pertaining to Advance Para No. 14, which reveals that due to expiry of land agreement 91,010 No. plants shifted from Chumor kun nursery to Jutilasht nursery, out of which 59,350 No. plants available on spot for further distribution free of cost amongst the communities. Misappropriation of plants could not be inferred.

PAC RECOMMENDATIONS

54. As identical issues are involved, the Para was therefore referred to Sub-Committee already constituted vide Draft Para No.7.4.2. (2016-17).

DP No.7.4.8 MISAPPROPRIATION ON ACCOUNT OF WALNUT BARE ROOTED NURSERY-Rs. 1.160 MILLION.

AUDIT VERSION

55. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

56. During the financial year 2015-16, in the office of DFO Chitral, an expenditure of Rs.11,60,000/- was incurred on leveling, layout, preparation of flat beds , watering and watch and ward of bare rooted nursery at Drosh North and Moroi Sub Divisions under Billion Trees Afforestation Project in Khyber Pakhtunkhwa. The said bare rooted nurseries were physically checked alongwith concerned Range Officer and other staff, wherein it was observed that more than 80% nursery was empty of plants. The amount was drawn on watering, weeding, watch and ward but no such activities were seen on field and the whole nursery was full of grass and weeds.

57. The misappropriation occurred due to weak internal controls. When pointed out in December 2016, the management stated that detailed reply would be submitted later on. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to conduct inquiry, fix responsibility and recover the amount from concerned.

DEPARTMENTAL VERSION

58. The Department explained that the plea of the Audit that DAC was not convened 4was incorrect. Actually the DAC meeting was convened on 28-03-2017, and vetted minutes were received from Director General Khyber Pakhtunkhwa Peshawar vide their letter No. Audit DAC/Environment/2015-16/199 dated 20-06-2017. The following nurseries were raised in Drosh North Forest Sub-Division and Moroi Booni Forest Range:-

S.No.	Name of Sub-Division/Range	Area (ha)	No. of plants produced
1-	Drosh North Forest Sub-Division office on Government land	1.0 Walnut nursery	98,800
2-	Booni Forest Range	0.404 ha Moroi B/root	47000

59. Photo copies of nursery journal of above nurseries were available, which clearly shows production and utilization of the plants in the nurseries and also negate the plea of Audit regarding observing of 80% failure of nursery.

60. The observation of Audit was incorrect, as 1,45,800 No. of plants have been produced in the said nurseries and further utilized as per Nursery Journals. Furthermore in compliance Notification No.B&A/2015-16/Audit/DAC/2200-02 dated 09-08-2017. Mr. Muhammad Farooq, DFO has also negate the Audit observations.

PAC RECOMMENDATIONS

61. As identical issues are involved, the Para was therefore referred to Sub-Committee already constituted vide Draft Para No.7.4.2. (2016-17).

**DP No. 7.4.9 LOSS DUE TO ILLICIT CUTTING OF FOREST TREES-
Rs.235.530 MILLION.**

AUDIT VERSION

62. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

63. During the financial year 2015-16, in the office of Divisional Forest Office Dir Upper, it was noticed that in Darora Range Office at Kadi Khel 1,401 numbers of trees measuring 86,781 cft amounting to Rs.2,16,95,000/- and 79 number of trees measuring 7,340 cft amounting to Rs.18,35,000/- in the area of SDFO Warrai were illicitly cut. The damage reports were registered against the offenders, however, no timely action was taken by the Department to control the illicit cutting of timber, which resulted into loss of Rs.2,35,30,000/- (Rs.21,695,000 + Rs.1,835,000).

64. The lapse occurred due to weak internal controls, resulting into loss of Rs.2,35,30,000/-. When pointed out in December 2016, it was replied that reply would be given later on.

65. Audit requested the Department repeatedly through DO letters, for holding of the DAC meeting; however DAC meeting was not convened till finalization of the report. Audit recommends conducting inquiry, fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

66. The Department explained that the plea of the Audit that DAC was not convened was incorrect. Actually the DAC meeting was convened on 28-03-2017, and vetted minutes were received from Director General Khyber Pakhtunkhwa Peshawar vide their letter No. Audit DAC/Environment/2015-16/199 dated 20-06-2017.

67. It was stated that the subject forests are disputed amongst concessionists of three villages and to establish their stake, the disputing parties resort to illegal cutting of trees. For the illegal cutting of trees by the outlaws, in time legal action have been initiated by the Forest staff by chalked out 63 Nos. of damage reports during the year,2015-16 as per provision of Forest ordinance 2002. Against which 19 Nos. cases decided by Courts and fine recovered from the offenders worth Rs. 2,42,000/-.

68. Furthermore the Forests have been declared as un-controlled vide working plan page-21. Keeping in view the Forest also forfeited by the Revenue Department decision. No irregularity was involved.

PAC RECOMMENDATIONS

69. Referred to Sub Committee already constituted vide Draft Para No. 7.4.2 (2016-17)

DP No.7.4.10 LOSS DUE TO ILLEGAL USE OF FOREST TIMBER-Rs.6.844 MILLION.

AUDIT VERSION

70. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

71. During the financial year 2015-16, in Divisional Forest Office Dir Upper, two damage reports were registered against the contractors of wood bridges at Akhgram and Sadiqabad for illegal utilization of forest timber. Detail is as under: -

(Rs)

S#	Name of offender	Area	DR No	Date	Type	Cft	Rate	Amount
1.	Riaz Shoib	Akhgram	64/94	21.08.2015	Deodar	1676.43	3,000	5,029,290
2.	Fayaz	Sadiqabad	65/94	23.08.2015	Kail	726.07	2,500	1,815,175
Total								6,844,465

72. The damage report revealed that contractors had used forest timber for construction of bridges. However, the matter was reported very late i.e. after construction of bridges. Thus, the Government sustained a loss of Rs.68,44,465/- due to negligence of the Department. The lapse occurred due to weak internal controls, resulting into loss of Rs.68,44,465/-. When pointed out in December 2016, the management stated that detailed reply would be given later on.

73. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit commends to conduct inquiry, fix responsibility against the person(s) at fault besides recovery.

DEPARTMENTAL VERSION

74. The Department explained that the plea of the Audit that DAC was not convened was incorrect. Actually the DAC meeting was convened on 28-03-2017, and vetted minutes were received from Director General Khyber Pakhtunkhwa Peshawar vide their letter No. Audit DAC/Environment/2015-16/199 dated 20-06-2017.

75. The action has been taken against the contractor by chalking damage report No.64/94 and 65/94 and subsequently the Court of Forest Magistrate decided the case and fined the accused to the tune of Rs.50,000/-

PAC OBSERVATION

76. The Committee observed that penalty was imposed for the misdeed, but recovery of the Government assets was totally ignored. The Committee also observed irresponsible attitude of the Department for not contesting the case properly in the Court of Law.

PAC RECOMMENDATIONS

77. In view of the above, the Committee recommended initiating action leading to recovery of the amount involved from the cornered officer(s), after fixing responsibility for not safeguarding the rights of the Government and also not challenging the decision of Assistant Commissioner in the Apex Court of Law.

DP No.7.4.11 LOSS DUE TO PAYMENT TO NEGAHBANS OF CLOSURES- Rs.6.77 MILLION.

AUDIT VERSION

78. The Audit reported that according to Para 6.3.1 of PC-1 of Billion Trees Afforestation Project, closures of depleted forest will be made for four years to support recovery of landscape and natural re-generation of forests. Those compartments will be

selected which has a density upto 25%. The DFO concerned will hand over the baseline compartment and technical feasibility to the Directorate.

79. During the financial year 2015-16, in Divisional Forest Office Chitral, an expenditure of Rs.67,70,000/- was incurred on payment of salaries to the Negahbans of closure under project Billion Trees Tsunami Afforestation Project in Khyber Pakhtunkhwa. As per PC-1, it was required that those sites should have been selected for closures where upto 25% mother trees are present. However, upon physical verification of few selected sites, the following shortcomings were observed:-

- i. The sites selected were not fit for closures as mother plants were not available for which closures were made.
- ii. No clear demarcations of closures were made.
- iii. In sites, that were visited, not a single plant was available.
- iv. No watcher was available on site and animals were grazing freely in the area, on the other hand, monthly salaries of negabhans @ Rs.15,000 per month were shown regularly paid.
- v. No technical sanction or feasibility study was carried out on the selection of these sites.

80. The lapse occurred due to weak internal controls, resulting into loss of Rs.67,70,000/-. When pointed out in December 2016, the management stated that detailed reply would be submitted later on. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault, besides recovery from the concerned.

DEPARTMENTAL VERSION

81. The Department explained that the plea of the Audit that DAC was not convened was incorrect. Actually the DAC meeting was convened on 28-03-2017, and vetted minutes were received from Director General Khyber Pakhtunkhwa Peshawar vide their letter No. Audit DAC/Environment/2015-16/199 dated 20-06-2017.

82. All the closures were established by the Wildlife Department Chitral (except 32 established by Forest Department). The advance Para No.2 was sent to DFO Wildlife Chitral Vide this office letter No.4550/B&A dated 01-02-2017. In response the DFO Wildlife has submitted reply vide his letter No.2256/WLC dated 10-02-2017. Pictures of Negahban have been taken by Audit Officer, which shows their presence.

83. The observations of the Audit were incorrect, as proper feasibility of each site was conducted by Wildlife Department Chitral and the areas were properly demarcated, result of the closure was encouraging as per Monitoring Report of WWF.

84. Secretary, FE&W instructed during 9th Project Steering Committee meeting for revised criteria of selection of closure sites as well as directives of the meeting held on 01-02-2017 at Shagai Forest Rest House Swat.

PAC RECOMMENDATIONS

85. In view of the explanation advanced by the Department, the Para was recommended to be settled, subject to verification of payment made to Negahbans and WWF report by Audit within thirty (30) days.

DP No.7.4.12 LOSS DUE TO FAILURE OF 140 HECTORS AFFORESTATION- Rs. 3.007 MILLION.

AUDIT VERSION

86. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

87. During the financial year 2015-16, in the office of DFO Dir Upper, an expenditure of Rs.30,07,000/- was incurred on 140 hectares afforestation at Ushirai Darora Range under Billion Trees Afforestation Project. The said plantation was physically checked alongwith concerned Range Officer, it was noticed that only few plants were available and most of the plants were dry. On the other hand, watch and ward were claimed throughout the year.

88. When pointed out in December 2016, the management stated that detailed reply would be given later on.

89. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault, besides making good the loss.

DEPARTMENTAL VERSION

90. The Department explained that the plea of the Audit that DAC was not convened was incorrect. Actually the DAC meeting was convened on 28-03-2017, and vetted minutes were received from Director General Khyber Pakhtunkhwa Peshawar vide their letter No. Audit DAC/Environment/2015-16/199 dated 20-06-2017.

91. In light of the decision arrived in DAC meeting, report of verification/inquiry furnished vide Conservator of Forests Malakand West Forest Circle Timergara office endorsement No.430-33/B&A dated 18-07-2017 alongwith its recommendation, the beating up of failure was carried out in due course of time.

PAC RECOMMENDATIONS

92. The Para was referred to the Sub-Committee already constituted vide Draft Para No.7.4.2 (2016-17) as identical issue was involved.

DP No.7.4.13 LOSS DUE TO NON-MAINTENANCE OF BARE ROOTED NURSERIES-Rs. 2.430 MILLION. AUDIT VERSION

93. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates

94. During the financial year 2015-16, scrutiny of accounts record of DFO Dir Upper, revealed that an expenditure of Rs.24,30,000/- was incurred on leveling, layout, preparation of flat beds and watch and ward of bare rooted nurseries at Makhai (A & B) under project Billion Tree Afforestation Project in Khyber Pakhtunkhwa.

95. The said bare rooted nurseries were physically checked alongwith concerned Range Officer and other staff, wherein it was observed that large area of nursery was empty and no proper germination of plants occurred. As evidence from a few snap shots taken, which shows the actual position of nursery. When pointed out in December 2016, the management stated that detailed reply would be given later on.

96. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault, besides recovery of loss.

DEPARTMENTAL VERSION

97. The Department explained that these nurseries have been raised and maintained as per standard nurseries techniques bases on silvicultural principles adopted in the Department, duly monitored/evaluated by internal, external professionals as per technical parameters provided in the approved PC-I but no irregularities observed.

98. The nurseries raised on 2.4 Hectares (A+B) area have produced 297000 numbers Planting stock against the target of 296520 No fixed in the PC-1, Nursery journal.

99. In the DAC meeting held on 28-03-2017 it was decided that Para stands for detail inquiry. Accordingly DFO Peshawar conducted inquiry into the matter.

PAC RECOMMENDATIONS

100. The Para was referred to the Sub-Committee already constituted vide Draft Para No.7.4.2 (2016-17) as identical issue was involved.

DP No.7.4.14 LOSS DUE TO FAILURE OF AFFORESTATION-Rs. 1.780 MILLION.

AUDIT VERSION

101. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

102. During the financial year 2015-16, in the office of Divisional Forest Officer Chitral, it was noticed that under project Billion Trees Tsunami Afforestation Project in Khyber Pakhtunkhwa Rs.17,80,000/- was utilized for plantation at Dondigal, Sweer and Sweer Lasht Sub Divisions.

103. The said plantations were physically checked alongwith concerned staff, it was observed that no such plantation existed on the spot and partial plants were found.

The SDFO was asked about the failure of plantation, he replied that plantation of Robinia failed and now it will be replaced with other plants. It was, further, observed that more than 50% area was empty and only pits were dug while no plantation was carried out. When pointed out in December 2016, the management stated that detailed reply would be submitted later on.

104. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault and recover the amount.

DEPARTMENTAL VERSION

105. The Department explained that the plea of the Audit that DAC was not convened was incorrect. Actually the DAC meeting was convened on 28-03-2017, and vetted minutes were received from Director General Khyber Pakhtunkhwa Peshawar vide their letter No. Audit DAC/Environment/2015-16/199 dated 20-06-2017.

106. Three Block Plantation was carried out as per following detail in Phase-II, under BTAP:-

S.No	Name of Areas	Extent of Areas
1-	Dondigal	34 Ha
2-	Sweer	15 “
3-	Sweer lasht	10 “
Total		59 Hectare

107. The observation of Audit was incorrect as the Audit has visited the plantations during autumn season where it was difficult to distinguish between living and dead plants. The area have been properly monitored by Monitoring & Evaluation Officer BTAP who reported 80-85% survival and the same areas were re-checked in compliance of Notification No.B&A/2015-16/Audit/DAC/2200-02 dated 09-08-2017 by Mr. Muhammad Farooq DFO, who has also verified the replacement of failure and plantation as satisfactory.

PAC RECOMMENDATIONS

108. As identical issues are involved, the Para was therefore referred to Sub-Committee already constituted vide Draft Para No.7.4.2. (2016-17).

**DP No.7.4.15 LOSS ON AZORDAM AFFORESTATION ON DISPUTED LAND-
Rs. 2.340 MILLION**

AUDIT VERSION

109. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

110. During the financial year 2015-16, in the office of DFO Chitral, an expenditure of Rs.23,40,000/- was incurred on 75 hectares Azordam Drosh North afforestation under Billion Trees Afforestation Project. It was further noticed that the afforestation was carried out on disputed land of Qzai Tribe and Khania Tribe and no agreement was made with any tribe.

111. During physical verification of site it was noticed that only partial plants were available and most of pits were empty, pictures of the same were taken as evidence. When pointed out in December 2016, the management stated that detailed reply would be submitted later on.

112. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to conduct inquiry, fix responsibility besides recovery from the concerned.

DEPARTMENTAL VERSION

113. The Department explained that the plea of the Audit that DAC was not convened was incorrect. Actually the DAC meeting was convened on 28-03-2017, and vetted minutes were received from Director General Khyber Pakhtunkhwa Peshawar vide their letter No. Audit DAC/Environment/2015-16/199 dated 20-06-2017.

114. Despite, the dispute, all stake holder were agreed for rehabilitation and development of area without executing formal agreement as the matter was subjudice before the Court and any sort of agreement may affect the Court proceedings; while on the other hand the area was vulnerable and subject to soil erosion and urgent rehabilitation was needed. Therefore keeping in view the larger national interest and on

informal consensus of the stake holders, the area was taken up. The plantation was successful and has now transformed into forest.

115. The Audit observation regarding the status of plantation was in-correct based on monitoring report of BTAP, and has also been monitored by Mr. Muhammad Farooq, DFO in compliance with Notification No.B&A/2015-16/Audit/DAC/2200-02 dated 09-08-2017 which has reported the area as fully stocked.

PAC RECOMMENDATIONS

116. As identical issues are involved, the Para was therefore referred to Sub- Committee already constituted vide Draft Para No.7.4.2. (2016-17).

DP No.7.4.16 LOSS DUE TO ILLEGAL CUTTING OF TREES-Rs. 2.04 MILLION.

AUDIT VERSION

117. The Audit reported that according to Para 20(i) of GFR Vol-I, all losses of Government property shall be reported to higher ups as well as to Director General Audit for investigation.

118. During the financial year 2014-15, the DFO Dir Upper, conducted an inquiry against the illegal cutting of 13 Kail trees at Ushri Kadi Khel Forest Compartment No.1 Dharora Sub Division and the Secretary of Environment Department took serious action against the person(s) at fault and issued charge sheet and order to recover the illegally cut 13 kail tress (1360 cft) amounting to Rs.20,40,000/- (1360 cft×1500 per cft). However, neither the same was recovered nor any action was taken against the offenders.

119. The lapse occurred due to weak internal controls, resulting into loss of Rs.20,40,000/-. When pointed out in June 2016, it was stated that detailed reply would be given later on.

120. In the DAC meeting held in December 2016, the Department stated that the said inquiry was under process and recovery will be made from the person(s) at fault. DAC decided that inquiry be expedited and recovery be effected from the person(s) at fault. However, till finalization of the report no progress was intimated. Audit recommends that DAC decision be implemented.

DEPARTMENTAL VERSION

121. The Department explained that locals of the area are allowed to obtain timber for their domestic uses from the protected forests as per rules and for violation of law/rules, the Forest staff initiated legal action against the forest offenders for the 13 Nos Kail tree found by Secretary Environment as freshly cut and unattended by field staff in compartment No.01 Kadikhel. Charge sheets have been issued and disciplinary proceeding has already been decided and awarded penalty.

122. In the DAC meeting held on 14, 15 & 26-12-2016 it was decided that Para stands for detail inquiry. Accordingly the Deputy Secretary-I, Government of Khyber Pakhtunkhwa Forestry, Environment and Wildlife Department was conducted inquiry into the matter.

PAC RECOMMENDATIONS

123. The decision of DAC as reflected in the Draft Para was endorsed by the Committee. The Committee recommended that the inquiry for fixing responsibility and action leading to recovery against the persons at fault may be initiated within thirty (30) days. Para Stands.

DP No.7.4.17 NON-RECOVERY OF ILLEGAL STOCKING OF 3891.39 CFT TIMBER-Rs. 6.630 MILLION.

AUDIT VERSION

124. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery was taken and they should be taken in charge by a responsible officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

125. During the financial year 2014-15, the Divisional Forest Office Upper Dir, had conducted an inquiry against the illegal stocking of timber in different sawmills and the Secretary of Environment Department took serious action against the person(s) at fault and issued charge sheets. He further ordered to recover the illegal stock of 3891.39 cft timber amounting to Rs.66,30,000/-. Detail as below:-

					(Rs)
S.No	Name	Type	Quantity	Rate	Amount

1.	Ightizaz Khan Saw Mill	F/spruce	1,529.94	1,800	27,53,892
2.	Khaista Muhammad Saw Mill	-do-	1,697.75	1,800	30,55,950
3.	Muhammad Amin & Saeed-ur-Rehman Saw Mill	Deodar Kail	36 348.77	2,500 2,100	90,000 7,32,417
Total					66,32,259

126. The relevant record revealed that still the said timber were neither recovered nor taken on respective Timber Form-07 of the local office, due to which the public exchequer sustained a loss of Rs.66,30,000/-. The lapse occurred due to weak controls, resulting into loss of Rs.66,30,000/-. When pointed out in June 2016, it was replied that reply would be given later on.

127. In the DAC meeting held in December 2016, the Department replied that inquiry was under process for appropriate action against the responsible officers/officials. DAC decided that inquiry be expedited and report be submitted, besides recovery from the concerned. However, neither inquiry conducted nor any progress regarding recovery intimated till finalization of the report. Audit recommends to implement DAC decision.

DEPARTMENTAL VERSION

128. The Department explained that although 3891.39 cft timber was seized and out of which 1018.27 cft timber was recovered, transported to Central Timber Depot and disposed off, but the remaining could not be recovered due to law and order situation in the area. An enquiry has been conducted by Secretary Environment. Penalties were awarded against the field staff.

129. In the DAC meeting held on 14, 15 & 26-12-2016 it was decided that Para stands for detail inquiry. Accordingly the Deputy Secretary-I, Government of Khyber Pakhtunkhwa Forestry, Environment and Wildlife Department was conducted inquiry into the matter.

PAC RECOMMENDATIONS

130. The decision of DAC as reflected in the Draft Para was endorsed by the Committee. The Committee recommended that the inquiry for fixing responsibility

and action leading to recovery against the persons at fault may be initiated within 30 days. Para Stands.

DP No.7.4.18 NON-RECOVERY OF GOVERNMENT OUTSTANDING DUES FROM FDC-Rs. 3.645 MILLION.

AUDIT VERSION

131. The Audit reported that according to Para 26 of GFR Vol-1, it is the duty of the departmental controlling officer to see that all sums due to the Government are regularly and promptly assessed, realized and dully credited in the public account, no amount due to Government should be left outstanding without sufficient reason.

132. During the financial year 2014-15, in Divisional Forest Officer Swat, dry and wind fallen trees were marked for harvesting to Forest Development Corporation. The Corporation harvested the trees but 40% Government Share, duty, extension fee and fine of total amounting to Rs.36,45,000/- was still outstanding.

133. The lapse occurred due to weak internal controls, resulting into delay in deposit of Rs.36,45,000/-. When pointed out in January 2016, the management replied that due to law and order situation and floods of 2010, the work of FDC was completely stopped. The amount will now be recovered.

134. In the DAC meeting held in December 2016, the Department furnished its earlier reply. DAC decided that outstanding amount be recovered. Audit recommends to recover the amount.

DEPARTMENTAL VERSION

135. The Department explained that full recovery on account of Government share, extension fee, duty, fine etc. has been received from FDC. However, detail of all recovered amount from FDC upto 30-11-2019 are furnished as under: -

Extension Fee –Rs. 5000/- (Lot No. 538/M).

The extension fee of Rs. 5000/- was imposed by this office for an inoperative period which has no provision in the agreement. However, a sum of Rs.1,10,218/- imposed by Forest Department for operative period dully covered in the agreement was received form MFO FDC vide his letter No. FDC/MFO/Mkd/III-24-29-2012 dated 13-11-2008.

40% Government Share of Rs. 6,35,630/- (Lot No. 566/M).

The position of royalty paid in the lot has been received from MFO FDC Swat vide letter No.566/M/1755 dated 08.11.2017, Treasury Challan No. 507 dated 06-11-2017.

Duty Rs. 5,00,760/- (Lot No. 566/M).

The relevant record revealed that total of 18962.38 Cft timber was extracted/ transported to market in the lot No.566/M, and total payable duty for Rs.5,00,760/-, which has already been paid to this office by FDC and nothing was outstanding against FDC in the lot, vide T/C No. 507, dated 06-11-2017.

40% Government Share Rs. 4,54,800/- (Lot No. 587/M).

The relevant record revealed that Rs.3,06,700/- has paid by MFO FDC vide Treasury Challan No.329, dated 23-10-2014 against the installment amount of Rs.4,54,800/-. The balance amount of Rs.1,48,100/- was retained for the timber lifted by Security Forces/Taliban/Flood in the light of decision taken by the FDC Board of Directors in its 45th meeting held on 02-10-2017.

Extension fee - (Lot No. 587/M).

The extension fee of Rs.38,235/- has already been released vide cross cheque No. 85258296, dated 06.02.2012 received vide MFO FDC office letter No. III-2519/777, dated 08-02-2012.

Fine Rs. 8,54,763/- (Lot No. 588/M).

The penalty amount of Rs. 8,54,763/- for 197 Cft was reduced by the Arbitrator to one time i.e. Rs.1,42,461/- as per arbitrator award vide SO (Tech)ED/V-413/09/KC-4307, dated 05-01-2016. The amount of Rs.1,42,461/- was released from MFO FDC and received through cross cheque No. 0000204 dated 11-07-2016 sent vide MFO FDC office letter No. III-2502/912 dated 12-07-2016.

Fine Rs. 15,68,880/- (Lot No. 589/M).

The case regarding imposition of fine by Forest Department upon FDC for Rs.15,68,880/- was challenged before the arbitrator as per provision of the agreement. The decision of the arbitrator is awaited as and when decided action would be taken accordingly.

Duty Rs. 37,573/- (Lot No. 590/M).

The relevant record revealed that 92643.50 Cft of timber was extracted/ transported to market, the total amount of duly worth Rs.20,00,469/- has been paid. Nothing is outstanding against FDC on account of duty.

Duty Rs. 27,827/- (Lot No. 591/M).

The relevant record revealed that 112337.20 Cft of timber was extracted/ transported to market in the lot and the Forest Duty calculated on the basis of Market receipts is given as under: -

- | | |
|---|-----------------|
| i- Duty realized | Rs. 27,59,947/- |
| ii- Duty paid to Forest Department upto 23.10.2013, | Rs. 27,94,313/- |

Nothing outstanding against FDC on account of duty.

PAC OBSERVATION.

136. The Committee observed that an identical Draft Para No.5.4.15 for the year 2015-16 has already been settled by the PAC in its meeting held on 8th of October, 2020 and also report has been adopted by the House.

PAC RECOMMENDATIONS

137. In view of the above, the Para was recommended to be settled.

DP No.7.4.19 UNAUTHORIZED EXPENDITURE ON ACCOUNT OF PURCHASE-Rs.1.550 MILLION.

AUDIT VERSION

138. The Audit reported that according to Para 12 of GFR Vol-I, a controlling officer must see not only that the total expenditure was kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided. He must be in a position to assume before Government and the Public Accounts Committee if necessary complete responsibility for departmental expenditures and to explain or justify any instance of excess or financial irregularity that may be brought to notice as a result of Audit security or otherwise.

139. During the financial year 2014-15, in Divisional Forest Office Upper Dir, an expenditure of Rs.8,59,000 million incurred on the purchase of seeds under the project Billion Trees Tsunami Afforestation Project in Khyber Pakhtunkhwa. The record revealed that for the purchase of seeds a centralized tender was floated and rates were approved for all DFOs of Malakand Range. However, it was noted that the local office ignored the lowest approved rates and purchased the same at higher rates from open market without any reason and proper procedures.

140. Moreover, an expenditure of Rs.7,00,000/- was incurred on purchase of plastic shed under project Billion Trees Tsunami Afforestation Project in Khyber Pakhtunkhwa as under:-

	Name of	Cr Nos. &	Item	Purchased	Approved	Diff	Quantity	Amount
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S#	Dealers	Dated		rate per Meter	rate per meter			(Rs)
1.	Asad Ullah Khan, Government contractor	22.06.2015	Plastic shed	328.083	100	228.083	7000 feet or 2133.6 meters	4,86,640

141. The record revealed that for the purchase of plastic shed a centralized tender was floated and rates were approved for all DFOs of Malakand Range. However, the local office ignored the lowest approved rates and purchased the same at higher rates from open market without any reason and proper procedures. The lapse occurred due to weak internal controls, resulting into loss of Rs.15,50,000/-. When pointed out in June 2016, the management stated that detailed reply would be given later on.

142. In the DAC meeting held in December 2016, the Department stated that the purchase was made at the risk and cost of the contractor who defaulted. DAC decided that recovery be affected. However, till finalization of the report no progress towards recovery was intimated. Audit recommends to implement DAC decision.

DEPARTMENTAL VERSION

143. The Department explained that for the purchase of seed, a centralized tender was floated and lowest rate for supply of seed approved by competent authority. However, the approved supplier did not supply requisite seed well in time. Therefore for in time nursery growing being a time bound activity, the field offices were allowed in light of BTAP Focal person (DFO Swat) directives contained vide his No. 3395-403/G, dated 07-04-2015 to procure seed from local collector/supplier consequently the seed purchased on need base at prevailing lowest market rates as and when available with supplier. Due to uncertain supply-demand situation abnormal fluctuations in rates of forest spp seed was a common phenomenon. High rates of seed in the prevailing market was the result of abrupt extra-ordinary demand created due to BTAP activities. Keeping in view the contractor was forfeited the security in favour of Government and also black listed By CCF-III vide office order No.01 dated 28-07-2015.

144. Subsequently the approved contractor was requested to supply plastic shed (Green sheet) vide this office letter No. 6102/G, dated 28-05-2015 and subsequent reminder vide No.6423/G, dated 18-06-2016, but he failed to supply. To safeguards the

newly germinating seedlings in nursery during ongoing summer seasons, 7000 square meter plastic shed (Green sheet) was procure from open market on emergent basis at the same approved tender rate and payment made through cross cheques. All the quantity purchased was duly recorded in material register as 7000 sq. meter and available in nursery under supervision of nursery Incharge, duly inspected by the Audit party.

145. In the bill quantity was erroneously written as 7000 cft instead of 7000 Sq.m which was corrected while recording in the relevant register. No irregularity/violation was involved .

PAC RECOMMENDATIONS

146. The decision of DAC as reflected in the Draft Para was endorsed by the Committee. The Committee recommended that the inquiry for fixing responsibility and action leading to recovery against the persons at fault may be initiated within 30 days. Para Stands.

DP No.7.4.20 IRREGULAR EXPENDITURE ON OUTSOURCE PLANTATION- Rs.2.360 MILLION.

AUDIT VERSION

147. The Audit reported that as per clause-6 of the agreement executed between nursery growers and forest Department the payment will be made in three installments as per following conditions:-

- a. The first installment of 25% of payment will be made upon reserving of land, completion of earth work, procurement of seeds, sowing, dully verified by the committee constituted by the D.F.O. concerned.
- b. Second installment of 25% of payment will be made upon completion of 80% of work dully verified by the Committee constituted by the D.F.O. concerned.
- c. Final payment will be made on actual receipt of standard quality of plants after deducting the amount granted in 1st and 2nd installments.

148. During the financial year 2014-15, in the office of Divisional Forest Officer Upper Dir, a contract of Rs.29,56,000/- was awarded to M/S Manzoor Ahmad Carriage and General Order Supplier under Project Billion Trees Tsunami Afforestation

in Khyber Pakhtunkhwa for outsource plantation at Cheera Gali. Audit raised the following points:-

- i. The site was physically checked alongwith staff of local office, and observed that only partial plants were available in the area. No watcher available to take care of plants and animals were grazing freely at the plantation site.
- ii. As per agreement 80% bare root plants 4 to 5 feet and 20% conifer plants 1 to 1.5 feet were required to have been planted in the said area. Whereas actually no bare root plants were planted in the area and few plants of conifer were found and that too were of a very small size i.e. 5 to 6 inches after one year.
- iii. No inspection report before plantation was carried out by the concerned DFO in which the physical condition and size of plants were mentioned.
- iv. In advertisement it was mentioned that only experienced contractors or farmers were eligible to apply in competition, whereas the contract was awarded to the general order supplier.
- v. As per approved PC 1 and advertisement 50% payment of total amount was subject to the condition that plantation was verified by the concerned office. While the local office made 100% payment of 1st bill i.e. Rs.14,78,125/- and 80% in second running bill i.e. Rs.8,86,875/- out of Rs.14,78,125/-. Thus a total payment of Rs.23,65,000/- out of Rs.29,56,250/- was made without any verification of the plantation, which was unauthorized and violation of PC-1.

149. The lapse occurred due to weak internal controls, resulting into loss of Rs.23,60,000/-. When pointed out in June 2016, it was stated that detailed reply would be given later on.

150. In the DAC meeting held in December 2016, wherein the Department furnished a lengthy reply. However, the DAC was not convinced and decided that a detailed inquiry be conducted and recovery be made. Neither inquiry was conducted nor recovery affected till finalization of the report. Audit recommends implementing the decision of the DAC in letter and spirit.

DEPARTMENTAL VERSION

151. The Department explained that a positive step forward to initiate privatization of Forestry activities and to create healthy competition, out sourcing

plantation was provided in the BTAP phase-1 PC-I (2014-15) on limited scale . Under the same intervention, Dir Upper Forest Division initiated the efforts as pioneer and as per provision of PC-I tender were floated in the leading newspapers for wide publicity. In the first attempt, rate offered by bidders were too high, hence rejected by competent authority. A second attempts was made through re-advertisement and the lowest rates received were processed for approval and accordingly approved by competent authority.

152. As per provision of PC-I, agreement valuing Rs.29,56,250/- for 50 Ha afforestation was executed with the approved contractor on stamp paper. On completion of afforestation work, experts of Internal, external monitors and validation by 3rd party during November 2015, an amount of Rs 23,65,000/- equal to 80% of the contract value as per provision of the PC-I has been paid to the contractors.

153. The remaining 20% contract value amounting to Rs.5,91,250/- of the contractor was still balance and well be paid on successful maintenance of the planting after due monitoring/evaluation as per silvicultural requirements through experts. Experience of contractor was evident from monitoring report of 3rd party validation experts.

154. In the DAC meeting held on 14, 15 & 26-12-2016 it was decided that Para stands for detail inquiry. Accordingly the Deputy Secretary-I, Government of Khyber Pakhtunkhwa Forestry, Environment and Wildlife Department was conducted inquiry into the matter.

PAC RECOMMENDATIONS

155. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.7.4.21 DOUBTFUL EXPENDITURE ON PLANTATION, WATCH & WARD AND WATERING OF PLANTATIONS UNDER FOREST DEVELOPMENT FUND-Rs. 4.170 MILLION.

AUDIT VERSION

156. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured, weighed as the case may be, when delivery was taken, and they should be taken on charge by a responsible government

officer who should see that quantities are correct and their quality was good, and record a certificate to that effect.

157. During the financial year 2014-15, in the office of DFO D.I.Khan, an expenditure of Rs.41,70,000/- was incurred from Forest Development Fund (FDF) on watch & ward and watering of plantations.

158. During physical verification of the above plantation, no such activities were found and not even a single watcher was present on plantation site. While the local office incurred expenditure on watch & ward, and watering of the plantation.

159. The lapse occurred due to weak internal controls, resulting into loss of Rs.41,70,000/-. When pointed out in March 2016, no reply was given by the Department. In the DAC meeting held in December 2016, the Department gave a lengthy reply. DAC decided that inquiry be conducted and recovery be affected. However, till finalization of the report no progress was intimated. Audit recommends implementing decision of the DAC.

DEPARTMENTAL VERSION

160. The Department explained that the Departmental enquiry on Advance Para No. 260-261 conducted by Mr. Farhatullah Khan, Deputy Secretary Forestry Environment & Wildlife Department has been submitted to the Director General Audit Khyber Pakhtunkhwa Peshawar vide Internal Audit Officer Forestry, Environment & Wildlife Department vide letter No. B&A/2014-15/Audit/DAC/8454/WE dated 29-05-2017.

PAC RECOMMENDATIONS

161. In view of the plausible explanation advanced by the Department, the inquiry report found satisfactory and duly endorsed by Audit, the Para was recommended to be settled.

DP No.7.4.22 DOUBTFUL EXPENDITURE ON TUBE AND BARE ROOTED NURSERIES-Rs. 4.08 MILLION.

AUDIT VERSION

162. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured, weighed as the case may be, when delivery was taken, and they should be taken on charge by a responsible government officer who should see that quantities are correct and their quality is good, and record a certificate to that effect.

163. During the financial year 2015-16, in the office of DFO Chitral, an expenditure of Rs.40,80,000/- was incurred on the establishment of following tubes and bare rooted nurseries:-

S.No	Location	Type	Hectares	Amount (Rs)
1.	Nager	Tube	.648	1,598,000
2.	Nagar	Bare Rooted	02	1,488,400
3.	Gahirat	Tube Nursery	0.4047 hector	607,200
4.	Chitoor	Bare rooted	0.595 hector	393,600
Total				4,087,200

164. The record revealed that the amount was drawn for establishment of two nurseries at Nagar and shown utilized on 60,00,000 polythene bags and seeds of different species, but concerned material Form-7 revealed that neither such items were issued to the said nurseries, nor any other source was shown to Audit. During physical verification of the said nurseries, it was observed that most of the polythene bags were lying empty and no plants were raised in beds. Weeding, pricking of plants, shifting, watering, watch & ward of nursery were regularly claimed but no such activities were found on ground.

165. The lapse occurred due to weak internal controls, resulting into loss of Rs.40,87,000/-. When pointed out in December 2016, the management stated that detailed reply would be submitted later on. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to conduct inquiry and fix responsibility against the person (s) at fault, besides recovery.

DEPARTMENTAL VERSION

166. The Department explained that the plea of the Audit that DAC was not convened was incorrect. Actually the DAC meeting was convened on 28-03-2017, and

vetted minutes were received from Director General Khyber Pakhtunkhwa Peshawar vide their letter No. Audit DAC/Environment/2015-16/199 dated 20-06-2017.

- i. The observation of the Audit was incorrect as the nurseries were established the raising of seedless plants which shed their leaves in autumn while the Audit party has inspected the nursery during December 2016 where the plants have no leaves. Material Form-7 of Drosh South and Chitral Sub-Division as well as Nursery Journals of the above nurseries were also entered herewith.
- ii- 100% germination could not be obtained in the 1st sowing, therefore to fully utilize the season 2nd sowing was carried out before autumn where the size of plants were too short to differentiate.
- iii- The nurseries have been monitored by FPMC Monitoring Team BTAP during 6/2016 where the conditions of nurseries were average to good. The advice given in the Monitoring Report were followed to subsequently Second sowing was done accordingly.
- iv- As per Nursery Journal of the various nurseries the following plants have been produced:-

S.No.	Name of nurseries	No. of plants produced
1.	Nagar Tube (0.648 ha).	790000
2.	Nagar B/root (0.2 ha).	247000
3.	Gahirat Tube (0.4047 ha)	457300
4.	Chitoor B/root (0.595 ha)	75000

PAC RECOMMENDATIONS

167. As identical issues are involved, the Para was therefore referred to Sub- Committee already constituted vide Draft Para No.7.4.2. (2016-17).

DP No.7.4.23 DOUBTFUL EXPENDITURE ON WATER LOG AREA PLANTATION-Rs. 1.729 MILLION.

AUDIT VERSION

168. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

169. During the financial year 2014-15, in the office of DFO D.I.Khan, an expenditure of Rs.13,22,800/- was incurred on plantation of 30 hectares water log area

plantation under Billion Trees Tsunami Afforestation Project in Khyber Pakhtunkhwa as follows:-

S#	Particulars.	Cr. No.	Months	Amount (Rs)
1.	30 Hac Water Log KiriKhisore	No.01/PHP of 12/2014	12/2014	4,18,600
		No.04/PHP of 01/2015	01/2015	55,200
		No.05/PHP of 02/2015	02/2015	53,600
		No.05/PHP of 03/2015	03/2015	52,800
		No.13/PHP of 04/2015	04/2015	32,800
		No.06/PHP of 05/2015	05/2015	59,600
		No.04/PHP of 06/2015	06/2015	80,400
2.	6 Hac Athog KiriKhisore	No.06/PHP of 02/2015	02/2015	85,600
	20 Hac -do-	No.09/PHP of 03/2015	03/2015	2,42,600
	-do-	No.14/PHP of 04/2015	04/2015	46,400
	-do-	No.05/PHP of 05/2015	05/2015	80,400
	-do-	No.03/PHP of 06/2015	06/2015	1,14,800
Total				13,22,800

170. The plantation was physically checked alongwith concerned SDFO of Pahar Pur Range, wherein it was observed that huge amount was claimed on the said plantation, but only few plants were found on spot and no watcher or other field staff was available for maintenance of the same. While throughout the year it was claimed.

