

**PROVINCIAL ASSEMBLY OF KHYBER
PAKHTUNKHWA**



**REPORT
OF
PUBLIC ACCOUNTS COMMITTEE
ON THE ACCOUNTS OF
GOVERNMENT OF KHYBER PAKHTUNKHWA
FOR THE YEAR 2015-16**

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 2015-16 was referred to PAC by the Assembly on 29th October, 2018. The Public Accounts Committee has examined two hundred & forty one (241) Draft Paras in twenty (20) 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.

During examination of the Audit Report it was noticed that no facilitation work was made in the Pre-PAC meeting only stereotype decisions were made on the Pre-PAC level. The purpose of Pre-PAC forum was to make preparation before coming to PAC as to whether some action or documents that needs to be produced before the PAC could be collected and such other short comings could be fulfilled to facilitate the job of PAC and to save the precious time wasted in petty nature issues. The forum of Pre-PAC has not served such purpose and start making decisions, which was the domain of PAC and creating mis-understanding during the meetings.

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 Report of the Auditor General of Islamic Republic of Pakistan on the accounts of Government of Khyber Pakhtunkhwa Province for the year 2015-16 comprising the Audit Report, Appropriation Accounts, Financial Statements, Audit Report on Revenue Receipts and Audit Report on Public Sector Enterprises was laid before the Assembly and for detailed examination was referred to the Public Accounts Committee (PAC) on 29th October, 2018.

This report of PAC contains two hundred & forty one (241) Draft Paras, Follow-Up Business, report of Inter Departmental Committee and reports of Sub-Committees which were examined in twenty (20) sittings of PAC.

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

The Table showing details of total Paras and recommendations of PAC thereon has also been added for ready reference.

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 who kept trying to arrange frequent meetings and timely compilation of this Report. I deeply acknowledge their active services for giving briefing/assistance to the Members. Their sincere and devoted endeavors deserve appreciation and commendation.

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.

-Sd-

(NASRULLAH KHAN KHATTAK)

Secretary,

Provincial Assembly of Khyber Pakhtunkhwa

CHAIRMAN AND MEMBERS OF THE PUBLIC ACCOUNTS COMMITTEE



Figure 1













TABLE OF CONTENT

| S.No | Department | Date of meeting | Page No. |
|---------------------|--|--|----------|
| 1. | Introduction | | i-ix |
| Audit Report | | | |
| 2. | Higher Education | 02-09-2020 03-09-2020 | 1-66 |
| 3. | Communication & Works | 09-09-2020 10-09-2020 | 67-117 |
| 4. | Health | 23-09-2020 24-09-2020 30-09-2020 01-10-2020 | 118-188 |
| 5. | Environment | 07-10-2020 08-10-2020 | 189-229 |
| 6. | Food | 14-10-2020 15-10-2020 18-11-2020 | 230-300 |
| 7. | Elementary & Secondary Education | 02-11-2020 | 301-306 |
| 8. | Social Welfare | 02-11-2020 | 307-310 |
| 9. | Local Government | 02-11-2020 | 311-324 |
| 10. | Agriculture | 03-11-2020 | 325-362 |
| 11. | Public Health Engineering | 04-11-2020 | 363-368 |
| 12. | Home & Tribal Affairs | 04-11-2020 05-11-2020 | 369-402 |
| 13. | Provincial Housing Authority | 19-11-2020 | 403-421 |
| 14. | Irrigation | 25-11-2010 26-11-2020 | 422-461 |
| 15. | Reports of Sub-Committees | 24-09-2020 02-11-2020 19-11-2020 25-11-2020 | 462-503 |
| 16. | Report of Inter Departmental Committee | 09-09-2020 | 504 |
| 17. | Inquiry Reports | 30-09-2020 15-10-020 | 505-507 |

INTRODUCTION

INTRODUCTION

The annual report of the Auditor General of Pakistan on the Accounts of Government of Khyber Pakhtunkhwa for the year 2015-16, received in the Assembly Secretariat on 01-10-2018, was laid before the House on 29-10-2018 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 i.e meetings on each Wednesday & Thursday and examined Audit Paras pertaining to all Administrative Departments in its twenty (20) sittings. sixteen (16) sittings were held on 02-09-2020, 03-09-2020, 09-09-202, 10-09-2020, 23-09-2020, 24-09-2020, 30-09-2020, 01-10-2020, 07-10-2020, 08-10-2020, 14-10-2020 15-10-2020, 18-11-2020, 19-11-2020, 25-11-2020 and 26-11-2020 in the Conference Room of the Provincial Assembly of Khyber Pakhtunkhwa and four sitting were held on 02-11-2020, 03-11-2020, 04-11-2020 and 05-11-2020 in the Conference Room of the Khyber Pakhtunkhwa House, Abbottabad, wherein the PAC examined two hundred and forty one (241) Audit Paras pertaining to Higher Education, , Communication & Works, Health, Environment, Food, Elementary & Secondary Education, Social Welfare, Local Government, Agriculture, Public Health Engineering, Home & Tribal Affairs, Provincial Housing Authority and Irrigation Departments. In addition, the Follow-up Business pertaining to Higher Education, Communication & Works, Health and Food Departments, six (06) reports of Sub-Committees, two (02) Provincial Inspection Team reports, one Inter Departmental Committee report were examined and adopted by the Committee.

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 Prvince:

- Non-observance of standards of financial propriety and non-compliance of rules & regulations;
- Non- recovery of government dues;
- Overpayments in pay & allowances;
- Loss to government due 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.

5. 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.
6. 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 2015-16 comprising two hundred & forty one (241) Paras in its twenty (20) sittings and made the following recommendations:-
- i. Eighty eight (88) 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 three (23) 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. Fifty two (52) Draft Paras, where record needed to be verified, were dropped conditionally subject to verification of record.
- iv. Sixteen (16) Draft Paras were referred for Departmental action/Inquiry.
- v. Seven (07) Draft Paras were referred to Inter Departmental Committee (IDC) for detailed examination.
- vi. One (01) Draft Para was referred to Provincial Inspection Team (PIT) for detailed inquiry.
- vii. Two (02) Draft Paras were referred to Audit Department for detailed audit.
- viii. Five (05) Draft Paras were kept pending being sub-judice in the Court of Law or NAB Court.
- ix. Three (03) Draft Paras were kept pending for Physical Verification. And Four (04) Draft Paras were pending for Special meeting.
- x. Sub-Committees were also constituted to probe into the issues mentioned in forty (40) Draft Paras which needed detailed deliberation and resolution of the issue involved once for all.

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/PIT | Detail Audit | Pending Special meeting/ Physical Verification | Subjudice/NAB |
|---------------------------|------------|-----------|-----------|-----------|-----------------------------|---------------|-----------|--------------|--|---------------|
| Higher Education | 30 | 03 | 08 | 04 | 01 | 09 | 02 | 01 | --- | 02 |
| Communication & Works | 27 | 11 | 07 | 01 | 01 | 05 | --- | --- | 02 | --- |
| Health | 39 | 13 | 08 | 04 | 05 | 02 | 06 | --- | 01 | -- |
| Environment | 22 | 08 | 04 | 05 | --- | 04 | --- | --- | --- | --- |
| Food | 36 | 15 | 09 | 04 | 05 | 01 | --- | --- | --- | 02 |
| Ele: & Sec: Education | 02 | 02 | --- | --- | --- | --- | --- | --- | --- | --- |
| Social Welfare | 02 | 01 | --- | 01 | ---- | --- | --- | --- | --- | --- |
| Local Govt: | 08 | --- | --- | --- | --- | 08 | --- | --- | --- | --- |
| Agriculture | 18 | 03 | 04 | 01 | 01 | 08 | --- | --- | 01 | -- |
| Public Health Engineering | 03 | 03 | --- | --- | --- | --- | --- | --- | --- | --- |
| Home & Tribal Affairs | 21 | 10 | 05 | 02 | 02 | --- | --- | --- | 02 | --- |
| Housing | 11 | 03 | 04 | --- | 01 | --- | --- | 01 | 01 | 01 |
| Irrigation | 23 | 15 | 04 | 01 | --- | 03 | --- | --- | --- | --- |
| Total | 241 | 87 | 53 | 23 | 16 | 40 | 08 | 02 | 07 | 05 |

GENERAL OBSERVATIONS

PRE-PAC FORUM

1. The purpose of Pre-PAC forum was to make preparation before coming to PAC as to whether some action or documents that needs to be produced before the PAC could be collected and such other short comings could be fulfilled to facilitate the job of PAC and to save the precious time wasted in petty nature issues. The forum of Pre-PAC has not served such purpose and start making decisions, which was the domain of PAC and created mis-understanding during the meetings.

2. While examining the accounts of the Higher Education Department, the Committee noted with grave concern that no facilitation work was made in the Pre-PAC meeting only stereotype decisions were made on the Pre-PAC level such as:-

1. The Para was recommended to be settled.
2. The Para was recommended to be settled, subject to verification of record.
3. The Para was kept pending being subjudice.
4. The Department was directed to implement the decision of DAC.
5. Position may be explained before the PAC.

3. The Committee noted that instead of facilitating the PAC, the Pre-PAC forum created hurdles in decision making by the PAC.

4. Keeping in view the poor performance of Pre-PAC forum, the Committee decided to abolish the existing Pre-PAC forum and directed all Administrative Secretaries Government of Khyber Pakhtunkhwa to conduct Pre-PAC meeting at their own level with the PAC Cell of the Provincial Assembly Khyber Pakhtunkhwa before coming to PAC meeting just to facilitate the job of PAC by providing it complete

documents in the shape of working paper and to avoid such stereotypes of decision as recorded in the working paper referred to above in future.

NON IMPLEMENTATION OF PAC DIRECTIVES

5. The Committee noticed with heavy heart that the directives of PAC were neither take it seriously nor implementation in its true spirite therefore, a Sub-Committee comprising the following to examine/monitor the implementation status of the recommendations of PAC made in its meetings:-

- i. Arbab Muhammad Waseem Khan, MPA Chairman.
- ii. Mr.Jamshaid Khan, MPA Member.

6. The Committee will submit quarterly report to the PAC.

PRESUMPTIVE AUDIT PARAS

7. 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.

NON IMPLEMENTATION OF DAC DECISIONS.

8. The Committee noticed that DAC decisions were not taken seriously by the Department as the Principal Accounting Officer of the Department despite of chairing the DAC meetings; do not implement his own decisions. The PAC, therefore, directed the Department to issue warnings to the concerned for not taking the DAC decisions seriously. The PAC further directed the Department to be careful as non compliance of DAC decision would be dealt with seriously in future.