171. Furthermore, in the same area another project plantation was also carried out on which an expenditure of Rs.4,05,900/- was incurred, thus, in the same area double drawal was made from Mega project. A few snaps were taken as proof of the same. The lapse occurred due to weak internal controls, resulting into loss of Rs.17,28,700/-. When pointed out in March 2016, the management furnished no reply.

172. In the DAC meeting held in December 2016, the Department stated that no double drawal has been made and proper monitoring has been carried out. The DAC disagreed and decided that an inquiry be conducted and responsibility be fixed. However, neither inquiry conducted nor any progress intimated till finalization of this report. Audit recommends to implement the decision of DAC.

DEPARTMENTAL VERSION

173. The Department explained that The Departmental enquiry on Advance Para No. 260-261 conducted by Mr. Farhatullah Khan, Deputy Secretary, Forestry Environment and Wildlife Department has since been submitted to the Director General

Audit Khyber Pakhtunkhwa Peshawar vide Internal Audit Officer Forestry Fisheries and Wildlife Department vide letter No. B&A/2014-15/Audit/DAC/8454/WE dated 29-05-2017.

PAC RECOMMENDATIONS

174. In view of the inquiry report duly endorsed by Audit and Law Departments, the Para was recommended to be settled.

DP No. 7.4.24 DOUBTFUL EXPENDITURE ON PURCHASE OF DEODAR PLANTS-Rs.1.110 MILLION.

AUDIT VERSION

175. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured, weighed as the case may be, when delivery was taken, and they should be taken on charge by a responsible Government officer who should see that quantities are correct and their quality was good, and record a certificate to that effect.

176. During the financial year 2014-15, in the office of DFO Upper Dir, an expenditure of Rs.11,10,000/- was incurred on the purchase of 53513 number of deodar plants under project Billion Trees Afforestation in Khyber Pakhtunkhwa.

177. The plants were taken on Material Form 07 of the division. However, no detail of utilization and issuance was shown, only in disposal column names of SDFOs and Ranges were given without plantation detail. Neither requisition nor acknowledgments of the same was available on record. This resulted into doubtful expenditure. The lapse occurred due to weak internal controls, resulted into doubtful expenditure of Rs.11,10,000/-. When pointed out in June 2016, the management stated that detailed reply would be furnished later on.

178. In the DAC meeting held in December 2016, the Department stated that being the first year of the project nurseries were not fit for plantation. Thus, the office purchased 53,513 large size deodar plants for afforestation. DAC did not agree and decided that a detailed inquiry be conducted into the subject matter and recovery to be affected. However, no progress was intimated till finalization of the report. Audit recommends to implement the decision of DAC.

DEPARTMENTAL VERSION

179. The Department explained that this office has purchased 53,513 large size deodar plants from the approved contractor vide Administrative Department as per approval with the approval of competent authority and issue to SDFO/RFOs for project activities. Utilization of plants was recorded in M.Rolls and Afforestation journal.

180. In the DAC meeting held on 14, 15 & 26-12-2016 it was decided that Para stands for detail inquiry. Accordingly the Deputy Secretary-I, Government of Khyber Pakhtunkhwa Forestry, Environment and Wildlife Department was conducted inquiry into the matter.

PAC RECOMMENDATIONS

181. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.7.4.25 DOUBTFUL EXPENDITURE ON PURCHASE OF PLANTS- Rs.1.100 MILLION.

AUDIT VERSION

182. The Audit reported that according to Para 148 of GFR Vol-I, all materials received should be examined, counted, measured, weighed as the case may be, when delivery was taken, and they should be taken on charge by a responsible Government officer who should see that quantities are correct and their quality was good, and record a certificate to that effect.

183. During the financial year 2014-15, in the office of Divisional Forest Officer Upper Dir, an expenditure of Rs.11,00,000/- was incurred on purchase of plants under project Billion Trees Tsunami Afforestation Project in Khyber Pakhtunkhwa, from Zareen Fruit Nursery House Mingora Swat.

184. In the invoice of the supplier type of plants were not mentioned and only 100,000 of plants @ Rs.11 each were shown. Moreover, neither entry of the same was made in the concerned material/timber form-7 of the local office, nor shown any utilization and issuance for any plantation in the division. The lapse occurred due to weak internal controls, resulting into loss of Rs.11,00,000/-. When pointed out in June 2016, it was stated that detailed reply would be given later on.

185. In the DAC meeting held in December 2016, the Department stated that being the first year of the project fit plants stock was not available in the project nurseries, therefore plants were purchased from approved contractor during 2015, and utilized for afforestation. DAC disagreed and decided to conduct detailed inquiry into the subject matter. However, no progress was intimated till finalization of the report. Audit recommends implementing decision of the DAC.

DEPARTMENTAL VERSION

186. The Department explained that this office purchased 90,000 plants of deodar from approved contractor of project during 5/2015 and utilized in various afforestation sites during Monsoon 2015.

187. In the DAC meeting held on 14, 15 & 26-12-2016 it was decided that Para stands for detail inquiry. Accordingly the Deputy Secretary-I, Government of Khyber Pakhtunkhwa Forestry, Environment and Wildlife Department was conducted inquiry into the matter.

PAC RECOMMENDATIONS

188. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.7.4.26 DOUBTFUL EXPENDITURE ON BLOCK PLANTATION-Rs.1.070 MILLION.

AUDIT VERSION

189. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

190. During the financial year 2014-15, in the office of Divisional Forest Officer D.I.Khan, an expenditure of Rs.10,70,000/- was incurred on plantation at Jehanghir Abad in Pahar Pur Range under project Billion Trees Tsunami Afforestation Project in Khyber Pakhtunkhwa.

191. The said plantation was physically checked alongwith concerned SDFO and other staff, however, no such plantation was found on the spot and few plants were

present. It was also noticed that an inquiry was ordered against the person(s) at fault but detail thereof was not produced to Audit. The lapse occurred due to weak internal controls, resulting into loss of Rs.10,70,000/-. When pointed out in March 2016, the management furnished no reply.

192. In the DAC meeting held in December 2016, it was stated that an inquiry had been ordered into the matter and the position will be intimated as and when it was finalized. The DAC decided that inquiry report be produced and position be explained before the PAC. Audit recommends implementation of the DAC decision.

DEPARTMENTAL VERSION

193. The Department explained that the show cause issued to Mr. Ahmad Nawaz, Forest Ranger Incharge SDFO Paharpur vide the Chief Conservator of Forest-I office letter No. 358/E dated 04-08-2015. However the Officer has been exonerated from the charge vide Chief Conservator of Forest-I Office order No. 20 dated 29-08-2018

PAC RECOMMENDATIONS

194. The Para was recommended to be settled, subject to verification of record pertaining to the plantation and the disciplinary proceedings by Audit within thirty (30) days.

DP No.7.4.27 EXCESS DRAWAL ON DIFFERENT AFFORESTATION WORK-Rs.5.593 MILLION.

AUDIT VERSION

195. The Audit reported that according to Para 6.3.21 of the PC-1 of Billion Trees Afforestation project in Khyber Pakhtunkhwa, the Project Director will monitor the activities of the project through monitoring and evaluation officers. Monitoring through GIS, fixed-point topography (pre, during and post activity) and physical verification will be carried out.

196. During the financial year 2015-16, in the office of Divisional Forest Officer Chitral, different afforestation was carried out in different Ranges of the Forest Division under Billion Trees Afforestation Project. As per PC-I provision, monitoring of the plantations was carried out by Mr. Tauheed-Ul-Haq M&EO-III and submitted a

report vide letter No.28 dated 20-06-2016. In this report it was mentioned that areas claimed for afforestation in different locations were less as compared to Muster Rolls and Nursery Journal. Thus excess areas claimed in Muster Roll and Rs.55,92,750/- was drawn in excess.

197. The irregularity occurred due to weak internal controls. When pointed out in December 2016, the management stated that detailed reply would be submitted later on. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault, besides recovery.

DEPARTMENTAL VERSION

198. The Department explained that the plea of the Audit that DAC was not convened was incorrect. Actually the DAC meeting was convened on 28-03-2017, and vetted minutes were received from Director General Khyber Pakhtunkhwa Peshawar vide their letter No. Audit DAC/Environment/2015-16/199 dated 20-06-2017.

199. During 2015-16 Departmental afforestation was carried out in Chitral Forest Division on close spacing keeping in view the land sliding factor, fragile nature of Chitral mountains and good directives of Secretary FF&WD during September, 2015 visit to Chitral as well as directives of meeting held on 17-01-2017 at Chakdara Rest House and the area claimed/charged on the basis of No. of plants as evident from the monitoring report. After receipt of monitoring report as well directives of higher ups the area has been extended without incurring further expenditure. Hence no excess amount has been drawn/claimed.

200. The area commensurate with expenditure on the basis of plants spacing in 8 x 8 (1681 No. of plants) and 9 x 9 (1328 No. of plants) which comes as 1681, 1328 No. of plants which equivalent to the area claimed.

PAC RECOMMENDATIONS

201. As identical issues are involved, the Para was therefore referred to Sub-Committee already constituted vide Draft Para No.7.4.2. (2016-17).

**DP No.7.4.28 WASTEFUL EXPENDITURE ON CONSERVANCY AND WORKS-
Rs.17.632 MILLION.**

AUDIT VERSION

202. The Audit reported that according to Para 10(i) of GFR Vol-I, every public officer incurring expenditure from public fund was expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

203. During the financial year 2014-15, in the office of Divisional Forest Officer Wild Life Chitral, an expenditure of Rs.17.632 million was incurred under Propagation and Multiplication of endangered Species of Temperate Zone in Chitral during two years as follows:-

S.No.	Financial Year	Amount (Rs)
1.	2013-14	80,00,000
2.	2014-15	96,32,000
Total		1,76,32,000

204. The record revealed that huge expenditure was incurred under the above ADP scheme, but, after incurring huge expenditure the same was windup and closed down due to the reason that the selected area was hit by flood, heavy rain and earth quack. The record shows that only 34 poles were damaged out of 1800 poles. However, due to this minor damage the whole scheme was dropped on the plea that the proposed site was not fit for conservancy. The lapse occurred due to weak financial management, resulting into wasteful expenditure of Rs.1,76,32,000/-. When pointed out in May 2016, it was stated that detail reply would be furnished later on.

205. In the DAC meeting held in December 2016, the Department stated that the project was hit by natural calamity. DAC did not agree, as the site selected for the project was not fit for conservancy and damage caused by flood was not that material. Hence, the position may be explained before the PAC. Audit recommends that the position may be explained before the PAC that why unsuitable site was selected, without feasibility study, for scheme which resulted into wasteful expenditure.

DEPARTMENTAL VERSION

206. The Department explained that based on suitability of the area as preferred on the aspects of location, topography, accessibility, habitat type and extent, the site was selected for implementation of the project titled “Propagation and Multiplication of Endangered Species of Dry Temperate Zone of Chitral”. The areas was feasible for the project which was successfully implemented and was about to complete when the earthquake and devastation floods occurred in 2015 as unforeseen natural hazards and the project site and other hills of Chitral became susceptible and vulnerable to land sliding. In Dry Temperate Zones including Chitral, the annual precipitation was mostly received in the form of snow, which was percolated slowly in the soil. Due to climate change, various unforeseen weather patterns were observed. The sudden unexpected heavy showers during monsoon season cause the fragile mountains and extremely vulnerable results in flash floods and land slips/slides, which devastates the property and livelihood of the inhabitants of these areas. After the heavy rains and flash floods roads, buildings, bridges etc, throughout the district were damaged as reflected from the district reports. Consequently, the District Administrative has to improve emergency in the District. The project site also lost the binding capacity and retention power like other areas of the tract. Destabilization process started, which cannot bear any fence on the sliding site.

207. Fence to the extent of 1708 poles (17080 rft) was created and 92 poles (920 rft) were required to complete the fence provided under the project when the above mentioned situation emerged. The floods and earthquake damaged only 34 poles (340 rft) fence while the remaining fence and other activities of the project including staff barrack/watcher hut/Godown were completed and used even today by the law enforcement staff. In such situation the decision of the Department that to stop further work on implementation of the project was a considered decision because the aforementioned situation has lead mass scale losses throughout Chitral District.

208. Keeping in view the fact that the planned activities of the aforementioned project executed appropriately before the calamities of earthquake and floods in 2015 not only exist but contribute to the assets of Wildlife Department. The same can be completed at a meager cost of about one million rupees soon after the area is stable after few years. To avoid any prospective loss to the Government due to continuation of the Project for indefinite period, the case for early wind up of the project was sent to

Administrative Department vide Chief Conservator Wildlife letter No.5855/WL(B&A) dated 15-03-2016. The Administrative Department forwarded the case to the Planning & Development accordingly vide No.DDP(FE&WD)/1055 dated 12-04-2016. The final report for early wind up of the project was sent in the Annual Review of ADP for 2015-16 vide No.77/WL(P&D) dated 12-07-2016. As such the project was closed accordingly and the established Government assets were saved on one hand and the cost overrun was stopped on the other.

209. In the light of above justification, it was cleared that as the project has been implemented and stopped premature professionally on one hand and the public assets have been saved on the other hand.

PAC OBSERVATION

210. The Committee observed that almost 90% expenditure has been incurred on this Project, as per commitment made by the Secretary that he will move a note to P&D Department for allocation of 10% extra fund for the remaining work to re-establish the Wildlife Project Chitral to safeguard the precious species.

PAC RECOMMENDATIONS

211. The Para was recommended to be settled, with the direction to the Administrative Department to approach the Planning & Development Department for allocation of fund for the remaining 10% work to re-establish the Wildlife project Chitral to safeguard the precious species in the area.

ENERGY & POWER DEPARTMENT

PROCEEDINGS:

Twenty (20) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Energy & Power Department were taken up for examination by the Public Accounts Committee in its meetings held on 28th of February, 2022 and 1st of March, 2022. The following were presents:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|----------------------------------|--|
| 1. | Mr. Mushtaq Ahmad Ghani, | Speaker/Chairman 2 nd sitting |
| 2. | Mr. Muhammad Idrees, MPA | Chairman 1 st sitting |
| 3. | Dr. Asiya Asad, MPA | Member |
| 4. | Mr. Salah Uddin, MPA | Member |
| 5. | Arbab Muhammad Waseem Khan, MPA, | Member |
| 6. | Mr. Babar Salim Swati, MPA | Member |
| 7. | Mr. Ahmad Kundi, MPA | Member |

THE FOLLOWING DELEGATION OF GILGIT BALTISTAN ATTENDED THE MEETING TO OBSERVED THE PROCEEDING OF PAC.

1. Syed Amjad Ali, Shah,
Speaker, Gilgit Baltistan, Legislative Assembly.
2. Mr. Muhammad Anwar,
Chairman, PAC, Gilgit Baltistan, Legislative Assembly
3. Mr. Ghulam Muhammad,
Member PAC, Gilgit Baltistan, Legislative Assembly.
4. Mr. Hussain Ali,
Secretary to Govt: of Gilgit Baltistan Finance Department.
5. Mr. Abdul Razaq,
Secretary, Legislative Assembly, Gilgit Baltistan.

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Muhammad Javed,
Section Officer.

FINANCE DEPARTMENT

1. Mr. Hassan Abid,
Additional Secretary.
2. Mr. Basharat Ahamd,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Israr-ul-Haq
Director General.
2. Mr. Muhammad Fayaz,
Deputy Director.
3. Mr. Muhammad Javed Afridi,
Assistant Audit Officer.
4. Mr. Javad Anwar,
Assistant Audit Officer,

ENERGY & POWER DEPARTMENT

1. Syed Imtiaz Hussain Shah,
Secretary,
2. Mr. Zafar-ul-Islam,
Special Secretary,
3. Mr. Muhammad Naeem,
CEO, PEDO.
4. Mr. Yasir Ali Khan,
Director Finance, (PEDO)
5. Mr. Mussafa Irum,
Deputy Director Audit, (PEDO).
6. Mr. Usman Ali Khan,
Deputy Director, MKD-III (PEDO).
7. Mr. Muhammad Abid,
Resident Engineer, MKD-III (PEDO).

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Kifayatullah Khan Afridi.
Secretary,
2. Mr. Amjad Ali,
Special Secretary.
3. Mr. Ashtimand,
Deputy Secretary.
4. Mr. Haris Khan,
Assistant Secretary.
5. Mr. Amir 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 No.6.4.1 LOSS DUE TO NON FINALIZATION OF POWER PURCHASE AGREEMENT-Rs. 502.50 MILLION.

AUDIT VERSION

3. The Audit reported that according to Project Description of the O&M contract agreement executed with the contractor for Ranolia HPP, the average energy production of the installed capacity would be equal to 1005,000,000 KWH.

4. During the financial year 2014-15, in the Pakhtunkhwa Energy Development Organization (PEDO), it was noticed from the record of the Ranolia Hydro Power Complex Kohistan that contract for O&M of the complex was awarded to M/s CEMTECH from 22-12-2014 without finalizing the PPA. The record showed that energy generation was also not started upto last date of audit i.e. June 2016, rather officially Commercial Operation Date (COD) was even not announced. Thus commercial energy production and export of energy also not started. In the contract agreement duly signed by the parties it was mentioned that a quantity of 100.5 GWH equal to 1,005,000,000 KWH annually would be produced during operation, which will accordingly be sold. Non-finalization of PPA resulted in non-generation of 1,005,000,000 KWH of electricity and finally the estimated generated units could not be sold which resulted in per annum loss of Rs.5,02,50,00,000/- (1,005,000,000×5 per unit) to the Organization. WAPDA has not completed the transmission line due to which PEDO not succeeded in selling the units.

5. Audit was of the view that PPA was required to have been finalized that could have saved PEDO from such loss. Audit holds that loss occurred due to slackness on the part of local management both during construction phase as well as at the time of process of PPA and COD. When pointed out in June 2016, the management stated that written reply would be furnished later on.

6. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter at appropriate level to determine the lapses with fixing responsibility.

DEPARTMENTAL VERSION

7. The Department explained that the calculation rendered in instant Para was denied for being erratic. In this regard that the correct calculation was as following:-

- i. Net Energy output for the Ranolia HPP = 97 GWH per annum.
- ii. The levelized Tariff = Rs. 4.12 per KWH.
- iii. 1 GWH = 1000000 KWH (One million).
- iv. Converting Net Energy Output of Ranolia i.e. 97 GWH per annum into KWH = $97 \times 1000000 = 97000000$ KWH per annum (Ninety Seven million Kilo Watt Hour).
- v. Per annum revenue generation as per levelized Tariff = 97000000 (Net Energy Output per annum) \times 4.12 (levelized Tariff) = Rs.39,96,40,000 per annum.

8. The original completion time of Ranolia HPP was December 2014 which was extended to June 2015. The project activities/construction was almost completed in 2015 at PEDO level while the construction of Transmission Line and its interconnection with National Grid was on part of NTDC for which PEDO paid them in 2014 as deposit work. PEDO kept perusing the matter with NTDC for early commencement of laying the transmission line and ultimately the same was completed by the NTDC, though it took considerable time at their end and due to status-Quo granted by the Honorable Courts to land owners against the construction of transmission line.

9. The Energy Purchase Agreement (EPA) was signed with CPPAG on May 2019 and consequently on September 28, 2019 the plant was connected with National Grid by NTDC. After signing of EPA and interconnection with National Grid, the NTDC and CPPAG was requested multiple times to do the necessary process and do the Commercial Operation Date (COD) tests but unfortunately the process was delayed at their ends. Now the Commercial Operation Date (COD) has been declared successfully as September 12, 2021 by CPPAG vide Notification No.CTO/CPA-G/DGM(Renewable)/Ranolia HPP/ 25546-58 Dated October 29, 2021. It is pertinent to mention here that the non operation of Ranolia HPP was on the part of Federal Government entities such as NTDC and CPPAG and not on part of PEDO.

PAC OBSERVATION

10. The PAC observed that:-

- i. DAC meeting was not held, due to which the simple issue of calculation was not resolved.
- ii. The Audit figure was found exaggerated.
- iii. The project was completed but NTDC a Federal entity took 2¹/₂ years to complete the infrastructure due to which generation could not be started.

RECOMMENDATIONS

11. In view of the above the PAC recommended the Para be settled with the direction to the Department to improve its planning and coordination with other stake holders, so that all the processes are completed intime.

DP No.6.4.2 LOSS DUE TO LESS RECOVERY-Rs. 700.785 MILLION.

AUDIT VERSION

12. The Audit reported that according to the Commercial Operation Date (COD) on 01-03-2010, rate of sale of electricity of Rs.4.7194 KWh was fixed by National Electronic Power Regularity Authority (NEPRA).

13. During the financial year 2013-14, in the office of Managing Director PEDO Khyber Pakhtunkhwa, it was noticed that Pehur Hydro Power Project has generated 188,437,666 KWH since March, 2010. Against the COD on 01-03-2010 rate of Rs.4.7195 KWH fixed by National Electronic Power Regularity Authority (NEPRA) while payment @ Re.1 per KWH was made by the WAPDA resulting into loss of Rs.70,07,85,000/-.

14. Audit holds that loss occurred due to non-observance of Government Rules and Procedure. When pointed out in August 2015, the management stated that detailed reply would be given later on.

15. In the DAC meeting held in October 2016, the Department replied that since PPA has not been signed with PESCO/NTDC, we are receiving payment for energy sold @ Re.1 per KWH. As such, Rs.70,07,85,000/- have been accumulated against PESCO as of today. DAC directed that full recovery should be made. No progress was intimated till finalization of the report. Audit recommends that DAC decision be implemented and PPA be signed on priority.

DEPARTMENTAL VERSION

16. The Department explained that:-

- i. Pehur Hydropower Complex was put in commercial operation on 1st March 2010. It was decided with PESCO that the energy generated would be sold to WAPDA Pre-COD rate @ Rs 1.0 /KWH and due to no signing of PPA with PESCO/CPPA-G PEDO were receiving payment for energy sold @ Rs. 1/KWH.
- ii. Pakistan Energy Purchase Agreement (EPA) has been signed between Central Power Purchasing Agency Guarantee Limited (CPPA-G) and Pakhtunkhwa Energy Development Organization (PEDO) on 14th May 2019 for 18 MW Pehur Hydropower Complex it has been clarified that the amount of delivered electrical output kWh by the seller since commercial operation date to effective date (14th May 2019) will be paid by PESCO upon reconciliation through separate arrangement based on levelized tariff allowed and indexed from time to time by NEPRA after deduction of already paid amount.
- iii. In this regard reconciliation of Units delivered by Pehur Hydel power plant to the national grid from March 2010 to 14th May 2019 has been prepared and jointly signed by PESCO & PEDO officers and shared with CPPA-G for further necessary action.
- iv. After the reconciliation of units CPPA-G requested PEDO to prepare payment schedule on monthly basis in accordance with reconciled units (Export & Import) considering the levelized tariff by NEPRA and applicable C-3 tariff of PESCO on import energy Units and PEDO submitted the said details and CPPA-G further submitted to PESCO for verification of the figures, so much so to proceed further for the resolution of outstanding matters.
- v. It is pertinent to mention that a meeting was held under the chairmanship of Advisor to Chief Minister Khyber Pakhtunkhwa on Energy & Power in E&P Department on 14th September 2020 in which CEO PESCO agreed that the verification of outstanding matter will be submitted by PESCO within a week to CPPA-G with intimation to PEDO.
- vi. Verification process of payment schedule is still pending in PESCO and CPPA-G & PEDO frequently intimated to submit the detail to CPPA-G for the resolution of arrears but PESCO using delaying tactics and arrears are piled up to Rs. 1269 Million as per levelized tariff approved by NEPRA.
- vii. Recently a meeting was held under the Special Assistant to Chief Minister KP on Energy & Power on 29th December 2021 between PESCO & PEDO in which it was decided that a meeting shall be call between PEDO, CPPA-G & PESCO to discuss the arrears issues within a week and that said meeting will going to be held on 6th January 2022.

PAC RECOMMENDATIONS

17. The PAC endorsed the DAC decision and recommended recovery of the total amount. The Department was directed to provide complete details of the issues being faced due to which the Government money is hanging in the balance and not credited to the Province.

DP No.6.4.3 LOSS DUE TO CLAIM OF LESS THAN APPROVED TARIFF FROM PURCHASER- RS.184.503 MILLION AND LOSS DUE TO NON- INCLUSION OF SALES TAX IN THE CLAIM OF ENERGY-Rs. 31.366 MILLION.

AUDIT VERSION

18. The Audit reported that according to approved tariff inserted in the Power Purchase Agreement duly approved by the competent forum the rate of Rs. 4.8159 per unit should be charged. According to S.No.13.2 of the Power Purchase Agreement all present and future Federal, Provincial and Municipal Lawful taxes/duties levied or other impositions applicable to the power purchaser arising from or in connection with its right and obligations under this agreement shall be paid by the power purchaser in a timely fashion. According to Sales Tax Act, 17 % GST was to be payable by the purchaser and will be charged by the seller on the sale product/goods.

19. During the financial year 2014-15, in the office of Pakhtunkhwa Energy Development Organization (PEDO), it was noticed from the invoices of energy tariff payments related to Pehur Hydro Power Complex that the Director Operation & Commercial PEDO has claimed tariff rate of Re.1 per unit instead of 4.8159 approved in the tariff table attached with the PPA (Power Purchase Agreement) duly approved by the competent forum, which resulted into loss of Rs. 18,45,03,000/- to the organization.

20. It was further noticed from monthly sheet of claims that Sales Tax @ 17% was not included in the claim despite the fact that the other party (PESCO) has claimed the same for supply of electricity to complex. This not only resulted in further loss of Rs. 3,13,66,000/- (Rs.184,503,496 × 17 %) to the provincial exchequer but also is a recurring loss.

21. Audit holds that loss due to claim of less than approved tariff from purchaser occurred due to non-adherence to the provisions of the approved tariff rate by the NEPRA, financial mismanagement and weak internal controls. When pointed out in June 2016, the management replied that since PPA has not been signed with

PESCO/NTDC we are receiving payment for energy sold @ Re.1 KWh. As such, Rs.99,80,00,000/- have been accumulated against PESCO as of today. The above amount was not loss it was just outstanding payment. The reply of the Department was not tenable. Claims were required to be made on the agreed rate. No strenuous efforts were made to finalize the PPA.

22. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to recover the tariff as per PPA approved tariff rate along with Sales Tax.

DEPARTMENTAL VERSION

23. The Department explained that:-

- i. Pehur Hydropower Complex was put in commercial operation on 1st March 2010. It was decided with PESCO that the energy generated would be sold to WAPDA Pre-COD rate @ Rs 1.0 /kWh and due to no signing of PPA with PESCO/CPPA-G PEDO were receiving payment for energy sold @ Rs. 1/kWh.
- ii. Pakistan Energy Purchase Agreement (EPA) has been signed between Central Power Purchasing Agency Guarantee Limited (CPPA-G) and Pakhtunkhwa Energy Development Organization (PEDO) on 14th May 2019 for 18 MW Pehur Hydropower Complex it has been clarified that the amount of delivered electrical output kWh by the seller since commercial operation date to effective date (14th May 2019) will be paid by PESCO upon reconciliation through separate arrangement based on levelized tariff allowed and indexed from time to time by NEPRA after deduction of already paid amount.
- iii. In this regard Reconciliation of Units delivered by Pehur Hydel power plant to the national grid from March 2010 to 14th May 2019 has been prepared and jointly signed by PESCO & PEDO officers and shared with CPPA-G for further necessary action.
- iv. After the reconciliation of units CPPA-G requested PEDO to prepare payment schedule on monthly basis in accordance with reconciled units (Export & Import) considering the levelized tariff by NEPRA and applicable C-3 tariff of PESCO on import energy Units and PEDO submitted the said details and CPPA-G further submitted to PESCO for verification of the figures, so much so to proceed further for the resolution of outstanding matters.

- v. It is pertinent to mention that a meeting was held under the chairmanship of Advisor to Chief Minister Khyber Pakhtunkhwa on Energy & Power in E&P department on 14th September 2020 in which CEO PESCO agreed that the verification of outstanding matter will be submitted by PESCO within a week to CPPA-G with intimation to PEDO.
- vi. Verification process of payment schedule is still pending in PESCO and CPPA-G & PEDO frequently intimated to submit the detail to CPPA-G for the resolution of arrears but PESCO using delaying tactics and arrears are piled up to Rs. 1269 Million as per leveled tariff approved by NEPRA.
- vii. Recently a meeting was held under the Special Assistant to Chief Minister KP on Energy & Power on 29th December 2021 between PESCO & PEDO in which it was decided that a meeting shall be call between PEDO, CPPA-G & PESCO to discuss the arrears issues within a week and that said meeting will going to be held on 6th January 2022.

PAC RECOMMENDATIONS

24. After detailed discussion the Committee couldn't reach to a just and fair conclusion therefore, the Para was kept pending for special meeting of PAC. The Committee directed the PAC Cell to invite the CEO (PESCO), PEDO, Audit, Finance and Law Departments for special meeting, so that the issue could be thoroughly examined and resolved once for all. Para stands.

DP No.6.4.4 LOSS DUE TO CLAIM OF LESS TARIFF THAN APPROVED- Rs.130.078 MILLION.

AUDIT VERSION

25. The Audit reported that according to approved tariff inserted in the Power Purchase Agreement by the competent forum the rate of Rs. 4.3915 per unit should be charged.

26. During the financial year 2014-15, in the Pakhtunkhwa Energy Development Organization (PEDO), it was noticed from the invoices of energy tariff payments related to Malakand-III HPP that the Director Operation & Commercial PEDO has claimed tariff rate of Rs.4.1548 per unit instead of Rs.4.3915 approved in the tariff table attached with the PPA (Power Purchase Agreement), resulted into loss of Rs.13,00,78,000/- to the organization.

27. Loss occurred due to financial indiscipline and weak internal controls. This resulted into loss of Rs.13,00,78,000/-. When pointed out in June 2016, the management stated that written reply would be furnished later on.

28. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter, fix responsibility and recover the loss.

DEPARTMENTAL VERSION

29. The Department explained that revised tariff of Malakand-III HPC issued by NEPRA was Rs. 4.5519/KWH for first seven years, Rs. 4.3925/KWH for next three years and Rs. 2.6450/KWH for further fifteen years. As shown in the tariff table, Rs. 0.100/KWH pertains to variable O&M & Rs. 0.1500 to water use charges which depends upon the monthly generation as Net Electric Output (NEO). While the remaining components of tariff are fixed having no relation with output. Withholding tax @ 7.5% which was Rs. 0.1469/KWH was also part of the tariff, however due to exemption of PATA from taxes, the same was not claimed by PEDO in the monthly invoices from CPPA, as the same was a pass through item. In the subject Para, Audit has taken only fixed components of tariff and ignored variable O&M and WUC which were inevitable parts of each monthly claim of PEDO. Monthly claims of Revenue for Malakand-III HPC have been made as per the approved tariff of NEPRA and the observation of Auditor was not correct.

PAC RECOMMENDATIONS

30. In view the explanation advance by the Department, the Para was recommended to be settled subject to verification of record by the Audit within thirty (30) days.

DP No.6.4.5 LOSS DUE TO NON-FINALIZATION OF POWER PURCHASE AGREEMENT-Rs. 70.000 MILLION.

AUDIT VERSION

31. The Audit reported that according to S.No.1.1.12 of the Article-1 of the Contract Agreement for Operation and Maintenance Service for Machai HPP, regarding definition and interpretation the Complex means approximately 2.6 MW maximum installed capacity Hydel Power station capable of generating approximately 13.94 GWh per annum of net electric output under maximum water flow condition.

32. During the financial year 2014-15, in the office of Pakhtunkhwa Energy Development Organization (PEDO), it was noticed from the record of Machai Hydro Power Complex Mardan that contract for the O&M of the complex was awarded to M/s Hydro Tech Peshawar from 01-09-2014 despite the fact that neither commercial nor test run energy generation was started and that the Power Purchase Agreement was also not yet signed. The non-finalization of PPA resulted in non-generation of 1,40,00,000 estimated energy units of electricity and finally the non-production of estimated generation units. The outcome of the non-finalization of PPA and non-operationalization of the complex resulted in per annum loss of Rs.7,00,00,000/- (Rs.14,000,000 × Rs.5 per unit) to the PEDO.

33. Loss occurred due to slackness on part of local management, both during construction phase as well as at the time of process of PPA and weak internal controls. This resulted into loss of Rs.7,00,00,000/-. When pointed out in June 2016, the management stated that written reply would be furnished later on.

34. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter at appropriate level to determine the lapses with fixing responsibility.

DEPARTMENTAL VERSION

35. The Department explained that the Power House was operational since November, 2016 and has exported 1,29,03,396 KWH units to National Grid Katllang District Mardan. Efforts are underway to finalize the power purchase agreement (PPA/EPA) with CPPA-G/PESCO. In this regard several meetings & correspondences through various letters have been made with CPPA-G & PESCO for signing of

PPA/EPA. Once PPA/EPA was finalized, the amount on account of units dispatched to National Grid will be recovered from CPPA-G.

PAC OBSERVATION

36. The PAC observed that the enquiry conducted was evasive.

PAC RECOMMENDATIONS

37. The Committee directed the Department to conducted de-novo enquiry for fixing responsibility and initiating appropriate disciplinary actions against the concerned for the slackness on part of local management.

38. For future guidance the Department was directed to streamline its system as DAC was not held in-time, its decision was not implemented, evasive enquiry report was attached which was regretted by the Department itself during the meeting, reply was not according to the Audit questions.

DP No.6.4.6 LOSS DUE TO NON-SUPPLY OF SPARE PARTS-Rs. 48.210 MILLION.

AUDIT VERSION

39. The Audit reported that according to Para 23 of GFR Vol-I, every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

40. During the financial year 2013-14, in the office of Resident Engineer Malakand III, it was noticed that Rs.4,82,10,000/- was paid to O&M contractor for the purchase of spare parts on 21-05-2014. The payment was made to O&M contractor in advance.

41. In the first instance the list of spare parts of O&M Contractor consisted of 96 spare parts with total cost of Rs 4,00,00,000/- however later on enhanced list was provided which consisted of 107 spare parts of Rs.4,80,00,000/-. The contract for the supply of spare parts was awarded to Chinese Company “Shenzheng Leader Energy Tech” in November 2013 with a delivery period of 8 months. However, even after 18

months i.e. till the date of audit 30th June, 2015 spare parts were not delivered/supplied by the firm.

42. It was further mentioned that the finance wing of SHYDO (Small Hydel Development Organization) paid Rs.4,82,10,000/- to the Resident Engineer Malakand III who further paid to the O&M Contractor for the purchase of spare parts. Detail of its further payment to the Chinese Firm “Shenzheng Leader Energy Tech” was not available to audit. It was added that the Contract of O&M contractor was expired/terminated in August, 2015 and non-supply of costly spare parts was a liability against the O&M contractor. The lapse occurred due to financial indiscipline and weak internal controls. This resulted into loss of Rs.4,82,10,000/-. When pointed out in August 2015, the Department replied that detailed reply would be given later on.

43. In the DAC meeting held in October 2016, the Department replied that most of items were proprietary items and not available locally. To enable the O&M contractor to proceed with procurement process, Rs.4,82,10,000/- were released on 21-05-2014 as per contract agreement. The delivery period initially was 08 months, but considerable time was spent in making clarifications relating to items need to be fabricated. As requested by the Chinese contractor on justified grounds, extension in delivery period for six months was granted. The spare items have arrived at site on 27-08-2015, duly inspected jointly by O&M contractor and PEDO staff. DAC disagreed and directed to conduct inquiry to ascertain the factual position, however, no inquiry was conducted till finalization of the report. Audit recommends to implement the DAC decision.

DEPARTMENTAL VERSION

44. The Department explained that initially, list of 96 foreign proprietary items was proposed to be procured with estimated price of Rs. 40.000 million during financial year 2014-15. Later on, a market survey for another 11 essential items was conducted in the local markets. Being critical and not available locally, it was recommended to include these 11 items in the earlier list so that availability of all essential spares may be ensured timely for avoiding possible outages. Formal approval to this effect was obtained from the competent authority.

45. The O&M contractor accordingly initiated the procurement process through ICB by complying all codal formalities and the contract was awarded to the lowest technical responsive Bidder with total bid price of US\$ 485,513 (FOB China basis). In order to enable the O&M Contractor to proceed with procurement process Rs. 48.211 were released on 21-05-2014 as per Contract Agreement clause 6.1.1.

46. The delivery period was 08 months initially. A considerable time was spent in making clarifications relating to items need to be fabricated. As requested by the Chinese Contractor on justified grounds, extension in delivery period for six months was granted, being essential for provision of items as per our specifications and requirements.

The spare parts items have arrived at site on 27-08-2015, duly inspected jointly by O&M contractor and PEDO staff and taken on stock, as well.

PAC RECOMMENDATIONS

47. In view of the reply advanced by the Department, the Para was recommended to be settled subject to verification of record by Audit within thirty (30) days.

DP No.6.4.7 LOSS DUE TO LESS PAYMENT OF RS.9.035 MILLION AND DELAY IN PAYMENT OF PROFIT ON TDRS-Rs.3.383 MILLION.

AUDIT VERSION

48. The Audit reported that according to Para 23 of GFR Vol-I, every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinate.

49. During the financial year 2014-15, in the Pakhtunkhwa Energy Development Organization (PEDO), it was noticed that PEDO management has invested different amounts in various financial institutions on different rates. The record showed that these financial institutions have paid profit on investment worth Rs.8,95,30,000/- but was not paid on due dates as on maturity. There was a delay for some days for which profit was not paid by the said institutions to the PEDO, which resulted in loss of Rs.33,83,000/- to the PEDO on account of delay in payment of profit on TDRs.

Similarly, an amount of Rs.90,35,000/- was less paid by the financial institutions as compared to actual due amount of the profit on investments.

50. The record was required to have been checked by the local staff and management for proper payment of profit on TDRs, which was not done. The lapse occurred due to financial indiscipline and weak internal controls. When pointed out in June 2016, the management furnished no reply.

51. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter, fix responsibility and recover the profit.

DEPARTMENTAL VERSION

52. The Department explained that the amount invested in different banks in fixed deposits in different times after approval of the investment Committee constituted vide PEDO Act, section 24(A). After maturities of fixed deposits on different rates, the total sum of Rs.9,22,28,645/- was received while Rs.52,46,660/- was deducted at source by Banks on account withholding tax and Rs.21,30,180/- was deducted upon pre-mature withdrawal of funds.

PAC RECOMMENDATIONS

53. The Para was recommended to be settled subject to verifications of record by the Audit. The Department was directed to avoid Per Annum rate if the Department is not keeping the amount for the whole year, rather it should be invested on monthly or quarterly bases.

DP No.6.4.8 LOSS DUE TO NON-RECOVERY OF OUTSTANDING GOVERNMENT DUES-Rs. 2.740 MILLION.

AUDIT VERSION

54. The Audit reported that according to Para 26 of GFR Vol-I, it was the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

55. During the financial year 2014-15, in the office of Pakhtunkhwa Energy Development Organization (PEDO), it was noticed from the expenditure account of the Deputy Director O&M Reshun Chitral that the local office has provided electricity transmission line to the area. It was however observed that upto the close of the financial year 2014-15 an aggregate amount of Rs.27,40,000/- was outstanding/recoverable against the consumers.