LATE SUBMISSION OF WORKING PAPER

9. The Committee noted that the working papers were provided by the department two days before the meeting date despite the fact they all the Government Departments was time and again urged by the PAC Cell to transmit working papers at

least 10 days prior to the meeting date so that it can be distributed amongst the Members for study in advance.

10. The Committee directed all of the Departments to submit Working Paper 10 days before the meeting. In case of failure the officer sitting in the helm of affair would be held personally responsible.

WEAK FINANCIAL CONTROL SYSTEM

11. The Committee noted that the Government was spending billions of rupees on Education Sector but on the other side, weak rather nil internal financial control system within the department was observed. In case, status quo was not removed and serious efforts were not made to improve the internal check, it was apprehended that the entire funds would go in waste and the people would not get the desired benefit from such huge spending. The Committee was optimistic that the Vice Chancellors of the Universities would seriously look into the matter and ensure that the value for money is achieved in future.

PAC CELL IN FINANCE DEPARTMENT

12. The PAC noticed that the Finance Department nominate different officers for every sitting of the PAC due to which they could not properly facilitate the Committee regarding financial matters therefore, the Committee directed that a permanent PAC Cell headed by Additional Secretary may be created in the Finance Department. The head of cell may be deputed to facilitate the Committee in each of its meeting.

COMMENTS OF FINANCE AND AUDIT DEPARTMENTS ON WORKING PAPER

13. The fresh comments of Finance and Audit Departments on the working paper were found unsatisfactory and looked like a rubber stamp as in most of the cases the words “as per Pre-PAC decision” were recorded. The Committee time and again directed both the Departments to give detail comments to facilitate the PAC Members for making acceptable decision but all invain, therefore the PAC directed the Finance and Audit Departments to avoid such practice and give detailed comments on each Draft Para in future to facilitate the job of PAC.

NON CONDUCTING DAC MEETINGS.

14. While discussing the Auditor General Report for the 2015-16 pertaining to Provincial Government Departments, it was noticed by the Committee with grave concern that the Departments were not serious to hold DAC meeting despite repeated reminders and clear cut instructions of PAC as well as Auditor General office, resultantly petty nature issues were referred to Public Accounts Committee, which not only increased its work load but also wasted the precious time of the Committee. Therefore, the Departments were directed to mend its attitude and conduct DAC meeting regularly to avoid such lapses in future otherwise the officers sitting at the helm of the affairs will be held responsible and appropriate disciplinary proceedings will be initiated against them.

STEREOTYPE COMMENTS:

15. The Comments of the Finance Department against each Draft Paras were same and stereotype. The Committee expressed its grave concern over it and directed the Finance Department to record comments on the issue raised in the Para and to avoid such rubber stamping in future.

POOR AND ILLEGIBLE WORKING PAPER:

16. The Committee observed with grave concern that the quality of working papers was very poor. The working papers provided by the Local Government, Higher Education and Health Departments were neither on proper format nor fresh comments of Audit and Finance Departments were obtained, it was also not signed by the Administrative Secretaries and supporting documents were also not found attached. Therefore, the Committee directed the Departments that in future the working paper must be completed in all respect duly signed by the Administrative Secretary, properly page marked alongwith supporting documents and duly commented upon by Finance and Audit must be submitted to PAC.

SUO-MOTO BUSINESS

- i. During the meeting the Acting Chairman PAC informed the Committee that the routine audit of the Khushhal Khan Memorial Library Akora

Khattak, had not been carried out for the last (5) five years, due to which various cases of miss-appropriation of the government money and misuse of power by the authority at their own liberty, had been reported to him. The Committee therefore, directed the Audit to carry out detail Audit of the Khushhal Khan Memorial Library Akora Khattak for the last (5) five years within a month time positively and its reports may be sent to this Secretariat for placing before the PAC in its next meeting for consideration/ recommendation.

- ii. Mr. Inayat Ullah Khan, MPA/Member PAC has also requested that Detailed audit of District Headquarter Hospital, Dir Upper and Office of the District Population Welfare, Dir Upper may be carried out as no audit had been conducted in both institutions since last (05) years.

The Committee accepting his request directed the Audit to conduct detailed audit of the said offices and findings of the Audit may be communicated to PAC for examination within a month.

HIGHER EDUCATION DEPARTMENT

OVERVIEW

Thirty (30) Draft Paras, reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meeting held on 02nd and 03rd September, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|---|---|
| 1. | Mr. Babar Saleem, MPA | Acting Chairman 1 st sitting |
| 2. | Mr. Muhammad Idrees, MPA | Acting Chairman 2 nd sitting |
| 3. | Mr. Inayatullah Khan, MPA | Member |
| 4. | Mr. Fazl-e-Shakoor Khan, MPA | Member |
| 5. | Mr. Ahmad Kundi, MPA | Member |
| 6. | Mr. Aghaz Ikramullah Khan Gandapur, MPA | Member |
| 7. | Mr. Jamshaid Khan, MPA | Member |
| 8. | Arbab Muhammad Waseem Khan, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Qaisar Khan,
Additional Secretary.

FINANCE DEPARTMENT

1. Mr. Safeer Ahmad,
Additional Secretary.
2. Mr. Musharraf Khan
Additional Secretary

AUDIT DEPARTMENT

1. Mr. Lal Muhammad,
Director General.
2. Mr. Zain-Ul-Abidin,
Deputy Director.

HIGHER EDUCATION DEPARTMENT

1. Mr. Ali Qadar Safi,
Special Secretary.
2. Professor Dr. Gul Zaman,
Vice Chancellor, University of Malakand.
3. Professor Anwar-ul-Hassan Gilani,
Vice Chancellor, University of Haripur.
4. Mr. Iftikhar Ali,
Vice Chancellor, Gomal University, D.I.Khan.
5. Professor Dr. Naushad Khan,
Vice Chancellor, Islamia College University Peshawar.
6. Professor Dr. Qaisar Ali,
Vice Chancellor, University of Engineering and Technology, Peshawar.
7. Professor Dr. Sultan,
Vice Chancellor, University of Science & Technology, Bannu.
8. Professor Dr. S. Tasleem,
Vice Chancellor, Kohat University of Science & Technology.
9. Mr. Muhammad Abid,
Vice Chancellor, U.O.P.
11. Dr. Bashir Ahmad,
Treasurer Islamia College University Peshawar.
12. Mr. Hafiz Sadiq,
Treasurer, University of Science & Technology, Bannu.
13. Dr. Misbah Ullah,
Treasurer, University of Engineering and Technology, Peshawar.
14. Mr. Muhammad Zafar Khan,
Treasurer, Kohat University of Science & Technology.
15. Mrs. Aisha Salman,
Treasurer. U.O.P.
16. Dr. Alamzeb,
Director, P&D, University of Malakand.
17. Mr. Athaq Hussain,
Additional Director, P&D, (U.O.P).

18. Mr. Yorid Ahsan Zia,
Registrar, U.O.P.
19. Mr. Junaid Khan,
Accounts Officer, University of Haripur.
20. Mr. Imtiaz Ali,
Section Officer, (B&A).
21. Mr. Imtiaz Ali,
Section Officer, (B&A).
22. Mr. Abdul Waheed,
Audit Officer, U.O.P.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Nasrullah Khan Khattak,
Secretary.
 2. Mr. Amjad Ali,
Additional Secretary-I.
 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.4.4.13 LOSS DUE TO NON-RECOVERY OF INTEREST-RS.1.86 (M)

AUDIT VERSION

3. The Audit reported that during the financial year 2012-13, in the Islamia College University, Peshawar, it was noticed that mobilization advance was granted to M/s Hashtnagar Construction Co. for the work construction of Academic Block. The advance was required to be deducted from the first five running bills or from the final bill as per instructions of the Govt. of Khyber Pakhtunkhwa Finance Department. Some portion of the Mobilization advance was recovered from the contractor however the interest at the rate of Rs.8% was outstanding against him. This resulted into loss of Rs.1.86 million to the university.

4. The condition for the recovery of interest as prescribed by the Government of Khyber Pakhtunkhwa Finance Department circulated in the above letter was not included in the tenders executed with the contractors due to which government sustained huge loss of Rs.1.86 million. The loss may be recovered from the contractors or person(s) responsible.

5. Loss was due to weak internal controls. Loss was pointed out in September 2013. No proper reply was furnished by the management.

6. In the DAC meeting held in Oct 2015, the matter was discussed. DAC directed to recover the amount from the contractor concerned. Till finalization of this report no recovery was intimated to Audit. Audit recommended to recover the amount.

DEPARTMENTAL VERSION

7. The Department explained that complete recovery of mobilization advance has been made from the 04 to 09 bills of the contractor. As far as 8% interest was concerned, the contract agreement executed between Project Director P&D Islamia College Peshawar and M/S Hashtnagar Construction Company do not cover the interest on mobilization advance as per clause-14 of the agreement.

PAC OBSERVATION

8. The Committee observed that the instructions given in the Finance Department letter No.SO(DEV-II)12/15/2003-4 dated 28-06-2004 was violated by not including the mark up @ 8% per annum on the mobilization advance. Moreover, the Department also failed to recover the total amount from the first (3) running bills and recovered it from 4th to 9th running bills, hence, extended undue benefit to the contractor.

9. The Committee also observed that in the DAC meeting held in October, 2015 which was chaired by the Principal Accounting Officer (PAO) himself and recovery was ordered but the Department failed to implement its decision even after the lapse of five (05) years.

PAC RECOMMENDATION

10. In view of the above the Committee recommended to initiate action leading to recovery of the amount of Rs.1.86 million from the responsible(s) after fixing responsibility within a month. Para stands. Progress be reported to PAC.

11. For future guidance, the University authorities were directed to follow the Financial Rules, Notifications and Orders of the Government issued from time to time while signing agreements with the contractors.

DP No.4.4.16 OVERPAYMENT DUE TO ALLOWING INCORRECT RATE – RS.3.17 MILLION.

AUDIT VERSION

12. The Audit reported that during the financial year 2010-11, in the University of Science & Technology Bannu, it was noticed that construction of administration, academic blocks and multiple hall was awarded to M/s Surrani Gammon with the BOQ rate of Rs.58,600 per ton for providing, cleaning, cutting, bending, placing and fixing of steel. The record shows that higher rate of Rs.66,000 per ton was allowed to the contractor resulting into an overpayment of Rs.3.17 million.

13. Audit held that payment was required to have been made according to BOQ rate which was not done. Overpayment occurred due to weak financial controls. When pointed out in June 2012, the management stated that reply will be furnished later on.

14. In the DAC meeting held in Nov 2015, the management replied that 30% premium over the quoted non-schedule rate was allowed. DAC did not agree as item was non-schedule hence 30% premium was unjustified.

15. Audit recommends investigating the matter, fixing responsibility and recover the overpayment from the person concerned.

DEPARTMENTAL VERSION

16. The Vice Chancellor explained that open tenders were floated on 07-02-2007. The lowest tendered rates offered by M/S Surani Gammon J/A Bannu were

85% above for civil works (scheduled) whereas, on internal work (scheduled) were 68% above on CSR 1999.

17. The non-scheduled items (civil works) were quoted on 30% above whereas; the electrical items (Non scheduled) items were quoted at par. In the Engr: Cost Estimate/B.O.Q the steel, G-60 was mentioned as non-scheduled (civil works) item. The rate given for the steel G-60 was Rs.58/60 per kg. According to quoted rate with 30% above premium, the rate comes out to the tone of Rs.76/18 per Kg. Hence, they were bound to pay that rate. But the Construction Committee requested the contractor to decrease the rate. The contractor agreed and given rebate as, on civil work, 75% instead of 85% above.

18. On electrical works (schedule)58% above instead of 68%. Non schedule items (civil & electrical) were fixed at par, except the G-60 steel which was fixed at Rs.66/kg instead of Rs.76/18 per kg. So, in this way saving of Rs.10/18 per kg. was made. Hence, no over payment was made.

19. Moreover, the said payment had already been checked and passed for payment by the Resident Assistant Director (Audit). Therefore, it was requested that the Para may be dropped.

PAC OBSERVATION

20. The Committee observed that:-

- i. At S.No.9 of the BOQ for Non Scheduled items the rate for providing steel G-60 including cleaning, cutting, bending, placing and fixing etc. was Rs.58.60 per kg.
- ii. Being Non Scheduled item premium was not admissible on it as per rules in vogue.
- iii. The loss to Government occurred due to weak internal controls and non adherence to the Financial Rules.

PAC RECOMMENDATION

21. In view of the above the Committee recommended to initiate action leading to recovery of the over payment made after fixing responsibility within a month time. Para stands. Progress be reported to PAC.

22. For future guidance, the Department was directed to strengthen its internal controls, stop the practice of non adherence to rules and to follow the rules and instructions strictly.

DP No.4.4.28 DOUBTFUL EXPENDITURE ON REPAIR & MAINTENANCE WORK – RS.51.99 MILLION.

AUDIT VERSION

23. The Audit reported that during the financial year 2012-13, in the University of Haripur, it was noticed that contract of M&R was awarded to M/s S.K Builders with the tender cost of Rs.9.93 million while the upto date expenditure of Rs.51.99 million incurred which resulted in unauthorized excess expenditure of Rs.42.07 million. Furthermore, the award of tender was also not in transparent manner, three out of four bidders were one and the same and submitted their bids on different letter pads. Therefore the award of contract was doubtful.

24. Audit therefore, held that at the time of award of contract the bidders have misrepresented themselves a separate contractor and open competition did not took place therefore the award of contract was doubtful. The expenditure of Rs.51.99 million against the bid cost of Rs.42.07 million beyond tender cost of Rs.9.93 million was unauthorized.

25. Doubtful expenditure was pointed out in April 2014. The management furnished no reply.

26. In the DAC meeting held in Feb 2015, the management stated that tender was floated through Information Department Abbottabad and four bidders applied with different profile. The contract awarded to the lowest contractor was not more than Rs.9 million which was meant only for M&R work. Audit held that the reply of University's management further strengthens the stand of audit as against a total cost of Rs.9.92 million the contractor was illegally benefited by making him to continue the work upto Rs.51.992 million. DAC decided to place the Para before the PAC.

27. Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) at fault.

DEPARTMENTAL VERSION

28. The Vice Chancellor University of Haripur explained that the advertisement of the tender was floated through information Department Abbottabad and properly published in newspapers. Four different contractors with different profiles applied for the bid having different registration number and companies. Although the contract was given to category-6 contractor but work order issued to the said contractor was for an amount of not more than 9 million. The mentioned tender was only meant for maintenance and repair work for which Rs.1,00,000/- was only for tender security and not 2% call deposit. Moreover, 10% security had been deducted from each bill of contractor.

29. As per directions of DAC, an inquiry Committee was constituted in order to probe following matters:

- a. To inquire the matter of expenditure worth Rs.51.99 million incurred on repair and maintenance work as per Draft Para No.4.4.28.
- b. To review the overall process adopted for the expenditure in the light of observations made by audit.
- c. Suggest appropriate course of action to guide the university pertaining to Draft Para.

30. The observations made by Audit were addressed in inquiry report as follows:-

“It was reported by Audit that tender was floated in local newspaper and was not properly advertised”.

31. The inquiry Committee found that the subject tender advertisement was processed through Information Department, Khyber Pakhtunkhwa and duly advertised in one national and one local Newspaper.

Three out of four bidders were one and the same and submitted their bids on different letter heads having the same phone numbers.

32. The Inquiry Committee observed that all four bidders who applied for the tender were found registered with Pakistan Engineering Council (PEC) as such they were separate legal entities.

The contract awarded to category 6 contractor which was authorized up to a maximum of Rs.15 million while the same was Rs.52 million.

33. Inquiry Committee found that the amount released from Higher Education Department was uncertain and the magnitude and nature of renovation and restructuring of 60 years old infrastructure could not be assessed in advance the work was carried out on need and demand basis with minimum available funds from time to time during the financial year. The lowest bid was 3% below with premium of 20% at the prevailing government rate of CSR 2009. It is pertinent to mention that contract for repair and maintenance was neither ascertained nor awarded for Rs. 51.972 million at start: rather, it was done in bit and pieces as per needs of university during the entire year and subject to the availability of funds. The Government of Khyber Pakhtunkhwa had notified the new government rates (CSR-2012) during the execution of this project. In case, the existing contract was discontinued, the university might get a financial loss in view of enhanced rates revised in CSR-2012, therefore, the contract was awarded to lowest bidder with prompt up-gradation of the campus to University immediately. A part from the getting of NOC late from HEC, university could have faced financial loss if the work could not have done as continued activity on the basis of CSR-2009.

34. It is worth mentioning that the university was established in June, 2012 by up-grading the then campus of Hazara University to university. It was dire need of the time to take necessary action/decisions regarding improving physical infrastructure in order to fulfill the minimum requirements to get enlisted/recognized by Higher Education Commission (HEC) in shortest possible time for securing the future of the passing out batches of students enrolled in various departments since 2008 onwards and thousands of students enrolled in thirteen affiliated colleges. The Committee concluded that the amount spent on M&R not only resulted in quick recognition/accreditation of the University of Haripur on January, 10, 2013 from HEC but also contributed towards increase in on campus students from 650 to 1, 185.

35. The inquiry Committee after physical inspection of the work done found that repair and maintenance work carried out in 2012 was pressing need of University at the time and it was done in a good manner and still intact.

36. On a query the Department explained that the work done was comprised of (74) different packages.

PAC OBSERVATIONS

37. The Committee observed that :-

- i. The work comprising (74) packages was performed through a single tender in violation of Rules.
- ii. The NIT was floated in local Newspapers and not a National Daily Newspaper, hence, the fair competition was avoided.
- iii. The NIT was vague as nature of work and total cost was not mentioned in it.
- iv. Contract was awarded to category-6 contractor instead of category-3.
- v. No survey or need assessment was made before tendering the works.
- vi. Multiple issues were involved and technical assistance was required to resolve these issues.

PAC RECOMMENDATION

38. As multiple issues were involved the Committee, therefore, could not reach to a just and fair conclusion. Hence, the subject Draft Para was referred to the Provincial Inspection Team (PIT) for conducting detailed inquiry into the matter and to submit its report to PAC within a month. Para stands. Progress be reported to PAC.

DP No.4.4.8 LOSS TO UNIVERSITY DUE TO AWARD OF AGRICULTURE LAND AT LESSER RATES - RS.13.34 MILLION PER ANNUM.

AUDIT VERSION

39. The Audit reported that during the financial year 2012-13, the Management of Gomal University D.I.Khan awarded 5690 Kanal Agriculture Land on lease in the premises of the University on very nominal rate. The land was divided in several plots and the plots were awarded to different persons, each plot on different rate ranging from Rs.300 to Rs.2,630/- per kanal per annum.

40. Audit observed during physical verification, that the entire cultivated/ Agriculture land is irrigated from Chishma Right Bank Canal system and have rich land/ environment and thus the total land was required to have been awarded on lease at least Rs.4,000 per kanal per annum (market rate was stated as more than Rs.4,500 per kanal per annum). Due to award of Agriculture land on lesser rates the University was put to a recurring loss of Rs.13.34 million ($5,690 \times 4,000 = 22,760,000 - 9,422,742$) per annum.

41. Loss occurred due to weak internal controls and financial mismanagement and violation of Para 23 of GFR Vol-I.

42. The loss was reported in April 2014. The management stated that reply will be furnished after verification of record. In the DAC meeting held in Dec 2015, it was decided that the documents showing that the land was awarded as per yield capacity, lease agreement, criteria for fixing rates and abiana record to substantiate the water supply be furnished for verification. Till the finalization of this report no record was produced for verification. Audit recommends to investigate the matter in detail, recover the amount and streamline the procedure of awarding land one lease.

DEPARTMENT VERSION

43. The Department explained that:-

- i. The University land was leased out through open bidding by adopting the proper procedure.

As far as the yield capacity of the land is concerned, it submitted that due to salinity problem on major portion of University land and location of land (near or away) from water channel depicts the fertility of land. Hence different rates were offered by the bidders.

Some plots have no canal irrigation water availability due to their higher level and hence fetched lower rates.

The other reasons for low rates was that the lessees were not allowed to cultivate cash crops like sugarcane and cotton etc due to security reasons which was our top priority.

Poor drainage is an another problem of the University.

Due to the income tax on leased land @ 10%, the lessees show least interest and offered lower rates.

In additional to above, it is added that mountainous flood water (salted) enters the University area and damage the standing crops and the soil fertility as well.

- ii. Lease agreement is available.
- iii. The optimum rates are fixed by the bidding Committee comprising of chairman and development Committee, Director Finance/nominee, Farm manager LDC, Farm manager, Security Officer etc.
- iv. It is also clear from lease agreement/term and conditions/advertisement that the abiana will be paid directly by the lessee to the Government.

PAC OBSERVATION

44. The Committee observed that:
- i. The land was properly advertised and leased out by open bidding.
 - ii. Cash Crops could not be cultivated on the land in question and due to salinity issue the land could not fetch higher rates.
 - iii. The market rates reported by Audit were based on presumption as nothing could be produced in support of Audit contention.
 - iv. Trees are planted on whole of the land by the Government (Billion Trees Project). Hence, the issue had been resolved.

PAC RECOMMENDATION

45. In view of the above the Para was recommended to be settled.

DP No.4.4.22 EXCESS EXPENDITURE OVER RESOURCES - RS.282.88 MILLION.