56. Audit was of the view that all outstanding dues were required to have been properly assessed and timely recovered from the concerned, which was not done, resulted in loss of Rs.27,40,000/- to the organization. Loss occurred due to weak internal controls and financial indiscipline. When pointed out in June 2016, the management replied that recovery of dues from the consumers of Reshun Hydel Power Station Chitral was a rolling on process i.e. the dues are charged in the subsequent bills. If a consumer does not pay the bill or request for installment of the bill then the balance amount is included in the next bill. As such, arrears cannot be brought to zero level at any date.

57. Reply was not tenable. The powerhouse has since been destroyed and the organization took no strenuous steps towards recovery. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to recover the outstanding dues.

DEPARTMENTAL VERSION

58. The Department explained that the amount pointed out by Audit was recovered from end consumer of Reshun and record of recovered amount available be produced to PAC.

PAC RECOMMENDATIONS

59. The reply of the Department being convening was accepted, therefore, the Para was recommended to be settled subject to verification of record of the recovered amount by Audit within thirty (30) days.

DP No.6.4.9 OVERPAYMENT DUE TO ALLOWING HIGHER DOLLAR CONVERSION RATE-Rs. 3.08 MILLION.

AUDIT VERSION

60. The Audit reported that according to conversion/exchange rate of US dollar to Pak rupee as on 04-03-2015 the conversion rate of the US Dollar to Pak rupee was Rs.101.

61. During the financial year 2014-15, in the Pakhtunkhwa Energy Development Organization (PEDO), it was noticed that contract for the construction of KOTO HPP Dir was advertised and was finalized with the bid cost of Rs.12,59,93,36,000/- in favour of M/s Server and Co, Sichuan Silian and Chong Qing JV. The contractor applied for advance payment of Rs.26,26,54,040/- in light of provisions of the clause 33.1 of the contract agreement and submitted bank guarantee issued by ABL Islamabad dated 04-03-2015 for US Dollar 25,70,000.40. It may be added that on 04-03-2015 the conversion rate of the US Dollar to Pak rupee was Rs.101 therefore the value of the Bank guarantee comes to Rs.25,95,70,004/- as such Rs.30,84,036/- (Rs.26,26,54,040 – Rs.25,95,70,004) was allowed in excess of the amount of guarantee submitted by the contractor, and resulted in over payment of Rs.30,84,000/- to the contractor.

62. Overpayment to contractor was due to financial indiscipline and weak internal controls. When pointed out in June 2016, the management replied that written reply would be furnished later on.

63. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter, fix responsibility against the person (s) at fault and recover the amount.

DEPARTMENTAL VERSION

64. The Department explained that the Contractor applied for advance payment of Rs.26,26,54,040/-in light of provision of clause 33.1 of Contract Agreement and submitted bank guarantee issued by UBL Islamabad branch dated 04-02-2015 amounting to Rs. 26,16,77,400/- (US \$ 2570,000x101.82) whereas the Dollar fixed exchange rate was Rs. 102.02 applied at that time. It is to further clarify that in IPC No. 41 the amount over paid to contractor of Rs. 3.080 Million at the time of advance payment due to (dollar exchange rate) has been recovered by employer (PEDO).

PAC RECOMMENDATIONS

65. Amount involved in the Para has been recovered duly verified by Audit, hence the Para was recommended to be settled.

DP No.6.4.10 NON-RECOVERY OF OUTSTANDING DUES OF ENERGY FROM CPPA-Rs. 2,386.794 MILLION.

AUDIT VERSION

66. The Audit reported that according to article 9.6 of the power purchase agreement executed between National Transmission and Dispatch Co. through Central Power Purchase Agency and PEDO, the power purchaser shall pay the amount shown on an invoice in accordance with Section 95 (a) on or before 30th day following the day the invoice is received by the power purchaser.

67. During the financial year 2014-15, in the office of Pakhtunkhwa Energy Development Organization (PEDO), it was noticed that Director O&C PEDO has claimed energy tariff dues worth Rs. 2,38,67,94,000/- relating to Malakand-III HPP from NTDC through Central Power Purchase Agency (CPPA) on monthly basis. In response, the CPPA did not pay the amount in accordance with the provisions of article 9.6 of the CPPA. It was further found that the payment of dues cleared by CPPA did not match the claims of PEDO rather paid lesser amount in most of the period.

68. Furthermore, the CPPA did not pay energy charges according to claim of the PEDO rather from the months of February to June, lesser amounts were paid as compared to actual claim of the PEDO while in the earlier excessive. Moreover, the payment from CPPA did not have any reference to the payment claimed by the PEDO, therefore, it could not be ascertained as to which period the dues were cleared and how much was outstanding. The local office did not carry any reconciliation of dues and also did not have any proof of receipt of payment because all the payments were directly made to the bank account bearing No 8241-9 Bank of Khyber.

69. Audit was of the view that all payments made by the CPPA were required to have been properly reconciled on monthly basis and recorded in the ledgers separately with clearly shown amount of outstanding dues, if any, against the CPPA, but neither

record was available nor any action taken towards reconciliation and recovery of outstanding dues by the local administration.

70. Less realization occurred due to weak financial and internal controls. When pointed out in June 2016, the management stated that written reply would be furnished later on. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter and all the claims and payments be properly reconciled with CPPA, besides recovery of outstanding amount.

DEPARTMENTAL VERSION

71. The Department explained that the Audit raised objections regarding non-recovery of outstanding dues against Central Power Purchase Agency (CPPA) for the period July-2014 to June 2015. Detailed revenue receipts from July 2014 to June 2015 and Banks statement against the payments available. CPPA-G has also introduced ERP and the record from ERP also shows the updated pending amount. Amount shown in the Para was fully recovered.

PAC RECOMMENDATIONS

72. In view of explanation of the Department that the amount had been fully recovered, therefore, the Para was recommended to be settled subject to verification of record by the Audit within thirty (30) days.

DP No.6.4.11 NON-RECOVERY OF OUTSTANDING DUES FROM PESCO-Rs.998.00 MILLION.

AUDIT VERSION

73. The Audit reported that according to section 9.6 of the Power Purchase Agreement the power purchaser shall pay the power seller, the amount shown on an invoice delivered before 30th day following the day the invoice was received by the power purchaser.

74. During the financial year 2014-15, in the Pakhtunkhwa Energy Development Organization (PEDO), it was noticed from the review of joint verification report of the monthly generation and export of energy to PESCO from the Pehur Power

Complex and payment of outstanding dues made by the quarter concerned, that an amount of Rs.23,13,000/- was less paid as compared to the claims made during the year. However, the payment so made did not have any reference to which period the payment relates. The details showed that an amount of Rs.4,60,37,000/- was paid by PESCO against the demand for payment of Rs. 4,83,51,000/- sent to them during the period under audit while the difference remained unpaid. Furthermore, payment was made directly to bank on on-line basis therefore the local office has no documentary evidence in support of payment.

75. The ratio between the import and export price was not matched as it was about 1:10 and the payment was also not made on the basis of agreed PPA. When pointed out in June 2016, the management replied that it was decided with PESCO that the energy generated would be sold to WAPDA @ Re.1/KWH has an interim arrangement and once the tariff was determined by NEPRA and Power Purchase Agreement (PPA) signed with PESCO the arrears would be claimed. Since PPA has not been signed with PESCO/NTDC, we are receiving payment for energy sold @ Re.1 KWh. As such, Rs.99,80,00,000/- have been accumulated against PESCO as of today. The above amount was not loss it was outstanding payment. Reply of the Department was not tenable.

76. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that outstanding amount be recovered.

DEPARTMENTAL VERSION

77. The Department explained that:-

- i. Pehur Hydropower Complex was put in commercial operation on 1st March 2010. It was decided with PESCO that the energy generated would be sold to WAPDA Pre-COD rate @ Rs 1.0 /kWh and due to not signing of PPA with PESCO/CPPA-G PEDO was receiving payment for energy sold @ Rs. 1/KWH.
- ii. Pakistan Energy Purchase Agreement (EPA) has been signed between Central Power Purchasing Agency Guarantee Limited (CPPA-G) and Pakhtunkhwa Energy Development Organization (PEDO) on 14th May 2019 for 18 MW Pehur Hydropower Complex it has been clarified that the amount of delivered electrical output kWh by the seller since commercial operation

date to effective date (14th May 2019) will be paid by PESCO upon reconciliation through separate arrangement based on levelized tariff allowed and indexed from time to time by NEPRA after deduction of already paid amount.

- iii. In this regard reconciliation of units delivered by Pehur Hydel Power plant to the national grid from March 2010 to 14th May 2019 has been prepared and jointly signed by PESCO & PEDO officers and shared with CPPA-G for further necessary action.
- iv. After the reconciliation of units CPPA-G requested PEDO to prepare payment schedule on monthly basis in accordance with reconciled units (Export & Import) considering the levelized tariff by NEPRA and applicable C-3 tariff of PESCO on import energy Units and PEDO submitted the said details and CPPA-G further submitted to PESCO for verification of the figures, so much so to proceed further for the resolution of outstanding matters.
- v. It is pertinent to mention that a meeting was held under the chairmanship of Advisor to Chief Minister Khyber Pakhtunkhwa on Energy & Power in E&P Department on 14th September 2020 in which CEO PESCO agreed that the verification of outstanding matter will be submitted by PESCO within a week to CPPA-G with intimation to PEDO.
- vi. Verification process of payment schedule is still pending in PESCO and CPPA-G & PEDO frequently intimated to submit the detail to CPPA-G for the resolution of arrears but PESCO using delaying tactics and arrears were piled up to Rs. 1269 Million as per levelized tariff approved by NEPRA.
- vii. Recently a meeting was held under the Special Assistant to Chief Minister KP on Energy & Power on 29th December 2021 between PESCO & PEDO in which it was decided that a meeting with PEDO, CPPA-G & PESCO shall be call to discuss the arrears issues on 6th January 2022.

PAC RECOMMENDATIONS

78. After detailed discussion, the Para was kept pending for Special meeting of PAC to be convened shortly. Representatives of all the Stockholders i.e. PESCO, NTDC, NEPRA,CCPA-G, Audit, Energy and Power, PEDO and Finance Departments may be invited to discuss and examine the issue of tariff and Power Purchase Agreement and arrears amounts involved in the Draft Para. The Committee directed the Department to prepare a solid and comprehensive case with regard to tariff rates, PPA and amount held by the WAPDA to resolve the issue once for all.

DP No.6.4.12 UNAUTHORIZED EXPENDITURE FROM HDF WITHOUT APPROVAL OF BOARD-Rs. 270.460 MILLION.

AUDIT VERSION

79. The Audit reported that according to Para 3 (7) of the Hydel Development Fund Ordinance, no amount from the fund shall be withdrawn and incurred except with the prior approval of the board and every such withdrawal shall be signed by the Minister for Power and the Secretary Energy and Power as member of the board. Further that a copy of these accounts shall be rendered to the Accountant General Khyber Pakhtunkhwa by 31st August each year for incorporation in the civil accounts.

81. During the financial year 2014-15, in the office of Pakhtunkhwa Energy Development Organization (PEDO), it was noticed that an amount of Rs.27,04,60,000/- was drawn from the HDF and spent on the activities of construction of 356 Mini Micro Hydropower Projects in 12 Districts of Khyber Pakhtunkhwa, however all the drawals were made by the local office without approval of the competent forum (Board). The drawal and incurrence of expenditure in absence of proper approval and authorization of the forum was unauthorized.

82. Unauthorized expenditure was incurred due to financial indiscipline and weak internal controls. When pointed out in June 2016, the Department replied that Project Manager submit request to the Finance Director PEDO who through Energy and Power Department requests the HDF and BOD for release of the said funds. The HDF once release the fund, it was further allocated to the concerned project by PEDO after fulfilling audit procedures. The observations of Audit that each individual payments/withdrawal to the contractor/consultant shall be made by the Minister for the Power and Secretary Energy and Power does not apply to the instant payment procedures. However, reply of the Department was not tenable, as approval of the competent forum as required was not provided to Audit.

83. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing the responsibility and corrective action against the person(s) responsible.

DEPARTMENTAL VERSION

84. The Department explained that the Audit raised observation that unauthorized expenditure from HDF without approval of Board Rs.270.468 million. Funds from HDF budget was released on annually and quarterly basis keeping in view, the budget of individual projects under the provision of approved PC-I and requirements of projects. The subject amount was released to PEDO Finance Department through Energy and Power Department after approval of HDF Board.

PAC RECOMMENDATIONS

85. In view of reply advanced by the Department duly supported by documentary evidence and endorsed by the Audit, the Para was recommended to be settled with the direction to the Department to strengthen its internal control system.

DP No.6.4.13 UN-AUTHORIZED AND DOUBTFUL EXPENDITURE-Rs. 233.210 MILLION.

AUDIT VERSION

86. The Audit reported that according to Contract Agreement clause 3.2, the contractor shall provide suitably qualified, experienced and competent personnel. The contractor shall provide to the client evidence of the competency including details of previous experience and qualification of the key staff.

87. During the financial years 2013-15, in the office of Pakhtunkhwa Energy Development Organization (PEDO), it was noticed from the record of Malakand-III Hydro Power Complex that an amount of Rs.23,32,10,000/- was paid to the Technical & Supporting Staff on the designation bases instead of personal detail and qualification. Moreover, it was pertinent to mention that contractor was awarded contract on the qualification & experience of his staff, whereas it was found in instant case that non mentioning the names of employees led to doubt that all employees on whose basis contract was won were not found available at the strength of the contractor.

88. Therefore, the expenditure so incurred on this account was unauthorized and doubtful. Unauthorized and doubtful expenditure was incurred due to financial indiscipline and weak internal controls. When pointed out in June 2016, the management replied that written reply would be furnished later on.

89. In the DAC meeting held in October 2016 on AP 79 (2013-14), the Department replied that all necessary information such as names, qualifications, CVs of the key O&M personnel had been provided in the Technical Bid. On the basis of same, the O&M contractor was declared qualified and awarded contract. The payment clause 9.3(b) of the contract agreement has no such provision of providing information of their technical staff deployed at site. DAC directed that the approval of the competent authority regarding increase of personals from 90 to 108 be provided to Audit alongwith complete record of payments to these personals. No further progress was intimated till finalization of the report. Audit recommends to investigate the matter for fixing the responsibility, besides providing to audit detail of all staff members.

DEPARTMENTAL VERSION

90. The Department explained that during audit for financial year 2014-15, the external audit raised the observation that non mentioning names of employees in the claim was suspected and the employees were not present at site, hence the payment made to O&M Contractor was unauthorized and doubtful.

91. The Operation & Maintenance of Malakand-III Hydropower Complex was outsourced to M/s Hydro Tech Pakistan (Pvt) Ltd in August, 2007 for a period of 05 years which was further extended for 03 years after approval of the competent authority on same terms and conditions. The names and designation of employees were mentioned in the Technical Proposal. Register at site for the employees were maintained. Salaries were claimed as per provision of Contract Agreement and were further disbursed to employees.

PAC RECOMMENDATIONS

92. In view of the plausible explanation advanced by the Department, duly endorsed by the Audit, the Para was recommended to be settled.

DP No.6.4.14 UNAUTHORIZED AND EXCESS PAYMENT OF SALARY TO THE CEO-Rs. 11.330 MILLION.

AUDIT VERSION

93. The Audit reported that the Government of Khyber Pakhtunkhwa, Establishment Department vide letter No. SOR-VI/E&AD/1-25/2007 dated 17-10-2008

has circulated the policy for the appointment on contract against the project post and pay package of Rs. 100,000 to Rs. 110,000 approved for BPS 20.

94. During the financial year 2014-15, in the Pakhtunkhwa Energy Development Organization (PEDO), it was noticed that Chief Executive Officer PEDO was appointed by the Government of Khyber Pakhtunkhwa Energy and Power Department on contract basis for a period of three year vide Notification No.SO (E)/E&P/4-5/SM/PEDO/2014-15Vol-IV/845-54 dated 18-02-2015 and was paid salary worth Rs.59,00,000/-. It was however found that the terms and conditions of service as required under the rules were framed, prepared and communicated to the officer for signature, which were neither signed nor accepted by the officer. The payment of salary worth Rs.59,00,000/- was thus unauthorized.

95. Further the officer was allowed abnormal higher rate of pay of Rs.14,00,000/- per month as compared to rate approved in the policy of the Establishment Department despite the fact that in the appointment order nothing specific was mentioned regarding hiring on such a higher rate of salary. This not only resulted in unauthorized payment of salary of Rs.59,00,000/- on one hand while excess payment of Rs.54,36,000/- (Rs.59,00,000 + Rs.54,36,000 = Rs.1,13,30,000) on the other, apart from that the terms and conditions of service have not yet been settled.

96. Unauthorized payment made without settlement of terms and conditions due to non-adherence to the provisions of Government Policy and weak internal controls. When pointed out in June 2016, the management furnished no reply.

97. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that the Department may explain its position before the PAC for payment of such high salary.

DEPARTMENTAL VERSION

98. The Department explained that CEO PEDO (Mr Akbar Ayub) was hired /appointed under the PEDO. Amended Act 2014, vide Clause No.5 Summary for appointment of CEO PEDO was approved by Chief Minister Government of Khyber Pakhtunkhwa which was notified & issued by Energy & Power Department Government

of Khyber Pakhtunkhwa, Vide No.SO(E)/E&P-4-5/SM/PEDO/2014-15/Vol-IV 845-54 dated 18-02-2015. CEO employment contract, signed with Mr. Akbar Ayub.

PAC RECOMMENDATIONS

99. The Para was recommended to be settled, in view of the summary approved by the Hon'ble Chief Minister of the Province.

DP No.6.4.15 IRREGULAR AND UNAUTHORIZED UTILIZATION OF HDF ON OTHER ACTIVITIES-Rs. 270.460 MILLION.

AUDIT VERSION

100. The Audit reported that according to Para 3 (4) & (6) of the Hydel Development Fund Ordinance 2001, the amount contributed to the Fund shall exclusively be utilized for the development of Hydel electricity in Province and shall be operated upon in accordance with the Provisions of this Ordinance and the Rule made there under. No project costing less than Rs.50,00,00,000/- rupees shall be financially assisted from the fund. The Board may consider and approve viable projects costing less than Rs.50,00,00,000/- provided that such a project as a joint venture being executed with the calibration of the private sector. Each project shall be under taken on the basis of equity participation and the extent of equity participation shall be determined by the board on case to case basis.

101. During the financial year 2014-15, in the office of Pakhtunkhwa Energy Development Organization (PEDO), it was noticed that an amount of Rs.27,04,60,000/- was drawn from the HDF and spent on the activities of construction of 356 Mini Micro Hydropower Projects in 12 Districts of Khyber Pakhtunkhwa with overall cost of Rs.5,52,48,32,000/-. The cost of individual mini project was less than Rs.50,00,00,000/ thus as per provisions of the Ordinance it could not be funded from HDF. Neither the said projects cost was more than Rs.50,00,00,000/ nor was a joint venture being executed with the calibration of the private sector. The expenditure was thus irregular and unauthorized.

102. The record showed that PEDO has launched a project and it was proposed in the PC-1 that the project funded from the HDF and on completion, would be handed over to the community for operation which showed that project was neither viable nor sustainable and also have no future earning because it would be handed over to the community for operation and maintenance without any cost.

103. Audit holds that irregular and unauthorized/wasteful expenditure was incurred due to financial indiscipline. When pointed out in June 2016, the management replied that the project “Construction of 356 Mini/Micro Hydro Power Projects in Northern Districts of Khyber Pakhtunkhwa” was approved by the Government (PDWP) as a single project under the approved PC-I for Rs.5,52,48,32,000/-. The technical sanction obtained for the project was also based on single approval i.e. there was no individual TS for all the 356 projects. Further funds from the HDF under the project are being released in the name of the approved PC-I project as mentioned above and not on the basis of each individual project. Further as to the observation of Audit regarding viability of these projects, it was stated that both the MC and PEDO are fully committed and taking good care of all those factors which can ensure viability and durability such as project site location, quality control through effective monitoring and field visits/supervision.

104. The reply of the Department was not tenable. Each project has been shown as separate project with separate feasibility and other allied work. Other observations have not been replied.

105. The irregularity was reported to the Department in August 2016, followed by DO letter dated 09-01-2017 for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter, fix responsibility and position be explained before PAC as the matter was of national importance.

DEPARTMENTAL VERSION

106. The Department explained that irregular and unauthorized utilization of HDF on other activities Rs.270.468 million. The Project “Construction of 356 Mini/Micro Hydropower Project in Northern District of Khyber Pakhtunkhwa” was approved by the Government as a single project under the approved PC-I for Rs.5524.832 million. The contention of the Audit treating various components of the above projects as single project was not agreed to on the following ground:-

- i. PDWP has approved it as single project
- ii. Government has also issued a single Administrative Approval for the project.

PAC OBSERVATIONS

107. The Committee observed that the said Para was not based on facts as the Audit has also endorsed the reply of the Department advanced before the Committee.

PAC RECOMMENDATIONS

108. In view of the fact that approval of the Competent Authority was obtained for the Project as a whole, the Para was recommended to be settled.

DP No.6.4.16 IRREGULAR AND UNAUTHORIZED ENHANCEMENT OF BID PRICES-Rs. 105.600 MILLION AND ACCEPTANCE OF HIGHER RATE FOR FOUR VEHICLES-Rs. 140.800 MILLION.

AUDIT VERSION

109. The Audit reported that according to Paras 11 and 12 of GFR Vol-I, each head of a Department was responsible for enforcing Financial Order, strict economy at every step and observing all relevant Financial Rules and Regulations by his own office and by subordinate disbursing officers.

110. During the financial year 2014-15, in the Pakhtunkhwa Energy Development Organization (PEDO), it was noticed that the contract for construction of KOTO HPP Dir was advertised and was finalized with the bid cost of Rs.12,59,93,36,000/- in favour of M/s Server and Co, Sichuan Silian and Chong Qing JV. The detailed scrutiny of the bid documents showed that the bidder has quoted bid of Rs.12,49,37,36,000/ as was evident from the schedule L on page 1 of 10 and schedule 5 of the Grand summary attached on page 10 of 13 of the bid documents as such an amount of Rs. 10,56,00,000/- was accepted in excess of the actual bid price.

111. Further, it was noticed that four vehicles were purchased at the cost of Rs.3,52,00,000/- each. On inquiry it was informed by the Assistant Director concerned that there was a mistake in the bid price of four vehicles quoted as Rs.3,52,00,000/- instead it was Rs.14,08,00,000/- by the bidder, on page 8 of 13 of the bid documents which was corrected in the evaluation process and accordingly corrected as Rs.14,08,00,000/-.

112. Audit was of the view that the correction was incorrect and unjustified because on page 10 of 10 of the same bid document the cost of complete item regarding

cost of four vehicles was mentioned as Rs.3,52,00,000/- which indicates that full price was Rs.3,52,00,000/- and not Rs.14,08,00,000/-. On further probe it transpired that Rs.10,56,00,000/- pointed above as the excess paid price in the bid is actually the difference between the actual price of vehicles and the claimed price of vehicles Rs.3,52,00,000/- and Rs.14,08,00,000/- respectively.

113. Lapse occurred due to weak financial and internal controls. When pointed out in June 2016, the management submitted the same statement, which was not satisfactory as unreasonable enhancement needs proper authorization.

114. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing responsibility against the person(s) at fault and recovery of the amount from person responsible.

DEPARTMENTAL VERSION

115. The Department explained that the subject matter was under investigation with Anti-Corruption at the time of DAC now the subject agency has given the clearance certificate to PEDO. The readable bid submitted by M/S Sichuan-Server-Silian- Chong Qing- Luyang (JV) of Rs. 12493.736 million when the Bid Evaluation Committee during evaluation process of the bid found an arithmetic mistake in vehicle cost and corrected as per clause 24.2 of the bidding document. The arithmetic correction was in line with the standard procedure for detail price evaluation/calculation of the submitted bid. Incorporation of the arithmetic error was for fair and transparent bid completion. The Bid Evaluation Committee corrected amount to Rs. 12599.336 million and submitted to Technical Committee of PEDO for assessment and thereafter to PEDO Board for consideration & approval. Thus after approval by the above forum the agreement was signed. There was no intension to extend any undue favour to contractor but the action was to award any complication at later stage for this simple rectification of arithmetic error in the interest of the project.

PAC OBSERVATIONS

116. The Committee observed that,

- i. cost of 4 vehicles quoted by the contractor Rs.3,52,00,000/- instead of Rs.14,08,00,000/- which was done by the Department incorrectly on the pretext of correcting the arithmetic error.
- ii. The explanation of the Department was totally un-justified.
- iii. Overhauling of the Contract management system was required on war footing basis.

PAC RECOMMENDATIONS

117. The Department could not advance any plausible explanation about the actual price and the claimed price of vehicles and was also unable to respond the queries raised by the Members. After detailed discussion, it was concluded that the Para needs detail deliberation and scrutinizing of complete record, therefore, the Committee recommended that it may be referred to a Sub-Committee comprising the following to probe into the matter:-

- | | | |
|----|----------------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Salah Uddin, MPA | Member |
| 3. | Arbab Muhammad Waseem Khan, MPA, | Member |
| 4. | Dr. Asiya Asad, MPA | Member |

118. The representative of the Planning & Development Department may be invited to the meeting for expert opinion.

119. The Committee further directed the Audit to conduct detailed audit of the said Project within thirty (30) days and to submit its report to the Sub-Committee for examination.

120. The Sub-Committee will submit its report within 60 days.

DP No.6.4.17 WASTEFUL EXPENDITURE ON HIRING OF O&M CONTRACTOR-Rs. 5.340 MILLION.

AUDIT VERSION

121. The Audit reported that according to Para 10 of GFR Vol-I, each officer was expected to incur expenditure from public money in a manner as a person of ordinarily prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

122. During the financial year 2014-15, in the Pakhtunkhwa Energy Development Organization (PEDO), it was noticed from the review of record of the Machai Hydro Power Complex Mardan that contract for the O&M of the complex was awarded to M/s Hydro Tech Peshawar and payment of Rs.53,40,000/- was made on account of salary of staff of the contractor despite the fact that complex has not yet officially operational. Therefore, the hiring of O&M contractor and payment of Rs.53,40,000/- without running the complex was just the wastage of public resources.

123. Furthermore, the above payment consists of salary of the technical/key staff, paid on the basis of the designation of the staff instead of their proper names and status. Not mentioning the names of person in the claim led to the suspicion that all the employees were not and are not available on site. When pointed out in June 2016, the management stated that written reply would be furnished later on.

124. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter at appropriate level to determine the lapses with fixing responsibility.

DEPARTMENTAL VERSION

125. The Department explained that as per prudent laws, the operation and maintenance contract comprises two phases such as Mobilization and Operational. The mobilization phase always start well ahead of the operation phase whereby enabling the O&M Contractor staff to fully familiarize with the project specific parameters. This procedure was in practice everywhere and for every project. Based on this analogy and as per provision in the contract agreement, the O&M Contractor deployed skilled staff at Machai HPP for mobilization phase. This was all done in anticipation that the power plant will be made operational as soon as possible. Unfortunately, the interconnection with national grid got considerably delayed due to transmission line issues with PESCO, being deposit work. The Department kept pursuing the matter with PESCO for early commencement of laying the transmission lines. PESCO completed the Transmission line in November 2016 and the Power House was operational since then and has exported 12,903,396 KWH Units to national grid Station Katllang district Mardan.

PAC RECOMMENDATIONS

126. The Committee recommended the Para to be settled, subject to a Certificate from the Secretary of the Department that all the employees were available at site in support of departmental reply.

DP No.6.4.18 DOUBTFUL & UNWARRANTED EXPENDITURE ON RENT OF VEHICLES OF O&M CONTRACTOR-Rs. 2.750 MILLION.

AUDIT VERSION

127. The Audit reported that according to Para 2.1 of Chapter 2 of the accounting manual of PEDO every officer incurring or authorizing expenditure from public fund should be guided by high standard of financial propriety and that every officer of the organization was expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

128. During the financial year 2014-15, in the Pakhtunkhwa Energy Development Organization (PEDO), it was noticed that the Resident Engineer (RE) Malakand-III HP Dargi allowed payment of Rs 27,50,000/- to the O&M contractor on account of rent of one bus and two vehicles hired on monthly rent basis despite the fact that the contractor has purchased vehicles and claimed monthly POL and repair charges each and every month. Therefore, hiring of further vehicles on monthly rent basis was neither required nor justified. Hence, claim of the contractor and payment by the RE was doubtful and unwarranted.

129. Audit was of the view that before allowing payment to the O&M Contractor, need and assessment of the requirement of vehicles for the station was required. Doubtful expenditure incurred due to financial indiscipline at the level of approval accorded and weak internal controls. When pointed out in June 2016, the management replied that written reply would be furnished later on.

130. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing the responsibility.

DEPARTMENTAL VERSION

131. The Department explained that during audit for financial year 2014-15, the external audit raised the observation that an amount of Rs. 2.750 million was paid to O&M Contractor on account of rented vehicles. Payment to O&M Contractor seems to be doubtful and unwarranted.

132. Department replied that the payment was made strictly in line with the provisions of the contract agreement duly approved by the competent authority. It is further to explain that there were 200 employees at site. The already purchase 07 No. vehicles were not enough for transportation purpose of the engaged employees at site, hence provision for rented vehicles was made in the contract agreement.

PAC RECOMMENDATIONS

133. The Para was referred to Sub-Committee already constituted vide Draft Para No.6.4.16 (2016-17).

DP No.6.4.19 EXCESS PAYMENT TO CONSULTANT ON ACCOUNT OF STAFF REMUNERATIONS-Rs. 8.927 MILLION.

AUDIT VERSION

134. The Audit reported that according to the consultants work plan and activity schedule the pre construction period of the consultancy would be only 12 months, effective from the date of signing the contract agreement and price schedule. According to Sr.No 9 of the TORs of the consultancy, services of the contract agreement the consultant will seek prior written approval of the PHYDO to approve any extension of the period for completion of the work.

135. During the financial year 2013-14, in the office of Chief Executive PHYDO, it was noticed that Project Director Lawi HPP has allowed upto 20th running bill an amount of Rs.7,43,30,956/- to M/s ACE Pvt Ltd vide voucher No.10 dated 30-06-2014 on account of consultancy services. The scrutiny of the voucher revealed that the firm has claimed salary and remuneration of the staff for the pre construction phase, in excess of the provisions as approved and agreed to in the contract agreement. The local administration has allowed the same on the basis of addendum No.01 signed in January 2014, between the parties in light of clause 2.5 of the GCC as referred to above. It was however observed that neither the scope of service changed nor any increase in the prices

occurred but it was claimed due to increase in additional man months for which neither any justification was advanced by the consultant nor allowed by the local administration.

136. Further, the original agreement was signed on the basis of approval accorded by the DCSC under the Chairmanship of Administrative Secretary while the prior approval of the competent forum for the addendum No.01 was not obtained.

137. Audit therefore, holds that the payment of extra remunerations beyond the provision of the agreement that too without approval resulted in an excess payment of Rs.89,27,096/-. Excess payment made due to financial indiscipline and weak internal controls. When pointed out in August 2015, the Department stated that detailed reply would be given later on.

138. In the DAC meeting held in October 2016, the Department replied that the case was submitted to DCSC for approval of time extension and consequent cost effect. The Committee (DCSC) decided that “concerned authority will approve the increase in time period and cost subject to these being covered in the original or revised approved PC-I of the respective project”. DAC directed to conduct inquiry and Audit be informed within 30 days. However neither inquiry conducted nor Audit informed till finalization of the report. Audit recommends to implement DAC decision.

DEPARTMENTAL VERSION

139. The Department explained that the excess payment to consultants on account of staff remuneration of Rs. 8.927 Million. The consultancy contractor was signed between PEDO and Associated Consulting Engineers (ACE) on 15-06-2012 for 84 months including 12 months for Pre construction due to three time tendering for procurement of contractor pre construction phase was increase from 12 months to 42 months and extension was accordingly granted to consultant with enhanced cost and addendum No. 1 was signed with ACE for approval note & Addendum No 2.

PAC OBSERVATIONS

140. The Committee observed that:-

- i. due diligence was lacking while signing agreement.
- ii. DAC decision for conducting inquiry into the matter was not implemented.

PAC RECOMMENDATIONS

141. In view of the above, the Committee directed the Department to conduct departmental enquiry into the matter for examining all the aspects, deficiencies and to suggest measure to improve the system of awarding contract, within thirty (30) days. Para stands. Progress be reported to PAC.ed the Department to conduct departmental enquiry into the matter for examining all the aspects, deficiencies and to suggest measure to improve the system of awarding contract, within thirty (30) days. Para stands. Progress be reported to PAC.

DP No.6.4.20 NON-CONDUCT OF INTERNAL AUDIT OF THE SUBORDINATE DDOS.

AUDIT VERSION

142. The Audit reported that according to Para 13.2 of the Accounting Manual of the PEDO the Internal Audit Section of the organization shall carry out periodic audit of the Head Office and the projects of the organization and submit their report to the CEO PEDO with a copy to Administrative Department for necessary action in addition if necessary, the CEO/ Administrative secretary may ask the Internal Audit Section to carry out special audit of a particular Department/Wing/Project of the organization and submit report accordingly.

143. During the financial year 2014-15, in the office of Khyber Pakhtunkhwa Energy Development Organization (PEDO), it was noticed that there was Internal Audit Section under the supervision of the Director Finance and Assistant Director Audit. However, they neither conducted Internal Audit of the Head Office nor of any project or other subordinate office in violation of provisions of the Accounting Manual. Rules provide that the CEO/Administrative Secretary may ask the Internal Audit Section to carry out Special audit of a particular Department/Wing/Project of the organization and submit report accordingly but no instructions in this regard were available. Non-conduct of the Internal Audit by the Internal Audit Section resulted in not only violation of the rules but the CEO and Administrative Department were also not aware of the financial mismanagement.

144. The lapse occurred due to weak internal controls and financial indiscipline. When pointed out in June 2016, the management furnished no reply. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that internal audit of the PEDO be carried out regularly.

DEPARTMENTAL VERSION

145. The Department explained that the Audit raised objections regarding non-conduct of internal audit of the subordinate DDOs. In new approved structure of PEDO Internal Audit Directorate and directly reported to BOD. Accordingly, the Internal Audit Cell prepared its plan and TORs.

PAC RECOMMENDATIONS

146. The Para was recommended to be settled, with direction to the Department to conduct internal audit regularly and intimate progress to Audit as per Para 13.2 of the Accounting Manual of the PEDO and Para-13 of GFR Vol-I.

IRRIGATION DEPARTMENT

PROCEEDINGS:

Twenty nine (29) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Irrigation Department were taken up for examination by the Public Accounts Committee in its meetings held on 2nd and 3rd of March, 2022. The following were presents:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|---------------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Arbab Muhammad Waseem Khan, MPA | Member |
| 3. | Mr. Salah Uddin, MPA | Member |
| 4. | Dr. Asiya Asad, MPA | Member |
| 5. | Mr. Babar Salim Swati, MPA | Member |
| 6. | Mr. Jamshid Khan, MPA | Member |
| 7. | Mr. Ahmad Kundi, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Muhammad Javed,
Section Officer.

FINANCE DEPARTMENT

1. Dr. Salma Suliman,
Additional Secretary.
2. Mr. Hassan Abid,
Additional Secretary,

AUDIT DEPARTMENT

1. Mr. Israr-ul-Haq,
Director General.
2. Mr. Muhammad Fayaz,
Deputy Director.

IRRIGAION DEPARTMENT

1. Mr. Muhammad Ayaz,
Secretary.
2. Sheikh Muhammad Jalil,
Chief Engineer, (South).

3. Mr. Nasir Ghaffor Khan,
Chief Engineer, (North).
4. Mr. Wasim Malik,
Superintending Engineer, Swat.
5. Mr. Abdul Sattar Khan,
XEN, Kohat.
6. Mr. Mamraiz Khan,
XEN, Warsak.
7. Mr. Sulman Daud,
XEN, Flood, D.I.Khan.
8. Mr. Wajid Ali Shah,
XEN, Barani Canal.
9. Mr. Ali Ahamd,
XEN, Chitral.
10. Mr. Wilayat Khan,
Superintending Engineer, (South)
11. Mr. Ghulam Ishaque,
Superintending Engineer, Irrigation.
12. Mr. Ahmad,
XEN, Mardan.
13. Mr. Tariq Ali Khan,
XEN, Swabi.
14. Mr. Javeed Khattak,
XEN, Charssada.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Kifayatullah Khan Afridi,
Secretary,
 2. Mr. Amjad Ali,
Special Secretary.
 3. Mr. Ashtimand,
Deputy Secretary.
 4. Mr. Haris Khan,
Assistant Secretary.
 5. Mr. Aamir 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 No.13.4.1 NON-PRODUCTION OF RECORD-Rs. 1.798 MILLION.

AUDIT VERSION

3. The Audit reported that according to Section 14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, to which the Auditor General has a statutory right of access, may be withheld from the Audit. Any person or authority hindering the auditorial functions shall be subject to disciplinary action under relevant Efficiency and Discipline Rules applicable to such person.

4. During the financial year 2014-15, accounts record of Warsak Canal Division Peshawar revealed that a sum of Rs.17,98,340/- was paid to Divisional Forest Officer Nowshera vide voucher No.5,6 and 7 dated 06-04-2015 for removal of trees and replanting of fresh plants. However, record in support of expenditure was not provided. Similarly, Rs.5,00,000/- was paid to Information Department but purpose of the advertisement and detail thereof was also not available. Apart from above, there was residential accommodation in the complex but details of the occupants were not provided. Auditable record was required to have been provided to Audit team which was concealed and not provided, therefore remained unverified.

5. The lapse occurred due to violation of rules and resulted in non production of record of Rs.17,98,000/-. When pointed out in May 2016, it was replied that trees were standing in the roads which were cleared by the Forest Department and payment was made.

6. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends investigation and recovery of the amount.

DEPARTMENTAL VERSION

7. The Department explained that:-

i. **NON PRODUCTION OF RECORD Rs.1.798 MILLION**

All the required auditable record has been put up to Audit party. The roads works, trees were standing in the ROW of canal. To clear the trees from the ROW of canal, the Forest Department sent demand bill which was only document voucher for payment thereon. The payment has been made

to the Forest Department accordingly as per demand bill voucher received from Forest.. Therefore there is no issue of non production of record involved.

ii. **NON PRODUCTION OF RECORD FOR ADVERTISEMENT CHARGES Rs.5,00,000/-**

All the advertisement bill as received from the Director Information Department Khyber Pakhtunkhwa Peshawar relates to Warsak Canal Division have been paid accordingly.

iii. **NON PRODUCTION OF RECORD OF RESIDENTIAL ACCOMMODATION AT PUM HOUSE.**

During the deteriorated security situation in Jamrud, the Pak Army (Swat Scout) occupied the residential as well as official building in Warsak Pump House Jamrud. Consequently the supervisory staff of Warsak Pump House Jamrud has to move out leaving the official accommodation to the Pak Army resultantly the staff was left with no option but to reside outside the Pump House premises. Therefore the staff of Pump House was allowed to draw House Rent Allowance. As and when the security forces leave the occupied area the HRA from the staff availing residential accommodation will be deducted from their payment.

PAC RECOMMENDATIONS

8. Para stands till verification of record by the Audit within 30 days, with the direction to the Department to take strict disciplinary action against the concerned for non production of such petty record in time to the Audit.