AUDIT VERSION

46. The Audit reported that during the financial year 2012-13, in the Gomal University D.I.Khan, it was observed from comparison of the employment strength and expenditure, that the university was facing great financial crises and there was heavy deficit in the last 02 years. The expenditure gradually increased without alternative income. Detail of Govt. grant and own receipts is as under:-

| Receipt 2012-13 | |
|---------------------------------|-----------|
| Opening Balance | (-)154.41 |
| Recurring Grant from Government | 485.56 |

| | |
|----------------------------------|---------------|
| Additional Grant from Government | 48.66 |
| Supplementary Grant | 10.00 |
| Receipt from own resources | 307.11 |
| Total Receipt | 696.91 |
| Expenditure/Payment | |
| Pay & Allowance | 768.01 |
| Other Charges | 211.78 |
| Total Expenditure | 979.79 |
| Deficit/Excess | 282.88 |

47. The continued deficit is alarming for the organization which requires to take concrete steps for its remedy:-

- i. Appointment of un-necessary staff be stopped/avoided.
- ii. The expenditure should be kept within the available budget.
- iii. Enrollment of the students should be enhanced.

48. When pointed out in April 2014, the Department replied that efforts are being made to recoup the deficit. Moreover, an inquiry committee has been constituted by the provincial government to scrutinize the appointments.

49. The matter was discussed in the DAC meeting held in Dec 2014. DAC decided that appointments of unnecessary staff and deficit financing established and position may be explained before the PAC.

50. Audit recommends to investigate the whole matter in the University for streamlining the process of recruitments, increase in enrollment of students and financial management.

DEPARTMENTAL VERSION

51. The Department explained that three recommendations were furnished by Audit team and implementation status of which is evident from below table.

1. Appointment has been stopped since 2015 as Ban imposed on Gomal University by KPK Government.
 2. Budget deficit has been converted into surplus Budget of Rs.152.174 million in year 2018-19.
 3. Student enrollment has been enhanced by sitting management to the tune of 12488 in 2018-19 and focused to further increase it to the tune of 15000 in 2019-20.
52. Infact Gomal University was facing deficit budget due to payment of pension from its recurring budget portion. There are also other factures which are hampering Gomal University Budget-i-e.
- i. Yearly decrease in grant in Aid by HEC.
 - ii. No additional/or very less additional grant by Provincial Government.
 - iii. No supplementary grant.
53. Moreover, concrete steps have been taken by the management to reduce other charges (other than pension) beneath table would further clarify and justify the University budgeted strength/position and efforts taken by the management.

| | 2012-13 | 2013-14 | 2018-19 |
|---------------------------------------|-----------------|-----------------|-----------------|
| Opening balance | -154.414 | -282.881 | -279.575 |
| Receipt from own resources | 307.108 | 334.984 | 743.558 |
| Total income | 696.910 | 815.663 | 1338.968 |
| Total expenditure | 884.962 | 920.207 | 1186.794 |
| Saving/deficit | -188.052 | -104.544 | +152.174 |
| Pension payment from recurring budget | 94.829 | 119.929 | 439.968 |
| Net shortfall | -282.881 | -224.473 | -287.794 |
| Student Enrollment | 5176 | 6881 | 12488 |

| | | | |
|--|--|--|-----------|
| Posts abolished by sitting management | | | 58 |
|--|--|--|-----------|

54. All the indicators are showing very positive position of the University. The only cause creating negative net shortfall of Rs.-287.794 million is payment of pension from recurring budget. Gomal University has requested time and again to all the worthy forums for endowment of Rs.2.0 billion but still has not received any help from any quarter.

55. Gomal University Management is very vigilant and focused to increase student's strength. As per HEC approved criteria there is no surplus staff, but the University needs more faculty of (308) Teaching & 867 of administration staff. But due to strict economy measures adopted by the Gomal University and ban imposed by the Government of Khyber Pakhtunkhwa since, 2015 University Management is hardly trying to accommodate increased strength of student on the existing faculty.

56. As per HEC criteria-I faculty Teacher should accommodate 20 students but in Gomal University almost 40 students are dependent upon I teacher. Students/teacher ratio is directly proportionate to each other higher the student strength higher would be teaching and admin faculty.

57. Also University management had abolished 88 vacant posts and furthermore 150 to 200 posts are going to be abolished before June, 2020.

PAC OBSERVATION

58. The Committee observed that the financial crises and heavy deficit is faced by almost all the Universities of Khyber Pakhtunkhwa and most of the Universities are at the verge of collapse. The problem if not resolved at an earliest will further deteriorate the education system.

PAC RECOMMENDATION

59. In view of the above and in order to thrash out the issues involved in the Para and to have an amicable solution for it. A Sub-Committee comprising the following was constituted:-

1. Mr. Babar Saleem Swati, MPA Chairman
2. Mr. Inayatullah, MPA. Member
3. Mr. Fazl-e-Shakoor Khan, MPA Member

60. The quorum of the Committee shall be two (02). The Sub-Committee shall submit its report within a month.

**DP No.4.4.29 DOUBTFUL EXPENDITURE ON PURCHASE OF EQUIPMENT–
RS.22.21 MILLION.**

AUDIT VERSION

61. The Audit reported that during the financial 2013-14, in the University of Engineering & Technology Peshawar, it was noticed that an amount of Rs.22.21 million was expended on the procurement of WIFI equipment vide voucher No.10 dated 04-10-2013. However, the equipments were neither found to have been taken on the relevant stock register nor were shown as assets in the balance sheet, except the copy of invoice which was pasted in a register. This makes the whole expenditure doubtful.

62. The record further showed that Manager I.T was found guilty of taking money of Rs.1.12 million in the said purchase and was suspended. A formal inquiry was ordered which further strengthened the contention of audit that the procurement process and the expenditure were doubtful.

63. Audit held that procurement was required to have been made in the most transparent manner under the supervision of high level procurement committee and in accordance with the rules, procedure and statutes of the University, however, this was not done.

64. The doubtful expenditure was pointed out in Dec, 2014. The management stated that case is properly being investigated by inquiry committee and report will be communicated to Audit.

65. Audit requested the university management for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

66. Audit recommends that a high level inquiry committee be constituted to probe into the case and fix responsibility and recover the amount.

DEPARTMENTAL VERSION

67. The Department explained that the University has conducted inquiry against Ms. Shehla Kiran (Manager IT), wherein no financial loss to the University was found. In the Pre-PAC meeting it was directed to verify the record i.e. bill No.10 dated 04-10-2013 and entries into the stock register.

68. Accordingly stock register and physical verification has been carried out by the University Committee. Later on the Audit was also requested for verification of record but in vain. Now the Audit had verified the record and issued verification certificate in this regard.

69. The Department further explained that a cheque amounting to Rs.11,20,000/- was erroneously sent to the account of Ms. Shehla Kiran on 01-03-2013 which was returned by her to the Firm on 04-03-2013. On a query by the Committee Members, it was told that the bids were opened on 01-03-2013, moreover, the work was not assigned to the Firm from which cheque was received.

PAC OBSERVATION

70. The Committee observed that:-
- i. Neither inquiry report was found attached with the Working Paper nor the University authorities could provide any detail of the report.
 - ii. The Universities authorities also failed to provide cogent reasons as to how the cheque was credited to the private account of Ms. Shehla Kiran.
 - iii. In the gist of Para Audit had clearly mentioned that the equipment purchased were neither taken on stock nor was it physically available but now verifying that all the record is correct.
 - iv. DAC was not held despite repeated requests.

PAC RECOMMENDATION

71. In view of the above, the Committee constituted an Inter Department Committee (IDC) comprising the representatives of PAC, Audit, Finance, Law and Department to examine all the issues and to report back to PAC.

72. The PAC Cell was nominated as convener of the Committee. The Committee will submit its report to PAC within a month time.

DP No.4.4.31 NON-PRODUCTION OF AUDITABLE RECORD OF JALOZAI CAMPUS.

AUDIT VERSION

73. The Audit reported that during the financial year 2013-14, in the University of Engineering and Technology, Peshawar, it was noticed that all the record relating to Jalozai campus, regarding developmental, non developmental, consultancy, details pertaining to human resource requirements, its utilization, and employment record etc at the time of audit was in the custody of Prime Minister Inspection Team Islamabad.

74. The University of Engineering and Technology Management was requested to provide the record for audit scrutiny, as and when received from inspection team of the Prime Minister. The authority was also requested to provide facts/ findings report of the inspection team till the date of audit i.e. Dec, 2014, the said record was not produced to audit.

75. When pointed out in Dec, 2014, the management replied that record was in Islamabad.

76. Audit requested the university management repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

77. Audit recommends to investigate the matter, submit report of the Prime Minister Inspection team to Audit and PAC and show action taken as per the recommendations of Inspection Team Report.

DEPARTMENTAL VERSION

78. The Department explained that the entire record of the project during the audit period was with Prime Minister Investigation Commission due to which audit was not conducted.

79. However, the record was by then returned by the Prime Minister Investigation Commission and requested to conduct detail audit of the record as soon as possible.

PAC RECOMMENDATION

80. The Committee directed the Audit to conduct detailed audit of the project within one month time and the Department was directed to produce complete record of Jalozi Campus alongwith the report of Prime Minister Investigation Team to Audit. Para stands. Progress be reported to PAC within a month time.

DP No.4.4.3 LOSS DUE TO NON-RETURN OF STUDENTS IN-TIME AFTER COMPLETION OF PH.D FROM ABROAD - RS.59.07 MILLION.

AUDIT VERSION

81. The Audit reported that during the financial year 2012-13, in the University of Malakand, it was noticed that 08 scholars/students were deputed for Ph.D from abroad. They were due for return during 2012-13 but they did not report back to the University. As such in light of clause-XIII of the deed agreement the scholar was liable to disqualification from foreign training or such other disciplinary action as University of Malakand may consider appropriate if he /she violates any of the condition of the deed. As they did not report to the University of Malakand therefore, appropriate action against these scholars should have been taken which was not done and resulted into loss of Rs.59.066 million (spent on their studies abroad) to the University.

82. The loss sustained due to weak internal controls.

83. When pointed out in February 2014, it was replied that warnings have been issued to all scholars on 10-10-2013 for joining university as soon as possible.

84. In the DAC meeting held in May 2014, it was replied that legal notices to all defaulters and their guarantors have been issued. It was decided to conduct detailed inquiry into the matter and produce complete record for verification. Till finalization of this report no progress was intimated to Audit.

85. Audit recommended that university should follow the DAC decision in letter and spirit and explain reasons for non-implementation of DAC before the PAC.

DEPARTMENTAL VERSION

86. The representative of the University explained that all seven scholars were directed on 10-10-2013 to join University of Malakand (UOM) as soon as possible. Three scholars joined UOM i-e Adnan Khan (on 28-01-2015), Zafar Hayat Khan (on 07-07-2014) and Hadia Hina (on 06-03-2014). As action were recommended by the syndicate against Dr. Zafar Hayat Khan & Dr. Hadia Hina. Therefore, both cases were taken to the syndicate for decision.

Dr. Zafar Hayat: the syndicate granted condition to him for his over stay and late arrival.

Dr. Hadia Hina: during the process of instituting damage suit against Dr. Hadia Hina she passed away. The syndicate was informed accordingly and a copy of self explanatory decision of the syndicate was issued vide office order No.UOM/Estab/15/623 dated 24-04-2015. Four scholars who did not join the university were Ziab Khan, Sardar Hussian, Amir Sohail & Asghar Ali.

Ziab Khan: The case of Ziab Khan was also to the syndicate and it was decided that his personal file should be transferred to Shaheed Benazir Bhutto University Sharningal (SBBU). The same was forwarded vide letter no UOM/Estab/9577 dated 20-08-2014 to the Registrar SBBU Sharningal Dir upper.

Asghar Ali: Legal notices have been issued to Asghar Ali and his legal guaranters. The scholar has been posted as PhD defaulters on University of Malakand website. The case will be processed as per SOPs for FDP Scholar.

Sardar Hussain The case of Sardar Hussain was placed before Syndicate in its 22nd meeting held on 17-03-2015. The Syndicate directed to process his

case in accordance with the agreement/surety bond. As a result his case is being processed accordingly.

Amir Sohail khan The case of Amir Sohail khan was placed before the Syndicate in its 22nd meeting held on 17-03-2017. The Syndicate directed to keep chasing Mr Amir Sohail khan and keep the Syndicate posted. The University is preceding the case as per directive of the Syndicate by contacting him and his Supervisor updated the University. The same will be placed before the Syndicate in the coming meeting for necessary action.

PAC OBSERVATION

87. The Committee observed that the Department has not proceeded according to Deed/Agreement by not taking any legal action against the defaulters.

88. The Committee also observed that similar nature paras are reflected in the Accountant General's Reports time and again, hence, an amicable solution is required to be devised to resolve the issue once for all.

PAC RECOMMENDATION

89. In view of the above, after detailed discussion, the Para was referred to the Sub-Committee already constituted vide D.P. No.4.4.22 (2015-16).

90. The Sub-Committee shall submit its report within a month.

DP No.4.4.9 LOSS TO GOVERNMENT DUE TO NON-COMPLETION OF PH.D IN TIME - RS.8.11 MILLION.

AUDIT VERSION

91. The Audit reported that during the financial year 2012-13, in the University of Malakand, it was noticed that Scholar Mr. Aziz ur Rehman was deputed for Ph.D to the University of Manchester UK but he failed to complete his Ph.D degree. In the light of Clause-VII of the contract deed the entire expenditure inclusive of travel cost was required to be recovered from the scholar. This was not done hence resulted into loss of Rs.8.11 million to the University.

92. The loss occurred due to weak internal controls.

93. The loss was reported in February 2014, wherein the management replied that the scholar has submitted his thesis vide e-mail to his supervisor for review and response of the supervisor is awaited.

94. The matter was discussed in the DAC meeting held in May 2014, wherein it was decided that amount should be recovered from the concerned if he fails to obtain Ph.D degree within 4 months. Till the finalization of the report, no progress has been intimated to Audit.

95. Audit recommends to recover the amount from the concerned.

DEPARTMENTAL VERSION

96. The Department explained that Mr. Aziz ur Rahman has joined the university on 01-06-2012 after submission of Ph.D theses to supervisor. He arrived back because he could not afford further stay at UK for viva. He has forwarded email to the supervisor for evaluation report and reply of the supervisor has been received stating that he is currently waiting for some information and when he received this he will contact the scholar in due course.

PAC RECOMMENDATION

97. The Para was referred to the Sub-Committee already constituted in Draft Para No.4.4.22 (2015-16).

DP No.4.4.30 IRREGULAR PAYMENT ON ACCOUNT OF PAY AND ALLOWANCES OF STAFF APPOINTED WITHOUT ADVERTISEMENT – RS.8.15 MILLION.

AUDIT VERSION

98. The Audit reported that during the financial year 2012-13, in the University of Malakand, it was noticed that staff (Director of Works PBS-19 and lecturer BPS-18) were appointed during the year and were paid Rs.8.15 million on account of pay and allowances. The appointments were required to have been made after advertising the posts which was not done and direct recruitment was made without fulfilling the codal formalities. The expenditure of Rs.8.147 million so incurred is held irregular and needs justification.

99. The irregular payment was made due to weak internal controls.

100. The irregularity was pointed out in Feb, 2014. The management replied that the posts have already been advertised for regular appointments.

101. In the DAC meeting held in May, 2014, the department replied that in the light of observation the same was placed before the syndicate for condonation in its 21st meeting held on 28.06.2014. Th syndicate granted condonation for the renewals granted so far and authorized the VC for renewing the contractual appointments, made as per laid down procedure, till the arrival of the permanent appointees against the respective posts. DAC did not agree and directed that powers of VC regarding appointments without advertisement to be produced. No progress was intimated till finalization of this report.

102. Audit recommends to explain its position before the PAC.

DEPARTMENTAL VERSION

103. The Department explained that in the light of the observation the same was placed before the syndicate for convocation in its 21st meeting held on 28-06-2014.

104. The syndicate granted condonation for the renewals granted so far and authorized the Vice Chancellor for renewing the contractual appointment, made as per laid down procedure, till the arrival of the permanent appointees against the respective posts.

PAC OBSERVATION

105. The Committee observed that the appointments were made in the best of public interest and the syndicate had granted approval of the same in its 21st meeting held on 28-06-2014.

PAC RECOMMENDATION

106. The Committee taken a lenient view, recommended to settle the Para with the direction to the Department not to make appointments without advertisement in future and it may not be quoted as precedent by other Universities.

DP No.4.4.18 NON-RECOVERY FROM PH.D SCHOLARS – RS.72.68 MILLION.

AUDIT VERSION

107. The Audit reported that during the financial year 2013-2015, in the Kohat University of Science & Technology (KUST), it was noticed that an amount of Rs.72.68

million was paid to eight (08) scholars for their PhDs from foreign Universities of United Kingdom and Germany. These eight (08) scholars have given written statements on stamp papers that they will teach in University of Science & Technology Kohat on return from abroad after completion of their higher studies. However, they did not join KUST Kohat on the expiry of the period allowed for their Ph.Ds giving a huge financial loss to University exchequer. It is not worthy that they were also paid Pay & Allowances for the period in addition to the scholarship payments.

108. The non-recovery was pointed out in Nov, 2015. The management replied that the scholars have not completed their studies and are in progress. Their leaves have been approved by syndicate. First three years are with pay and 4th year approved through study leave committee/syndicate with pay and after 4th year it is without pay.

109. In the DAC meeting held in Jan 2016, the department repeated the previous reply. DAC did not agree and decided to take action against the defaulters and position be explained before PAC.

110. Audit recommends to recover the amount from the defaulter scholars.

DEPARTMENTAL VERSION

111. The Department explained that about 44 scholars were granted study leave for their higher studies abroad. They submitted surety bonds that after completion of their study leave, they will return to Pakistan and serve KUST for a period of eight years 39 scholars have been returned and joined the University after completion of their higher studies. Only five scholars are still abroad and the University is in contact with them and their supervisors. According to their supervisors, these HRD scholars are going to complete their Ph D in near future. However, they have assured by signing a surety bond that they will return to Pakistan and join KUST after completion of their studies. The University will initiate necessary legal and recovery proceedings against these HRD scholars and their Guarantors in case of breach of the surety bond.

112. It is worthwhile to mention here that these employees were granted study leave with pay by the syndicate in accordance Section 88 to 91 of KUST statutes, 2006 and their salaries have been stopped upon expiry of 3 years study leave.

PAC RECOMMENDATION

113. Being similar nature, the Para was referred to the Sub-Committee already constituted in Draft Para No.4.4.22 (2015-16).

DP No.4.4.21 UN-AUTHORIZED EXPENDITURE DUE TO CONSTRUCTION, REPAIR & MAINTENANCE OF V.C KUST RESIDENCE IN THE UNIVERSITY OF PESHAWAR - RS.1.28 MILLION.

AUDIT VERSION

114. The Audit reported that during the financial years 2013-2015, in the University of Science & Technology Kohat, it was noticed that an amount of Rs.784,000 was paid to the University of Peshawar for construction of 2 Guard Rooms with attached baths, security check post etc in Bungalow No.F-5 University of Peshawar. This Bungalow No.F-5 University of Peshawar was the residence of BPS-21 chairman English Department who was appointed VC Kohat University of Science & Technology on 14-10-2010. Furthermore Rs.0.500 million were spent on its repair & maintenance in 4 years from the treasury of Kohat University ignoring the fact that in University of Science & Technology Kohat there was a spacious VC House but it was not occupied and instead his residence Bungalow No.F-5 University of Peshawar was used as KUST VC House with all its perks & privileges for his 4 years tenure.

115. Apart from the above he VC KUST used second portion of a Bungalow downhill side of VC House at KUST as his guest house during his tenure of which detail record was not produced. Total amount of Rs.1.28 million needs to be recovered from the officer as unauthorized & un entitled expenditure incurred from the kitty of KUST.

116. When pointed out in Nov, 2015, the management furnished no reply.

117. In the DAC meeting held in January 2016, the Department replied that it has an MOU with University of Peshawar. However, Audit contended that the Department had no authority to sign any such MOU, therefore the Para is placed before the PAC.

118. Audit recommends to recover the unauthorized expenditure from the VC concerned.

DEPARTMENTAL VERSION

119. The Department explained that due to deteriorating law and order situation in the province and upon directives of the Chancellor/Governor Khyber Pakhtunkhwa, Police constables and own security staff were deputed with the Vice Chancellors which accompanied them during pick and drop from residence to university campus and vice versa. The security personnel used to live in the residence of the Vice Chancellor.

120. The residence, provided by University of Peshawar was not enough space to accommodate these security personnel besides the family of the Vice Chancellor.

121. To cope with the situation, an agreement was made with the University of Peshawar to construct room along with bathroom.

122. The expenditure incurred was within the boundary wall of University of Peshawar which was also a Government property and does not involve private expenditure. The expenditure was made within the approved appropriated allocations during the financial year.

123. During the meeting, the Department failed to produce relevant record pertaining to the subject Para to the Committee. The Department ensured the Committee that record will be produced by 03-09-2020. Therefore, the Para was kept pending till 03-09-2020.

124. On 03-09-2020, the Department produced record including Memorandum of Understanding (MOU) duly signed by the KUST and University of Peshawar.