9. For future guidance, to avoid such instances the Committee directed the Audit to make timely coordination with the PAC Cell if such issue of non production of record by the Department crop up, so that a case could be proceeded for timely action and record is produced intime to Audit.

DP No.13.4.2 MISAPPROPRIATION OF Rs. 1.841 MILLION.

AUDIT VERSION

184. The Audit reported that according to Para-283 (I) of FTR, each Government Officer will personally be held responsible for any loss sustained by Government through negligence on his or on his subordinate part. Head of an office is personally responsible for the amount drawn on a bill signed by him on his behalf until he has paid it to the persons entitled to receive it and obtain a legally valid acquaintance on the office copy of the bill.

185. During the financial year 2014-15, in Swabi Irrigation Division No.1 Swabi, an amount of Rs.18,40,521/- realized by the local staff during 2012-13 to 2015-16 from the following sources were not deposited in the Government Treasury under the relevant head of account. Record prior to 2012-13 was not maintained.

S.No.	Particulars	2012-13	2013-14	2014-15	2015-16	Total (Rs)
1.	Water Mills rent	2,65,507	2,65,507	2,65,507	4,75,000	12,71,521
2.	Govt: Land Machai Branch 3.9 Acres	26000	26000	31500	0	83500
3.	-do- PHLC 200 kanals near Power House	1,00,000	1,00,000	1,00,000	0	3,00,000
4.	-do- PHLC Village Baja 16 Kanals	8,000	8,000	8,000	0	24,000
5.	-do- Machai Branch Ahad Khan 07 Kanals	3,500	3,500	3,500	0	11,500
6.	-do- Old indus branch Shah Mansoor 100 Kanals	50,000	50,000	50,000	0	1,50,000
Total						18,40,521

186. The realized amount was required to have been deposited into the Government Treasury which was not done resulting into misappropriation of Government money. The lapse occurred due to weak internal controls and violation of rules. This resulted into misappropriation of Rs.18,40,521/-. When pointed out in March 2016, the management furnished no reply.

187. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter, fix responsibility and recover the amount from the person (s) at fault.

DEPARTMENTAL VERSION

188. The Department explained that Para wise reply is as under:-

- i. The realized amount regarding water mill rent for the financial year 2012-13, 2013-14, 2014-15 and 2015-16 have been deposited into the Government Treasury under the relevant head of account.

- ii. As regards auction of Water Mill at RD 7000 on Buxali Disty, it was auctioned @Rs.7,12,000/- through open auction and 1/3rd amount to Rs.2,37,333/- of the highest bidder was deposited into Government Treasury Vide Chalan Number 14. Whereas the balance amount of Rs.4,75,000/- were to be deposited in two installment by the bidder. But the bidder submitted an application stating that he was unable to run the Mill for the reason which, no further installment could be recovered from him.
- iii. The Government land of 350 Kanal in question possessed by illegal person, were retrieved and was put to auction. The auction amount of Rs.3,21,232/- the highest bidder were deposited in Government account.
- iv. The water mill at RD 4500, Jamal Ghari Disty, was constructed by the local but left over un-operated, after which it was commissioned by this office and made it liable for auction. After which it was auctioned regularly and its auction amount was being deposited in Government Treasury.

PAC RECOMMENDATIONS

189. The Para was recommended to be settled subject to verification of record by Audit within thirty (30) days.

DP No.13.4.3 LOSS DUE TO IGNORING THE LOWEST RESPONSIVE BIDDER-Rs.69.214 MILLION. **AUDIT VERSION**

68. The Audit reported that according to rule 29 of Khyber Pakhtunkhwa Procurement Rules 2003, the tender accepting authority shall consider the detail evaluation report prepared by Technical Evaluation Committee before taking a final decision and the order shall be placed to the bidder, whose bid was responsive and having lowest evaluated price.

69. During the financial year 2014-15, in Marwat Canal Irrigation Division Bannu, the Government sustained a loss of Rs.6,92,10,000 in the tendering process as according to comparative statement of financial bid lowest responsive bidder was M/S Euro Consultant Associate Consultant whose bid was Rs.6,11,50,000 for phase-I and Rs.13,88,40,000 for phase-II while offer of MS JV BAK & AGES was Rs.6,66,00,000 and Rs.20,26,10,000 for phase-I & II respectively. It depicts that the bid of MS JV BAK

& AGES was higher than M/S Euro Consultant Associate Consultant. However, the local office accepted the higher rates which resulted in loss of Rs.6,92,14,000.

(Rs)

Name of agency	Rate for phase-I	Rate for Phase-II	Total bid cost
MS JV BAK & AGES	6,66,00,000	20,26,13,000	26,92,13,000
MS Euro consultant Associate Consultant	6,11,55,000	13,88,45,000	20,00,00,000
Difference	54,45,000	6,37,68,000	6,92,14,000

70. The record showed that Rs.1,00,00,000 was paid to JV of BAK & AGES” consultancy for survey, raising of Baran Dam upto May, 2015 by withholding Rs.66,50,000 from the total claim of Rs.1,66,50,000. The lapse occurred due to extending undue benefit to the contractor at the cost of Government, which resulted in loss to the public exchequer. When pointed out in February 2016, the management stated that detailed reply would be furnished after going through the record.

71. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that loss should be made good from the person(s) at fault.

DEPARTMENTAL VERSION

72. The Department explained that the evaluation of bid for hiring the consultant was approved by the DCSC/DDWP in its meeting held on 11-06-14 after observing all tender formalities. The selection was made in light of Khyber Pakhtunkhwa procurement Rules 2014 clause 23 (B). (QCBS-quality and cost based section method). In this method weight-ages are assigned to technical specially keeping in view the special nature of work along with financial bid.

73. The weight-age for the evaluation of this scheme was divided on basis of 80% score to technical expertise and 20% score to financial bid. The aggregates score (Technical + Financial Bid) obtained by JV of BAK & AGES was 80.99 as per its bid and 73.03 score was given to Euro Consultant. Therefore the contract was awarded to the Firm scoring high points amongst the bidder which is in line with the KPPRA rules 2014

and no irregularity was committed by the bid approving authority i.e DCSC/DDWP which the highest body in the Department for making such a decision/selection.

PAC OBSERVATION

74. The PAC observed that Consultants were hired on the basis of 80% score for technical evaluation and only 20% weightage for financial evaluation.

PAC RECOMMENDATIONS

75. In view of the convincing reply advanced by the Department, that the procurement of services were made on quality and technical evaluation basis, the Para was recommended to be settled

DP No.13.4.4 LOSS DUE TO NON REALIZATION OF COST OF HARVESTED TREES Rs. 103.802 MILLION.

AUDIT VERSION

164. The Audit reported that according to Para-283 (I) of FTR, each Government Officer will personally be held responsible for any loss sustained by Government through negligence or fraud on his or on the part of his subordinate staff. Head of an office is personally responsible for the amount drawn on a bill signed by him on his behalf until he has paid it to the persons entitled to receive it and obtain a legally valid acquaintance roll on the office copy of the bill.

165. During the financial year 2014-15, in Irrigation Division Mardan, a sum of Rs.8,33,853/- was paid to contractors on account of removal of 44 trees from the road side and quantity of 2,964.420 Cft timber obtained which was transported to depot but the whereabouts of the sale proceeds was not made known to Audit. It may be added that 2500 the length of the road is from RD 0-25000 while in the bill only 44 trees were shown to have been extracted/removed. It would be more than 3000 trees because Mardan District is rich in the shesham like trees therefore the quantum of trees would be more or less upto valuing Rs.5,33,52,000/- which was not done.

166. In addition during 2014-15, in Irrigation Division No.1 Swabi, Rs.6,72,084/- incurred on account of harvesting of 931 trees falling in the alignment of canal patrol road along Chura Minor. However, the timber so obtained from harvesting of

these trees was not brought to account and value thereof amounting to Rs.5,03,19,000/- was misappropriated by the concerned.

167. The lapse occurred due to non observance of rules and procedures, which resulted in loss of Rs.10,38,02,000/-. When pointed out in March 2016, the management furnished no reply.

168. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing responsibility and recover the loss from the person (s) at fault.

DEPARTMENTAL VERSION

169. The Department explained that the Audit party has presumed and correlated Koragh Canal road in District Mardan with the Irrigation canal in Swabi that there might be more than 3000 Nos. trees for which the value was assessed. Whereas actually there were only (44+19=63 Nos.) Trees in the whole reach to be cut down in the Canal Patrol Road prism. These 63 Nos: trees were cut and transported to Forest Department depot in the presence of their staff for further where about/sales auction of wooden logs, Forest Department may kindly be approached. Furthermore, during 1970 the Governor Khyber Pakhtunkhwa issued notification that the Forest Department should take over the charge of trees along the canals forthwith. After-wards each tree were recorded in their register in detail by the Forest Department. Whenever the Department were required to remove trees from the ROW, these trees were pointed out to the Forest Department and were jointly demarcated and after approval from Chief Conservator, the payment is made to the Forest Department on account of:-

- (i) Removal of tress
- (ii) Compensation of 10 Nos. trees in lieu of each tree removed
- (iii) Cost of plantation and maintenance for each plant were jointly demarcated and removal of the 63 Nos. of trees were approved and accordingly removed.

PAC RECOMMENDATIONS

170. The Para was referred to Sub-Committee already constituted vide DP No.13.4.27 to resolve the issue once for all, the Committee also directed to invite Forest Department to check the share issue, Policy of Forest and procedure for disposal of trees.

DP No.13.4.5 LOSS DUE TO NON-DEDUCTION OF VOIDS FROM EARTH WORK-Rs. 15.170 MILLION.

AUDIT VERSION

108. The Audit reported that according to item of work “Borrow pit excavation undressed lead upto 50 m ordinary soil i/c dressing and leveling earth to design section in 6 inch layers and compaction of earth with power road roller 85%” was required.

109. During the financial year 2014-15 in Irrigation Division Charsadda the construction of flood embankment from Kheshki to Nowshera Kalan R/S Kabul River was awarded to M/s Kasteer International (Pvt) Ltd with the tender cost of Rs.74,70,00,000/-. The contractor was paid Rs.21,97,28,000/- vide voucher No. 39-C dated 18-06-2015. The payment includes Rs. 2,68,93,000/- for “Barrow pit excavation undressed lead upto 50 m ordinary soil i/c dressing and leveling earth to design section in 6 inch layers and compaction of earth with power road roller 85% max mod AASHTO dry density with an extra lead of 5 Km” for a quantity of 311337.60 m³ @ Rs. 325 pm³.

110. It would be seen that the compaction through power road roller was done upto a maximum density of 85% thus 15% voids remains in the earth work therefore deduction of 15% voids from the payment to contractor was required to have been made which was not done, hence resulted in loss of Rs.1,51,78,000/-. $(311,337.60 \times 15\% = 46,700.64 \times Rs. 325 \text{ pm}^3 = Rs.1,51,77,708)$.

111. Audit holds that payment was required to have been made according to the 85% compaction which was actually done and certified by the engineer concerned. The lapse occurred due to non adherence to the rules and procedures and weak internal controls. This resulted in loss of Rs.1,51,78,000/-. When pointed out in February, 2016, the management stated that final reply would be submitted after verification of record.

112. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to

investigate the matter for fixing the responsibility and recovery of the loss from the person(s) at fault.

DEPARTMENTAL VERSION

113. The Department explained that information of Audit that item clearly envisages the word “Compacting” when the earth was filled dressed, leveled and properly compacted then there remains no voids and hence there stands no need to make 15% recovery good on this account.

PAC OBSERVATION

114. The Committee observed that in composite schedule of rates it was clear that the rate offered was for 85% compaction; hence 15% deduction was not required.

PAC RECOMMENDATIONS

115. The explanation advanced by the Department being plausible was accepted and the Para was recommended to be settled.

DP No.13.4.6 LOSS DUE TO NON-UTILIZATION OF USED FORM WORK OR ITS VALUE-Rs. 21.249 MILLION.

AUDIT VERSION

197. The Audit reported that according to Para-283 (I) of FTR, each Government Officer will personally be held responsible for any loss sustained by Government through negligence or fraud on his or on the part of his subordinate staff. Head of an office was personally responsible for the amount drawn on a bill signed by him on his behalf until he has paid it to the persons entitled to receive it and obtain a legally valid acquaintance roll on the office copy of the bill.

198. During the financial year 2014-15, in Irrigation Division-I Swabi, payments of Rs.1,48,22,000/- was made in different schemes for erecting and removing form work to concrete in any shape position.

199. In addition, during 2014-15, in Irrigation Division Mardan, Rs.87,19,000/- were paid to different contractors for erecting and removing of form work on composite item of work i.e. both material and labour, but where about of the used removed formwork was not known. For any items if the Government made payments it becomes property of the Government but neither the formwork material were handed over to the

Department nor its value deducted from the Contractor bill. When pointed out in March 2016, the management furnished no reply.

200. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing the responsibility apart from recovery of the amount from the concerned.

DEPARTMENTAL VERSION

201. The Department explained that during the year of Audit, the item rates was applicable instead of MRS, therefore the contractors quoted his own rate which was approved in the tender approval and accordingly adopted for payment to contractor. Furthermore, the amount worked out by the Audit team was on the basis of original formwork used for concrete activity. The formwork was mostly made up of wood/ply which losses its value by periodic usage wear and tear, which depreciates its cost and become un usable, even the transportation cost of the remained woods scrap/formwork was more than was its scrap value.

PAC RECOMMENDATIONS

202. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.13.4.7 LOSS DUE TO ENHANCED RATES OF WORK NOT PROVIDED IN PC-1-Rs. 6.960 MILLION.

AUDIT VERSION

96. The Audit reported that according to Para 2.58 of B&R code, payment should be made for quantities and rates mentioned in the BOQ.

97. During the financial year 2015-16, in Flood Irrigation Division D.I.Khan, 3,51,18,62.302 cft “Borrow pit earth work excavation undressed lead up to 50m in ordinary soil with extra lead of 01 Km in ordinary soil i/c dressing and leveling earth to designed section ordinary or hard soil upto cut or fill 6 inch” was provided in the PC-1 of a scheme, “Extension & Improvement of Spur No.18 on Right Bank of River Indus in D.I.Khan for Creek Portion”. However, 14th running bill paid vide voucher No.03/S-1

dated 23-06-2016 revealed that Rs.1,95,64,000/- was paid for the said item of work @ Rs.9.02 per cft for a quantity of 21,69,025.62 cft against the MRS 2013 rate of Rs.6.995 per cft.

- i. The execution and payment of item of work on higher rates resulted in excess rate of Rs.2.025 per cft ($9.02(-)6.995=2.025$) which led to a loss of Rs.43,92,277/- ($21,69,025.618 \times 9.185$).
- ii. Similarly, another item, "Borrow pit earth work excavation undressed lead upto 50M in hard soil with extra lead of 04 Km in ordinary soil i/c dressing and leveling earth to designed section ordinary or hard soil upto cut or fill 6 inch" of 2,80,022.22 cft under above work was executed @ Rs.16.18 per cft against the MRS 2013 of Rs.6.995 per cft (03-4-a+3-17-a+3-18-a+3-18-b+3-19-b). As such, loss of Rs.25,72,000/- ($2,80,022.22 \times 2.025$) was sustained.

98. The matter was reported to the management in December, 2016. The management stated that work was executed as per site requirement and PC-1. The rates were quoted by the contractors. Reply of the Department is not tenable. Provision does not exist for such portion and that enhanced rates were allowed without realizing the responsibilities.

99. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends investigation and recovery of the amount.

DEPARTMENTAL VERSION

100. The Department explained that:-

- i. The tender was called on item rates basis for which the contractors offered different rates of their choice and analysis, on which, the Department has no authority. Therefore the CSR item and its reference was not applicable. However variation in the quantities of different items have been covered under variation orders and Technical Sanction properly approved by the competent authority. Sanction of the initial Estimates and revised of the work vide Chief Engineer (South) Irrigation Department Khyber Pakhtunkhwa Peshawar No. 1693/C-3/Flood, dated, 17/03/2015 & No. 3304/C-4/Flood, dated 16-06-2016 respectively. As far as provision of the pointed out item rates in PC-1 are concerned, the rates inserted therein were correct as it comes out after multiplication with area

factor (9.55*1.03=Rs.9.833 P CFT) Audit party miscalculated the rates of the subject item. Overall approved Cost of the Contractor was 10% below Engineer's Cost Estimate, while this particular items rate was Rs. 9.02 PCFT which was 9% below that of PC-1 rates.

- ii. Same is the case of 2nd item.
- iii. Payment made to the contractor through IPCs was subject to deductions in subsequent IPC, and final bill, if Engineer (NESPAK) during any stage deems it necessary and recommends the same. In IPC No. 2. Consultant recommended payment of barrow pit earth work within 1 KM lead @ Rs.9.02 PCFT, later on during internal scrutiny after working out actual lead and rates the deduction under IPC No. 8 quantity of 59705.712 CFT amounting to Rs. 5385424.48 has been made & the same quantity within 500 Meter lead has been paid @ lower rate of Rs. 8.22 PCFT which has reduced the bill amount by Rs. 477642.96 as below:-

(-) 597053.712@Rs.9.02/- per CFT =53854424.48

(+) 597053.712@Rs.8.22/- Per CFT =4907781.51

Net reduction in cost 477642.96/-

PAC RECOMMENDATIONS

101. In view of plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.13.4.8 LOSS DUE TO ALLOWING FORM WORK FOR PCC-Rs. 1.983 MILLION.

AUDIT VERSION

116. The Audit reported that according to item No.06-36-a to 06-39-b of MRS 2013 separate rates of PCC without form work has been given. The PCC other than this item of work will be considered as inclusive of form work.

117. During the financial year 2014-15, in Irrigation Division Charsadda, "Erection and removing of formwork" valuing Rs.19,83,201/- was allowed to the contractors in different works despite the fact that the contractor has not executed the relevant PCC work for which erection and removal of formwork would require. The formwork was specifically provided in the CSR/MRS 2013. Item No. 06-36-a to 06-39-b where PCC has been carried out without formwork and formwork was separately

allowed. The rate of PCC in other cases already inclusive of cost of the formwork therefore no separate formwork could be allowed. These cases, erection and removal of formwork was allowed in isolation which resulted in loss to the public exchequer.

118. The lapse occurred due to undue favor to contractor, non observance of provisions of CSR/MRS and weak internal controls. This resulted into loss of Rs.19,83,201/-. When pointed out in February, 2016 the management stated that final reply would be submitted after verification of record.

119. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends, to investigate the matter, fixing responsibility and recover the amount from person (s) at fault.

DEPARTMENTAL VERSION

120. The Department explained that actually there was involved PCC work vide item No. 9 and 10 of Vr. 17-T dated 22-06-2015 and therefore formwork was also involved covered proposal in T.S. Therefore, there involved no irregularities on the part of this division.

PAC RECOMMENDATIONS

121. The Para was based on presumption, no record was available with the Audit in support of its contention, the Para was therefore, recommended to be settled.

DP No.13.4.9 OVERPAYMENT DUE TO DEVIATION FROM BOQ-Rs. 12.270 MILLION.

AUDIT VERSION

42. The Audit reported that as per provision in the BOQ “Dense graded hot bitumen (mobile asphalt 2” thick)” was required to be carried out at the rate of Rs.377.74 m³.

43. During the financial year 2011-12, in Peshawar Canal Division Peshawar, “asphalt weaving course” was carried out for quantity of 2,195.02 m³ @ Rs.12,801.18 PM³ instead of dense graded hot bitumen asphalt @ Rs.377/74 as provided in the BOQ

for the work “restoration of damaged infrastructure of KRC system” package FDRD/PCD/2. This resulted in overpayment of Rs.1,22,70,000/-.

44. The lapse occurred due to weak internal controls, which resulted in overpayment of Rs.1,22,70,000/-. When pointed out November 2012, the management furnished no reply. In the DAC meeting held in January 2017, it was decided that due to change in item of work a sum of Rs.1,22,70,000/- was paid in excess, which may be recovered. No progress was intimated till finalization of the report. Audit recommends recovery.

DEPARTMENTAL VERSION

45. The Department explained that the item of work has been executed a per provision made for the said item in the revised PC-I and also covered in the revised estimate, sanctioned accordingly. There is no validity for adoption of specification and rates which have not been approved. The Draft Para has already been discussed in the DAC meeting held on 20-01-2017 and settled accordingly subject to the provision of documentary evidence.

PAC RECOMMENDATIONS

46. The Department could not submit any plausible explanation regarding the huge difference in the rates i.e. Rs.12,801.18 PM³ instead of Rs.377.74. In such circumstances the PAC therefore, referred the Para to an Inter Departmental Committee (IDC) consisting of Finance, Audit and Administrative Departments under the Chairmanship of Mr. Muhammad Idrees Khan, MPA to conduct detailed inquiry into the matter and submit its report to PAC within 30 days.

47. The Communication & Works and Planning & Development Departments may also be invited into the meeting as Technical experts. The Department will be convener of the meeting of the IDC.

DPN_o.13.4.10 UNAUTHORIZED PAYMENT NOT PROVIDED IN THE APPROVED PC-1-Rs.41.151 MILLION.

AUDIT VERSION

171. The Audit reported that according to Para 2.58 of B&R code, payment should be made for quantities and rates mentioned in the BOQ.

172. During the financial year 2014-15, in Irrigation Division Mardan in a work 0“Re-conditioning/Imp: of Canal Patrol Road alongwith Koragh Branch” the Contractor was paid Rs.4,11,51,000/- for the following items of work on the basis of variation order despite the fact that in the original PC-1 prepared by the consultant these items of work were not provided.

A. RD 0-12500

S.No.	Items of work	Paid Qty	PC-I/BOQ	Diff	Rate	Total
1.	Providing & laying stone soling	8,718	0	8,718	1,749.62	1,52,54,709
2.	Water bound Macadam	4,777	0	4,777	1,869.29	89,30,439
B. Total	RD	12500	-	25000		2,41,85,148
1.	Providing & laying stone soling	4,050	0	4,050	1,783.16	71,42,032
2.	Water bound Macadam	5,255	0	5,255	1,869.29	98,24,072
Total						1,69,66,104
G.Total						4,11,51,252

173. Audit holds that as evident from the nomenclature of road that it was reconditioning/improvement of existing road, therefore the item of stone soling which were uses in water lodged area was not required at all. The lapse occurred due to extending favour to contractor and weak financial controls. This resulted into unauthorized payment of Rs.4,11,51,000/-. When pointed out in March 2016, the management furnished no reply.

174. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing responsibility and recovered the excess paid amount from the person(s) at fault.

DEPARTMENTAL VERSION

175. The Department explained that in Works Department there is every possibility of encountering unforeseen items as per site requirements which were indispensable for durability and successful completion of the project which were later on approved in the variation order/ technical sanction.

A: RD: 0-12500

The quantity 8718 M3 “Providing & laying stone soling & 4777 M3 “Water bound Macadam” Similarly:

B: RD: 12500 to 25000

A quantity 4050 M3 for “Providing & laying stone soling & 4777 M3” and 5255 M3 for “Water bound Macadam” Canal Patrol Roads were always accompanied by canal on either side. In the instants project slush/water logging were encountered near the sub surface being enclose proximity with canal water which was in time reported and rectified by providing stone soling.

PAC RECOMMENDATIONS

176. The explanation of the Department being plausible was accepted by the Committee, therefore, the Para was recommended to be settled.

DPNo.13.4.11 UNAUTHORIZED EXPENDITURE ON THE BASIS OF VARIATION ORDER-Rs. 6.531 MILLION.

AUDIT VERSION

122. The Audit reported that according to provision in the consultant agreement the consultant will have to prepare variation order and approved it from the Government. Payment on this item of work approved under variation order should be made after approval.

123. During the financial year 2014-15 in Irrigation Division Charsadda a sum of Rs.65,31,439/- was paid on the base of Variation Orders in the work “Improvement of road from Ziam to Sherpao” vide voucher No.19-T dated 22-06-2015. On verification of record it was noticed that the Variation Orders were not approved by the competent forum. The expenditure of Rs.65,31,439/- so incurred without approval of the competent forum was unauthorized. The details are as under:-

Particular of item	Quantity	Rate	Amount (Rs)
PCC 1:4:8	416.41 m ³	4019.73 pm ³	16,73,855
Groving in existing road	21273.23 m ³	23.12 pm ³	4,91,837
Bituminous tack coat	6194.24 m ²	44.34 pm ²	2,74,652
Carriage of asphalt	122709.32 ton	3.80 pton	4,66,295

Errection and removing of form work	11526.33 m ²	314.48 pm ²	36,24,800
Total			65,31,439

124. The lapse occurred due to non adherence to the rules and procedures and weak internal controls. Which resulted in unauthorized expenditure of Rs.65,31,439/-. When pointed out in February, 2016 the management stated that final reply would be submitted after verification of record.

125. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing the responsibility.

DEPARTMENTAL VERSION

126. The Department explained that in the Technical sanction the variation as pointed out by the Audit, has been covered.

PAC RECOMMENDATIONS

127. In view of the explanation advanced by the Department that corrective measures were adopted and in revised Technical Sanction (T.S) all the variations were covered, the Para was recommended to be settled.

DP No.13.4.12 IRREGULAR AND DOUBTFUL CREATION OF LIABILITY- Rs.24.626 MILLION.

AUDIT VERSION

102. The Audit reported that according to Para 9 of GFR Vol-I, no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special order of authority and the expenditure has been provided for in the authorized grants and appropriation for the year.

103. During the financial year 2014-15 in Flood Irrigation Division D.I.Khan, an amount of Rs.4,50,00,000/- was released under ADP No 1127 for “Extension and improvement of spur No.18 on the right side of the Indus river in district D.I.Khan”. The record however showed that an amount of Rs.4,47,72,000/- was paid to the contractor

against the upto date work done of Rs.6,93,98,000/- leaving the balance amount of Rs.2,46,26,000/- as withheld and unpaid as such liability was created for future payment which was irregular in terms of rules referred to above. It may be added that in the scheme under reference, this practice remained in process because in the 1st running bill work valuing Rs.1,00,00,000/- was allowed while the remaining paid in 2nd and 3rd running bill. Similarly, in the 4th running bill measuring of Rs.2,51,80,000/- was made while payment of only Rs.5,50,000/- was allowed. This state of affair seems fictitious.

104. The lapse occurred due to non adherence to rules and weak financial controls. When pointed out in November 2015, the management stated that final reply would be furnished after verification of the relevant record.

105. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends investigating the matter and fixing responsibility under intimation to audit.

DEPARTMENTAL VERSION

106. The Department explained that the presumption of Audit was irrelevant and invalid. Scheme in hand was a flood protection scheme and looking to limited time before ensuing flood season of flood 2015m M/S Pasham khan the Contractor had to execute work by using extra ordinary resources so to raise the level of work done to safe limits so as to avoid flood damages. Moreover purpose of the scheme was to safeguard the down wards abadies and infrastructure by erecting Spur No.18 irrespective of availability of allocation as the scheme was ongoing and work done so executed was on part of Contractor at his own risk. Moreover technical sanction is on record. On other hand if work done was not taken in hand there was clear chance of washing away/damage of already executed works. So in wider public interest, work was taken in hand. There arises no question of irregularity or unauthorized expenditures as the scheme was on going.

PAC RECOMMENDATIONS

107. In view of plausible explanation advanced by the Department, the Para was recommended to be settled.

DPNo.13.4.13 IRREGULAR AND UNAUTHENTIC PAYMENT TO CONSULTANTS- Rs. 21.680 MILLION.

AUDIT VERSION

48. The Audit reported that according to Clause 3.10 of the Agreement executed with the consultant, the consultant shall keep accurate and systematic accounts and record in accordance with IAAP and in such form which clearly identify all relevant time charges and cost and the basis thereof and shall permit the auditors appointed by the client for scrutiny.

49. During the financial year 2014-15 in Irrigation Division Kohat, an aggregate payment of Rs.1,13,50,000 was made to M/s National Development Consultants (Pvt) Ltd, Creative Engineering Consultants and Karakoram Engineering Consultants on account of Consultancy services including staff etc for water harvesting and conservation schemes in southern districts package-5. It was however found that none of the clauses of the contract agreement as referred to above were fulfilled. The approval for hiring of staff from the client Department was not obtained. The supporting document along with claim was not submitted by the consultant to the client therefore, the payment of Rs.1,13,50,000/- so allowed by the local office on account of salary etc was irregular and unauthentic.

50. In addition, an aggregate payment of Rs.10,329,875 was also made to different consulting firms on account of salary of their staff for various feasibility studies under ADP schemes as under:-

Name of firm	Name of scheme	Amounts paid (Rs)
M/s CAMOES	Feasibility study for diversion of tarkhaalgara to khushallalgara	23,04,175
M/s CAMOES	Feasibility study for identification of sources of surface runoff proposing suitable Hydraulic structure for their conservation and proper utilization	2,45,000
M/s CAMOES	Consultancy services in command area of Tanda Dam Kohat	55,80,700
Euro consult	Consultancy services feasibility study for providing irrigation facilities through gravity lift irrigation schemes from Essa Khel to Karak	22,00,000

Total	1,03,29,875
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51. The irregularity occurred due to non adherence to rules, procedures and clauses of the contract agreement and weak internal controls. When pointed out in February 2015, the management replied that the payments have been made to consultants as per their approved schedule of payments for supervision charges. This includes the remunerations of staff which was already available in the approved Technical proposals and covered under contract agreement. The record shall be submitted to audit after verification/coordination with consultants as necessary adjustment was possible being ongoing activity. The reply was not tenable because clauses of the agreement were not adhered to.

52. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing responsibility against the person(s) at fault for allowing irregular and unauthentic payment to consultant.

DEPARTMENTAL VERSION

53. The Department explained that this Draft Para was combination of Advance Para No. 172&174. Name Designation Salaries on the basis of Man Months had been submitted by the Consultants at the time of Technical/Financial proposals. After opening of technical proposals pre-qualification of consultants were carried out, those who qualified then their financial proposals were opened. In the instant case the same procedure have been adopted and necessary approval granted by the competent Forum. There seems no ground upon which the payment to be withheld. Once all the formalities fulfilled, then the payment to all the consultant were released. Neither procedure lapses involved nor irregular payment released. It is further added that payments have been made to consultants as per their approved schedule of payments for supervision charges. This includes the remunerations of staff which is already available in the approved Technical proposals and covered under contract agreement. No irregularities involved.

PAC RECOMMENDATIONS

54. The Para was recommended to be settled subject to verification of complete record involved in the Draft Para by Audit within thirty (30) days.

DPNo.13.4.14 IRREGULAR EXPENDITURE WITHOUT OPEN TENDER SYSTEM- Rs.7.431 MILLION.

AUDIT VERSION

177. The Audit reported that according to KPPRA Rule 19, the procurement entity shall engage in open competitive bidding of cost of the object to be procured is more than Rs.1,00,000/-.

178. During the financial year 2014-15, in Irrigation Division Mardan, Rs.74,31,000/- was paid to contractors for different repair and flood protection works. However, open tender system was not adopted. In all the cases, the expenditure was kept upto Rs.1,00,000 to avoid open tender system. Quotations of the contractors regarding their offered rates were also not available on record. The entire expenditure of Rs.74,31,000/- was therefore held irregular.

179. Audit holds that expenditure was required to have been incurred after observing all codal formalities. The lapse occurred due to non observance of rules which resulted in irregular expenditure of Rs.74,31,000/-. When pointed out in March 2016, the management furnished no reply.

180. In spite of repeated requests DAC meeting was neither arranged nor final position of the case was intimated till finalization of the report. Audit recommends to investigate the matter for fixing responsibility to avoid such practice in future.

DEPARTMENTAL VERSION

181. The Department explained that the work executed through quotations relates mostly to the urgent nature of Electrical and Mechanical/non schedule item works of different Lift Irrigation Schemes and canal system which were less than Rs. 0.1(M). In this regard KPPRA rules No.18 sub section (b) has been applied in letter and spirit. In order to avoid any law and order situation and also curb the tendency of hue and cry of the beneficiaries, any fault in the pumping machinery accurse, the Department should have to restore irrigation supply in the canal, the emergent mechanical nature

repair/restoration were inevitable to be carried out, for smooth of the scheme and ensuring full supply discharge of irrigation water in the canal.

182. Thus the expenditure incurred was regular as per KPPRA rules and within the ambit of procedure of the proper circumstances allowing it. All the works mentioned in the Para were approved in Annual Procurement plan.

PAC RECOMMENDATIONS

183. The issue was required to be thoroughly examined in the light of KPPRA Rules therefore, the Para was referred to Sub-Committee already constituted vide DPNo.13.4.27. The representative of KPPRA may also be invited to the meeting. The Committee further directed the Department to adopt the procedure adopted while awarding M&R contracts.

DP No.13.4.15 IRREGULAR PURCHASE AND UNAUTHORIZED ISSUE OF VEHICLES-Rs. 3.546 MILLION.

AUDIT VERSION

10. The Audit reported that according to Note (b) Second Schedule of Delegation of Powers Rule 2001, all cases involving purchase of vehicles/motor cycles shall have prior concurrence of Provincial Planning & Development and Finance Departments even if it is approved as part of PC-1.

11. During the financial year 2014-15, in Warsak Canal Division Peshawar, expenditure of Rs.34,56,000/- was incurred on purchase of two cars under ADP Scheme No.1111/130647 “Peshawar uplift Program 2014-15, up-gradation/improvement and widening of canal patrol road along-with Warsak Gravity Canal” without obtaining approval of P&D and Finance Departments. Moreover these vehicles were handed over to Secretary Irrigation despite the fact that the vehicles were approved in the PC-I for project activities.

12. Audit holds that irregular purchase of vehicle from developmental scheme and its issuance to Secretary Irrigation is held unauthorized. The lapse occurred due to weak financial controls which resulted in irregular purchase and unauthorized issuance of vehicle worth Rs.35,46,000/-. When pointed out in May 2016, it was replied that the purchase was made in light of PDWP meeting and the Secretary was heading the

activities of project. Reply of the Department was not tenable because the Secretary has been provided proper vehicle by Administration Department according to sanction strength.

13. Audit requested the department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the irregular purchase and unauthorized issue.

DEPARTMENTAL VERSION

14. The Department explained that no sort of irregularity has been occurred in purchase of the mentioned vehicle as the purchase was under taken in light of DDWP meeting held in Planning and Development Department being the competent forum. Therefore this office proceeded further with the purchase of vehicle for Government entities from authorized dealer viz Frontiers Motor Limited Peshawar as per practice in vogue.

15. As regard handing over Government Vehicles to the office of Secretary Irrigation Department being head of the department for purpose of official use.

PAC RECOMMENDATIONS

16. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.13.4.16 IRREGULAR AND UNAUTHORIZED ADVANCE PAYMENT TO WAPDA WITHOUT ACTUAL WORK DONE-Rs. 3.268 MILLION.

AUDIT VERSION

55. The Audit reported that Rule 290 of CTR Vol-I, strictly prohibits incurrence of expenditure hastily during the month of June just to avoid lapse of funds.

56. During the financial year 2014-15 in Irrigation Division Kohat an aggregate amount of Rs. 32,68,183/- was drawn and shown paid in advance to PESCO on account of power supply for energizing the newly constructed tube wells. However, neither approval of the Finance Department, for advance payment was obtained nor the task completed despite lapse of considerable time. Besides, detail account in support of advance payment activities performed by PESCO was also not available from which it

could be ascertained that the PESCO has finalized their work. The advance payment was therefore held irregular and unauthorized.

Vr. No	Date	Particulars	Amount (Rs)
2-KT	02.06.2014	Tube well ouch bazaar shahukhelHangu	1,868,060
3-KT	02.06.2014	Tube well ouch bazaar shahukhelHangu	15,000
13-T	09.06.2014	Drilling of trial bore PK-37	957,180
14-T	09.06.2014	Drilling of trial bore PK-37	15,000
8-T	04.06.2014	Yusuf gul s/o Imrangul Tube well at wish sabirabad	3,97,943
7-T	04.06.2014	Yusuf gul s/o Imrangul Tube well at wish sabirabad	15,000
Total			32,68,183

57. Irregular and unauthorized advance payment to WAPDA without actual work done/non-submission of detail account occurred due to non adherence to the provisions of rules. When pointed out in March 2016, the management replied efforts are being made for early energization of tube-well and installation of supplied machinery. Payment without work done admitted.

58. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

59. The Department explained that PESCO demands payment prior to energization in nook and corner of the country and not with Kohat Irrigation Division office. The PESCO has carried the said work as Deposit work; therefore the same could not be considered advance payment. But now necessary transformer installed and the Tube well was functioning properly. As far as question of withholding Rs. 50,000/- from TSK was concerned, the amount in question was kept as testing charges of pumping machinery.

PAC RECOMMENDATIONS

60. In view of the above, the Para was recommended to be settled with the direction to the Department to make efforts to energize the project at an earliest.

DP No.13.4.17 IRREGULAR AND UNJUSTIFIED PAYMENT TO THE SUPPLIER Rs.3.145 MILLION.

AUDIT VERSION

128. The Audit reported that according to the work/supply order the contract was for the supply and installation of the pumping machinery.

129. During the financial year 2014-15 in Irrigation Division Charsadda an amount of Rs.31,45,000/- was paid to M/S Peshawar pipes and Co. & M/S MAK Pumps Co. on account of supply and installation of pumping machinery for tube wells. The contractors supplied machinery but its installation, functionalization was not made. The contract was for supply and installation of the pumping machinery to make the tube well functional which the contractor had not done therefore, partial payment was required to have been held till the completion of the job. The full payment in absence of completion of the work was irregular and unjustified.

130. Irregular and wasteful expenditure occurred due to non adherence to the provision of rules and weak internal controls. When pointed out in February 2016, the management stated that final reply would be submitted after verification of record.

131. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends, to investigate the matter for fixing responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

132. The Department explained that actually the tender was called for supply & fixing of the machinery. Accordingly, the Firm engaged for the purpose, supplied the machinery and get it installed but the energizing of the machinery was not rest with the Firm but the power supply was the obligatory of WAPDA but the supply was still awaited. Moreover 10% Testing charges have been deducted from the firm supplied the machinery and it will be released as soon the machinery become operative.

PAC RECOMMENDATIONS

133. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled. However, the Committee directed the Department to avoid such irresponsible practice in future, as no documents in support of departmental reply was found attached with the working paper, hence Department was directed to avoid such irresponsible practice in future.

DP No.13.4.18 EXCESS PAYMENT-Rs. 47.304 MILLION.

AUDIT VERSION

190. The Audit reported that according to Para 2.58 of B&R code, payment should be made for quantities and rates mentioned in the BOQ.

191. During the financial year 2014-15 in Swabi Irrigation Division No.1 Swabi different works as per detail below, were awarded to contractors and payment allowed accordingly. The record showed that quantities provided in PC-I as well as BOQ were grossly exceeded and resulted in excess payment of Rs.2,85,93,000/-. It was also observed that only beneficial items were executed in excess and unbeneficial in less quantities.

AP No.	Name of work	Name of Contractor	Amount (Rs)
320	Canal patrol road along Chura minor	M/S Sahib Zada Enterprises	1,53,67,000
328	Construction of bridge drain in PK25 District Mardan	M/S Javed Akhter	35,27,000
337	Clearance of drain in PK29 District Mardan	M/S Gul Brothers	19,95,000
341	Excavation work, GI Wire Crates, stone filling	M/S Syed Awais Ali Shah	27,76,000
342	-do-	M/S Mir Hussain	31,08,000
340	Providing and weave GI Wire crates, stone	M/S Liaq Muhammad	18,20,000
		Total	2,85,93,000

192. In addition, during the financial year 2014-15, in Irrigation Division Mardan the contractor was paid excess payment of Rs.18,07,75,000/- due to allowing excessive quantity of the items of work as compared to approved PC-I was prepared by

consultant. The lapse occurred due to non-observance of rules and procedures, which resulted in excess payment of Rs.25,93,000/-. When pointed out in March 2016, the management furnished no reply.

193. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends recovery from the person(s) at fault.

DEPARTMENTAL VERSION

194. The Department explained that as objected by the Audit inspection officer, the total variation amount of Rs. 2,85,93,000/- was not of one work but it was the different various of 06 Number works. As regard variation form the BOQ, the BOQ was based on the quantity of PC-I. As such at the time of preparation of PC-I, the Quantities in it were based on Estimation and not on the basis of the actual quantity of an item of work to be executed at site. Therefore, during the actual Execution of the work, according to the site condition and specification the increases in the quantity of the items under objection were un-avoidable. Moreover, the quantity and amount of some items of the works have also been decreased and deleted. The overall T.S costs of each works have not been increased from the approved PC-I Cost but it was less from it. Moreover, all of the variations have been covered by the approved Technical Sanction Estimate.

195. As such the variation in the quantity were unavoidable and made only according to the requirements of site condition and approved design which was covered by the T.S Estimate.

PAC RECOMMENDATIONS

196. In view of the discussion and unsatisfactory reply advanced by the Department, the Committee recommended that an inquiry may be conducted by the Director General of Monitoring & Evaluation, Planning and Development Department into the matter within thirty (30) days. Para stands. Progress be reported to PAC.

DPNo.13.4.19 EXCESS EXPENDITURE OVER TECHNICAL SANCTION- Rs.20.053 MILLION.

AUDIT VERSION

134. The Audit reported that according to Superintending Engineer letter vide No. 636/16/6-M dated 17-04-2014, no excess over and above the approved quantity as per PC-I/cost may be executed.

135. During the financial year 2014-15 in Irrigation Division Charsadda, Syed Mohsin Shah was awarded the work “Construction of Tangi to Amir Abad road” with the tender cost of Rs.16,57,69,000/-. The Chief Engineer also accorded Technical Sanction for Rs.16,57,09,000/-. The record showed that the contractor was allowed payment of Rs.17,93,14,000/- upto last running bill paid vide voucher No.23-T dated 22-06-2015 which resulted in excess expenditure of Rs.1,35,45,000/- over and above the approved tender cost and Technical Sanctioned.

136. In addition, during the financial year 2014-15 in Swabi Irrigation Division No.1 Swabi a work “Reh:/Imp: of Canal Petrol Road along Jamal Garhi Disty RD10000-28000 and RD33000-55000 in reaches was executed through contractor M/S Sarwar Construction (Pvt) Ltd. The work was finalized by making payment of Rs.5,42,00,000/- against the tender cost of Rs.4,99,35,000/- resulting into excess payment of Rs.50,63,000/-.

137. Moreover, during the financial year 2014-15 in CRBC Irrigation Division D.I.Khan “Repair plugging of critical damaged section of Flood Carrier Channels (FCC) in D.I.Khan package-1 with the tendered cost of Rs. 8.865 million” was awarded to Syed Mohsin Shah. Upto date payment of Rs.1,03,10,000/- was made upto 6th running bill. It was observed that the work is still in progress but excess payment of Rs.14,45,000/- was made.

138. Audit holds that payment was required to have been restricted to the approved tender cost as directed by the high ups but was not done, which resulted into excess expenditure. The lapse occurred due to non adherence to the rules and procedures and weak internal controls which resulted in excess expenditure of Rs.1,35,45,000/-. When pointed out in February, 2016 the management stated that final reply would be submitted after verification of record.

139. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was

convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

140. The Department explained that the revised Technical Sanction has been obtained from competent authority vide his letter No; 6183/C-4/TS/CHD, dated 25-11-2016 with approved cost 184.231 (M). While examining Voucher No. 54 dated 26-06-2015, it reveals that up-to-date payment of Rs. 10.31 (M) was paid to the contractor, whereas the scheme was administratively been approved for Rs. 9.850 (M) as per 65 of CPWD code, the Divisional office was allowed to incur expenditure upto 10 % over and above the A.A cost of the scheme and Para 71 of the ibid code allows the Divisional office to pass 5% excess over technical sanction, in the instant case an excess payment of Rs. 0.46 (M) has been made which comes merely about 4.6% of the A.A cost and ultimately less than the Permissible limit of 10 %.

PAC RECOMMENDATIONS

141. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled, subject to verification of record by Audit in support of reply of the Department.

DPNo.13.4.20 EXCESS PAYMENT DUE TO ALLOWING HIGHER RATES- Rs.1.545 MILLION.

AUDIT VERSION

17. The Audit reported that according to Para 2.58 of B&R code, payment shall be made for quantities and rates provided in BOQ.

18. During the financial year 2014-15 in Irrigation Division Chitral, payment of Rs.1,14,45,000/- was made on account of emergent nature restoration works, 5 No spurs at green Lusht left side of Mastuj. Verification of record revealed that in almost all the cases, the provision of the approved rates in the approved PC-1 was not considered and higher rates were allowed which resulted in excess payment of Rs.15,45,000/-.

19. The lapse occurred due to weak internal controls and resulted in excess payment of Rs.15,45,000/-. Audit holds that provisions of PC-1 was required to have been observed which was not done, hence resulted in excess payment of Rs.15,45,000/-.

When pointed out in April 2016, the management stated that neither excess payment over PC-I, nor T.S or on individual quantities of item of T.S beyond permissible limits has been made. Reply is not tenable because Audit had objected the higher rates than the approved PC-I.

20. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends inquiry, fixing responsibility and recovery.

DEPARTMENTAL VERSION

21. The Department explained that after going through the audit Para the following Audit points were observed:-

Audit was of the view that the provision of the approved rates in the approved PC-I was not considered & higher rates were allowed which resulted an excess payment of Rs.15,45,000/-.

- i. It was submitted that the work/sub work “Construction of 05 Nos. Spurs at Green Lasht along left side of Mastuj River” is Rs.11.35 Million was tendered on the basis of item rate in light of notification No.SO(FR)/FD/ 9-7/2011/Vol-II, dated 03-01-2014. As mentioned above that the work was tendered on item rate basis, in which the contractor offers rates for each item separately, as per site condition, his personal capacity to execute each BOQ item, which may vary from the approved PC-I rates i.e Higher or Lower than the PC-I rates. However, the overall cost usually remains lower or at par the approved PC-I cost, as was in this case. Hence, no irregularity had been made.
- ii. Also, after analyzing, it had been found out that the rate mentioned as “Rate as per PC-I” had been calculated erroneously without adding Area Factor of 1.15 for Chitral District, as addition of the Area Factor had been made in the PC-I. This shows an excess payment.
- iii. Also, in this sub work a total payment of Rs. 11.444 Million was made for the work done vide voucher No.25-C, dated 24/6/2015. In this sub work an excess of only 0.8% over the technically sanctioned amount has been observed which was within the allowable limits. Similarly excess over the individually technically sanctioned quantities was also less than 1.5% each.

PAC OBSERVATION

22. The Committee observed that:-
- i. the DAC meeting was not convened, due to which the petty nature issue was brought before PAC, which increases its work load.
 - ii. Technical Sanction (TS) issued very late even after audit.

PAC RECOMMENDATIONS

23. The Committee recommended the Para to be settled, with the direction to the Department to convene DAC meeting regularly, detailed minutes thereof be sent to PAC and PAC Cell may be established in the Department to facilitate the Secretary.

DPNo.13.4.21 WASTEFUL EXPENDITURE ON SURVEY INVESTIGATION DETAIL DESIGN OF RAISING OF BARAN DAM-Rs. 18.000 MILLION.

AUDIT VERSION

76. The Audit reported that according to Topographic Survey of the “Survey Investigation Detail Design of Raising of Baran Dam” a strip of about 30-meters wide will be required for accommodating feeder channel, side drain and service road off-taking from Tochi River near Loresa with outfall in Baran Dam (Muhammad Khel FR Bannu).

77. During the financial year 2014-15, in Marwat Canal Irrigation Division Bannu, Rs.1,80,00,000/- was paid to M/s JV of BAK & AGES “Consultancy for survey raising of Baran Dam” for the Phase-I of the project.

78. Audit pointed out that the area where Government intends to construct educational institution, health facilities in that area, FATA Development Authority advertised an Expression of Interest related to feasibility study of establishment of industrial estate on Bannu-Miran Shah-Ghulam Khan Road at Bakka Khel FR Bannu which will definitely create complication and conflict between the layout of these development and proposed feeder channel to Baran Dam. The local office was required to have developed a consensus between the stake-holders and then incurred expenditure.

79. The lapse occurred due to weak internal controls, hence resulted in wasteful expenditure of Rs.1,80,00,000/-. When pointed out in February 2016, no reply was furnished.

80. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to conduct inquiry, fix responsibility besides recovery from the person(s) at fault.

DEPARTMENTAL VERSION

81. The Department explained that survey and investigation for detail design of raising of Baran Dam was carried out by JV of BAK & AGES. Physical work on the scheme has not commenced, however, this office is of the view that the execution of planned irrigation work would be completed without endangering any other work that might be executed by the FATA Development Authority in future. Therefore, the expenditure incurred on the survey investigation for detail design of Raising of the Baran Dam was not wasteful as suggested in the Para.

82. The Department further explained that the IDP camp was main hindrance in execution of the project, which has been resolved now. The Education Institution is still working without creating any hindering.

PAC RECOMMENDATIONS

83. In view of convincing reply advanced by the Department, the Committee recommended the Para to be settled.

DPNo.13.4.22 WASTEFUL EXPENDITURE ON CONSTRUCTION OF TUBEWELL- Rs. 8.245 MILLION.

AUDIT VERSION

61. The Audit reported that according to Para 10 of GFR Vol-I, each officer is expected to incur expenditure from public money in a manner as a person of ordinarily prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

62. During the financial year 2013-14 in Irrigation Division Kohat, construction and augmentation of tube wells in Ouch Bazar Hangu, was awarded to different contractors and an aggregate expenditure of Rs.82,45,000/- was incurred, but the tube wells could not be functional upto February 2015. (i.e date of audit).

63. Audit holds that on one hand it was wastage of the public resources while on the other hand the people of the area were deprived of the benefit. The expenditure was therefore held wasteful. The irregularity occurred due to weak internal controls, which resulted in wasteful expenditure of Rs.82,45,000/-. When pointed out in February 2015, the management replied that the scheme was physically completed at site but the machinery could not be installed. However, the benefits of the project shall be available shortly to the people. Reply was not tenable. Payment to contractors and PESCO was made in June 2014 and the tube wells were not functional till February, 2015.

64. Audit requested the department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing responsibility against the person at fault.

DEPARTMENTAL VERSION

65. The Department explained that this Draft Para was combination of Advance Para No. 186 & 187, that at that time PESCO did not energized the Tube-well, but the same has been energized and Tub-well was functioning properly except two tube-wells due to certain dispute and theft of transformer.

PAC OBSERVATION

66. The Committee observed that:-

- i. DAC meeting was not held, if DAC was held in time, the Para would not have been framed.
- ii. PC-V was not submitted to Planning & Development Department.

PAC RECOMMENDATIONS

67. In view of the above, the Committee recommended the Para to be settled, with the direction to the Department to functionalize the Tube-wells and facilitate the public within thirty (30) days.

DPNo.13.4.23 WASTEFUL EXPENDITURE ON REHABILITATION OF CANAL ROAD-Rs. 2.438 MILLION AND NON-FORFEITURE OF SECURITY DEPOSIT-Rs. 0.701 MILLION.

AUDIT VERSION

90. The Audit reported that according to Para 10 of GFR Vol-I, each officer was expected to incur expenditure from public money in a manner as a person of ordinary prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

91. During the financial year 2014-15, in Bannu Canal Irrigation Division Bannu, rehabilitation of canal patrol road was awarded at an estimated cost of Rs.45,14,000/-. The contractor carried out 61% work for (Rs.24,38,000) and left the remaining i.e Bitumenous prime coat (Asphalt Batch Plant hot mixed) incomplete. So in the absence of two essential items of work the whole expenditure stands wasteful. Furthermore, the security deposit of the contractor amounting to Rs. 7,01,000/- was not forfeited.

92. The lapse occurred due to weak internal controls and resulted in wasteful expenditure of Rs.24,38,000/- and non forfeiture of security deposit of Rs.7,01,000/-. It was reported to the management in February 2016. The management replied that due to non-availability of Asphalt batch plant hot mix in the District Bannu and Lakki Marwat, the remaining items of work had not been executed. The MPA has requested the Chief Minister Khyber Pakhtunkhwa for reviewing the decision by allowing TST. However, decision was awaited. Reply was not tenable. This item of work was included in the BOQ and despite non availability of plant in area the contractor quoted his rate for the same.

93. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends recovery.

DEPARTMENTAL VERSION

94. The Department explained that as pointed out by the Audit that the balance work has not been executed. However bituminous prime cost and asphalt wearing course have already been completed through asphalt brought from Batch Plant at Karak. The work has already been completed during 2015-16.

PAC RECOMMENDATIONS

95. The Para was recommended to be settled subject to verification of completion certificate by the Audit within thirty (30) days.

DP No.13.4.24 UNAUTHENTIC EXPENDITURE-Rs. 20.751 MILLION.

AUDIT VERSION

84. The Audit reported that according to Secretary to Government of Khyber Pakhtunkhwa Irrigation Department Peshawar No. PMC/F&R/2011 dated 08-03-2011, G.I wire was required to be tested from PCSIR Laboratory Peshawar before taking the work in hand. Earth compaction test should be ensured. Stone used must be tested in the authorized material testing laboratory. Concrete cylinder test for all concrete work must be arranged. The size of boulders in mass concrete shall be finches down and large size may not be used. No manual mix for concrete work shall be allowed. Use of vibrators in concrete work should be ensured and line and alignment with good work manship should be ensured in concrete work.

85. During the financial year 2014-15, in Marwat Canal Irrigation Division Bannu expenditure of Rs.2,07,51,000/- was incurred on the Flood Protection Works. It was noticed that all the material including G.I wire were not only verified by XEN but were paid without a test report of PCSIR for G.I. wire and other authorized material testing laboratory for concrete as required under standard operating procedures. The expenditure was therefore held unauthentic.

86. Unauthentic expenditure occurred due to weak internal controls. It was reported to the management in February 2016. The management replied that detailed reply would be furnished after going through the record.

87. Audit requested the department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter and ensure observing all codal requirements before making payment.

DEPARTMENTAL VERSION

88. The Department explained that during financial year 2014-15 various flood protection works have been executed under the supervision of Marwat Canal Division Bannu. Before commencement of the works, the G.I wire test had been carried out in the PCSIR Laboratory but unfortunately the test reports were not provided to the Audit party in 02/2016. However, now the samples of G.I wire have been collected from sites of works and sent to PCSIR laboratory for test. All test were carried out and available for verification

PAC RECOMMENDATIONS

89. In view of the convincing reply advanced by the Department, the Para was recommended to be settled, with the direction to the Department to provide all such reports in time in future.

DPNo.13.4.25 DOUBTFUL EXPENDITURE ON RECONNECTION CHARGES- Rs.4.715 MILLION

AUDIT VERSION

142. The Audit reported that according to the Para 13 of GFR Vol-I, every controlling officer must satisfy himself not only that adequate provisions exist within the Departmental Organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores.

143. During the financial year 2014-15 in Irrigation Division Charsadda aggregate expenditure of Rs.47,15,000/- was incurred on the reconnection of the disconnected electricity connections of the different tube wells and other units. Neither reason of the disconnections was recorded nor the details of the Government tube wells were provided from which it could be ascertained that the charge relates to the Government owned tube wells. In certain cases on the body of the bill the names of the owner was shown to be of some private individual therefore it could not be ascertained that as to whether it was Government owned connection or otherwise. The payment on this account was doubtful and termed as loss to the public exchequer.

144. The lapse occurred due to weak internal controls and financial indiscipline, hence resulted in doubtful expenditure of Rs.47,15,000/-. When pointed out

in February, 2016 the management stated that final reply would be submitted after verification of record.

145. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing the responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

146. The Department explained that actually the payment was made to PESCO on account of new connection on demand made by the PESCO. Keeping in view most of the scheme was in the name of the person/locality. Hence these involved no irregularity on the part of the division.

PAC OBSERVATION

147. The Committee observed that:-

- i. the Meters were in the name of Private People,
- ii. Tubewells were handed over to private persons.

PAC RECOMMENDATIONS

148. The Para was recommended to be settled, subject to verification of names of private persons to whom tubewells were handed over and the names on which meters were installed.

DPNo.13.4.26 UNAUTHENTIC EXPENDITURE DUE TO DOUBTFUL AWARD OF CONTRACT-Rs. 7.989 MILLION.

AUDIT VERSION

24. The Audit reported that according to Para 10(i) of GFR Vol-I, every public officer incurring expenditure from public fund is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

25. During the financial year 2014-15, in Irrigation Division Chitral, Rs.79,89,000/- was paid to M/s Muhammad Ajmal & Sons vide Vr. No 21-A dated 24-06-2015 in the scheme "Construction & Restoration FPWs & Channelization work along Jughoor Gole in Distt Chitral". The record further revealed that bid of Rs.80,99,000/-

offered by M/s Muhammad Ajmal accepted and contract awarded on 22-12-2014. It was further observed that the administrative approval was given on 17-12-2014. It may be added that much earlier of the administrative approval, tenders were floated in Press on 13 May 2014, and evaluated on 23-06-2014 and approval conveyed by the SE on 30-06-2014 while acceptance was conveyed to the contractor on 19-12-2014 i.e., six month after approval by the SE. The contractor was provided two years period to complete the work, from issue of order on 22-12-2014 to complete the task up to 25th June 2016. The contractor completed the task on 13-03-2015 within three months of issue of work order. It was further to notice that work was carried out in non working season i.e., December to March which also creates doubt about the authenticity of work. The contract was put to tender before administrative approval and shown finalized in non-workable season. Therefore the expenditure was doubtful and unauthentic.

26. The irregularity occurred due to weak internal controls and resulted in doubtful and unauthorized expenditure of Rs.79,89,000/-. When pointed out in April 2016, it was stated that expenditure is authorized neither any irregularity committed nor rules violated.

27. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends investigation and recovery of the amount.

DEPARTMENTAL VERSION

28. The Department explained that after going through the Audit Para the following audit points were observed:-

- i. Tenders were floated in press before the issuance of Administrative Approval. (Tenders were floated in Press on 13 May 2014, and evaluated on 23-06-2014 and approval conveyed by the SE on 30-06-2014 while acceptance was conveyed to the contractor on 19-12-2014 i.e. six month after approval by the SE.)
- ii. The contractor was provided two years period to complete the work, from issue of order on 22-12-2014 to complete the task up to 25th June 2016. The contractor completed the task on 13-03-2015 within three months of issue of work order. Also, Work was

carried out in non-working season i.e. December to March which also creates doubt about the authenticity of work.

29. In connection with Para (a) above, the Scheme, "Restoration/Improvement of flood damages 2013 to Irrigation Infrastructures 2013 in District Chital" was approved by the PDWP in its meeting held on 03-04-2014 and accordingly Administrative Approval was issued vide No.PMC/PWDP/ 030414/PDMA, dated 28th April 2014.

30. As the work was of emergent nature, therefore after issuance of Administrative Approval, all of the tender formalities were completed. However, due to lack of funds, and in order to specify the source of funding the scheme was again submitted as a sub-work of the Umbrella Scheme titled, " 724 (110537) Reconstruction and rehabilitation of Disaster Affected Infrastructures in Khyber Pakhtunkhwa "(District Chitral Irrigation/Water Sector Rs. 150.00 million), as such the umbrella PC-I was approved by PDWP in its meeting held on 19-11-2014 & again Administrative Approval issued vide No.RR&SD/Admn:/2-8/2013-14, dated 17-12-2014. After receipt of Administrative approval & funds, Acceptance was conveyed to the contractor and accordingly work order issued.

31. In context to Para (b) above, it is submitted that the sub work "Construction/Restoration of flood protection and channelization work along Jughore Gole in District Chitral (in reaches)" consisted of excavation, stone work and G.I.Wire crates of filled with stone & PCC coping in nature. During December, January to April the flow in the goles was low while it increases after April through September. The above stated nature of work was required to be completed during the low flow season contrary to the cement work which needs to be carried out not in the freezing temperatures of November, December and January to April.

32. As the work was to be carried out to safeguard the adjoining abadies before the onset of flood season, therefore, the contractor was directed to complete the work with his full resources which was accordingly completed successfully within a period 5 Months 23 Days. The effort is worth appreciation as in July/August 2015, Chitral District received catastrophic flood damages. However, as a result of the executed work in Jughore Gole/nullah the flood passed without effecting near village abadies of

Jughore village. The flood protection works are still intact after facing more than (07) flood seasons.

PAC RECOMMENDATIONS

33. In view of the explanation advanced by the Department duly endorsed by Audit, the Para was recommended to be settled.

DP No.13.4.27 DUMPING OF STONE WITHOUT PROPER UTILIZATION- Rs.219.064 MILLION.

AUDIT VERSION

149. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer.

150. During the financial year 2014-15, in Irrigation Division Charsadda an aggregate amount of Rs.21,90,64,000/- was made to contractors for the “supply and dump at site without boat i/c handling within 100 M stone or boulders”. The relevant record like MBs etc was verified but neither further handling was made nor material at site accounts (MAS) for future use of the dumped stones was maintained from which it could be ascertained that the supplied stone was subsequently utilized. Furthermore, all the schemes where in the item of work was shown carried out were the flood protection works wherein such kind of dumping could not be done. This state of affairs clearly depicts that huge quantity of 15,30,98.10 m³ stone or boulders valuing Rs.21,90,64,000/- was not procured and thrown into a small river like Khiali or Jindi. The expenditure is held as wastage of resources.

151. The lapse occurred due to non observance of the rules and procedures and weak internal controls. When pointed out in February 2016, the management stated that final reply would be submitted after verification of record.

152. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to

investigate the matter for fixing responsibility and recovery of the misappropriated amount from the person(s) responsible.

DEPARTMENTAL VERSION

153. The Department explained that actually loose dumping of stone at the bottom surface was an essential requirement because the upper wall beside the banks of the river cannot be erected without a solid support from the beneath surface. The loose dumping of stone, however, included in PC-I etc. and hence their use has a solid authorization the relevant document. The material was brought to the site by the contractor and the site Engineers have properly witnessed the dumping of stone at the site. The quantity as measured by the site Engineer utilization of stone over the quantity shown in PC-I etc. Hence there involves no irregularity on the part of this division.

PAC OBSERVATION

154. The Committee observed that no record in support of departmental reply was attached with the working paper.

PAC RECOMMENDATIONS

155. After detailed and hectic discussion, the Committee could not reach to a just and fair conclusion, therefore, a Sub-Committee comprising of the following was constituted to examine/scrutinize the record:-

- | | | |
|----|-------------------------------|----------|
| 1. | Mr. Salah-ud-Din, MPA | Chairman |
| 2. | Mr. Muhammad Idress Khan, MPA | Member |
| 3. | Mr. Ahmad Kundi, MPA | Member. |

156. The Committee will submit its report within thirty (30) days.

DP No.13.4.28 DOUBTFUL MEASUREMENT-Rs. 19.136 MILLION.

AUDIT VERSION

34. The Audit reported that according to Para 209 and 221 of the CPW code all payment of the work done are based on the quantities of the work recorded in the measurement book. It was incumbent upon the person taking the measurement to record the quantities clearly and accurately. He will also work out and record in the MB the figure for the contents of the area. The SDO should compare the quantities in the bill with

those recorded in the M.B. and see that all the rates are correctly entered and that all calculations, have been checked arithmetically.

35. During the financial year 2014-15, in Irrigation Division Chitral, Rs.1,91,36,000 was paid to M/s Niaz Muhammad & Sons on account of restoration of flood protection work along with Reshun Gole under ADP No.724. Verification of MB No.4 wherein record entries of the work done was recorded revealed that the measurement was recorded without specifying the item of work rather generalized measurement was recorded. After recording consolidated measurement it was divided into four different categories of the excavation on percentage basis.

36. From the above illustration it would clearly be seen that an overall measurement recorded on page No. 152 was divided into four categories without recording actual work done in the MB. It may be added that no specific item of work was measured therefore the entire measurement and payment so made was held doubtful and the amount of Rs.1,91,35,000 seems to have been misappropriated. Because the action of dividing measurement on percentage basis did not cover under any rule. On enquiry it was stated that the said excavated area has since been filled with the flood in June-July, 2015 and the contractor filed suit in the court of law for further payment, which has not yet been decided.

37. Audit holds that actual on spot detailed measurement was required, which was not done. The lapse occurred due to non adherence to rules and weak internal controls and resulted in doubtful expenditure of Rs.1,91,36,000/-. When pointed out in April 2016, it was stated that detailed reply would be furnished after detail scrutiny/verification of record please.

38. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of this report. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault besides recovery.

DEPARTMENTAL VERSION

39. The Department explained that during preparation of the PC-I, a single item i.e earthwork excavation in shingle or gravel formation and rock not requiring blasting undressed 50M lead in flowing water was considered while during execution of work at site four types of excavation cropped up. During joint site visit with the Superintending Engineer, he advised to divide the excavation according to the actual site conditions at four representative locations to classify the excavation and for which the site was accordingly identified. Consequently actual representative measurements were carried out during execution of work, wherein, breadth & depth of dry excavation, wet excavation, excavation in flowing water and boulders excavation were recorded. These calculations revealed %ages of the above mentioned items of excavation. The record was made part of the estimate. Overall result of the exercise is as under:-

Case I: - If payment were made on the contractor's approved rate.

Item of work	Approved rate (Rs.)	Quantity (CuM)	Amount (Rs./Cum)	
Earthwork excavation in shingle or gravel formation and rock not requiring blasting undressed 50 M lead in flowing water.	500	46835.26	2,34,17,630	
Case II. Payment made after classification of excavation (Vide Voucher No.28-C, dated 24/06/2015)				
Item of work	%age	Quantity	Rate	Amount
Excavation in shingle or gravel formation and rock not requiring blasting undressed 50m lead dry.	30%	12339.43	291.21PM3	35,93,365
Excavation in shingle or gravel formation and rock not requiring blasting undressed 50m lead wet.	20%	8226.28	337.18PM3	27,73,737
Excavation in shingle or gravel formation and rock not requiring blasting undressed 50M lead in flowing water.	20%	8226.28	500 PM3	41,13,140
Rock excavation dressing and disposal upto 50M medium hard rock requiring occasional blasting.	30% with add item	18043.27	479.70	86,55,357
		Total:-		1,91,35,599

40. Thus, due to the classification of the excavation according to the site conditions towards economical rates, the saved amount is Rs.4282031/- (4.282 Million). As there was no irregularity or loss to the Government involved nor was there any complaint on the measurement from any corner.

PAC RECOMMENDATIONS

41. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled.

DPNo.13.4.29 WASTEFUL EXPENDITURE DUE TO ALLOWING UNNECESSARY ITEM OF WORK-Rs. 6.475 MILLION.

AUDIT VERSION

157. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

158. During the financial year 2014-15, in Irrigation Division Charsadda, a contract for the Flood Management of Khiali River Package-IV was awarded with the tender cost of Rs.10,30,32,000/-. The verification of record revealed that Rs.64,75,000/- was paid for leveling and dressing of earth for a quantity of 52,648.26 m³ @ Rs.123 pm³. The item so claimed was in the RDs where excavation was carried out however the total excavation was for a quantity of 52,063 m³. (36,444.57 m³ soft + 15,619.10 m³ wet)

159. It may be added that the item of work was inclusive of disposal upto an extra lead of 500 m, therefore leveling and dressing of the excavated material which was not available at site was neither required nor possible because a quantity of 15,619.10 m³ was shown excavated in wet soil for which higher rates were claimed. Furthermore, the leveling and dressing is usually carried out in m² as evident from the work order dated 18-04-2014 issued to contractor wherein rate of only Rs.1.21 pm² was allowed which too was for dressing on slopes and ground surface. It may further be added that the item of work was neither available in the BOQ nor was required at site because it was usually allowed in the preparation of land for the construction of road. In the work like flood management it was not permissible. This clearly indicates that the leveling and dressing was neither required nor possible to be done because no excavated material was available. Thus expenditure of Rs.64,75,000/- was held wasteful.

160. Wasteful expenditure occurred due to undue favour to contractor, non observance of provisions of TS and BOQ and weak internal controls. When pointed out

in February, 2016, it was stated that final reply would be submitted after verification of record.

161. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to investigate the matter for fixing responsibility and recovery of the misappropriated amount from the person(s) at fault.

DEPARTMENTAL VERSION

162. The Department explained that actually dressing and leveling was an essential item because the clay supporting the bank would easily wash out during heavy downpours and therefore, proper dressing and leveling was carried out which was properly sanctioned.

PAC RECOMMENDATIONS

163. The Para was referred to the Sub-Committee already constituted vide DP No.13.4.27 for detailed discussion, with the direction to the Department to provide complete record with working paper.

LOCAL GOVERNMENT DEPARTMENT

PROCEEDINGS:

Eight (08) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Local Government, Elections & Rural Development Department were taken up for examination by the Public Accounts Committee in its meetings held on 3rd of March, 2022. The following were presents:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|--------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Salah Uddin, MPA | Member |
| 3. | Dr. Asiya Asad, MPA | Member, |
| 4. | Mr. Jamshid Khan, MPA | Member |
| 5. | Mr. Ahmad Kundi, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Muhammad Javed,
Section Officer.

FINANCE DEPARTMENT

Mr. Hassan Abid,
Additional Secretary,

AUDIT DEPARTMENT

1. Mr. Israr-ul-Haq
Director General.
2. Mr. Muhammad Fayaz,
Deputy Director.

LOCAL GOVERNMENT DEPARTMENT

1. Mr. Motassim Billah shah,
Special Secretary,
2. Mr. Shahbaz Tahir,
Director General, PDA.
3. Mr. Fida Muhammad,
Director Coordination, PDA.
4. Mr. Tariq Nadeem,
Director Internal Audit, PDA.

5. Mr. Muhammad Haider,
Deputy Director Audit, PDA
6. Mr. Muhammad Riaz,
SO (DAC/PAC).

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Kifayatullah Khan Afridi,
Secretary,
 2. Mr. Amjad Ali,
Special Secretary.
 3. Mr. Ashtimand,
Deputy Secretary.
 4. Mr. Haris Khan,
Assistant Secretary.
 5. Mr. Aamir 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 No.14.4.1 LOSS SUSTAINED BY THE PUBLIC EXCHEQUER DUE TO EXECUTION OF SUBSTANDARD WORK - RS.153.459 MILLION.

AUDIT VERSION.

3. The Audit reported that according to the Para-89 CPWA Code read with Para 2.61-2.65 of the B&R Code, the contractor must execute the work according to the approved design, specifications, drawings in the technically sanctioned estimate and contract agreement.

4. During the financial year 2013-14, in the office of Project Director, the Up-Gradation & Remodeling of the Ring Road (Southern Section) PDA Portion, the Contractor M/S Karcon (Pvt) Ltd executed substandard work for which payments were already made, however, payment of Rs.15,34,59,998/- (detail below) was again made to the Contractor for the execution of two items of work:-

- (i) laying additional layer of 6cm Asphaltic Base Course
- (ii) Asphaltic Wearing Course over the crack portion to stop ingress of water in the crack (a length of 9.78 KMS) were executed through contractor M/S Karcon (Pvt) Ltd, the rectification of such

a substandard work was resulting in loss of Rs.15,34,59,998/- to the public exchequer.

Vr No & dt	Item	Total quantity claimed	Additional Quantity 6 cm	Rate (Rs)	Cost (Rs)
120/110 24-6-2014	Asphalt Base Course	43,525.01 M ³	7,042.58 M ³	10,523.71 Per M ³	74,114,070
-do-	Asphalt Wearing Course	17,091.32 M ³	6,567.73 M ³	12,081.18	79,345,928
				Total	153,459,998

5. The loss occurred due to weak internal controls. When pointed out in March 2015, the management stated that the items were executed due to design failure, and the consultant was fined. The work was redesigned against which arbitration was also made. The consultant has filed suit in the court of law against the fine.

6. The reply was not tenable; the design prepared by the consultants and approved by the project management was faulty, resulting in failure of the project and execution of substandard work. The Department was requested repeatedly through letters, for holding of the DAC meeting; however, the meeting was not convened till finalization of the report.

DEPARTMENTAL VERSION.

7. The Department explained that the instant Para belongs to the financial year 2013-14, with a title Advance Para No.133. The PDA was requested subsequently, for arranging a DAC meeting to discuss advance Para. The working papers were sent to the DG Audit Khyber Pakhtunkhwa. The DAC meeting was held on 08/03/2017, under the Chairmanship of Special Secretary LGE&RDD. However, the minutes of the DAC meeting was not communicated to this office, so far and the subject Advance Para No. 133 Financial Year 2013-14 was forwarded to PAC as Draft Para.

8. Consequent upon the request of the Donor and approval of the then Chief Minister Khyber Pakhtunkhwa, an inquiry Committee was constituted vide summary notification No.SOE/C&WD/8-9/2012, dated 11/05//2012, the said inquiry Committee submitted its report with recommendation that the proposal of the Consultant should vetted from a refuted design consultant. Accordingly the detailed of payment of Rs. 15,34,59,998/- for substandard work, as under:-

- a. The execution of items as mentioned in the instant Para i.e. lying additional layer of 6 CM Asphaltic Base Course and Asphaltic Wearing Course was executed due to modification in the design and results of data collected through Falling Weight Deflectometer (FWD). The test on FWD was done by Dr. Shahab Khanzada pavement specialist engaged by PDA as per directions of the Committee duly approved by the then Chief Minister.
- b. The modification in the design was approved by the Project Steering Committee in its meeting held on 26/12/2012 under the Chairmanship of Additional Chief Secretary, Khyber Pakhtunkhwa. Accordingly the subject changes were included in the Revised PC-I and approved by the ECNEC.
- c. As regards to the payment of Rs.15,35,49,998/- which accrued due to the modification in design. The same amounts were paid to the Contractor as per approval of the Project Steering Committee and ECNEC. The Contractor has never been paid the rectification cost, although he repeatedly claimed the rectification cost that was amounting to Rs.8,39,10,199/-, but was regretted by the office. The Contractor M/S Karcon went into arbitration and the court of Arbitrator Engineer Habib Ali has awarded the arbitration in favour of the Contractor. The award of the arbitration was declared decree by the Civil Court. The PDA has then gone to the PHC on the decree of the Civil Court and matter is now subjudice in the PHC.

9. Since no payment, has been made to the Contractor on the account of rectification substandard work.

PAC OBSERVATIONS

10. The Committee observed:-
- i. Mis-planning on the part of PDA officers.
 - ii. Supervisory role was not performed upto the mark.
 - iii. The Department had relied on the design of the Consultant.
 - iv. Technical Sanction was issued by the Department, hence the Department was equally responsible.
 - vi. Coordination with Urban Development Authority was lacking.
 - vii. The Contractor and Consultant had gone to the Court of Law.

PAC RECOMMENDATION

11. As the issue involved in the Para was Subjudice in the Court of Law therefore, the Para was kept pending till the final decision of the Court and The Department was directed to vigorously pursue the case in the Court of Law and

proceeding of Court may be intimated to PAC Cell. The Department should make efforts for ensuring early hearing of the case

DP No.14.4.2 LOSS DUE TO NON-AUCTION OF MATERIALS Rs. 5.968 MILLION.

AUDIT VERSION.

12. The Audit reported that according to a rate analysis of the Market Rate System of 2013 (MRS), the rate of the item No.6-39-b, “erecting and removing form work to concrete in any shape position” 72.68% material cost, 6.14% labor cost and 21.18% contractor profit and overhead charges.

13. During financial year 2014-15, in the office of Director General PDA “up-Gradation & Remodeling of Ring Road (Southern Section) Project Peshawar” payments of Rs.82,11,000/- were made to the Contractor M/S Karcon (PVT) Ltd for the item of work erecting and removing form work to concrete in any shape position. Vide voucher No 32. However, the used material costing Rs.59,68,000/- ($8.211 \times 72.68\%$) was not auctioned resulting in, a loss to the government.

14. When pointed out in March 2016, the management stated that detailed reply well be submitted after verification of record. Audit requested the Department repeatedly, for holding of the DAC meeting; however, the DAC meeting was not convened till finalization of the report

DEPARTMENTAL VERSION.

15. The Department explained that the instant Para belongs to Financial year 2014-15 with a title Advance Para No.167, The PDA was requested vide DG, Audit letter No.DAC/AUDIT/2016-17/Ring Road/PDA/349, dated 19/01/2017 for arranging DAC meeting to discuss the Advance Para. Subsequently, this office vide letter dated 01/02/2017 sent working paper to DG Audit Khyber Pakhtunkhwa in order discuss the advance Para, the DAC meeting was held under the Chairmanship of Special Secretary LGE&RDD on 08/03/2017, however, minute of the meeting of DAC was not communicated to this office so far, and the subject Advance Para No. 167 for Financial year 2014-15, was forwarded to PAC as Draft Para.

16. Reference is solicited to the criteria mentioned by the Audit, wherein the specification of items 06-39-B for MR 2013 was mentioned. In this regard it is stated that the estimate of work Up-Gradation & Remodeling of Ring Road (Southern Section) was made on CSR 2009, and incorporated in the Technical Section duly approved by the Competent Authority. The item that Audit has mentioned in the instant Para was incorrect; because the Contractor M/S Karcon has been paid vide item no. 06-38-B of CSR 2009. The analysis of the aforesaid item are hereby available for ready reference wherein, used materials (wood portal at 6.69%), were become unusable and were not required to be handed over to the employer.

PAC RECOMMENDATION

17. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled.

**DP No.14.4.3 UNAUTHORIZED EXPENDITURE OUT OF PROJECT FUND
RS.208.780 MILLION.**

AUDIT VERSION.

18. The Audit reported that according to the PC-I, and Grant Agreement of the Project. The Grant should be used only for the construction of the Ring Road Project.

19. During the financial year 2014-15, in the office of Director General PDA, Peshawar, the expenditure of Rs.20,87,80,000 were incurred on 26 works from the project funds in violation of PC-I and grant agreement of the Project (Up Gradation & Remodeling of Ring Road). Therefore, the expenditure was unauthorized. The Audit holds that the payment from the project fund made for the other schemes were unauthorized, and needed to be regularized.

20. When pointed out in March 2016, the management stated that detailed reply will be furnished, later on. The Department was requested repeatedly, for the holding of DAC meeting, however, the DAC meeting was not convened till finalization of the report.

DEPARTMENTAL VERSION

21. The Department explained that the instant Para belong to the financial year 2013-2014 & 2014-15, with a title Advance Paras No. 136 & 158 respectively. The

PDA was requested vide DG, Audit letter No.DAC/AUDIT/2016-17/Ring Road/PDA/349, dated 19/01/2017 for arranging DAC meeting to discuss the Advance Paras, however, the instant Para was not including the list and not discussed in the DAC. Later on this office came to know that the instant Para was forwarded to PAC vide letter No.SO(DAC)/PAC/LG/PDA/Aps/2016-17, dated 31/09/2019.