PAC OBSERVATION

125. The Committee after examining the record observed that:-

- i. MOU was signed between the Kohat University of Science & Technology and University of Peshawar but the Financial Rules do not allow such agreements as the Fund meant for one university was utilized in another.
- ii. At that time two Vice Chancellors were kidnapped, hence security protection was given to the Vice Chancellors.
- iii. The Salary Package of the Vice Chancellor was all inclusive including house rent, whereas he availed Government accommodation also. Hence, availed dual facility in violation of Government of Khyber Pakhtunkhwa Housing Rules.

- iv. The Vice Chancellor was taking House Rent according to MP2 Package, however, he was depositing House Rent allowed to BPS-21 Scale to the University.

PAC RECOMMENDATION

126. After detailed discussion and keeping in view the peculiar situation in the province at that time, the Committee recommended to condone the irregularity of expenditure made in Peshawar University but as the Vice Chancellor had availed dual facility i.e. taking all inclusive salary package including a handsome amount in lieu of House Rent.

127. The Committee, therefore, directed to calculate the exact recoverable amount in lieu of house rent allowance and to recover the same from the Vice Chancellor concerned within a month. Para stands. Progress be reported to PAC.

DP No.4.4.23 WASTEFUL EXPENDITURE DUE TO DEFICIENT EXECUTION OF CONSTRUCTION WORK RS.86.75 MILLION.

AUDIT VERSION

128. The Audit reported that during the financial years 2013-14 & 2014-15 in the University of Science and Technology Kohat it was noticed that an amount of Rs.86.75 million was paid to M/s Behram Construction Co, Rawalpindi for the construction of two Academic Blocks. The verification of different record of construction shows that the work was awarded but rules on the subject were not fully followed, like:-

1. The works were awarded without considering rates of CSR 2009.
2. Advertisement was neither published in two dailies nor on the web site of the University.
3. Some of the scheduled items of works were changed from the rates of CSR 2009.
4. Rates of non BOQ items were changed within the record without any reason.
5. Item of works were allowed and payments were made for which provision not existed in the Technical Sanction, BOQ & Detailed Cost Estimates.
6. Item of works of lower specification were executed by contractor while rates paid were for higher specification.

7. Some items of works were paid, which were even not executed by the contractor.
8. Most of the items of work were below specification.
9. Performance security bond was not obtained.
10. Security deposit at the prescribed scale not deducted from some bills of the contractor.
11. During physical visit certain cracks, from the ground floor to the other stories, were found and signs of seepage were also seen.
12. The overall roof leveling not smooth.

129. The above shortcomings clearly depicts that the building was not constructed according to the rules and procedures beside violation of Technical Sanction, BOQ and detailed cost estimates, as well as deficiencies were also noticed. Therefore, the expenditure of Rs.86.75 million so spent is the wastage of the public resources.

130. When pointed out in November 2015, the management furnished no detailed reply.

131. In the DAC meeting held in Jan 2016, the department furnished Para wise replies which the DAC did not found satisfactory and recommended to place the observation before the PAC for amicable decision.

132. Audit recommends to investigate the matter and fix responsibility against the person(s) at fault. The management should explain its position before the PAC.

DEPARTMENTAL VERSION

133. The Department explained that the work was advertised on CSR 2009 in National Urdu and English news papers. The same was also advertised on KUST website and PPRA website.

1. The excavated material at the site of Academic Block-II was not granular material. The material is salty clay and it is unsuitable for the structure back filling. The geotech study conducted for the soil investigation clearly mentioned the type of soil i.e. clayey silt/silty clay (soil). So the engineer in charge decided to arrange granular material for structure back filling keeping in view the safety of the building. Also the consultant has

provided the granular material for back filling. Therefore, the Para may be dropped.

2. The following items were paid as per CSR-2009.

| S/No. | Description | Unit | Remarks |
|-------|--|----------------|---|
| 8 | RCC 1:1.5:3 as I first floor columns | M ³ | This item was paid as per CSR 2009 06-06-02 ground floor rate=Es. 5986.87 extra labor for laying concrete (plain and reinforced) for every extra 10 feet height 197.06 CSR-2009 06-12-b Rs. 5986.87 + 197.06 =6183.93 |
| 9 | RCC 1:1.5:3 as in second floor columns | M ³ | This item was paid as per CSR-2009 06-06-a-02 ground floor rate =Rs.5986.87 extra labor for laying concrete (plain and reinforced) for every extra 10 feet height = for first floor 197.06, and for second floor 197.06+394.11 CSR-2009 06-12-a Rs.5986.87+394.12=6380.99 |
| 12 | RCC 1:2:4 As in first floor slab | M ³ | This item was paid as per CSR-2009 06-06-a-03 ground floor rate = Rs.5261.51 extra labor for laying concrete (plain and reinforced) for every extra 20 to 40 feet height = 394.11 CSR-2009 06-12-a Rs.5261.51 + 394.11 = 5655.62 |
| 13 | RCC 1:2:4 As in second floor slab | M ³ | This item was paid as per CSR-2009 06-06-a-03 ground floor rate = Rs.5261.51 extra labor for laying concrete (plain and reinforced) for every 20 to 40 feet height = 394.11 CSR-2009 06-12-a Rs.5261.51 + 394.11 = 5655.62 |
| 16 | Pucca brick work 9" wall in first floor | M ³ | This item was paid as per CSR-2009 as per following detail. 07-05-a-04 ground floor rate = Rs.3805.66 extra labor for item No.07-06-a Rs.184.71 Rs.3805.66+184.71= Rs.3990.37 |
| 17 | Pucca brick work 9" wall in second floor | M ³ | This item was paid as per CSR-2009 as per following detail. 07-05-a-04 ground floor rate = Rs.3805.66 extra labor for item No.07-05 for brick work in second floor 07-06-b=Rs.387.24 Rs.3805.66+387.24 = Rs.4192.9 |
| 22 | Pucca brick work 9" wall in third floor | M ³ | This item was paid as per CSR item No.07-05-a-04 Rs.3805.66 |
| 23 | Pucca brick work 9" wall | M ³ | This item is paid as per CSR item No.07- |

| | | | |
|----------------|---|----------------|--|
| | in third floor add extra labor rate CSR 07-06-0c | | 06-c Rs.589.77 |
| 25 | Pucca brick work 4.5” wall in first floor | M ² | This item was paid as per CSR-2009 item No.07-16-b-03 ground floor rate 403.61 extra labor for item No.07-06 for brick work in first floor 07-17-a=25.02 403.61 + 25.02 = 428.63 |
| 29 | Second floor cement plaster 1:4 ½” thick and extra labor | M ² | This item was paid as per CSR-2009 item No.11-28 (extra labor for lime, mud, cement plaster & pointing from 20’ and above for each additional 10’ height) |
| 30 | Third floor cement plaster 1:4 ½” thick and extra labor | M ² | This item was paid as per CSR-2009 item No.11-09-b for ground floor = Rs. 123.61 (extra labor for lime, mud, cement plaster & pointing from 20’ and above for each additional 10’ height item No.11-28) Rs.15.11 123.61 + 15.11 = 138.72 |
| 34 | First class deodar wood wrought joinery in doors etc with plate glass 6mm thick complete in all respect part payment 90% of rate 7715.9 | M ² | This item was paid as per CSR-2009 item No.12-07-c = Rs.6610.75 This item is paid as per CSR-2009 item No. 12-44-a Rs.1105.24 Rs.6610.75 This item was paid as per CSR-2009 item NO.12-44-a Rs.1105.24 Rs.6610.75 + 1105.24 = Rs. 7715.99 and part payment is made due to work in progress. |
| 36 | P&F steel windows with operable glazed etc 90% of the rate 4006.46 | M ² | This item was paid as per CSR-2009 item No.25-39-a-05 = Rs.4006.46 part payment is made due to work in progress. |
| 49-50 | Prepared new surface emulsion paint first coat first floor-second floor as well | M ² | This item was paid as per CSR-2009 item No.13-30-a for ground floor = Rs. 85.36 extra labor for painting varnishing etc. for 20’ height and above for every additional 10’ CSR-2009 item No.13-37 for first floor = Rs. 5.40 85.36 + 5.40 = Rs.90.76 And as for second floor as well 85.36+5.40+5.40= 96.15 |
| 56-57-58-62-63 | Ceramic tiles first floor, second floor ceramic tiles as flooring of toilets first floor and second floor | M ² | This item was paid as per CSR-2009 item No.10-46-a for ground floor = Rs.1224.78 extra labor for each storey above ground for mosaic, conglomerate, tiles, stone and |

| | | | |
|-------|---|----------------|---|
| | | | wood floor. Item No. 10-18 Rs.22.52 for first floor 1224.78 + 2252 = 1247.30 for second floor 1224.78 + 22.52 + 22.52 = 1269.82 |
| 70-71 | Prepared and paint emulsion paint first floor, second floor | M ² | This item was paid as per CSR-2009 item NO. 13-30-b for ground floor = Rs. 36.24 extra labor for painting varnishing etc. from 20' height and above for every additional 10' CSR-2009 item No.13-37 for first floor = Rs.5.40 36.24 + 5.40= Rs.41.64 and as for second floor as well 36.24+5.40+5.40= 47.04 |
| 73 | P&F steel doors as inducts openings and left | M ² | These doors are directly exposed to sun and rain. We cannot use wooden doors exposed to rain that's why this item is provided in CSR-2009 item NO.25-47-a |

134. We have constructed 02 numbers of septic tanks and provide mosaic over walls in gray cement without grinding. Total quantity for 02 number septic tank is 165 m² MB no.57 page NO.121, MB No.60 page-04, one wall (madian wall) in septic tank was not provided with the mosaic because it has openings to allow the sewerage to pass through in one chamber to another, it is worth to mention here that the wall without mosaic is not taken in the MB and the measurement is done as per site. Mosaic on the walls can be physically verified by the technical person any time.

135. Since the contractor has completed the project building in all respects in accordance with the terms and conditions of the agreement.

136. Completion certificate has been issued on 15th July, 2015. A part from indemnity bond amount of Rs.8.67 million has been deducted from the running bills as security to offset the liabilities of liquidated damages if any. Whereas the total cost of delayed work is approximately Rs.3.4 million on which penalty will be imposed by the Works Committee. This was deducted from the final bill. Hence, question of available balance in the bank account become irrelevant. It is further added that the delay in completion was due to nonpayment of the bills by the University in time in accordance with the contract agreement because the funding releases from the government was very much slow and the contractor was bound to wait. Furthermore, this university has not facilitated the contractor with the mobilization advance which was very much available in

the contract agreement. Since no liquidated damages involved and Ex-chequer has not sustained any loss, therefore, the Para may be dropped.