22. Reference to the observation it is stated that this Authority as “Stop Gap Basis” arrangement of incurred expenditure on said scheme from balances of other ADP schemes upto FY 2013-14 which was reflected as opening balance in Financial statement of the project. Moreover, during FY 2014-15 further expenditure of Rs.64 million was incurred from other ADP schemes till February, 2015. The release to the project for FY2014-15 were made in February, 2015. As is evident from above facts that expenditure on project were made from other ADP schemes. Therefore, upon receipt of funds in the said schemes the amount was recouped and expended on the ADP schemes from where the expenditure on the subject project was previously made. The Provincial Govt: vide letter No.PO(LG)5-44PDA/2015-16 dated 15-03-2016 has also directed this authority for “Stop Gap Basis” arrangement for ADP schemes in the best public interest.

PAC OBSERVATION

23. The Committee observed that payment was made from Project Fund to 26 other Projects in violation of Rules. However, funds adjustment was made and the amount was recouped later on.

PAC RECOMMENDATIONS

24. The Committee recommended the Para to be settled with direction to the Finance Department to streamline the system of Bridge Financing to avoid such like instances in future.

DP No.14.4.4 UNAUTHORIZED PAYMENT TO THE CONTRACTOR ON ACCOUNT OF ESCALATION RS.58.78 MILLION AND OVERHEAD CHARGES OF RS. 6.928 MILLION.

AUDIT VERSION.

25. The Audit reported that according to the Government of Khyber Pakhtunkhwa, Works & Services Department Notification No.SOG/W&S/11-129/2005

dated 30.06.2005, no escalation shall be allowed to the Contractor for the extended period due to his own fault.

26. During the financial year 2013-14, in the Office of Project Director, the Project Up Gradation & Remodeling of Ring Road (Southern Section) (PDA portion). The escalation of Rs.5,87,80,000/- was paid to the Contractor M/S Karcon (Pvt) Ltd for their IPCs No. 26th to 31st which was unauthorized because the delay in completion of work was on the part of the Contractor as reported by the Associates Consultants vide letter No. KPK-U &RRRP/PDA/RI/293 dated 28.03.2012. Moreover, the Contractor had not quoted any price for the purpose of the escalation in the Contract Agreement. While, the PDA also deducted overhead charges of Rs.69,28,768/- on the invalid payment of escalation. The unauthorized payment needs recovery.

27. When pointed out in March 2015, the management replied that extension without penalty was recommended by the Consultants and duly approved by the Director General Peshawar Development Authority. The delay was also due to law & order situation, the reply was not tenable. The delay was on the part of Contractor as reported by the consultants.

28. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however, neither DAC meeting was convened nor any recovery effected till finalization of the report. Audit recommend that fact finding inquiry be conducted and escalation paid should be recovered.

DEPARTMENTAL VERSION

29. The Department explained that the subject Para belongs to the financial year 2013-14, with a title Advance Paras No. 134 & 137. The PDA was requested vide DG Audit letter No. DAC/AUDIT/2016-17/Ring Road /PDA/349, dated 19/01/2017 for arranging a DAC meeting to discuss advance Paras. Subsequently, this Office vide letter dated 01/02/2017 sent working paper to the DG Audit Khyber Pakhtunkhwa in order to discuss the Advance Paras. The DAC meeting was held under the Chairmanship of Special Secretary LGE&RDD on 08/03/2017. However, the minutes of the DAC meeting was not forwarded to this office so far, and the subject Advance Paras No. 134 & 137 FY 2013-14, were converted into Draft Para.

30. In the instant Para the Audit has mentioned letter of M/S AA Associates Consultant dated 28/03/2012 regarding slow pace of work and this regard it is worth mentioned here that Consultant AA Associates were relived from the project, vide Assignment Agreement dated 09/03/2012, wherein as per clause No.2.0 of the Assignor M/S AA Associates was relieved from all its obligations and rights under the construction part of the Contract, and has assigned the project construction supervision part to M/S Global Consultant. Therefore, the letter mentioned under instant Para has no legal aspect neither, acceptable to the employer at that stage.

31. Reference solicited to the Contract Agreement Clause No.44.1, which allows the time extension to the Contractor. The extension of time was granted to the contractor with cogent reason as per contract which comprises law and order situation, adverse climatic conditions & additional scope of work with the approval of Competent Forum i.e. Project Steering Committee and the meeting held on 13/12/2013. Furthermore, a meeting was held on 08/04/2014 under the Chairmanship of Chief Minister, wherein it was decided that this project should be completed till June 2014, accordingly extension was granted. Therefore, all the time extension had granted, with the approval of Competent Authorities.

32. The escalation/Price Adjustment were allowed contractually to the Contractor. Therefore, escalation to the tune of Rs. 58.78 million/- have been paid, which didn't exceed the amount of escalation allowed in the Revised PC-I duly approved by ECNEC on 13/09/2013 the same have been incorporated in the revised Technical Sanction duly approved by the Competent Authority. Overhead charges on escalation have been claimed as per provision made in the revised PC-I duly approved by the ECNEC on 13/09/2013 at cost of Rs. 2945 million.

PAC RECOMMENDATIONS

33. The explanation of the Department being justified was accepted and the Para was recommended to be dropped.

DP No.14.4.5 UNAUTHORIZED PAYMENTS TO THE CONSULTANTS - RS.4.883 MILLION.

AUDIT VERSION.

34. The Audit reported that according to the decision of the Project Steering Committee made in its meeting held on 13/12/2013 was conveyed to the Contractor vide Director, Engineering-VI PDA Peshawar letter No.09/DE-VI/PDA/2-9 dated 29.01.2014, the consultancy cost beyond 31st January 2014 will be charged to the Contractor M/S Karcon (Pvt) Limited.

35. During the financial year 2013-14 in the office of Project Director, the “Up Gradation & Remodeling of Ring Road (Southern Section) Peshawar” PDA portion for the 2013-14. The Consultancy charges of Rs.48,83,650/- (detailed below) was paid to M/s Global Consultants out of the project funds, instead of its recovery from the Contractor M/s Karcon (Pvt) Ltd, as per Steering Committee decision, which was unauthorized and needs recovery.

S.No	Cheque No	Date	Amount (Rs)
1.	197032	27.03.2014	9,79,900
2.	197034	10.04.2014	9,79,900
3.	197038	16.06.2014	6,34,013
4.	258521	16.06.2014	2,2,89,837
Total			48,83,650

36. When pointed out in March 2015, the management offered no reply. Audit requested the Department repeatedly, for holding of the DAC meeting, however, neither DAC meeting was convened nor recovery effected till finalization of the report. Audit recommends that recovery may be effected from the Contractor or the person (s) responsible.

DEPARTMENTAL VERSION

37. The Department explained that the instant Para belongs to the financial year 2013-14 with a title Advance Para No. 135. The PDA was requested vide DG Audit letter No. DAC/AUDIT/2016-17/Ring Road /PDA/349, dated 19/01/2017 for arranging a DAC meeting to discuss advance Para. Subsequently, this Office vide letter dated 01/02/2017 sent working paper to the DG Audit Khyber Pakhtunkhwa in order to discuss the Advance Para. The DAC meeting was held under the Chairmanship of Special Secretary LGE&RDD on 08/03/2017. However, the minutes of the DAC meeting was not

communicated to this office so far, and the subject Advance Para No.135 FY 2013-14, was converted into Draft Para.

38. Regarding the instant payments it is submitted that payment were correctly made from the work and Contractor's Security respectively as per the decision of Steering Committee. The serial wise details of payment are as under:-

- i. Rs. 9,79,900/- dated 27/03/2014 the payment was against the 21st running bill of the Consultant for the month of December, 2013 and has been correctly charged to the work as only payment beyond 31st January, 2014 were chargeable to Contractor.
- ii. Rs. 9,79,900/- dated 10/04/2014 the payment was against the 22nd running bill of the Consultant for the month of January, 2014 and has been correctly charged to the work as only payment beyond 31st January, 2014 were chargeable to Contractor.
- iii. Rs. 22,79,837/- & 6,34, 013/- dated 16/04/2014 the payment was against the 23rd running bill of the Consultant for the month of February, March & April, 2014 and has been correctly charged to the security of the Contractor. Moreover, in addition to the above, the invoices for the month of May & June, 2014 amounting to Rs.15,76,000/- were also paid from the security of the Contractor.

39. As such it is evident from the above that no irregularity exists in respect of instance payments and the payment up-to 31st January, 2014 has been charged to the work while the remaining payments beyond 31st January, till June, 2014 have been paid from the Contractor's security.

PAC RECOMMENDATION

40. In view of the reply advanced by the Department duly endorsed by the Audit, the Para was recommended to be settled.

DP No.14.4.6 NON-IMPOSITION OF LIQUIDATED DAMAGES RS.211.32 MILLION.

AUDIT VERSION.

41. The Audit reported that as per Clause-47.1 of the Agreement, if the Contractor fails to complete the work within the stipulated period, the 10 % penalty/liquidated damages at the contract price should be recovered from him.

42. During the financial year 2014-15, in the office of Director General PDA, (Director, Engineering Road-II), Project Up-Gradation & Remodeling of Ring Road

(Southern Section) Peshawar, the Contractor failed to complete the work within the stipulated period from 06-12-2010 to 19-08-2012. The work is still in progress till the date of audit i.e. March 2016. Therefore, penalty of Rs.21,13,20,000/ needs recovery, the lapse occurred due to violation of Contract Clause, when pointed out in March 2016, the management stated that the competent authority granted the extension, which was admissible to them, the reply was not tenable, the Contractor failed to complete the work even within the expended time.

43. Audit requested the Department repeatedly, through management letters and DO letter, for holding of DAC meeting, however, neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends that liquidated damages be recovered.

DEPARTMENTAL VERSION

44. The Department explained that the instant Para belongs to the financial year 2014-15 with a title Advance Para No. 162. The PDA was requested vide DG, Audit letter No.DAC/AUDIT/2016-17/Ring Road/PDA/349, dated 19/01/2017 for arranging DAC meeting to discuss the Advance Para. Subsequently, this office vide letter dated 01/02/2017 sent working paper to the DG Audit Khyber Pakhtunkhwa in order to discuss the advance Para, the DAC meeting was held under the Chairmanship of Special Secretary LGE&RDD on 08/03/2017, however, minute of the meeting of DAC was not communicated to this office so far, and the subject Advance Para No. 162 for Financial year 2014-15, was forwarded to PAC as Draft Para.

45. Reference solicited to the Contract Agreement Clause No. 44.1, signed between the Contractor and PDA wherein it is mentioned that Contractor was entitled to time extension in the event of additional scope of work etc. Hence the extension of time was granted to the contractor with cogent reason as per contract which comprises law and order situation, adverse climatic conditions & additional scope of work with the approval of Competent Forum i.e. Project Steering Committee and the meeting held on 13/12/2013. Furthermore, a meeting was held on 08/04/2014 under the Chairmanship of Chief Minister, wherein it was decided that this project should be completed till June

2014, accordingly extension was granted. Furthermore, completion certificate (PC-IV) as available for kind perusal.

46. Since the time extension was approved by the Competent Forums, therefore, applicability of delay damages becomes a violation to the contract.

PAC RECOMMENDATION

47. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled.

DP No.14.7.7 UNAUTHORIZED PAYMENT DUE TO DEVIATION FROM TECHNICAL SANCTION RS.130.800 MILLION.

AUDIT VERSION.

48. The Audit reported that according to Paras 95, 56 & 58 of CPWD code, engineer was strictly prohibited to deviate from the sanctioned design in the course of execution of work. Technical sanction is a guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data. Proper detailed drawing and design have been sanctioned.

49. During the financial year 2014-15, in the office of Director General PDA, (Director, Engineering Road-II), Project Up Gradation & Remodeling of Ring Road (southern section) Peshawar, it was noticed that Rs.13,08,00,000/- was paid in excess on certain items of work not provided in the original as well as revised PC-I as per detail given below:

(Rs)

S#	Item	Paid quantity	Revised PC-I quantity	Difference	Rate	Total
1	Asphaltic base course	46,405	38,725	7,680	10,523.71	8,08,22,093
2	Wearing course	18,139	14,621	3,518	12,081.18	4,25,01,591
3	Tack coat	579,183	433,673	144,510	35.80	51,73,458
4	Structural excavation	141,859	128,461	13,398	172.36	23,09,279
Total						13,08,06,421

50. The unauthorized payment may be regularized from the competent authority. When pointed out in March 2016, the management stated that detailed reply

will be submitted after verification of record. Audit requested the department repeatedly, for holding of DAC meeting, however, neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to regularize the unauthorized payment.

DEPARTMENTAL VERSION

51. The Department explained that the instant Para belongs to the financial year 2014-15 with a title Advance Para No. 165. The PDA was requested vide DG Audit letter No.DAC/AUDIT/2016-17/Ring Road/PDA/349, dated 19/01/2017 for arranging a DAC meeting to discuss advance Para. However, the instance Para was not included in the list and not discussed in the DAC. Later on, this office came to know that the instance Para was forwarded to PAC as Draft Para.

52. Accordingly the Revised Technical Sanction, duly approved by the Competent Authority, wherein all the items mentioned in the instant Para was covered and no deviation has been made from TS. Hence, no deviation from the sanctioned design has been made as mentioned in the criteria of the instant Para.

PAC RECOMMENDATION

53. In view of reply given by the Department, the Para was recommended to be settled with the direction to the Department to strengthen its Internal Control System. The Department was further directed to initiate appropriate disciplinary action against the concerned for not conducting DAC.

DP No.14.4.8 EXCESS PAYMENT TO THE CONSULTANT- RS.30.345 MILLION

AUDIT VERSION.

54. The Audit reported that according to para-10 of GFR Vol-I, every public officer who incurring expenditure from public fund is expected to exercise the same vigilance in respect of expenditure incurred from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

55. During the financial year 2014-15, in the Office of Director General PDA portion, the Up-Gradation & Remodeling of Ring Road (Southern Section) Peshawar, it was noticed that the original cost of the Scheme was approved for Rs.3,03,02,02,000/- by

ECNEC, including Consultancy cost of Rs.3,57,69,000. Later on, the scope of the work was reduced to Rs.1,58,15,32,000/-, however, the Consultancy cost was not reduced. The Consultant was paid Rs.4,92,05,000/- against the provisions of Rs.1,88,60,000/- resulting in, an excess payment of Rs.3,03,45,000/-.

56. When pointed out in March 2016, the management stated that detailed reply will be submitted, after verification of record. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however, neither DAC meeting was convened nor any progress intimated till finalization of the report. Audit recommends to regularize the un-authorized payment.

DEPARTMENTAL VERSION

57. The Department explained that the external Audit party has made comparison with original PC-I, whereas the revised PC-I was approved by the competent forum ECNEC in its meeting held on 13/09/2013.

58. It is pertinent, to mention here that under clause 2.6 of Consultancy Agreement, time extension can be granted. Hence, a meeting was held under the Chairmanship of Chief Minister, KP on 08/04/2014, wherein it was decided that the project must be completed by June 2014, and accordingly extension was granted by competent authority.

59. The amount of Rs. 49.205 Million covered in the revised Technical Sanction duly approved by competent authority. Hence, no excess over the revised TS amount has been made.

PAC OBSERVATION

60. The Committee observed that if the scope of the work was reduced, subsequently remuneration of Consultancy cost was also required to be reduced which was not done.

PAC RECOMMENDATION

61. After detailed and hectic discussion the Committee could not reach to a just and fair conclusion, therefore, a Sub-Committee comprising the following was constituted to examine the issue involved in the Para:-

1. Mr. Ahmad Kundi, MPA Chairman
2. Mr. Muhammad Idress Khan, MPA Member
3. Mr. Salah-ud-Din, MPA Member.

62. The Committee will submit its report within thirty (30) days.

ADMINISTRATION DEPARTMENT

PROCEEDINGS:

Nine (09) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Administration Department were taken up for examination by the Public Accounts Committee in its meetings held on 4th of March, 2022. The following were presents:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|---------------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Salah Uddin, MPA | Member |
| 3. | Arbab Muhammad Waseem Khan, MPA | Member |
| 4. | Mr. Inayauallah Khan, MPA | Member |
| 5. | Mr. Ahamd Kundi, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Muhammad Javed,
Section Officer.

FINANCE DEPARTMENT

Mr. HassanAbid,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Israr-ul-Haq
Director General.
2. Mr. Muhammad Fayaz,
Deputy Director.
3. Mr. Muhammad Javed Afridi,
Assistant Audit Officer.
4. Mr. Jawad Anwar,
Assistant Audit Officer.

ADMINISTRATION DEPARTMENT

1. Mr. Shahid Sohail,
Secretary,
2. Mr. Usman Zaman,
Deputy Secretary (Admn)
3. Mr. Muhammad Tariq,
Section Officer (T).

4. Mr. Muhammad Asif,
SO (Aviation)
5. Mr. Zahid Parvez,
Estate Officer.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Kifayauallah Khan Afridi,
Secretary.
 2. Mr. Amjad Ali,
Special Secretary.
 3. Mr. Ashtimand,
Deputy Secretary.
 4. Mr. Haris Khan,
Assistant Secretary.
 5. Mr. Amir 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 No.3.4.1 NON-PRODUCTION OF RECORD FOR EXPENDITURE-
Rs.203.200 MILLION.**

AUDIT VERSION

3. The Audit reported that according to Section 14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, to which the Auditor General has a statutory right of access, may be withheld from the Audit. Any person or authority hindering the auditorial functions shall be subject to disciplinary action under relevant Efficiency and Disciplinary Rules applicable to such person

4. During the financial year 2014-15, in the office of Secretary Administration Department, an expenditure of Rs.188.80 million was incurred on various activities during the year. Despite repeated requests, detailed record in support of the payments was not produced to Audit for the scrutiny. Therefore, the record in support of expenditure of Rs.18,88,00,000/- remained unverified and unaudited.

5. It was further noticed that an amount of Rs.1,44,00,000/- was drawn on different occasions on account of discretionary grant of Ministers, Advisors to CM, Grant-in-Aid for Civil officer Mess, but auditable record was not produced despite

repeated requests. Only drawal of the amount on the basis of simple receipts were produced and no detail account/record was produced for scrutiny of Audit.

6. Audit holds that the record in support of expenditure was required to have been provided for verification, which was not produced. Non-production of record occurred due to violation of rules and weak internal controls. When pointed out in January 2016, the management replied that some of the record was taken by Anti-Corruption Establishment, Khyber Pakhtunkhwa Peshawar and findings/progress will be communicated to Audit. While in some cases reply was not furnished. However, record was not produced despite Secretary Administration clear directions for obtaining record from Anti-Corruption Authorities.

7. The irregularity was reported to the Department in February 2016 followed by reminders and D.O. letter dated 06-01-2017 for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

DEPARTMENTAL VERSION

8. The Department explained that the Draft Para consists of Six Advance Paras i.e AP No. 21, 22, 23 & 44 of 2013-14 and AP No. 93 & 94 of 2014-15 which detailed are as following:-.

- i. **Irregular expenditure of discretionary grant and non production of record thereof worth Rs.3.450 Million**
- ii. **Irregular expenditure of discretionary grant and non-production of record thereof worth Rs.2.950 million.**

Discretionary grant for the Provincial Ministers was reflected in Budget Estimate 2012-13 & 2013-14 and was released by the Finance Department, which was paid to the Provincial Ministers, Advisors/Special Assistant on quarterly basis on proper acknowledgement. The discretionary grant were paid to Minister as per Minister Privilege Act,1975 amended up-to 2017 and Advisors & Special Assistants to Chief Minister according to their term & condition.

The utilization of discretionary grant was the mandate of the Ministers, Advisors and Special Assistants to Chief Minister, Khyber Pakhtunkhwa. The Ex-Private Secretaries to all Ex-Ministers, Advisors and Special Assistants were requested for submission of record/acknowledgement. The Private Secretaries to Ministers/Advisors/Special Assistants had been requested through repeated reminders to submit record. Maximum Private Secretaries had already been submitted requisite documents regarding utilization of Discretionary Grant.

It is added here that in the Part-I, Rs.75,000/- quarter were allocated to each Minister and there were 11 Ministers at that time, total amount comes as

Rs.33,00,000/- Moreover, one Minister was appointed after 06 months and his amount was Rs. 1,50,000/-, hence, total amount was Rs. 34,50,000/-.

Moreover in part-II, Rs.29,50,000/- were spent by 09 Advisors to the Chief Minister for whole year (i.e Rs. 27,00,000/- whereas one Advisor for 10 months Rs. 2,50,000/-). Hence, total spent amount was Rs. 29,50,000/-

The forum is requested to drop the Draft Para as the Ministers, Advisors and Special Assistants have completed their tenure and the discretionary grants had been given to the concerned Provincial Ministers Advisors & Special Assistants to CM as per their entitlement/Privilege. It is pertinent to mention here that since F.Y 2017-18, this Department has not provided the discretionary grant to the Provincial Ministers etc.

iii. Irregular expenditure of discretionary grant and non-production of record thereof worth Rs.4.000 million.

iv. Irregular retention of discretionary grant in designated bank account worth Rs.4.000 million

The Audit observation was not based on facts because it was not a discretionary grant given to the Estate Office. The Finance Department according to need of the Civil Officer Mess re-appropriated an amount of Rs.4.000 million from the Head A03970-Other to the head A05270-001 others which was accordingly credited in the bank account opened in Bank of Khyber.

It is further stated that the Administration Department provided a pre-audit cheque bearing No.0937886 dated 5/06/2014 for Rs.4.000 Million in favour of Honorary Secretary/Secretary Administration Department Khyber Pakhtunkhwa on account of Grant-in-Aid to Civil Officer Mess which was deposited in bank account No.04837-00 Bank of Khyber Civil Secretariat. The Finance Department has re-appropriated the said fund vide letter No. BOIV/FD/1-6/2013-14 dated 5/05/2014, out of Rs.4.00 millions an expenditure of Rs. 2.724 millions was incurred on improvement of residential rooms/club side of the Civil Officers Mess. The balance amount of Rs.1.275 was inserted after approval of the Management Committee for 01 year (2015-16). Thereon, the Management Committee decided to invest the amount as per Investment Committee of General Provident Fund and Pension Fund in Finance Department instead of Investment Committee constituted by Administration Department. Thereafter audit of the subsequent years were carried out and no anomaly regarding the same had been highlighted by the Audit Party.

v. Production of record for expenditure of Rs.133.539 Million.

It is submitted that the details of the amount i.e Rs.133.539 taken by the Audit party, has been checked. It has been found that the expenditure during the Financial year was Rs.12,51,44,609/- instead of 133.539 million. Details are under:- paragraph

PR	Salary	Other Exp:	Total
4013	63,37,793	6,43,504	69,81,297
4014	1,47,38,375	29,71,778	1,77,10,153

4017	5,17,40,866	3,37,93,954	8,55,34,820
4019	1,03,67,307	3527,950	1,38,95,257
5544	10,23,082	--	10,23,082
Grand Total			12,51,44,609

vi. **Non-availability of vouchers for expenditure of Rs. 55.260 million.**

Administration Department signed a MoU with Army Aviation for purchase of spare parts for its Helicopters. For this purpose, an amount of Rs.5,05,00,000/- was transferred to Army Aviation. Against the said amount Army Aviation provided parts on various occasions.

Repair work was also carried out at various workshops by the Askari Aviation. Detail break-up of the amount of Rs. 46,40,445/- with relevant vouchers of repair work available for verification.

Since there were no technical manpower/personnel with the Department to look after the matters of pure technical issues rather the operator (Askari Aviation) was hired to run the aviation fleet of the Provincial Government being technical organization. Later on when it was felt necessary to have some technical hands with the Department, a full fledged Directorate of Aviation was established during the year 2018 and since then all these issues of spare parts purchases and its entries etc were performed by the said Directorate. As far as entries in the stock register of GAC, Tools, and spare parts is concerned, in this regard it is submitted that as per agreement signed with the operator, it was the responsibility of the operator to make necessary entries in the stock registers, however, on expiry of the contract with the operator (Askari Aviation) in 2018, besides other issues, it was also pointed out that no entries of the items purchased from Army Aviation were made by them. The Department took up these issues with Askari Aviation and withheld an amount of Rs. 38.000 Million of the operator and made it conditional with the provision of missing/deficient items and clearance of Advance/Draft Paras. In this regard, certain meetings were held with Askari Aviation Pvt Ltd for settlement of these issues, some of which were resolved while some are under process.

Furthermore, the Honoraria was sanctioned by the competent authority for the staff of Officers & Officials of Establishment & Administration Department and paid to Officers/Officials.

PAC OBSERVATION

9. The PAC observed negligence on part of the Department for not producing record to Audit in time.

PAC RECOMMENDATIONS

10. As record is required to be audited, therefore, Department was directed to produce complete record involved in the Para to Audit for conducting detailed audit. Para stands. Report be submitted to PAC within thirty (30) days.

DP No. 3.4.2 LOSS DUE TO NON-RECOVERY OF TAXES-Rs. 9.980 MILLION.
AUDIT VERSION

11. The Audit reported that according to Sales Tax and Finance Act of Government of KP, sales tax @16% and professional tax at prescribed rate is recoverable.

12. During the financial year 2014-15, in the office of Secretary Administration Department, an aggregate payment of Rs.21,43,70,000/- was made on accounts of services rendered by the contractors, payment of honorarium to staff and other payments but neither sales tax nor income tax of Rs.99,80,000/- was deducted from the recipients. Non-deduction of taxes resulted into loss of Rs.99,80,000/- to the public exchequer. Audit holds that due to non-deduction of taxes the Government was put a loss to that extent. The lapse occurred due to violation of rules, which resulted into loss of Rs.99,80,000/- to government. When pointed out in January 2016, the management replied that Askari Aviation Pvt. Ltd. was an online Tax registered company and regular tax payer. However, the matter will be taken up with the authorities. Reply is not tenable. Recovery should be made.

13. The irregularity was reported to the Department in February 2016 followed by reminders and D.O. letter dated 06-01-2017 for holding of the DAC meeting, however neither DAC meeting was convened nor any progress till finalization of the report.

DEPARTMENTAL VERSION

14. The Department explained that the subject audit Para was shared with Askari aviation and a series of correspondence have been made with them to deposit the requisite taxes in the Government Treasury as pointed out by Audit. In a meeting under the chairmanship of Secretary Administration the subject para was discussed and Askari Aviation deposited subject taxes into the Government Treasury as per detail given below;-.

1. DPR Rs.92,712/- Cheque No.55231997 16-12-2021
2. Professional Tax Rs.30,000/- Cheque No.55231996 16-12-2021
3. Income Tax Rs.561,123/- Challan No.IT20211224-0101-1449023 24-12-2021

Total Rs.6,83,835/-

15. Askari Aviation refused to deposit Khyber Pakhtunkhwa Sales Tax on services amounting to Rs.74,16,958/- in the Government Treasury and denied the same as liability on their part. Askari Aviation in its reply express their plea that they have not included the subject tax in the invoice/claim as well as in the agreement deed with Administration Department and hence monthly stipulated fixed & variable charges were paid less by Administration Department to Askari Aviation due to non inclusion of sales tax on services in the invoice/claim. Thus the subject tax needs to be settled at Administration Department end.

16. Administration Department is of the view that the subject Audit observation was vague and the tax calculated by Audit was not covered under KPRA Act, 2013 as the word "Aviation Services" were not defined & covered in the Act at that time i-e 2014-15. Later on, in 2019 the word "Aviation Services" were included in KPRA Act.

Rs.10,31,449/- DUE TO NON RECOVERY OF STAMP DUTY ON PURCHASE OF VEHICLE.

17. The Audit reported that according to the Government of Khyber Pakhtunkhwa, Board of Revenue (Revenue & Estate Department) letter No.AS(S)3/240/2014-15/1511-14 dated 26-06-2015 Stamp Duty was not chargeable on vehicle purchased by Provincial Government Departments.

STATEMENT SHOWING NON DEDUCTION OF INCOME TAX @6% AMOUNTING TO RSs8,75,339/-. Honoraria Tax.

18. The honoraria had been paid to officers and official of Establishment & Administration Department as well as E&A Staff working with Special Assistants/Advisors/ Ministers for financial year 2013-14 paid during the financial year 2014-15. The tax from officers has been deducted. The tax deduction certificate/bills available, however, the tax from non-gazetted staff was not deducted as their annual income were not falling in the Income tax slabs. Furthermore, the office was neither

provided nor found any circular/notification wherein deduction of 6% Income tax on honoraria has been imposed. Moreover, the office is of the view that in light of FR-9 read with Section 12(2)(a) of chapter-3 Part-II of Income Tax Ordinance 2001, honorarium is remuneration paid to Govt: servant, therefore Income Tax may be deducted as per salary slab rather to charge fixed rate of tax.

PAC RECOMMENDATIONS

19. Reply of the Department was found being plausible, duly supported by Audit, hence the Para was recommended to be settled with the direction to the Department to deduct and deposit all such Taxes in-time. The Department was further directed improve its internal Audit.

DP No. 3.4.3 NON-RECOVERY OF ROOM RENT AND 5% CHARGES-Rs. 9.200 MILLION.

AUDIT VERSION

20. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

21. During the financial year 2014-15, in the office of Secretary Administration Department, various officials have occupied rooms in the guest houses and other residential accommodations but room rent and 5% maintenance charges amounting to Rs.92,00,000/- was not recovered from the occupants. Audit holds that recovery of room rent and 5% charges were required to be made from the occupants but not done. The irregularity occurred due to extending favour to the employees and weak internal controls, which resulted into non-recovery of Rs.92,00,000/-.

22. When pointed out in January 2016, the management replied that the building of Shahi Mehman Khana was very old, bathrooms of some rooms were not functional, therefore defective rooms were not allotted to any one, and other rooms were allotted to the official guests, properly entered in record and all such payments were paid into the Government Treasury. However pending payments will be deposited shortly.

23. Reply of the Department was not tenable. The Department had not mentioned amount of the pending payments and also did not reply in other cases.

24. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

25. The Department explained that as per Audit objection the following is submitted:-

- i. The ten Officers resided at Sahhi Mehman Khana, Peshawar have deposited room rent for the period of their stays. Copies of paid Challan/Payroll showing deduction of HRA.
- ii. The room occupied by Comptroller at KP House Islamabad had been declared designated room since September 2013 by Hon'ble Chief Minister Khyber Pakhtunkhwa..
- iii. The room rent of the officials, performing duties at Khyber Pakhtunkhwa House Islamabad have already been deducted from their pay.
- iv. The employees who were in possession of Govt: accommodation have regularly been deducted room rent and 5% where applicable as per list provided by Audit.

PAC RECOMMENDATIONS

26. In view of the above, the Para was recommended to be settled, subject to verification of record by Audit within thirty (30) days.

DP No.3.4.4 NON-RECOVERY OF GOVERNMENT SHARE FROM OPERATOR OF AIRCRAFT-Rs. 7.270 MILLION.

AUDIT VERSION

27. The Audit reported that according to S.No.1.2 of the agreement executed with Askari Aviation Pvt: earning on account of commercialization will be distributed as under:-

1.2.1. Hire/charter/lease payment to the owner for each hour flow by the Aircraft: 50%

1.2.2. Service charges payable to the operator to cover fuel, oil and lubricants etc. per each hour flow by the Aircraft: 25%.

1.2.3. Service charges payable to the operator to meet expenses such as marketing, agent commission, additional staff, etc: 25%/.

28. During the financial year 2014-15, in the office of Secretary Administration Department, Government helicopter No. MI-171 was used for commercial purpose in June-2015 and a sum of Rs.81,70,000/- was received as income from the operation. The earning was required to have been distributed according to provision of agreement and Rs.72,80,000/- deposited into treasury as Government share, however, no payment to Government till December, 2015 was made. Therefore, the Government share remained unrecovered.

29. Audit holds that Government share was required to have been recovered in time, which was not done. Non-recovery of Government share occurred due to non-adherence to the clauses of the agreement and weak internal controls, which resulted into non-recovery of Rs.72,80,000/-. When pointed out in January 2016, the management did not furnish any reply.

30. The irregularity was reported to the Department in February 2016 followed by reminders and D.O. letter dated 06-01-2017 for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

31. The Department explained that according to the “Charter Agreement” the earning on account of the Commercial Operations will be distributed as under:-

- a. 50% - to Govt. of KP
- b. 25% - to operator to cover variable charges etc.
- c. 25% - to operator to meet other expenses.

32. There was no link of details or rate of variable charges as stipulated in the “Main Agreement” with the distribution of rates of Charter Agreement”. Audit authorities calculated hire flying hours by rate of Rs.71,260/- per hour of official flight instead of rate of US\$ 7,917 per hour of charter flight as per Charter Agreement. Per hour rate of MI-171 helicopter was US\$7917. From 05-06-2015 till 12-04-2016 a total of three Charter missions were undertaken. The share of KP Govt. is as under:-

- i. 33,93,759.53/-
- ii. 6,85,235.35/-
- iii. 52,35,942.72/-

Total 93,14,937/-

33. As far as retention of Government money by Askari Aviation Pvt Ltd is concerned, as there was no head of account to deposit the above mentioned amount in the Govt. Treasury, hence a case was taken up with Finance Department, Khyber Pakhtunkhwa which further taken up the case with CGA Islamabad. Similarly, AAL had been repeatedly requested to deposit the amount in Govt: Treasury, Head of account under non tax receipt. AAL Rawalpindi furnished a cross cheque bearing No.26474451 dated 09-12-2106 amounting to Rs.93,14,937/-. The Administration Department deposited the cheque in the Govt: Treasury vide challan No.3089. The Government share of 50% of the total amount gathered on commercial use of Helicopter comes to Rs.93,14,937/- which had been deposited in the Government Treasury.

PAC RECOMMENDATIONS

34. As the amount involved in the Para was recovered and deposited in the Government Treasury, duly verified by the Audit, therefore the Para was recommended to be settled.

DP No. 3.4.5 NON-RECOVERY OF HOUSE RENT AT MARKET RATE AND UTILITY CHARGES-Rs. 2.097 MILLION.

AUDIT VERSION

35. The Audit reported that according to para 28 of GFR Vol-1 no amount due to govt. should be left outstanding without sufficient reasons where any dues appeared to be irrecoverable the order of the competent authority.

36. During the financial year 2014-15, in the office of Secretary Administration Department, three officials of E&A Department were dismissed from service in October 2011 and September 2012. They have still occupied Government residential accommodation, despite the fact that they were no more Government

Servants. Neither these houses were vacated nor recovery of house rent at market rate and utility charges amounting to Rs.20,97,000/- were recovered from these illegal occupants. Therefore, the amount remained unrecovered.

37. The irregularity occurred due to extending undue favour to illegal occupants and weak internal controls, which resulted into non-recovery of government dues of Rs.20,97,000/-.

Audit holds that the accommodation was required to be vacated and outstanding amount recovered from illegal occupants, which was not done. When pointed out in January 2016, the management did not furnish any reply.

38. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

39. The Department explained that the Para was regarding, three Naib Qasids who were dismissed from service during 2011-12.

1. Javed Khalil, N/Q Admn Deptt: Quarter No. P-2 (2 rooms) CC Warsak Road who was dismissed in October 2011
2. Saif ur Rehman, N/Q Admn Deptt: Quarter No P-6 (2 rooms) CC Warsak Road who was dismissed in 23/9/2012
3. Inayatullah, N/Q Admn Deptt Flat No 62-C GRC (2 rooms) who was dismissed in October 2011.

40. These employees were dismissed from service, however they filed civil suits in the Service Tribunal and the Tribunal granted them stay order. Furthermore, the employees were reinstated with back benefit on the order of Court. The respective house rents of the period of termination have realized and retained by the Department.

PAC RECOMMENDATIONS

41. In view of the plausible explanation advanced by the Department, the Committee recommended the Para to be settled.

DP No.3.4.6 IRREGULAR INVESTMENT OF GOVERNMENT REVENUE/FUNDS IN TREASURY BILLS/FIXED DEPOSIT-Rs.16.110 MILLION.

AUDIT VERSION

42. The Audit reported that according to S&GAD letter No.COM(S&GAD)/99 dated 22/05/1999 regarding minutes of the Management Committee held on 13-11-1999 the funds generated by the Civil Officer Mess be retained for expenditure on routine maintenance, provision of items like linen, crockery, cutlery and toiletries.

43. During the financial year 2014-15, in the office of Secretary Administration Department, the Manager Civil Officer Mess had realized Rs.12,40,000/- on account of room rent from the occupants of Civil Officers Mess. Out of which Rs. 9,17,778/- was invested in the Treasury Bills @7.76% per annum and Rs.3,23,000/- deposited in the current account No.000943-2 at National Bank of Pakistan Civil Secretariat Peshawar. Further record showed that so far Rs.94,80,000/- have been invested in the Treasury Bills from the room rent of the Civil Officers Mess. Similarly Rs.66,20,000/- drawn from BOK and invested in fixed deposit in violation of clear instruction of the S&GA Department which provides that the retention of funds generated by Civil Officers Mess as a very special case for expenditure on routine maintenance. However, origin/base of this fund was not shown to Audit.

44. When pointed out in January 2016, the management replied that the funds generated by Civil Officers Mess were invested in fixed deposit by the competent authority. However, detailed reply will be submitted after consulting of record of Civil Officers Mess. The action of the Manager Civil Officers Mess was not covered under the rules.

45. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

46. The Department explained that the Civil Officer Mess, commissioned in 1995 was managed by a Management Committee chaired by Chief Secretary, Khyber Pakhtunkhwa on 30-11-1997, the Committee decided that funds generated through

occupancy charges may be retained/kept by the management of the Mess in a separate account for spending mainly on routine maintenance, provision of items like linen, crockery, cutlery, toiletries etc.

47. Accordingly the Finance Department was approached to accord approval for retention of funds generated by the Civil Officer Mess. Finance Department accorded sanction for retention of funds as a special case in relaxation of Rules 7 of the Treasury Rules.

48. The unspent amount Rs.94,87,778/- were invested in Treasury Bill through Finance Department for a period of 12 months from 17th April 2015 at profit rate of @7.760% to enable the Mess to rely on its own sources. It is clarified that the investment was made on competitive profit rate of @7.760% which was higher than commercial banks i.e Habib Banks Ltd and Bank of Khyber, the detail of investment of funds of Civil Officer Mess is given below:-

Date of Investment	Amount	Profit	Saving amount	Total	Profit rate
17-04-2015 (one year)	79,92,211	5,77,789	9,17,778	94,87,778	7.760%

49. Besides the above a sum of Rs.66,24,752/- have been kept in fixed deposit in Bank of Khyber Civil Secretariat Branch which were generated by the Recreational Portion of Civil Officer Mess through monthly subscription, entry fees, games etc accumulated since 1995. The detail of investment of funds of Civil Officers Mess is given below:-

Date of Investment	Amount	Profit rate	Period
26-26-2015	54,20,251	6.80%	One year
22-08-2015	12,04,501	10%	One Year
Total:	66,24,752		

50. As no regulatory has been committed and all the actions covered by proper approval and sanction of competent authority and in the longer interest of the Mess.

PAC RECOMMENDATIONS

51. In view of the explanation advanced by the Department, that the Management Committee was Competent which authorized to invest the amount laying in

the Bank for getting benefits, being plausible, therefore, the Committee recommended the Para to be settled.

DP No.3.4.7 IRREGULAR EXPENDITURE AND NON-ACCOUNTAL OF STORE-Rs.13.340 MILLION, NON-PRODUCTION OF RECORD RS.6.410 MILLION.

AUDIT VERSION

52. The Audit reported that according to Clause 6 (1) of KPPRA 2014, the procuring entity shall use open competitive bidding as the principal method of procurement of goods over the values of Rs. 100,000 read with Para-148 of GPR Vol-I, all materials received should be examined, counted, measured or weighted as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality good, and record certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the material and recorded them in the appropriate stock register.

53. During the financial year 2014-15, in the office of Secretary Administration Department, an expenditure of Rs.1,33,40,000/- was incurred on the purchase of stationery, furniture & fixture and plant & machinery without observing codal requirements. The following shortcomings were noticed:-

- i. All purchases were made in piecemeal and were split up to avoid open tender system and sanctioning of next higher authority.
- ii. Requirement of three quotations for purchase of below Rs.1,00,000/- was not fulfilled.
- iii. Machinery & Equipments and Furniture & Fixtures were neither taken on stock register nor subsequently issued.
- iv. Most of the stationery items were not taken on stock register.
- v. Stationery register was not properly maintained.
- vi. Demand, issue of stationery and acknowledgement of stationery was not available on record
- vii. Most of the payments were made through DDO.
- viii. Record of stationery for Rs.64,10,000/- purchased in July 2014 was not produced to audit.

54. The above shortcomings held the process of incurrence of expenditure as irregular. Audit holds that all codal requirements required to have been completed before

the incurrence of expenditure and that complete record after payment maintained which was not done.

55. The irregular expenditure was incurred due to non-adherence to rules and weak internal controls. When pointed out in January 2016, the management replied that stationery was purchased through Purchase Committee after floating tender in leading Newspapers. Due to shortage of budget, some bills were not cleared due to insufficient budget, which were cleared in the next financial year. As far as bills/record of July and August 2014 are concerned the same were taken by Anti-Corruption Establishment. Reply of the Department was not tenable, Parawise reply should be given to ascertain the factual position.

56. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

57. The Department explained that:-

- i. all the items were not purchased in piecemeal, rather all the purchases were made on demands of the Provincial Ministers, Advisors, Special; Assistants to Chief Minister and all the offices of E&A Department on need and emergent basis from time to time in order to run the affairs of the Department/Offices efficiently. Now the Department had streamlined the procurement process. Moreover, observance of Annual Procurement Plan under KPPRA is under process.
- ii. Perusal of the record provides that all the bills were below the limit of calling 3 quotations procedure; hence, the procedure of purchase on single quotation was adopted. Whereas, bills, which were between 50,000/- and 1,00,000/-, three quotations were called.
- iii. All the items pertaining to Machinery and Equipment and Furniture & Fixture were entered in the stock register and signatures of the concerned had already been taken. Moreover, the process of developing the digitalization of inventory system was also underway in the Department.
- iv & v. Stock register of stationery was available, showing all the entries of the items. However, the Department was working on

computerizing the stock register for better management control over the stocks and assets and was also working on a framework agreement for the purchase of stationery items, which is in its final stage.

- vi. Demands and acknowledgment have been received from the quarter concerned. However, this Department is developing a computer based solution for the issue.
- vii. Rs. 64,10,000/- was paid to different vendors. However, breakup is given as under:

FVC No.	Total amount	Income Tax	GST	Net amount
01/EO	4,93,740	17,281	11,394	4,56,065
01/Min	4,94,910	17,322	11,421	4,66,167
02/Min	4,99,561	17,485	11,529	4,70,547
03/Min	4,94,325	17,302	11,408	4,65,615
01/E&A	4,91,400	17,199	1,340	4,62,861
02/E&A	4,98,186	17,437	11,497	4,69,252
03/e&a	4,87,305	17,056	11,246	4,59,003
04/E&A	4,89,528	17,134	11,297	4,61,097
05/E&A	4,97,835	17,425	11,489	4,68,921
06/E&A	4,92,863	17,251	11,375	4,64,237
07/E&A	4,84,994	16,975	11,193	4,56,826
08/E&A	4,99,407	17,490	17,532	4,70,685
09/E&A	4,90,698	17,175	11,324	4,62,199
Total	64,14,752	2,24,532	1,54,045	60,42,275

PAC OBSERVATION

58. The Committee observed that now the system has been streamlined, purchases are being made quarterly as per demand duly approved by a Committee constituted for the purpose.

PAC RECOMMENDATIONS

59. In view of the above, the Para was therefore recommended to be settled, subject to verification of record by the Audit within thirty (30) days.

DP No.3.4.8 IRREGULAR ALLOTMENT OF RESIDENTIAL ACCOMMODATION TO UN-ENTITLED OFFICERS/OFFICIALS.

AUDIT VERSION

60. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinates.

61. During the financial year 2014-15, in the office of Secretary Administration Department, 73 residential accommodations were allotted to un-entitled employees who were working in autonomous bodies and were not legitimate responsibility of the Administration Department. They were drawing salaries from their respective Departments therefore, recovery of House Rent alongwith 5% recovery of pay could not be confirmed. It was further noticed that some of the officers were posted outside District Peshawar but have occupied Government residence at Peshawar in violation of standing instructions of the Government.

62. Audit holds that illegal occupants should have been ejected and accommodation vacated for legal use. The irregularity occurred due to extending favour to illegal occupants and weak internal controls. When pointed out in January 2016, the management did not furnish reply. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

63. The Department explained that as per allotment Act, 2018 (amended) MTI Employees of KTH, HMC and LRH were eligible for allotment of Government accommodation from the pool of Estate Office, Administration Department, furthermore, HRA & 5% M&R charges from employees of LRH, HMC & KTH have been regularly deducted. Most of officers /officials have vacated the Government residential accommodations and few of them stand retired from service. The case regarding deposition of the house rent & 5% of M&R into relevant Govt: head C-02701 was in process with the office of Secretary Health Department. Moreover, according to allotment Rules 2018, if an officer is posted out from Peshawar, he can retained the house upto one year on deduction of normal rent.

64. In view of above, no loss has occurred to Govt: exchequer, as the room rent & 5% maintenance charges have already been deducted & deposited into the Government Treasury.

PAC RECOMMENDATIONS

65. As amount from 55 employees out of 73 have been recovered and amount to 18 employees is still outstanding, therefore, Para stands till recovery from the remaining employees and its verification by Audit within thirty (30) days.

DP No.3.4.9 NON-RENDERING ACCOUNT IN SUPPORT OF PAYMENTS- Rs.7.630 MILLION.

AUDIT VERSION

66. The Audit reported that according to Paragraph No.13 of S&GAD order No.E&A (S&GAD) 5(1)/81 dated 03-09-1988 the Private Secretary to a Minister shall be responsible for completion, maintenance of accounts and record of the Discretionary Grant and rendering at to the S&GAD.

67. During the financial year 2014-15, in the office of Secretary Administration Department, a sum of Rs.76,30,000/- was paid on account of Discretionary Grant to Advisors/Special Assistant to Chief Minister in four quarterly installments. Detail account in support of payment so made was required to have been properly maintained and rendered to the Secretary Administration, which was not submitted till date of audit. Therefore, the authenticity of expenditure of Rs.76,30,000/- could not be confirmed.

68. Audit holds that complete record of expenditure was required to have been provided to Audit which was not available. The irregularity occurred due to non-adherence of rules and weak internal controls. When pointed out in January, 2016, the management replied that all record would shortly be provided to the Audit party.

69. Audit requested the Department repeatedly, through DO letters, for holding of the DAC meeting, however neither DAC meeting was convened nor any progress intimated till finalization of the report.

DEPARTMENTAL VERSION

70. The Department explained that Discretionary Grant for the Provincial Ministers was reflected in Budget Estimate 2014-15 and was released by the Finance Department, which was paid to the Provincial Ministers, Advisors/Special Assistant on quarterly basis on proper acknowledgement as per their entitlements.

71. The utilization of discretionary grant was the mandate of the Ministers, Advisors and Special Assistants to Chief Minister, Khyber Pakhtunkhwa. The Ex-Private Secretaries to all Ex-Ministers, Advisors and Special Assistants were requested for submission of record/ acknowledgement. The Private Secretaries to Ministers/Advisors/Special Assistants had been requested through repeated reminders to submit record however, complete record have not been furnished. Maximum Private Secretaries had already been submitted requisite documents.

72. It is added here that in the Part-I, Rs.75,000/- quarter were allocated to each Minister and there were 13 Ministers at that time, total amount for which comes as Rs.39,00,000/-. While an amount of Rs.12,00,000/- were paid to four (4) Advisor to Chief Minister. Furthermore, an amount of Rs.25,35,000/- were paid to eight (8) different Special Assistant to Hon'ble Chief Minister, Khyber Pakhtunkhwa. The forum was requested to drop the Draft Para as the Ministers, Advisors and Special Assistants have completed their tenure and the discretionary grants had been given to the concerned Provincial Ministers Advisors & Special Assistants to CM as per their entitlement/Privilege. It is pertinent to mention here that since F.Y 2017-18, this Department has not provided the discretionary grant to the Provincial Ministers etc. Maximum requisite documents had already been submitted by Private Secretaries to Ex-Ministers, Advisors and Special Assistants.

PAC RECOMMENDATIONS

73. In view of the reply advanced by the Department, the Committee recommended the Para to be settled, subject to verification of record by the Audit within thirty (30) days.

SOCIAL WELFARE DEPARTMENT

PROCEEDINGS:

Three (03) Draft Paras reflected in the Audit Report for the year 2016-17 on account of Social Welfare Department were taken up for examination by the Public Accounts Committee in its meetings held on 4th of March, 2022. The following were presents:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|---------------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Salah Uddin, MPA | Member |
| 3. | Arbab Muhammad Waseem Khan, MPA | Member |
| 4. | Mr. Inayaullah Khan, MPA | Member |
| 5. | Mr. Ahamd Kundi, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Muhammad Javed,
Section Officer.

FINANCE DEPARTMENT

Mr. HassanAbid,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Israr-ul-Haq
Director General.
2. Mr. Muhammad Fayaz,
Deputy Director.
3. Mr. Muhammad Javed Afridi,
Assistant Audit Officer.
4. Mr. Jawad Anwar,
Assistant Audit Officer.

SOCIAL WELFARE DEPARTMENT

1. Mrs. Nasheeta Mohsin,
Secretary.
2. Mr. Khalid Khattak,
Director.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Kifayauallah Khan Afridi,
Secretary.
 2. Mr. Amjad Ali,
Special Secretary.
 3. Mr. Ashtimand,
Deputy Secretary.
 4. Mr. Haris Khan,
Assistant Secretary.
 5. Mr. Amir 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 No. 17.4.1 UNNECESSARY DRAWAL ON ACCOUNT OF STIPEND TO SENIOR CITIZENS - RS.12.000 MILLION

AUDIT VERSION

3. The Audit reported that according to Rule 290 of Central Treasury Rules, no money should be drawn from Government Exchequer unless it is required for immediate disbursement. It is not permissible to draw money from Treasury in anticipation of demand or prevent lapse of budget grant. Para 7 of GFR Vol-I says that money may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Finance.

4. During the financial year 2014-15, in the office of Director Social Welfare Peshawar, it was noticed that local office has drawn Rs.1,20,00,000/- in June 2015 on account of stipends to Senior Citizens of 06-Districts. Instead of utilization of money for the purpose for which it was meant, the amount was drawn and deposited in National Bank of Pakistan, Ashraf Road Branch Peshawar. The amount is still lying in the Bank due to which Government funds blocked unnecessarily. Opening of bank account was also not approved by the Finance Department, which is very serious lapse on the part of management. Audit holds that the irregularity occurred due to financial indiscipline and

weak internal controls. When pointed out in May 2016, the management stated that reply would be furnished later on.

5. In the DAC meeting held in November 2016, the Department replied that the amount was not drawn unnecessarily, all homework was done. Data compiled by notified Committee and after doing the needful, funds were drawn for disbursement. The DAC directed to refer the case to Finance Department for clarification and get approval for opening of bank account. However, no further progress was intimated till finalization of the report. The Audit recommends that the Department may investigate the matter and fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

6. The Department explained that the direction of DAC was accordingly implemented in letter and spirit. It is worth mentioning here that the scheme was dis-continued at Provincial level and thus the account was closed down while the balance amount was deposited into the Government Treasury.

PAC OBSERVATION

7. The Committee observed that:-
- i. the Department did not play its role for utilization of fund.
 - ii. the objective for which funds were released was not achieved.

PAC RECOMMENDATION

8. The Committee directed the Audit to verify all the record involved in the Para and the Department was also directed to take appropriate disciplinary action against the concerned for not doing justice to their job and not disbursing the amount in time and surrendered to Government Treasury. Para stands. Progress be reported to PAC within thirty (30) days.

DPNo.17.4.2 EXCESS PAYMENT THAN APPROVED BUDGET ALLOCATION - RS.11.010 MILLION

AUDIT VERSION

9. The Audit reported that according to Para 106 of GFR Vol-I, disbursing officer may not on his own authority authorize any payment in excess of the funds placed at his disposal. In addition Para 7 of GFR Vol-I says that money may not be removed

from the Public Account for investment or deposit elsewhere without the consent of the Finance.

10. During the financial year 2014-15, in the office of Director Social Welfare Peshawar, it was noticed that Finance Department placed Grant- in-Aid of Rs.3,96,00,000/- at the disposal of local office as financial assistance for Disable Persons which was drawn as per detail given below:-

(Rs.)

S.No	Cheque No.	Date	Total Amount	Cheque	Amount for Disable Person
1	1140340	30.03.2015	32,80,000		1,98,00,000
2	1104019	11.03.2015	32,80,000		1,98,00,000
Total					3,96,00,000

11. The amount drawn was kept in the Commercial Bank under A/C No.002626-5 at University Town Branch without any approval of the competent authority. Opening of the said bank account was also not authorized by the Finance Department.

12. Later on Provincial Council for Rehabilitation of Disable Person distributed the financial assistance amount among 10,122 applicants @Rs.5,000 per applicant of 25 Districts, which comes to Rs.5,06,10,000/-. Hence, a sum of Rs.1,10,10,000/- (Rs.5,06,10,000 – Rs.3,96, 00,000) was paid in excess than provision, which was unauthorized. Audit holds that the irregularity occurred due to financial indiscipline and weak internal controls. When pointed out in May 2016, the management stated that reply would be furnished later on.

13. In the DAC meeting held in November 2016, the Department replied that the amount was kept in the bank in accordance with Rule 30 of the North West Frontier Province Disabled Persons Employment and Rehabilitation Rules 1981. As far as excess payment is concerned, all sums paid by the establishment under section 11, grants made by the Federal/Provincial/Local bodies and donation by private individuals. The DAC directed that justification of excess payment and approval of Finance Department may be shown to Audit. The opening of unauthorized bank accounts without the approval of Finance Department may also be justified. No further progress was intimated till

finalization of the report. The Audit recommends that approval of Finance Department for opening of unauthorized bank account and excess over allocation be justified. If there is no approval then inquiry be conducted and responsibility be fixed.

DEPARTMENTAL VERSION

14. The Department explained that before DAC there are the following three elements of the budget for PCRDP:-

- i. all sum paid by the establishment under section 11.
- ii. all grants if any made by the Federal Government, Provincial Government or Local bodies and;
- iii. donation if any by private individuals.

15. On rest of above PCRDP passed its budget within its function. Hence the council in its meeting approved the amount which has been duly disbursed. Therefore, no excess from approved amount has been made.

16. Provincial Council for Rehabilitation of Disable persons (PCRDP) opened two designated accounts i.e 12987 and 12988 in the name of Secretary (PCRDP) vide Finance Department Letter No. 6-19(F/L)FD/2016 dated 26-04-2016. The accounts were not unauthorized as it has opened with the approval of Finance Department.

PAC RECOMMENDATION

17. In view of the explanation advanced by the Department, the Committee recommended the Para to be settled.

DP No. 17.4.3 UN-AUTHORIZED OPENING OF BANK ACCOUNTS INVOLVING - RS.93.600 MILLION

AUDIT VERSION

18. The Audit reported that according to para 7 of GFR Vol-I, money may not be removed from Public Account for investment or deposit elsewhere without the consent of the Finance Department.

19. During the financial year 2014-15, in the office of Director Social Welfare Peshawar, it was noticed that Finance Department released Rs.2,00,00,000/-, Rs.6,56,00,000/- and Rs.80,00,000/- as Grant-in-Aid. The local office drew the above funds and transferred to the following bank accounts:-

S. No	Amount(Rs)	Deposited in Bank/ Account No.
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1	2,00,00,000	NBP University Town Branch, Peshawar (002626-5)
2	6,56,00,000	NBP University Town Branch, Peshawar (002626-5)
3	80,00,000	Habib Bank Limited, University Town, Peshawar (1249-01)

20. It is further pointed out that the following bank accounts were opened and operated by Director Social Welfare, which needs clarification whether NOC was obtained from Finance Department or not:

S. No	Bank Account Number	Bank Name & Branch
1	4311-1	NBP, University Town Branch, Peshawar
2	002626-5	NBP University Town Branch, Peshawar
3	4096745916	NBP, Ashraf Road, Peshawar
4	1249-01	Habib Bank, University Town, Peshawar

21. It is further noted that Rs.9,36,00,000/- released as Grant-in-Aid were deposited in undesignated account. All these accounts were unauthorizedly opened and the deposit of money was also unauthorized.

22. Audit holds that the irregularity occurred due to financial indiscipline and non-adherence to rules and procedures. When pointed out in May 2016, the management stated that reply would be furnished later on. In the DAC meeting held in November 2016, the Department replied that record was taken into custody by the Ehtesab Commission, Khyber Pakhtunkhwa. In the absence of the record, purchase and procurements could not be made till 30-06-2015.

23. Furthermore, the amount was deposited in the Schedule Bank in accordance with Rule 30 of the North West Frontier Province disabled persons (Employment and Rehabilitation) Rules 1991. The designated account was allowed by Finance Department. The DAC directed to refer the case to Finance Department for clarification. Thus the matter regarding opening of unauthorized bank accounts was brought into the notice of Finance Department. They informed that account No.4311-1 was sanctioned/allowed while the other three bank accounts i.e. account No.2626-5, 409674916 and 1249-01 were opened without approval of the Finance Department. The Audit recommends to conduct inquiry and fix responsibility against the person(s) who opened unauthorized account.

DEPARTMENTAL VERSION

24. The Department explained that before DAC the funds amounting to Rs.2,00,00,000/- could not be utilized, and the same was deposited in Government Treasury. Likewise the amount of Rs.6,56,00,000/- was deposited in the schedule bank under the North West Frontier Province disabled persons (Employment and Rehabilitation) Rules 1991. However on advice of AG office, the Department approached Finance Department and accordingly allowed designated account.

25. Similarly section 18 (i) of the construction of PCSW, provides that fund should be kept in any scheduled band Peshawar. Hence the account No.1249-10 was maintained accordingly. So for the availability of Rs.82,40,126/- instead of Rs.80,00,000/- is concerned the excess amount of Rs.2,40,126/- was left over/saving of the previous year. A designated account has been opened in the financial year 2015-16.

PAC RECOMMENDATION

26. In view of the explanation advanced by the Department, the Committee recommended the Para to be settled.

REPORTS
OF
SUB-COMMITTEES

REPORTS OF SUB-COMMITTEES

The following three (03) Reports of the Sub-Committees were presented before the PAC meetings held on 27-10-2021, 22-02-2022 for consideration and approval, which were examined and adopted by the Committee unanimously. Details of the Reports are as under:-

HIGHER EDUCATION DEPARTMENT

(I) **REPORT OF THE SUB-COMMITTEE No.02 OF PAC ON THE ACCOUNT OF GOVERNMENT OF KHYBER PAKHTUNKHWA AGAINST DRAFT PARAS No. 4.4.1, 4.4.2, 4.4.27 & 4.4.32 FOR THE YEAR 2015-16 AND DRAFT PARA No. 5.4.5 (2014-15) PERTAINING TO HIGHER EDUCATION DEPARTMENT.**

DP No.4.4.1 **EMBEZZLEMENT OF RS.11.77 MILLION.**
(2015-16)

PAC RECOMMENDATION

1. The Committee recommended to constitute a high level Inquiry Committee comprising the representatives of Higher Education Department (HED), University of Peshawar, Finance, Law and Audit Departments to conduct fact finding inquiry and to initiate action leading to recovery of the balance amount of Rs. 73,99,000/- from the responsible(s) after fixing responsibility within two months. Para stands. Progress be reported to PAC.
2. For future guidance, the Department was directed to carry out monthly reconciliation/adjustment and implement the recommendation of the Inquiry Committee if any in future.
3. On a query from the chair, the Department explained that the said inquiry had not been finalized as yet due to late nomination and non-responsive attitude of Law and Finance Department.

4. The Department told the Committee that Department itself would conduct inquiry into the matter, which was accepted by the Committee and directed to conduct inquiry within (30) days positively.

5. Para stands. Progress be reported to PAC.

DP No.4.4.32 **NON-PRODUCTION OF AUDITABLE RECORD - RS.3.50**
(2015-16) **MILLION.**

PAC RECOMMENDATION

6. The Para was recommended to be settled subject to verification of the record of all adjusted amount by the VOR Committee within a month time.

7. For future guidance, the Department was directed to stop such practice forthwith and to follow the Rules and Regulations, Notifications of the Finance Department issued in this regard in its true spirit.

DP No.4.4.2 **MISAPPROPRIATION OF RS.4.90 MILLION.**
(2015-16)

PAC RECOMMENDATION

8. The Committee recommended to settle the Para subject to verification of adjustment of entire advances amounting to Rs. 40,34,641/- within a month time.

DP No.4.4.27 **UNAUTHENTIC EXPENDITURE AND MISAPPROPRIATION OF**
(2015-16) **RS.10.05 MILLION.**

PAC RECOMMENDATION

9. The Committee recommended to settle the Para subject to verification of expenditure of the adjustment of entire amount as drawn within a month time.

10. The Committee appreciated the untiring efforts of Director Institute of Chemical Sciences University of Peshawar for collection of such a huge record of the adjustment as no efforts were made earlier by the erstwhile Director.

DP No.5.4.5 **LOSS TO THE UNIVERSITY OF Rs. 63.503 MILLION.**
(2014-15)

PAC RECOMMENDATION

11. After detailed discussion on the issue and in view of the recommendations of Campus Coordination Committee (CCC), the Committee recommended the following:-

- i. The Finance Department was directed to allocate sufficient fund immediately under the head A03303 of the Electricity Charges of the Police Department for onward regular payment of electricity charges on account of the CPC official building/Police Stations/Police Lines/Police Posts under the jurisdiction of the Universities. And also allocate a fund of Rs. 11,02,83,122/- forthwith for early payment of outstanding of electricity charges to the University of Peshawar as the University has already been paid the said amount to PESCO in shape of electricity bills of the CPC official building/Police Stations/Police Lines/Police Posts.
- ii. The Commandant CPC was directed to make recovery of electricity charges of the residential building from the employees of the Police Department who resided/are residing in the Campus of the University of Peshawar.
- iii. All residences of CPC were directed to pay regularly their respective electricity bills and in case of non-payment, their electricity connection may be disconnected.
- iv. A joint Committee comprising the representative of Peshawar University, Agriculture University, Islamia College University, Engineering University and CPC be constituted which will keep check and balance on the check posts of the Campus Police to discourage the use of electric heater & Air Conditioners and to chalk out modalities for recovery of electricity arrears from in-service/retired police personnel.
- v. The management of the University was directed to calculate computer load of the official & residential buildings of the University through proper consultant and regularly pursue the case with the PESCO for early installation of independent meters.
- vi. The representative of the office of Chief Executive, PESCO was directed to assist the management of the University, for early installation of independent meters of the CPC Official building/Police Stations/Police Lines/Police Posts.
- vii. The Campus Coordination Committee (CCC) was directed to conduct regular meeting of the Committee each month to resolve such like issues and other problems faced to the Universities.

12. Para stands till complete recovery of electricity charges of the residential building from the employees of the Police Department who resided/are residing in the

Campus of the University of Peshawar. Progress be reported to PAC within three (03) months.

13. The Committee appreciated the untiring efforts of the Commandant CPC University of Peshawar who started recoveries of the residential electricity charges from the employees of the Police Department. And also take up the issue with high-ups from provision of fund in the proper head of account (electricity charges) for onward regular payment of electricity charges on account of the CPC official building/Police Stations/Police Lines/Police Posts.

FOOD DEPARTMENT

(II) REPORT OF THE SUB-COMMITTEE No.08 OF PAC ON THE ACCOUNT OF GOVERNMENT OF KHYBER PAKHTUNKHWA AGAINST DRAFT PARAS No. 9.4.3 & 9.4.4 FOR THE YEAR 2014-15 AND DRAFT PARA No. 6.4.6 FOR THE YEAR 2015-16 PERTAINING TO FOOD DEPARTMENT.

DP No.9.4.3 **LOSS DUE TO SHORTAGE OF WHEAT - Rs.1.635 MILLION.**
(2014-15)

PAC RECOMMENDATION

1. The Committee taking a lenient view recommended the Para to be settled with the direction to the Department to adopt corrective measures and to devise proper mechanism to protect the wheat stock from deterioration due to absorbing humidity and to adopt proper protective methods and use of appropriate insecticides/pesticides so that such loses are avoided in future.

2. The Department was also directed to rationalize the supply of wheat according to the demand of the area.

DP No.9.4.4 **LOSS TO THE GOVERNMENT OF RS.85.868 MILLION.**
(2014-15)

DP No. 6.4.6 **LOSS DUE TO AUCTION OF DAMAGED WHEAT-RS.106.85**
(2015-16) **MILLION.**

PAC RECOMMENDATION

3. The Paras were recommended to be settled with the direction to the Department to:-

- i. Notify, circulate and to follow necessary steps as modified in its true spirit.
 - ii. Clear all godowns from such infested wheat which has already been auctioned and disposed off by the Department through a summary moved to Chief Minister.
 - iii. Give certificate to the effect that infested wheat had been disposed off from all the existing godowns in District Chitral and no infested damaged wheat is available in the godown for verification to the Audit.
 - iv. Arrange departmental training programs for the staff of Food Department in order to save Government wheat stock from any type of infestation, damages, rain soaking, flood and other calamities etc till the completion of state of Art training centre at Skhakot.
 - v. Monitor the progress of developmental work at under construction godowns regularly to ensure its completion in the specified time frame.
4. The aforementioned Reports of Sub-Committees were considered and adopted by the Public Accounts Committee (PAC).

AGRICULTURE, LIVESTOCK, FISHERIES, DAIRY DEVELOPMENT AND COOPERATION DEPARTMENT

- iii. **REPORT OF THE SUB-COMMITTEE No. 7 OF PAC ON THE
ACCOUNT OF GOVERNMENT OF KHYBER PAKHTUNKHWA
PERTAINING TO AGRICULTURE, LIVESTOCK, FISHERIES,
DAIRY DEVELOPMENT AND COOPERATION DEPARTMENT
(2015-16)**

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 03-11-2020 at 10:00 A.M in the Conference Room of Khyber Pakhtunkhwa House, Abbottabad, a Sub-Committee was constituted vide Notification No.PA/K.P/PAC/S.C-07/ Agri:/2015-16/20/13333 dated 30-11-2020, comprising the following members.

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|----|---------------------------------|----------|
| 1. | Mr. Jamshid Khan, MPA | Chairman |
| 2. | Arbab Muhammad Waseem Khan, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to examine the issue (s) involved in the Draft Paras No. 2.4.1, 2.4.2, 2.4.5, 2.4.6, 2.4.8, 2.4.13, 2.4.14 and 2.4.15 for the year 2015-16 pertaining to Agriculture, Livestock, Fisheries, Dairy Development and Cooperation Department, in detail and to submit its report to PAC within one (1) month.

PROCEEDINGS

3. The Sub-Committee meeting was held on 01-09-2021 at 10:00 a.m. in the Conference Room of the Assembly Secretariat of Khyber Pakhtunkhwa, wherein the issue (s) involved in the Draft Paras mentioned above were thoroughly examined and recommendations were made as follows:-

**DIRECTOR CATTLE BREEDING AND DAIRY FARM
HARICHAND**

DP No. 2.4.1 LOSS DUE TO LESS DEPOSIT OF COST OF MILK – Rs.71.05 MILLION.

AUDIT VERSION

4. During the financial year 2014-15, the Director Cattle Breeding and Dairy Farm Harichand deposited Rs.71.05 million less on account of cost of milk. It was observed that 465 cows of different breeds were available at the Farm, and the daily produce from single cow was 12-14 litres. Details are as under:-

No of cows	Milk less	Net	Per day production of milk	2014-15 (365 days)	Rate (Rs.)	Amount (Rs.)
465	165	300	12 liters	365	60/-	7,88,40,000
					Shown deposit	77,89,702
Total						7,10,50,298

5. The above calculations showed that the Director was supposed to deposit Rs.78.84 million instead of Rs.7.79 million. The Government sustained a loss of Rs.71.05 million due to less deposit.

6. The loss was due to negligence and weak internal controls. The loss was pointed out in September 2015. The Department furnished no proper reply. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC

meeting was not convened till finalization of the report. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault besides effecting recovery.

DEPARTMENTAL VERSION

7. The Department explained that the Cattle Breeding & Dairy Farm Harichand was established in 1982 as the name indicates it was for improvement in breeding of different breeds.

8. All the cattle was imported from Holland, Australia and other countries while selling milk was not the objective of the project, rather milk was the by product of the farm. The main objective of the Farm was to improve the breeding and to provide proven breeding bulls to the Semen Production Unit, which is supplying semen to the whole Province. The quality semen was provided to the Artificial Insemination Centers for the up-gradation of local non-descript cattle population in the Province. As a result of the cross breeding with the exotic breeds kept at the Farm, the production of the cross breed cattle has been increased more than 100% as compared to the locals. The Farm provided training facility to the assistants and professionals. The Farm played a key role in the development of the livestock production in the Province. During the year 2014-15, 3,66,767 doses of semen were produced at SPU Harichand costing @ Rs.80/- per dose Rs.2,93,41,360/- in addition, 7-Nos of Bulls were issued to the progressive farmers of the Province for breeding purpose.

9. The Department further explained that the total strength of animals during 2014-15 at Cattle Breeding & Dairy Farm Harichand was 463 heads instead of 465 which includes calves, heifers, bulls, dry & milking cows. Total No. of milking cows and their month wise milk production was summarized which showed that 1,63,288 liters of milk was produced during 2014-15 out of which 44,831-liters were fed to calves and 1,18,457-litres were sold out at Rs.60/- per litre, the amount realized Rs.71,38,086/ has been deposited into Government Treasury.

10. The Secretary of the Department apologize for not holding DAC meeting and assured that such practice will not be repeated in future, He further informed the Committee that the record of per day production was being submitted to the office of

Director General Agriculture and it would be submitted to the Secretary office on monthly basis in future.

COMMITTEE RECOMMENDATION

11. The reply of the Department being plausible was accepted by the Committee, the Para was therefore, recommended to be settled.

DP No. 2.4.6 LOSS DUE TO INCREASE IN MORTALITY RATE OF ANIMALS Rs.2.96 MILLION.

AUDIT VERSION

12. During the financial year 2012-13, in the office of Director Cattle Breeding & Dairy Farm Harichand, it was noticed that during the previous year out of 286 cows 19 died with the mortality ratio of 6.2% while during the current year it increased to 37 deaths with the mortality ratio of 11.93%. The increase in mortality rate showed the negligence and carelessness on the part of farm staff resulting into loss of Rs.2.96 million on account of death of 37 cows.

13. Audit held that proper care of the livestock was required to have been maintained. New technologies have been introduced in the Department and the quality of inputs also enhanced, but the mortality ratio increased, which resulted into loss. Loss occurred due to negligence on the part of staff. When pointed out in December, 2013, the management stated that detailed reply would be furnished later no.

14. In the DAC meeting held in August, 2014, the Department replied that the mortality percentage increased due to outbreak of incurable diseases at the farm resulting in a death of animals. DAC directed that record in support of reply be got verified from Audit. The relevant record was verified on 07-12-2015. During verification of record it was found that actually 45 animals instead of 37 died during the year 2012-13 for which neither write off sanction of Competent Authority was obtained, nor departmental inquiry was conducted nor cost of animals deposited into Treasury.

15. Audit recommends to investigate the matter through professional doctor which will help in the decrease of death ratio and also fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

16. The Department explained that mortality percentage during the year 2012-13 was slightly higher as compare to previous year i.e. 2011-12 as per following detail:-

Year	Total strength of animals	No of animals died	Mortality
2011-12	460 heads	20	4.34%
2012-13	532 heads	37	6.95%

17. However, mortality rate was not 11.96% as pointed out by Audit rather it comes to 8.45% the reason behind the elevated mortality percentage in the year 2012-13 was the outbreak of two unfortunate and incurable diseases i.e rabies and disease of unknown etiology at the farm resulting collectively in death of 09 animals. Enough correspondences were made with the National Veterinary Laboratory Islamabad, Veterinary Research Institute Peshawar, University of Agriculture Faisalabad and National Veterinary Research Institute, Poland but none could arrive at particular diagnosis. The disease was therefore incurable, non-responsive to symptomatic treatment. Excluding the number of animals died due to these incurable diseases during the year 2012-13, the mortality percentage was in line with previous year.

18. From the above explanation, it is clear that the normal mortality percentage has not been exceeded because of the prophylactic vaccination, deworming and regular checkup by the technical staff of the farm to safeguard and protect the precious animals. The complete record of treatment of dead Cows, the vaccination charts and postmortem reports were produced.

COMMITTEE RECOMMENDATION

19. The Department produced the relevant documents in support of its stance during the meeting, i.e laboratory tests, postmortem reports, correspondence letters, vaccination charts, detail of treatment of dead Cows, Doctor visit reports, to the Committee which was thoroughly examined and found satisfactory hence, the Para was recommended to be settled.

DP No. 2.4.8 LOSS DUE TO NON-RECEIPT OF COST OF MILK ETC. – Rs. 1.48 MILLION.

AUDIT VERSION

20. During the financial year 2012-13, in the office of Director Cattle Breeding & Dairy Farm Harichand, it was noticed that an amount of Rs. 0.96 million was not recovered from the milk contractor as cost of milk, 6% income tax and Rs. 90,000 per month chilling charges. FIR was lodged against the contractor for the recovery of total outstanding amount of Rs. 4.19 million. The contractor deposited Rs. 3.32 million and thus the balance amount of Rs. 0.96 million has to be recovered. Similarly the contract for sale of dairy farm milk was awarded to a contractor @ Rs.40 per litre inclusive of income tax. However, during 2011-12 the rate of milk was Rs. 43.77 per litre inclusive of income tax. Instead of increasing the rate of per litre milk, the rate was decreased which put the Government into a loss of Rs. 0.51 million.

21. Loss was pointed out in Oct, 2013. The management stated that detailed reply would be furnished later on. The matter was discussed in the DAC meeting held in August, 2014. DAC directed that detailed inquiry be conducted by Dr. Ehsan, Epidemiologist, Directorate of Livestock within one month. No inquiry report was furnished till finalization of the report. Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) at fault.

DEPARTMENTAL VERSION

22. The Department explained that the Draft Para in question consist of two (02) Advance Paras i.e:-

Advance Para No. 56 for the year 2012-13

Loss to the Government due to award of contract for sale of milk at less rate than the rate of previous year amounting to Rs.5,12,266/-

As per Government rules the tender for sale of milk were floated in the Newspaper Daily "Aaj" dated 20-06-2012 and the rate for the year was approved by the competent forum. It is further added that the contractor offered high rate referred in the previous year turned defaulter. The case is under trail in Court till date. The tender was widely published and no irregularity has been occurred.

Advance Para No. 61 for the year 2012-13

Loss due to non receipt of cost of milk chilling charges of milk and income tax from the milk contractor amounting to Rs.0.964 million.

As already mentioned in previous replies the case against the contractor Mian Maqsood Shah, was under trial in the Court of Civil Judge-IV Charsadda, and was regularly pursued. The amount would be deposited under proper head of account as and when recovered from the contractor after the decision of Honorable Court.

COMMITTEE RECOMMENDATION

23. The explanation of the Department regarding Advance Para No.56 was accepted by the Committee hence, this portion of the Para was recommended to be settled, as far as Advance Para No.61 the case is under trial in the Civil Court for implementation of recovery of Rs. 9,84,762/- the Committee therefore, directed the Department to vigorously pursue the case in the Court of law and also to make efforts for recovery of the same from the contractor as arrears of Land revenue under the West Pakistan Land Revenue Act .

DIRECTOR CEREAL CROPS RESEARCH INSTITUTE, PIRSABAK NOWSHERA

DP No. 2.4.2 LOSS DUE TO LACK OF INTEREST IN SELLING HYBRID MAIZ BABAR - Rs. 26.96 MILLION.

AUDIT VERSION

24. During the financial year 2014-15, in the office of Director Cereal Crops Research Institute Pirsabak Nowshera, it was noticed that Hybrid Maize Seed Babar was produced by the experts of the “Project Hybrid Maize Seed Babar” incurring an expenditure of Rs.29.96 million. But its timely disposal was not made which inflicted a heavy loss to Government Exchequer as the same seed was declared not fit for sowing due to low germination and will be sold out on very nominal price. As per PC-1, the seeds were sold at the CCRI Pirsabak, Modal Farm Services Centers of Director General Agriculture Extension and all Research Institutes besides private shops. The correspondence in this regard reveals that no strenuous efforts were made for its timely sale.

25. Audit held that when there was huge stock of previous year of the same variety, then production of the same seeds in this year was not understood.

26. When pointed out in September 2015, the management stated that the Department has made hectic efforts for marketing of this seed via print and electronic media. The packing of the seed was made attractive but unfortunately due to severe hot and dry weather for prolong period and Ramadan curtailed the sale of seed. Moreover, during the last days of sowing, continuous rain spell also hindered the sowing of maize. Audit disagree with the reply.

27. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to investigate the whole matter and devise ways to avoid such type of situation besides fixing responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

28. The Department explained that the basic work of DG,CCRI was the production of certified seed or the seed multiplication, disposal of seed was not the responsibility of DG, CCRI, it was the responsibility of Director General, Agriculture (Ext:) to dispose of the Hybrid Maize Seed. The packing of this seed was also made in an attractive pack but failed in dispose of seed. The Department accepted that there was communication gap between CCRI and DGA(E) due to which the loss occurred. Moreover, the marketing could not be done properly as neither it was the mandate of Technical Team under the PC-1 nor a mechanism existed for disposal. It was almost impossible for two technical staff working in the project to carry out production of seed as well as marketing at the same time as Hybrid Seed production itself was a highly tedious and technical job.

29. As per decision of the Audit team and DAC, a departmental enquiry was conducted and the concerned officers were charge sheeted but later on exonerated by the Honorable Chief Minister as per findings of the Enquiry Committee.

30. The Department accepted its fault and assured that in future proper mechanism will be adopted for marketing and for disposal of seed in time.

COMMITTEE OBSERVATION

31. The Committee observed that general objectives of the project was to produce seed of local maize hybrid, to provide quality seed of hybrid maize to farmers on concessional rates, to save foreign exchange spent on import of hybrid maize seed and to train new scientists on hybrid maize seed production technology. As far as disposal of the seeds was concerned the marketing could not be done properly as neither it was the mandate of Technical Team under the PC-1, nor did any mechanism exist for disposal.

COMMITTEE RECOMMENDATION

32. In view of the exoneration of Chief Minister, the Committee taking lenient view recommended the Para to be settled with the direction to the Department to adopt corrective measures and to devise proper mechanism for disposal of seed to avoid such lapses in future.

DP No. 2.4.5 LOSS DUE TO UNNECESSARY PURCHASE OF MAIZE SEED - Rs.13.50 MILLION.

AUDIT VERSION

33. During the financial year 2014-15, in the office of Director Cereal Crops Research Institute Pirsabak Nowshera, it was observed that a huge stock of Maize Seed Hybrid Babar 224,945 Kg were purchased @ Rs. 60 Per kg ($224,945 \times 60 = 13,496,700$) costing Rs.13.50 million despite the fact that 13,900 kg seeds were already lying in the store of CCRI Pirsabak having a cost of Rs. 8,34,000/-.