PAC OBSERVATION

137. The Committee observed that similar nature para of Peshawar University was settled subject to VOR.

PAC RECOMMENDATION

138. In view of the above the Committee recommended to settle the Para, subject to verification of record i.e schedule of work, copy of final bill, BOQ, technical sanction, MB, rate analysis for non schedule items and evidence of penalty imposed on contractor and to ascertain that the scheduled items were paid as per CSR 2009, if not verified the same may be reported back to PAC alongwith complete detail of irregularities.

DP No.4.4.26 WASTEFUL PAYMENT TO CONSULTANT DUE TO DEFICIENT EXECUTION OF CONSTRUCTION WORK RS.5.30 MILLION.

AUDIT VERSION

139. The Audit reported that during the financial years 2013-2015, in the University of Science and Technology Kohat, it was noticed that an amount of Rs.5.30 million was paid to M/s ACE Architectural and Town Planning Services Pvt Ltd Lahore on account for detail designs of various buildings and roads at the University of Science and Technology Kohat. The consultancy includes drawing and designing of academic block 1 & 2, in contravention of the above quoted rules and procedures. Similarly consultant should not be hired for any assignment which by its nature may be in conflict with any other assignment of the consultant. The consultancy on the PSDP funds was neither got approved from CDWP/PDWP nor awarded on competition basis as required under the rules. Certain deficiencies were found in the construction work like, defective drawings and designs of wash-rooms, defective BOQ and detailed cost estimates wherein important items were missing, deficient roofs and parapet walls, sea-page in the constructed blocks besides other irregularities noticed. The shortcomings and deficiencies clearly depicts that the building was not constructed according to the design beside

certain deficiencies, therefore, the payment of Rs.5.30 million so allowed to the consultant for the consultancy work, who did not performed efficiently and correctly to the desired satisfaction was the wastage of the public resources.

140. Wasteful expenditure was pointed out in November 2015. The management stated that damages/shortcomings are being rectified by the contractor.

141. In the DAC meeting held in January, 2016, the University Authorities stated it has penalized the consultant for defective work. DAC did not agree as neither penalty was imposed nor defects removed by the contractor and recommended to place the matter before the PAC for decision.

142. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

143. **Criteria for eligibility of consultants.**

1. The consultant M/S ACE Lahore was hired for designing of administration block and academic block 02 nos through addendum no.1 (Extension of the original consultancy agreement) at the approval of the competent authority. The consultant carries out the detail designing work in 2009 at their original approved rates 2007. The total consultancy cost is Rs.1.2(0.55+0.65) million and not 5.304 million as described in the audit Para. The consultancy cost is provided in the PC-I approved by the CDWP for Rs.6.619 million (original) Rs.3.5 million in revised PC-I. There was no conflict of interest. The KUST has extended the consultancy agreement as per clause No.18 of the original agreement_by this work KUST not only saved the time but also saved the money. Therefore, the Para may be dropped.
2. There is provision of wash rooms in the Academic Block and the toilets are provided in Academic Block-2 drawing. Different sizes of toilets are provided however to accommodate the number of toilets, sizes are changed as per site which are 4'-6 x 4'-0 and 3'-2 x 4-6. This is the

normal practice to adjust the size of the toilets as per decision of the site engineer. The toilets are being used without any inconvenience to the users. Therefore, the Para may be dropped.

3. A severe earth quake of intensity 7.5 occurred on date October 26, 2015 which was one of the high magnitudes and caused serious shaking of the building. Structure of the building is strong enough to resist the high intensity of the earth quake. While it has caused serious damages in other parts of KPK. Very few hair types cracks appeared at few places in plastering work in Academic Block which does not represent the overall performance of the building against earth quake. These minor cracks have been repaired by the concerned contractor. Therefore, the Para may be dropped.
4.
 - (a) There is no seepage at the roof it is constructed as per specification. At two spots contractor prepared mortar for parapet walls and its traces got dried which is reflected in picture. Heavy rain observed after the completion of roof work and there is no leakage or seepage in roof slab.
 - (b) Out of 12 parapet walls there is a dampness effect only on one parapet wall due to the reason that during the applying of the graffito work rain started and it caused dampness. Now it has been repaired by the contractor.
5. It was the requirement of the IT block to have the extra number of internet connections and Networking provision or designing was not in the scope of the work, it was decided by the Competent Authority to provide the extra networking provision in the IT building to avoid the future deficiencies.

PAC RECOMMENDATION

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

DP No.4.4.1 EMBEZZLEMENT OF RS.11.77 MILLION.

AUDIT VERSION

145. During the financial year 2013-14, the record of University of Peshawar reveals that a sum of Rs.11.77 million was drawn by the dealing hands in the Institute of Chemical Sciences (I.C.S) department from the bank accounts, as detailed below:-

| Name of Bank | Account Number | Amount (Rs.in million) |
|---------------------------|---|-----------------------------------|
| National Bank of Pakistan | 8860-9 Private Account | 5.31 |
| National Bank of Pakistan | 673-3 Contingency Account | 0.30 |
| National Bank of Pakistan | 10991-7 Phil/PhD | 3.41 |
| Habib Bank Limited | 0404-79007873-1 Indigenous Scholarship | 2. 60 |
| National Bank of Pakistan | 1187-9 Mora scholarship | 0.15 |
| Total:- | | 11.77 |

146. The said amount was neither reflected in the cashbook nor any supporting vouchers were available on record. Audit concludes that the amounts have been embezzled.

147. The lapse occurred due to weak internal checks over dealing staff due to which huge amount embezzled.

148. The matter was reported to the management in April/May 2015, wherein the Management replied that the University of Peshawar had already lodged an F.I.R against the suspected accounts officials (dealing hands) of the Institute of Chemical Sciences. The matter had already been under investigation & pending before the NAB.

149 In the DAC meeting held in January 2016, the department replied that the University of Peshawar had already lodged an FIR against the suspected Officials. Further, according to their knowledge the involved accounts officials of the ICS were behind the bars for further investigation and possible recovery. In their opinion the matter is already been in process of investigation and possible recovery through NAB. DAC decided to place the Para before the PAC.

150. Audit recommends to recover the amount and take departmental action against the person(s) at fault.

DEPARTMENTAL VERSION

151. The management of the University stated that an FIR has already been lodged against the suspected Officials.

152. Further, the involved Accounts officials of the ICS are behind the bars for further investigation and possible recovery.

153. The matter is already in process of investigation and possible recovery through NAB, therefore, any action on their part will be against the involved at this stage is beyond their authority.

PAC OBSERVATION

154. The Committee observed the following that:-

1. Five (05) Bank accounts were opened by the University, while the management of the University was failed to justify the same.
2. Detailed inquiry as recommended by the facts finding Inquiry Committee had not been conducted as yet.
3. The University Authorities failed to pursue the case in the NAB and Accountability Court Peshawar.
4. Incomplete Judgments are attached with the Working Papers.
5. The Judgment of the Accountability Court Peshawar was not found attached with the Working Papers.
6. As per Clause 25 of NAB Ordinance the accused Arif Ismail was required to deposit all the losses as he admitted that all the amounts were drawn by him and he was willing to return the same to the Institute of Chemical Sciences. However, plea bargain was made and he deposited only Rs. 4582311/-.

PAC RECOMMENDATION

155. The Committee noted that multiple issues were involved which require quick resolution in order to stop such practice in future, therefore, a Sub-Committee comprising the following was constituted to probe the issues in detailed:-

- | | | |
|----|---|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Ahmad Kundi, MPA | Member |
| 3. | Mr. Aghaz Ikramullah Khan Gandapur, MPA | Member |

156. The Committee will examine:-

- i. Negligence on the part of management of the University.
- ii. Why whole chain of command was not penalized
- iii. NAB decision.

- iv. Accountability Court decision.
- v. Appeal if any filed by the accused/University Authority in the High Court.

157. The Committee shall propose any other appropriate action and would suggest corrective measure to stop such practice.

158. The Committee will submit its report to PAC within two months time.

DP No.4.4.2 MISAPPROPRIATION OF RS.4.90 MILLION.

AUDIT VERSION

159. During the financial year 2013-14, the record of University of Peshawar revealed that a sum of Rs.4.90 million was drawn from the private fund account 8860-9 NBP, contingency fund account 673-3 NBP and private fund account 8860-9 NBP by the Director Institute of Chemical Sciences and allowed advances from Rs.10,000 to Rs. 300,000 to his staff for various purposes for which there was no provision in the financial rules. The record shows that the concerned staff had neither rendered any adjustment account nor re-deposited the amount in the account. So it is suspected that the said amount has been misappropriated.

160. The lapse occurred due to weak of internal controls.

161. The matter was reported to the management in April/May 2015. The management replied that they agreed with the observation upto the extent that the Director Institute of Chemical Sciences had withdrawn a sum of Rs.4.03 million and allowed advances to his staff for various purposes. However, the financial rules of the University of Peshawar allow the Head of any institution/department to draw any amount for onward payment for official purpose. In the instant case the Director ICS had given advance amounts to different officials of the Institute for various official affairs. To complete the process of the adjustment of entire advances, one month should be given to the ICS.

162. In the DAC meeting held in January 2016, the department repeated the same reply. As there was no provision in the financial rules for the purpose, therefore the DAC directed full adjustment and the practice should be discontinued.

163. Audit recommends to investigate the matter and take action against the person(s) concerned.

DEPARTMENTAL VERSION

164. The management of the University explained that the Director Institute of Chemical Sciences had withdrawn a sum of Rs.4.027 Million and allowed advances to his staff for various purpose. However, the claim of the audit “that such provisions are not part of the financial rules of the University of Peshawar” is invalid. The financial rules of the UOP had allowed the Head of any Institution/Department of the University of Peshawar to withdraw any amount for onward payment from their official accounts for official purpose. In the instant case the Director ICS had advanced various amounts to different officials of the Institute for various official affairs. Further, the entire advances were utilized as per financial rules and all record related to purchase etc are available. Most of the amount has already been adjusted while very nominal’s are left over.

165. To complete the process of the adjustment of entire advances, better it would be to give at least two months time.

PAC RECOMMENDATION

166. As similar nature Para of Institute of Chemical Sciences has already been referred to a Sub-Committee, the Para was, therefore, referred to the Sub-Committee already constituted in Draft Para No.4.4.1. for detailed examination and to suggest measures to stop such practice in the whole Departments of the University.

DP No.4.4.4 LOSS DUE TO PURCHASE OF LAND ON HIGHER RATES - RS.51.36 MILLION.