34. Audit held that the purchase of seed was unnecessary and without anticipating the requirements which would block Government Funds amounting to Rs.14.33 million ($Rs.13,496,700 + Rs.834,000 = 14,330,700$). The whole seed would be sold at very low prices declaring not good for sowing.

35. The lapse occurred due to weak internal controls. When pointed out in September 2015, the management stated that the seeds were procured as per PC-I target. Reply not convincing as the target was supposed to be as per requirements.

36. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to conduct inquiry and look into the past practice and its outcome and the result be shown to the PAC.

DEPARTMENTAL VERSION

37. The Department explained that the hybrid maize seed target for the year 2014-15 was 300 ton according to PC-1 of the project while only 256.558 ton was produced and procured from the contract growers which was already less than the assigned (target) of PC-1. So, no unnecessary purchase was made. Also this institute has been asked by the Competent Authority to explain the reasons for not achieving the project target fully as mentioned in PC-1.

COMMITTEE RECOMMENDATION

38. In view of the exoneration of Chief Minister, the Committee taking lenient view recommended the Para to be settled with the direction to the Department to adopt corrective measures and to devise proper mechanism for disposal of seed to avoid such lapses in future.

DIRECTOR SUGAR CROPS RESEARCH INSTITUTE **MARDAN**

DP No 2.4.13 NON-ACCOUNTAL OF STORE ITEMS-Rs.3.25 MILLION.

AUDIT VERSION

39. During the financial year 2012-13, the Director Sugar Crops Research Institute Mardan incurred an expenditure of Rs.3.25 million on the purchase of store items/articles. Out of the total expenditure the local office hardly provided/produced vouchers of Rs.2.02 million having no stock register. Neither any demands for issuance of these items/articles were received nor its consumption account was made available on record.

40. The vouchers of remaining purchased store items/articles amounting to Rs.1.23 million were not produced to Audit for verification. The matter was pointed out in March, 2015. It was replied that during 2012-13 Agriculture Research Station Charsadda was established. It is a huge station which is spread on 92 acres of land. Different store items, machinery and equipments, fertilizers and other necessary items were purchased for the station which are available on stock register. Reply was not convincing.

41. The matter was discussed in the DAC meeting held in Dec 2014. DAC directed that inquiry be conducted by the Administration Department within one month. No progress was intimated till finalization of the report. Audit recommends the implementation of DAC directives.

DEPARTMENTAL VERSION

42. The Department explained that during 2012-13 Agriculture station, Charsadda was established. It was a huge station consist of 92 acre land and multi-dimensional Research activities were carry out at the institute during the said year just like Tarnab Farm. Different Section are there including Horticulture, Cereal, Sugarcane, Entomology, Pathalogy etc. it was a new station and no basic requirements were available. It was very difficult to provide basic requirements at the station. But the P.I Charsadda made efforts day & night and brought the station in running condition. Different store items/machinery, equipment and consumable store articles (fertilizer, Pesticides, etc) were purchased during 2012-13. All record of Rupees. 3.25 million are available.

COMMITTEE RECOMMENDATION

43. During the meeting, the representative of the Department produced the requisite record i.e vouchers, stock register, demand note, consumption register and crop register which was thoroughly examined and was duly verified by Audit hence, the Para was recommended to be settled.

DIRECTOR GENERAL AGRICULTURE (EXTENSION) **KHYBER PAKHTUNKHWA PESHAWAR**

DP No.2.4.14 NON-SURRENDER OF UNUTILIZED AMOUNT-Rs.23.22 MILLION.

AUDIT VERSION

44. During the financial year 2010-11, the Director General Agriculture (Extension) Khyber Pakhtunkhwa Peshawar released Rs.93.12 million to DCO Swat vide cheque No.6114796 dated 04-04-2011 and Rs.51.12 million to DCO Charsadda vide Cheque No.6114799 dated 04-04-2011 for further distribution amongst the flood affectees. Out of the total released funds of Rs.144.24 million a sum of Rs.86.23 million

was utilized, Rs.34.80 million surrendered while Rs.23.22 million were neither surrendered nor utilized but unauthorizedly retained in the accounts detail are as given below:-

(Rs in million)

S#	Cheque # & Date	Released amount	Utilized amount	Surrendered amount	Outstanding
1.	6114796 04.04.2011	93.12	73.06	19.07	0.99
2.	6114799 04.04.2011	51.12	13.17	15.73	22.23
Total		144.24	86.23	34.80	23.22

45. The irregularity was pointed out in September, 2011. The management replied that releases were made on the survey of Agriculture Extension staff. Detail reply would be given later on.

46. The matter was discussed in the DAC meeting held in August, 2012. DAC referred the Para for verification of record. After verification of record it was confirmed that a sum of Rs.23.216 million was not returned and still retained by the DCO. Audit recommends to investigate the matter and surrender the unutilized amount to the Government.

DEPARTMENTAL VERSION

47. The Department explained that the remaining amount of Rs. 23.22 million had been surrendered by the concerned Deputy Commissioners, the Deputy Commissioner, Charsadda vide letter No.DC(CHD)1(24)/Agri:/3821-24 dated 02/05/2013 and Deputy Commissioner, Swat vide DC(S) Letter No.23326 dated 29-06-2021 to Director General Agriculture (Extension) Khyber Pakhtunkhwa, Peshawar. Hence there was no outstanding amount against the District Directors Agriculture (Extension) Charsadda and Swat.

COMMITTEE RECOMMENDATION

48. During the meeting, the representative of the Department produced the requisite record of the surrendered amount of Rs. 23.22 million in respect of DCOs Swat and Charsadda which was duly verified by Audit hence, the Para was recommended to be settled.

SENIOR DIRECTOR AGRICULTURE RESEARCH
INSTITUTE TARNAB

DP No.2.4.15 IRREGULAR PAYMENT ON ACCOUNT OF DPL CHARGES

Rs.17.26 MILLION.

AUDIT VERSION

49. During the financial year 2014-15, in the office of Senior Director Agriculture Research Institute Tarnab, it was noticed that Rs.17.26 million was paid on daily paid labour charges for field operation. The expenditure was held irregular on the following grounds:-

- i. Muster roll was not prepared properly.
- ii. Work done certificate was not recorded on the face of muster roll.
- iii. Large numbers of daily wages were shown on watch and ward duties, which is against the spirit of financial rules, as 40 numbers of chowkidars are available on the strength of local office.
- iv. Equipments/materials used in field operation like tractor, seeds, fertilizers etc. were not mentioned.
- v. Cross verification of daily receipt issue register/stock register was not carried out to ascertain whether the material used was available during the period of field operation or otherwise.
- vi. Payment was made through DDO instead of vendor or by cheque to concerned section incharge.

50. The lapse occurred due to weak of internal controls. The matter was reported to the management in September, 2015. The management replied that Senior Director will submit his reply of Rs.11.40 million being the current budget, while the reply for Rs.5.861 million will be obtained from the concerned Project Director. No reply furnished till finalization of the report.

51. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to investigate the matter and take action against the person(s) at fault.

DEPARTMENTAL VERSION

52. The Department explained that the expenditure incurred on the engagement of DPL(Daily Paid Labour) were reported worth Rs.1,72,61,540/-for performing the field and lath house activities of the mentioned ten Research programs

which was the wages of total 179 laborers per year. Out of this 179 laborers (33 Nos) were engaged on watch and ward of different points at the institute, while 146 Nos. laborers were engaged for performing the field, lath houses and laboratories activities of the ten Research programs.

54. The mentioned expenditures can be justified at Agriculture Research Institute, Tarnab, Peshawar the following ten Research Programs are continuously working on developing new varieties and the production technology on fruits, vegetables, ornamental, cereal, oilseed crops, post harvest technology and miscellaneous crops:-

- i. Horticulture Research Program
- ii. Vegetable Research program
- iii. Plant pathology Research program
- iv. Plant physiology Research program
- v. Entomology Research program
- vi. Food technology Research program
- vii. Farm Management
- viii. Miscellaneous Research program
- ix. Statistics
- x. Seed technology
- xi. Security for Residential colonies, offices, laboratories, lath houses/shade houses etc

54. Similarly Rs.58, 61,540 were incurred on the DPL of four developmental projects. Most of our field activities i.e. hoeing, weeding, irrigation, nursery and orchards management, post harvest technology and watch & ward of the experimental fields are carried out by the daily paid labourers who were engaged on daily paid basis for seasonal bound activities. Therefore, labourers were engaged on daily paid basis for these seasonal activities as and when their services were required. All the codal formalities were fulfilled with the Muster Rolls while engaged the DPLs i.e.

- i. Muster rolls were prepared properly. As each muster roll includes proper sanction from the competent authority. Work done certificate was recorded on the face of Muster rolls.
- ii. The reported 40 numbers of chowkidars are engaged in 3 shifts for 8 hours each and perform their duties on various locations i.e. main gate, sub-gates, residential colony (officer, official, Christian

colony etc), office buildings, laboratories, workshops, lath-houses and bachelor hostel at the Institute. Similarly 33 laborers were engaged in three shift for watch & ward duties of the experimental field area of 136 acres on daily paid basis (DPL) as and when required.

- iii. Experimental inputs used like tractors, seeds, fertilizers, pesticides etc. were mentioned in daily stock register and issued to concerned research program/scientists for application in the field through demand note and prior approval sanction from the office of the Senior Director/Project Incharge.
- iv. All the store & stock registers are properly maintained and issued properly through demand note to the concerned field assistant.
- v. Budget officer-VII, Finance Department vide his office letter No. BOVII/FD/1-2/BE-2011-12 dated 5/1/2012 regretted for opening official bank account in National Bank of Pakistan regarding making payment to daily paid labours.

55. With the above stated factual position the expenditure worth of Rs.1,72,61,540/-incurred on DPL are justified.

COMMITTEE RECOMMENDATION

56. In view of reply of the Department, the Committee taking a lenient view recommended the Para to be settled with the direction to the Department to properly maintain Muster rolls in future.

INTER
DEPARTMENTAL
COMMITTEES

REPORTS OF INTER DEPARTMENTAL COMMITTEES (IDCs)

The following two (02) Reports of the Inter Departmental Committees (IDCs) were laid before the PAC in its meetings held on 27-10-2021 and 22-02-2022, which were examined and adopted:-

(I) **Report of IDC against Draft Para No. 4.4.29 pertaining to Higher Education Department for the year 2015-16.**

DP No.4.4.29 **DOUBTFUL EXPENDITURE ON PURCHASE OF EQUIPMENT–**
(2015-16) **RS.22.21 MILLION.**

FINDINGS

1. That all purchase of WiFi equipments were made by the UET according to the procedure laid down by the Government of Khyber Pakhtunkhwa.
2. That no fresh purchase of WiFi equipments was made till date and the said equipments of WiFi installed in the Hostels are still working in good condition as per statement of the management of University and Physical Verification.
3. That the Audit framed Para after going through the documents regarding transfer of amount of Rs. 11,20,000/- mistakenly to the account of Ms. Shehla Kiran, Ex-Manager IT, (UET) on presumption.
4. That the Audit after Pre-PAC meeting, verified the record pertaining to the subject Draft Para on 01-09-2020 and issued certificate accordingly.
5. That the inquiry Committee did not play an important role to dig-out the facts and brought the same into the notice of the Competent Authority.
6. That the charges leveled against Ms. Shehla Kiran, Ex-Manager IT for extending un-due favour to the company MS Access Communication Solution was baseless having no solid grounds/weight and were not proved.

IDC RECOMMENDATION

In view of the above facts and findings, the Committee recommended that Ms. Shehla Kiran, Ex-Manager IT (UET) being innocent, may be exonerated from the charges leveled against her and the Para may be settled.

The aforementioned Report of Inter Departmental Committee (IDC), was considered and adopted by the Public Accounts Committee (PAC).

ii. **INTER DEPARTMENTAL COMMITTEE (IDC) REPORT IN RESPECT OF AGRICULTURE, LIVESTOCK & DAIRY DEVELOPMENT DEPARTMENT**

DP No.2.4.2 SUSPECTED MISAPPROPRIATION OF POULTRY PRODUCE (2014-15) Rs.3.823 MILLION.

1. The PAC in its meeting held on 17/10/2017 after detailed discussion constituted an Inter Departmental Committee (IDC) comprising the representatives of Agriculture, Audit and Finance Departments to workout actual loss and to initiate recovery proceedings against the responsible (s) within a month. Para stands. Progress be reported to PAC.

2. In compliance with the recommendations of PAC, The inquiry was conducted by the said IDC, wherein it reported that the Government Poultry Farm, Peshawar was established for training, demonstration and research purposes and not for commercial activities and recommended the Para to be settled.

3. The Inter Departmental Committee (IDC) report was placed before the PAC on 22-02-2022. After detailed examination, the Committee endorsed the recommendations of IDC.

FOLLOW-UP BUSINESS

HIGHER EDUCATION DEPARTMENT

DP No.5.4.7 LOSS TO THE UNIVERSITY Rs.1.632 MILLION
(2014-15)

DP No.5.4.10 LOSS TO UNIVERSITY Rs.1.686 MILLION.
(2014-15)

133. Due to non availability of original record with the Department during the PAC meeting 24-03-2021, the Review of DP No 5.4.7 and 5.4.10 for the year 2014-15 was deferred for next meeting of the PAC for detailed examination. The Committee directed the Audit, PAC Cell and Department to conduct pre-PAC meeting and to examine the original record pertaining to the subject Draft Paras and submit a comprehensive report to PAC for consideration and final decision.

DP No.5.4.5 LOSS TO THE UNIVERSITY OF Rs.63.503 MILLION.
(2014-15)

134. During the PAC meeting 24-03-2021, the Committee was informed that the subject Draft Para was referred to the Sub-Committee for detailed probe vide Notification No. PA/KP/PAC/S.C-8/2014-15/18/13319 dated 20-12-2018 which has not been examined by the Sub-Committee due to dissolution of all Standing Committees by the House on 24-02-2020.

135. After detailed discussion the Committee referred the subject Draft Para to the Sub-Committee No. 2 already constituted in the Draft Paras No. 4.4.1, 4.42, 4.427 and 4.4.32 for the year 2015-16 vide Notification No. PA/KP/PAC/S.C-2/H.edu/20/7631 Dated 23-09-2020.

DETAILED AUDIT REPORT FOR THE YEAR 2014-15

DP No.12.4.1 NON-PRODUCTION OF AUDITABLE RECORD IN
(2014-15) SUPPORT OF FUNDS OF Rs.41.50 MILLION.

25. The Committee was informed that the subject Draft Para was examined in the meeting of Public Accounts Committee held on 6th December, 2018 wherein the Audit was directed to conduct detailed Audit of the amount involved in the subject Draft Para.

26. The Audit observation of the detail audit report and Para wise response of the Department are as under:-

S/No.	AUDIT OBSERVATIONS	DEPARTMENT RESPONSE
1.	<p><u>Irregular/unauthorized payment of 1.928 million the senior Field Coordinators.</u></p> <p>As per the advertisement published in the daily newspaper dated 01-09-2011, 08 posts of Field Coordinators were advertised.</p> <p>During detailed audit of DP No.12.4.1 (2014-15) in office of the Project Director Economics Revitalization of KP, it was noticed that an amount of Rs. 19,28,628/- was made to 02 numbers of Senior Field Coordinators. The payment is held unauthorized on the grounds that the said posts of Senior Field Coordinators were neither advertised nor required included in the project establishment.</p> <p>The lapse occurred due to weak internal control and non-observance of rules and regulations. The audit recommends investigating the matter and fixing responsibility against the person at fault.</p>	<p>The ERKP Project Unit (PU) hired eight (08) Field Coordinators during the Project Round-I. The position of Field Coordinators and budget was dully approved from SMEDA Head Office.</p> <p>However, remaining within the same approved budget head limit for staff, three (03) of the FCs out of eight (08) were offered a little higher salary package then five (05) with lesser experience. The three (03) FCs were titled as senior filed coordinators for office operations which does not constitute a cadre or designation change since all are field coordinators working within the same cadre. The Field Coordinators with more experience were given additional tasks as well for better project management. The approval of the title change was dully sought from the SMEDA Head Office being the competent authority.</p> <p>Based upon the aforementioned facts it is therefore, requested that the Para may please be settled.</p>
2.	<p><u>Non deduction of stamp duty Rs. 0.076 million.</u></p> <p>Stamp duty of one rupee for every 100 of the amount of contract shall be recovered from the contractor on the procurement of store and material according to Article 22(b) of Finance Act.</p> <p>During detailed audit of DP No. 12.4.1 (2014-15) in the office of Project Director, Economics Revitalization of KP, it was noticed that an amount of Rs. 76,077/- was incurred on the purchase of Machinery and equipment but stamp duty @ 1% amounting to Rs.76,76,077/- was not deducted from the contractors.</p> <p>The lapse occurred due to weak internal control and non-observance of rules and regulations. The audit recommends recover the amount.</p>	<p>The 1% stamp duty deduction on procurement of stores & materials is applicable in Khyber Pakhtunkhwa under Article-22(B) of Khyber Pakhtunkhwa Finance Act. The ERKP Project Unit (PU) undertakes procurement of goods and services as per the World Bank Procurement Guidelines. Moreover, SMEDA being a Federal Government Authority follows PPRA Rules, where the 1% stamp duty is only levied on immovable property.</p> <p>Therefore, stamp duty deduction is not applicable of SMEDA Procurement being Federal Government Department.</p>

		Based upon the aforementioned facts it was therefore requested that the Para may please be settled.
3.	<p><u>Irregular/un-economical expenditure of Rs. 2.772 million incurred on the purchase of equipment.</u></p> <p>According to Para-145 of FGR Vol-I purchases shall be made in the most economical manner and as per requirements.</p> <p>During detailed audit of DP No. 12.4.1 (2014-15) in office of Project Director, Economic Revitalization of KP, it was noticed that an amount of Rs. 27,72,603/- was incurred on the purchase of office furniture, generator and laptops/computers.</p> <p>The payment is held irregular/un-economical on the grounds that purchases were made directly from the firms and were not advertised to get economical rates in the best interest of public. No competition was carried out in the purchase of such a huge procurement. Had the purchase was advertised, economical rates could be achieved.</p> <p>The lapse occurred due to weak internal control and non-observance of Rules and regulations. The audit recommends investigating the matter and fixing responsibility against the person at fault.</p>	<p>As highlighted above, ERKP Project Unit (PU) undertakes procurements of goods & services under World Bank Procurement Guidelines.</p> <p>The stated expenditure as highlighted by Audit team falls under the category of “Shopping” under which procurement is made on the basis of 03 quotations obtained from open market and advertisement is not required.</p> <p>However, all the formalities were fulfilled for the said procurement, including No Objection Letter (NOL) form World Bank and approval from SMEDA Head Office as per project policy.</p> <p>Based upon the aforementioned facts it is therefore, requested that the Para may please be settled.</p>
4.	<p><u>Irregular/unauthorized payment of Rs. 0.355 million to the consultant.</u></p> <p>Every public officer is expected to exercise the same vigilance in respect of expenditure from the public funds as a person of ordinary prudence would exercise in respect of expenditure of his own money according to Para-10 of FGR Vol-I.</p> <p>During detailed audit of DP No.12.4.1 (2014-15) in the office of Project Director ERKF, it was observed that contract for the consultancy of development of Management Information System was awarded to M/S Dynamism IT Solutions for Rs. 7,85,000/-. According to the contract agreement the payment shall be made to the consultant at the rate of 25% of the contract cost in four equal installments.</p> <p>Verification of the record revealed that a payment of Rs. 3,55,000/- was made to the consultant on the plea of extra work done by the consultant while according to the MIS Department of SMEDA, no extra work has been carried out and</p>	<p>As per World Bank Procurement Guidelines and mentioned in reply to point 3, there is no embargo on the Project for payment to Consultants for additional work if approved by the competent authority.</p> <p>M/S Dynamism IT Solutions (Consultant) requested for payment of Rs. 4,50,000/- including the 25% installment as per original contract and remaining amount for the additional work undertaken in the Management Information System.</p> <p>However, MIS Department at SMEDA Head Office reviewed the consultant request & recommended and additional amount of Rs. 3,55,000/- SMEDA being the competent authority has</p>

	<p>the enhanced payment is not justified. Furthermore, approval was also not sorted by the competent Authority. Audit held that payment so made was irregular and un-authorized which may be looked into.</p> <p>The lapse occurred due to weak internal controls and non-observance of contract agreement. Audit recommends recovering the amount and fixing responsibility against the person at fault.</p>	<p>approved the additional amount. NOR from World Bank for the additional work under taken by consultant and additional amount was obtained as well.</p> <p>Based upon the aforementioned facts it is therefore requested that the Para may please be settled.</p>
5.	<p><u>Excess payment of Rs. 61,200/ over and above the agreement.</u></p> <p>According to agreement clause-41.2 payment schedule, payment shall be made in four equal installments at the rate of 25% of the contract price. Total contract is Rs. 7,85,000/- (Rs. 1,96,250/-).</p> <p>During detailed audit of DP No. 12.4.1 (2014-15), in office of the Project Director ERKF, it was observed that Rs. 61,200/- was paid to the consultant over and above the contract price.</p> <p>Verification of the record revealed that payment of Rs. 1,95,250/- 25% of the contract price was required to be made, while the Project management has paid Rs. 3,55,000/- to the consultant, resulted excess payment of Rs. 61,200/- which needs to be recovered.</p> <p>The lapse occurred due to weak internal control and non-observance of contract agreement. Audit recommends recovering the amount and fixing responsibility against the person at fault.</p>	<p>As highlighted above, there is no embargo on the Project for payment to Consultants for additional work if approved by the competent authority.</p> <p>M/S Dynamism IT Solutions (consultant) requested for payment of Rs. 4,50,000/- including the 25% installment as per original contract and remaining amount for the additional work undertaken in the management Information System.</p> <p>For the subject case, NOL World Bank was obtained for the additional work & the additional amount. Similarly, payment of an additional amount of Rs. 3,55,000/- was also approved by SMEDA Head Office. In light of the NOL from World Bank & approval from SMEDA HO, a revised contract was signed with the consultant where the additional amount is incorporated.</p> <p>Based upon the aforementioned facts it is therefore, requested that the Para may please be settled.</p>

PAC RECOMMENDATION

27. After detailed discussion on the Audit observation and para-wise response of the Departmental, the Committee recommended the following:-
- i. The Para at S/No.1 regarding irregular/un-authorized payment of Rs. 1.928 million was kept pending and referred to Pre-PAC for detailed examination of the record pertaining to the subject Draft Para.

- ii. The Para at S/No.2 regarding non-deduction of the stamp duty Rs. 0.07 million was recommended to be settled.
- iii. The Para at S/No.3 regarding irregular/uneconomical expenditure of Rs. 2.772 million was kept pending and re-referred to Pre-PAC for detailed examination of the record pertaining to the subject Draft Para.
- iv. The Para at S/No.4 regarding irregular/un-authorized payment of Rs. 0.355 million was recommended to be settled.
- v. The Para at S/No.5 regarding excess payment of Rs. 61,200/- was recommended to be settled as the Department clarified that such payment was not made to the consultant.

28. Para stands. Progress be reported to PAC.

DP No.12.4.2 **LOSS TO PUBLIC EXCHEQUER OF Rs.1.000 MILLION.**
(2014-15)

29. The Committee was informed that the subject Draft Para was examined in the meeting of Public Accounts Committee held on 6th December, 2018 wherein the Committee could not reach to a fair and just conclusion, hence, the Para was referred to Provincial Inspection Team (PIT) to conduct facts finding enquiry and submit its report to PAC within a month.

30. The inquiry report of the Provincial Inspection Team (PIT) was placed before the Public Accounts Committee (PAC) for examination. The Committee examined the inquiry report in detailed.

PAC RECOMMENDATION

31. In the light of findings & recommendation of the PIT Reports and Audit observations, the Committee recommended to conduct inquiry for fixing responsibility and to initiate action leading to recovery according to quantum of responsibility from the person(s) at a fault within (30) days.

32. Para stands till complete recovery amounting to Rs. 1.00 million. Progress be reported to PAC.

ENVIRONMENT DEPARTMENT

DP No. 7.4.2 UNAUTHORIZED USE OF PROJECT VEHICLES AMOUNTING TO Rs.25.259 MILLION. (2014-15)

109. The PAC in its meeting held on 12-11-2012 observed that the project vehicles were unnecessarily retained by the Department instead of its handing over to Administration Department, it was illegally distributed amongst the officers without any justification. The Department failed to implement the DAC decision.

110. In view of the above, the Committee directed the Department to refer the case to Transport Committee of the Administration Department for regularization and also affect recovery in case the beneficiary officers were already availing the Government vehicle facilities. The Department was also directed to initiate action against those officers who failed to implement the DAC decision.

111. In pursuance of the recommendations of PAC the matter was placed in Transport Committee, wherein it was concluded that Transport Committee is mandate only to authorize vehicle to the officers of Provincial Government instead of regularization, therefore, the Administrative Department may move a case for one time authorization of vehicles to BTAP as per approved PC-I.

112. As per Transport Committee a meeting was held on 24-01-2020 to discuss and examine the subject issue, after detailed deliberations, the forum agreed that ex-post facto approval for allotment of vehicles may be obtained from the Chief Minister, Khyber Pakhtunkhwa, so as to regularize the expenditure incurred on utilization of 12 vehicles in use of the authorized officers/pool of the Department. Hence, the allotment of 12-units of vehicles has been regularized by the Hon'ble Chief Minister being Competent Authority and the Department also give a certificate that the officers used only on authorized vehicle.

113. As the Hon'ble Chief Minister being Competent Authority has regularized the allotment of 12-units of vehicles in use of the officer, therefore, the PAC accepted the explanation of the Department and recommended the Para to be settled.

ENVIRONMENT DEPARTMENT

REPORT OF PROVINCIAL INSPECTION TEAM (PIT) ON DRAFT PARA No.8.4.3 FOR THE YEAR 2011-12 ENVIRONMENT DEPARTMENT

**DP No. 8.4.3 LOSS DUE TO NEGLIGENCE OF FOREST STAFF-Rs.3.153
(2011-12) MILLION.**

114. In the PAC meeting held on 13/01/2015, an Inter Departmental Committee (IDC) comprising the following was constituted to investigate the entire issue and submit its report to PAC within a month:-

- | | | |
|----|--|-----------|
| 1. | Mr. Shaukat Ali Yousafzai, MPA | Chairman. |
| 2. | Representative of Audit Department | Member. |
| 3. | Representative of Finance Department | Member. |
| 4. | Representative of Law Department | Member. |
| 5. | Representative of Environment Department | Member. |

115. The Para was again placed before PAC follow-up meeting dated 01-09-2015 and the Department was directed to conduct de-novo inquiry into the matter and the said inquiry report was placed before IDC meeting on 28/12/2016 and the Para was referred to the Provincial Inspection Team (PIT) for detailed investigation, fixing of proper responsibility and recovery of the loss so sustained.

116. In compliance with the recommendations of IDC, Provincial Inspection Team (PIT) conducted an inquiry. The PIT recommended that:-

“with regard to the circumstances in reference to the damages given vide paragraphs (findings: a - j) did not holistically manifested that whether the damages of trees in forest worth Rs.3.153 million was occurred or otherwise due to fragile status of the available substance/evidence. Therefore, the PAC being a competent Forum may like to decide the fate of the mentioned Draft Para either on the finding of the Provincial Inspection Team (PIT) to settle the Para or to impose the penalty of recovery of the cost of the damages against the related staff of the forest Environment & Wildlife Department”

117. After thorough examination of the report of Provincial Inspection Team, the Committee constituted an Inter Departmental Committee (IDC) comprising the following to examine the Provincial Inspection Team (PIT) report, as the said Para was

already under consideration of defunct IDC. The Committee will submit its report to PAC within 30 days:-

1. Mr. Salah Uddin, MPA Chairman.
2. Representative of Audit Department Member.
3. Representative of Finance Department Member.
4. Representative of Law Department Member.
5. Representative of Environment Department Member

**DP.No.5.2.10 NON-RECOVERY OF FINE FROM FOREST CORPORATION
(2010-11) FUND Rs.2.045 MILLION.**

118. The PAC in its meeting held on 12/11/2012 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.

119. In compliance with the directives of PAC, the Department produced the record of the two (2) Lots which detail is as under:-

1. Lot No.517/M

The Department has produced original record pertaining to recovery of Rs.4,51,832/- (Lot No.517/M) to Audit which was verified.

2. Lot No. 57/M

An arbitration award was made on 25/07/2005, due to which actual amount has been decreased and the FDC was directed to deposit the same. However, the FDC has filed a case in the Court of Civil Judge, Dir upper on 23/08/2005 against the arbitration award; the Court has ordered ex-parte decision on 16/12/2005 in favour of FDC due to non attendance of the Department. After receiving the decision the Department made an appeal against the decision in the Peshawar High Court, Mingora Bench, Swat, wherein ex-parte proceedings were initiated, while Peshawar High Court in its decision dated 20/03/2014 has dismissed the same appeal for non attending and non prosecution. Thus the decision of the Civil Judge, Dir Upper in favour of FDC was remain intact.

120. After thorough examination of the record, the Committee observed that the Department failed to appear before Courts of Law as they were themselves applicant in all cases, resultantly ex- parte decision was made such irresponsible behavior of the

deputed officers clearly indicate malafide intention of the departmental officers for not pursuing the case in the Court of Law as per PAC recommendation.

121. In view of the above, the Committee directed the Secretary of the Department to conduct a fact finding inquiry into the matter, against the departmental officers under E&D Rules, who did not properly peruse the case in the Court of the Law, in result ex-parte decision ordered against the Department. Progress be reported to PAC within thirty (30) days.

REPORT OF INTER DEPARTMENTAL COMMITTEE (IDC) ON DRAFT PARA NO. 2 FOR THE YEAR 2002-03 PERTAINING TO COMMUNICATION AND WORKS DEPARTMENT

DP.No.2 (2002-03) UN-AUTHORIZED DRAWAL OF Rs.31.93 MILLION FROM THE PUBLIC EXCHEQUER DURING 2001-02.

1. The PAC in its meeting held on 07-08-2007, recommended that since legal question was involved in the issue, therefore the Law, Finance, Audit and Administrative Departments should sit together and to thrash out the provision of the Ordinance, 2001 and the Constitution.
2. The IDC report was placed before the PAC meeting held on 09-09-2020 and after detailed examination the following decision was made:-

“The report of IDC was examined & it was found that as legal question of interpretation of Article 120 was involved hence, opinion of Law Department was required to be obtained to resolve the issue once for all. The Para was kept pending till the opinion of Law Department”.

I. REPORT OF PROVINCIAL INSPECTION TEAM (PIT) ON DRAFT PARA No. 10.4.4 FOR THE YEAR 2014-15 PERTAINING TO HEALTH DEPARTMENT

DP No.10.4.4 DOUBTFUL PAYMENT OF Rs. 2.144 MILLION

1. The Subject Para was discussed by the PAC in its meeting held on 04-12-2018 and was referred it to Provincial Inspection Team (PIT) for conducting

inquiry into the matter of the doubtful payment of Rs. 2.144 million and to submit report to PAC within (30) days.

2. The PIT in view of PAC recommendation had conducted detail inquiry. The recommendations of the report are as under:-

PIT RECOMMENDATION.

3. The Para may be settled subject to the recovery of GST of Rs2.47.839/- as pointed out by Audit authorities from the concerned firms (M/S shazco & SMC) OR a certificate, duly authenticated by FBR to the effect that the said amount was deposited to the Exchequer, may be obtained from them. If the foregoing recommendations cannot be implemented due to any reason, then the same may be recovered from the then DDO/Principal Accounting Officer of the Hospital.

4. **The PIT report was placed before the PAC meeting held on 30-09-2020 and after detailed examination the following decision was made:-**

PAC OBSERVATION

5. The Committee observed with heavy heart that junior officer not well conversant with the case was deputed who failed to respond the queries made by the Committee members.

PAC RECOMMENDATION.

6. In view of the above the Committee directed the Department that the well versant officers should be deputed for the next meeting to be held shortly. The Department was also directed to submit working paper in the light of findings and recommendations of PIT.

II. REPORT OF PROVINCIAL INSPECTION TEAM (PIT) ON DRAFT PARA No. 10.4.7 FOR THE YEAR 2013-14 PERTAINING TO FOOD DEPARTMENT

**DP 10.4.7 LOSS DUE TO NON-UTILIZATION OF A-CLASS EMPTY
GUNNY BAGS - Rs.1.47 MILLION.**

AUDIT VERSION

1. The Subject Para was discussed by the PAC in its meeting held on 021-07-2017 wherein, the Department told that the case regarding de-sealing of empty gunny bags was presently under investigation of Provincial Inspection Team (PIT) and any progress in that regard would be communicated accordingly.

2. The PAC recommended that “since the case was under enquiry with Provincial Inspection Team (PIT), therefore, the Para was kept pending till the receipt of findings of PIT and action by the Department thereon. Para stands”.

3. The PIT had conducted detail inquiry. The recommendations of the report are as under:-

- a- The loss of Rs. 11,81,724/- sustained by the Government exchequer due to negligence of Muhammad Zafarullah Khan, the then DFC (retired now) DI Khan, and Mr. Fakhar Zaman the then food grain inspector, D.I Khan may be recovered from them on equal share basis under the relevant law(s). Disciplinary action may also be taken against Mr. Fakhar Zaman, being in service, under the E&G Rules as per observations and Finding of the report.
- b- Necessary action may also be taken on light of observations and findings of this report against the concerned staff of food Department for their deceitful and unprofessional approach in presenting facts of the matter to the Chief Minister, Khyber Pakhtunkhwa in the relevant summary.
- c- Food Department may be directed to immediately utilize the balance stock of E.G Bags lying in comparatively good condition in old Rakhzandani Godown at PRC D.I. Khan as as to avoid further loss to the Government because payment has already been made for the same from government exchequer.
- d- The old Rakhzandani Godown at PRC D.I. Khan were spread over a vast area but were in a very deplorable condition and could not be utilized for storage propose. It is recommended that the Government may immediately demolish the old Rakhzandani Godown and utilize the land by either constructing new godowns to increase the storage capacity or any suitable purpose as deemed appropriate keeping in mind that the CPEC motorway will be constructed from Islamabad to Dera Ghazi Khan.
- e- Food Department may be directed to discuss the ingredients/elements, being used in manufacturing of EG Bags, with the relevant chemical and medical experts and look into its effects on storage of food against for human consumption and accordingly and may be taken whether to continue usage of the type of EG Bags in question or replace it.

4. The PIT report was placed before the PAC meeting held on 15-10-2020 and after examination the following decision was made:-

PAC RECOMMENDATION

5. The Report of PIT was placed before the Committee, it was decided to refer the same to the Follow-up Committee of PAC for detailed examination.

FOLLOW UP

IRRIGATION DEPARTMENT 03/03/2022

DP No.13.4.5 LOSS TO GOVERNMENT- Rs.13.97 MILLION (2012-13)

99. The PAC in its meeting held on 28/08/2015 had observed that defective PC-I was prepared by the officer concerned who did not foresee the actual requirement on ground.

100. In view of the above, the Committee recommended to conduct inquiry for fixing responsibility, work out the actual amount required to be recovered and initiate action leading recovery of the actual amount from the responsible(s). Para Stands. Progress be reported to PAC Cell within a month time.

101. In compliance with the directives of PAC, the Department conducted an inquiry through Inquiry Committee and transmitted its report to PAC. The same report was placed before the PAC on 03-03-2022 which was examined in detail. The recommendations of the report are as under:-

“The project was delayed and revised due to logical reasons and since the validity period of previous tender had expired/closed due to certain changes in the scope of work as per site requirement after obtaining approval of the competent authority, the award of revised sub work is justified and no irregularity observed, thus it is concluded that no loss has been involved. Therefore, the PAC may be

requested to consider & settle the Para as the scope of work was enhanced in the public interest”.

102. After detailed deliberation the Committee observed that the Inquiry conducted by the Department is not in line with the PAC recommendations and after examination the following decision was made:-

103. The Committee directed the Department to conduct a de-novo inquiry into the matter as per PAC recommendation i.e. for fixing responsibility, work out the actual amount required to be recovered and initiate action leading recovery of the actual amount from the responsible(s) within 30 days. The Committee further directed the Department to take disciplinary action against the person who conducted defective inquiry and not followed the recommendation of PAC.

**REPORT OF THE PHYSICAL VERIFICATION COMMITTEE AGAINST
DRAFT PARAS NO. 5.4.19 AND 5.4.21 FOR THE YEAR 2016-17**

DP No.5.4.19 **LOSS DUE TO PURCHASE OF SUBSTANDARD GENERATORS-
RS.12.230 MILLION.**

RECOMMENDATION OF PHYSICAL VERIFICATION COMMITTEE

1. The Physical Verification Committee alongwith the Management of the University Physically checked the generators, which were installed in premises of the University and were according to specification as mentioned in the invoice, but no serial No. of the generators in question was mentioned in the invoice, delivery challan or in the stock register. Hence it could not be ensured that these generators were the same as mentioned. However, the management ensured that no purchase of the generators had been made since then and were willing to provide a certificate to this effect.

2. The Report is therefore, submitted to the Public Accounts Committee with the recommendation to settle the Para in question.

DP No.5.4.21 **LOSS DUE TO MISSING NEWLY PURCHASED GENERATOR-
RS.2.680 MILLION AND UN-AUTHORIZED PROVISION OF
NEWLY PROCURED GENERATOR TO CONTRACTOR-RS.1.520
MILLION.**

RECOMMENDATION OF INSPECTION TEAM

3. The Committee/Inspection team alongwith the Management of the University Physically checked the generator, which was installed & functional in the

premises of the Women University and was found according to specification. The chassis Number, Engine Number make model and capacity was also found as per purchased record.

4. The Report is, therefore, submitted to the Public Accounts Committee with the recommendation to settle the Para in question.

5. The aforementioned Reports of the Physical verification Committee/Inspection Team was considered and adopted by the Public Accounts Committee.

REPORT OF PRE-PAC

103. The following two Draft Paras were referred by the Public Accounts Committee to Pre-PAC comprising the Audit and PAC Cell for detailed examination of the record pertaining to the Draft Paras.

DP No.5.4.7 **LOSS DUE TO PAYMENT OF PREMIUM ON NON-SCHEDULED**
(2014-15) **ITEM Rs. 1.632 MILLION.**

DPNo.5.4.10 **LOSS DUE TO ALLOWING HIGHER RATES-Rs. 1.686**
(2014-15) **MILLION.**

104. The Report/minutes of Pre-PAC dated 07-07-2021 was examined by the Public Accounts Committee in detailed during meeting. The following recommendations were made.

PAC RECOMMENDATION

105. The Committee taking a lenient view recommended the Paras to be settled with the direction to all Universities of Khyber Pakhtunkhwa not to repeat such practice/irregularity in future and follow Rules & Regulations and Notification issued by the Finance Department in this behalf.

57. The Report is, therefore, submitted for approval of Public Accounts Committee please.

CONCLUDING REMARKS

While presenting this report before the Assembly under rule 161 of the Provincial Assembly of Khyber Pakhtunkhwa Procedure and Conduct of Business Rules, 1988 the Public Accounts Committee recommends that suggestions, recommendations and directives made by it in this report be adopted/approved.

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(MUSHTAQ AHMAD GHANI)
Speaker/Chairman
Public Accounts Committee
Provincial Assembly of Khyber Pakhtunkhwa.