AUDIT VERSION

167. During the financial year 2013-14, it was noticed that land measuring 1478 Kanal costing Rs.102.04 million including all taxes and commission was purchased for the University of Peshawar Campus-II and Employees Welfare Foundation Township at Azakhel Nowshera. The land was purchased by the middle man on nominal price of Rs.31,500 per kanal (Rs.155,000 per jareeb + Rs.97,000 per jareeb/2 =126,000/4=Rs.31,500) and sold to University @ Rs.66,250 per kanal. Audit observed

that as a result, University and Employees Welfare Foundation had sustained a huge loss of Rs.51.36 million (66,250-31,500=34,750 x 1,478).

| Average Purchase Price per Kanal (Rs.) | Sale Price per kanal (Rs.) | Difference (Rs.) | No. Of Kanals | Loss (Rs.in million) |
|---|-----------------------------------|-------------------------|----------------------|-----------------------------|
| 31,500 | 66,250 | 34,750 | 1478 | 51.36 |

168. The lapse occurred due to non-implementation of provisions of the Land Acquisition Act 1894 and relevant Sections of the university financial rules.

169. The matter was reported to the management in April/May 2015, but no reply was furnished.

170. In the DAC meeting held in Jan, 2016, the department replied that the case is under investigation by NAB. DAC decided to place the Para before PAC.

171. Audit recommends to take action against the person(s) at fault and recover the amount.

DEPARTMENTAL VERSION

172. The management of the University stated the case is under investigation by NAB (National Accountability Bureau).

173. On a query from the Members the University Authorities informed the Committee that 1078 Kanals land was purchased for Employees Welfare Foundation and 400 kanals for University Campus-II. and no further proceeding be made on the part of the Department against the issue be taken till the NAB Court decision.

OPINION OF LAW DEPARMENT.

174. The representative of the Law department explained that the procedure adopted for purchase of land was not in conformity with Land Acquisition Act, 1894 which requires as under:-

SECTION-4

- a. Whenever it appears to the collector of the District that land in any locality is needed or is likely to be needed for any public purpose or for a company, a notification to that effect shall be bullished in the official gazette and the

collector shall cause public notice of the substance of such notification to be given at convenient places in the said locality.

SECTION-11-A (2)

- b. The head of the department concerned of Government or the Ministry concerned of the Federal Government, as the case may be, may, where expedient, request the Collector of the District concerned in writing to acquire land through private negotiation which shall be subject to such instructions or directions as Government may, from time to time, issue in this behalf.

SECTION-16

- c. When the Collector has made an award under section-11, he may take possession of the land, which shall thereupon vest absolutely in the Government, free from all encumbrances.

PAC OBSERVATION

175. The Committee observed that:-
- i. Land was purchased in violation of the provisions of Land Acquisition Act-1894.
 - ii. The Employees Welfare Foundation was neither a Government entity nor was it registered for the purpose.

PAC RECOMMENDATION

176. As the case was under process with the NAB, hence, the Para was kept pending till the decision of the NAB Court.

177. The Committee further directed the Department to:-
1. Bifurcate the total lands into two parts.
 2. Pursue the case of land acquired for University Campus-II in the NAB Court vigorously and inform the PAC Cell of the whole process.
 3. Follow the Laws while acquiring land for Government use in future.

DP No.4.4.5 LOSS DUE TO UNAUTHORIZED PAYMENT OF ESCALATION – RS.32.47 MILLION.

AUDIT VERSION

178. During the financial year 2012-13, in the office of Directorate of Works University of Peshawar, it was noticed that the contractor was allowed escalation amounting to Rs.32.47 million in violation of the standing orders of the Finance

Department wherein, it was provided that escalation may not be allowed in the extended period of construction. The clause-52 of the contract agreement provides that no claim of fluctuation in rates be allowed as mentioned above.

179. Similarly, the escalation was allowed on the consumption of steel for which rate of Rs.65,000 per ton was allowed in the running bill despite the fact that in contract document base rate of Rs.34,000 was provided. This shows that actual paid rate was not considered at the time of escalation.

180. The comparison of rates revealed that the paid rates were much higher than the rates provided in CSR 2009 despite the fact that contract was awarded in 2006. Therefore, the payment of escalation amounting to RS.32.47 million was unauthorized and a loss to the institution.

181. Loss occurred due to weak internal controls, undue favour to the contractor and financial mismanagement.

182. The irregularity was reported to the management in June, 2014. The management replied that HEC has granted extension due to late release of funds and according to the contract agreement escalation was paid. The reply was not satisfactory because documentary evidences in support of reply was not provided.

183. In the DAC meeting held in June 2015, the department repeated the previous reply, however, DAC did not agree and directed that the relevant record with reference to audit observation may be got verified from audit. No further progress was intimated till finalization of this report.

184. Audit recommends to recover the loss as per clause of the contract agreement.

DEPARTMENTAL VERSION

185. The management of the University replied to the above observations as under:-

1. Due to genuine reason of the late releases of the funds, the HEC had granted time extension to the said project. As delay was not on part of the contractor so the escalation was paid in the extended time period.

2. As per Clause-3b (i) (ii) (iii) of the approved contract agreement, escalation was paid only for 3 items. i.e. steel, Cement & bricks. Clause-52 of the agreement was fully implemented on rest of all BOQ items in the same letter and spirit and no claim whatsoever on account of any fluctuation by the contractor was entertained by the University management till completion of the project.
3. It was added that Rs.65,000/- was the approved composite rate of the BOQ which includes the basic market rate of steel i.e. 34,000/- plus cutting, bending, labour charges, contractor premium and taxes. So in the regular running bills payment of Rs.65,000/- has been made to the contractor whereas in the escalation bills only the difference between the prevailing market rate and the approved base rate of Rs.34,000/- has been paid to the contractor.
4. The contract agreement of the project contains the clause of secured advance as well as escalation. The secured advance has been released as per clause-II of the agreement (special stipulation) and full recovery of the same was made in the subsequent 4th, 5th, 6th 7th running bills
5. The said project was a special nature of ornamental building and its scope of work is different from other ordinary buildings. Rich specifications have been used in the building to ensure best quality of work and to increase durability and most of such specifications were not fully covered in the scheduled description of CSR items. So the project was executed on item rate basis. Also escalation was paid on only three basic items i.e. steel, cement, bricks. However, if schedule rates had applied then accordingly escalation would also had to be given on the Government schedule formula, which is based on all the items including POL and labour as well, with a high impact of escalation cost.
6. Mobilization advance worth Rs.20 Million instead of Rs.50 Million was paid as per clause-10 of the agreement for mobilization the contractor and fully recovered in 10 installments. Whereas, escalation is paid as per clause-3b(i) (iii) of the agreement.
7. As per normal procedure, the escalation is paid on all those projects whose completion period is more than 12 months or exceeding Rs. 30 Million cost. The said project has also completion period of more than 1 year. Hence accordingly escalation clause was included in the agreement just on basic three items i.e. cement, steel, bricks whereas, in general cases, escalation is paid on all items including POL and labour as well.

186. The Department further explained that the same nature of subject para had been developed by the Audit official during post audit in 2010-11 and as per recommendation of PAC, the Para was recommended for verification through VOR Committee. The VOR Committee examined the record in the meeting held in the Provincial Assembly of Khyber Pakhtunkhwa and recommended for settlement.

PAC OBSERVATION

187. The Committee observed that undue favour was extended to the contractor that mobilization advance required to be recovered in first five running bills was deducted in 10 installments and secured advance was granted to the contractor but escalation was paid to the contractor for the items purchased on the secured advance, which was not a fair practice and needs to be discouraged.

PAC RECOMMENDATION

188. As the verification of huge record was involved to ascertain the factual position hence it was recommended to conduct complete verification of record by the Audit and to submit report to PAC within a month.

189. The Audit will also look into the following issues to physically inspect these buildings and to submit report pertaining to the following:-

- i. What Special works were carried out in these buildings which differentiate it from ordinary buildings?
- ii. What rich specifications were used to ensure best quality of work?
- iii. Were these specifications included in the CSR items?
- iv. The Audit will propose amendments in the contract agreement if not in conformity with the Rules.

190. For future guidance, the Department was directed to stop forthwith such practice and to make agreement with the contractor in the light of rules and notifications of the Finance Department.

DP No.4.4.6 LOSS DUE TO UNAUTHORIZED PAYMENT OF ESCALATION - RS.31.64 MILLION.

AUDIT VERSION

191. During the financial year 2013-14, in the University of Peshawar, it was noticed that work "Construction of Two Academic Blocks No.11" was awarded to M/s Nishan Engineers Pvt Ltd, vide No. 694/DOW dated 20.3.2006, at a bid cost of Rs.254.66 million. Further verification of record revealed that un-authorized payment of escalation was allowed contrary to the above mentioned clause of agreement which resulted into loss of Rs. 31.64 million to the University. Moreover for purpose of escalation the base rate of steel was shown Rs.34,000 while actual payment of the said

item in the bill was Rs.65,000 per ton. According to clause-2 of the contract agreement, Rs.50 million mobilization advance was paid to the contractor, this shows that escalation was paid on the government funds already paid to the contractor as mobilization advance. Thus loss of Rs. 31.64 million occurred due to unauthorized payment of escalation.

192. The loss occurred due to extending un-due benefit to the contractor by not following the contract clauses.

193. The matter was reported in April/May, 2015, wherein the management furnished no appropriate reply.

194. In the DAC meeting held in January 2016, an unnecessary reply was given. The Chair however did not agree with the reply and decided to place the Para before the PAC.

195. Audit recommends to recover the overpayment from the person(s) concerned.

DEPARTMENTAL VERSION

196. The management of the University replied to the above observation as under:-

1. That escalation was paid only for 3 times i.e. steel, cement and bricks as per Clause-3b(i)(ii)(iii) (relevant clause attached at page-01 to 03). Clause-52 of the agreement was fully implemented on rest of all BOQ items in the same letter and spirit and no claim whatsoever on account of any fluctuation by the contractor has been entertained by the University management till now.
2. That Rs.65000/- is the composite rate of the approved BOQ in the year 2005-06 which includes the basic market rate of steel i.e. Rs.34000/- plus cutting, bending, labour charges, contractor premium and taxes. So in the regular running bills payment of Rs.65000/- has been made to the contractor whereas in the escalation bills only the difference between the prevailing market rate and the approved bse rate of Rs.34000/- has been paid to the contractor. (copy of a running bill with its escalation bill of Block-2 is attached at page-04 to 08).

3. The contract agreement of the project contains the clauses of secured advance as well as escalation. The secured advance has been released as per clause-11 of the agreement.
4. The contract agreement of said project contains the clauses of mobilization advance. However, no mobilization has been released to the contractor in this project.

PAC RECOMMENDATION.

197. As per decision made in D.P. No.4.4.5.

DP No.4.4.7 LOSS DUE TO NON-RECOVERY OF OUTSTANDING DUES – RS.25.57 MILLION.

AUDIT VERSION

198. During the financial year 2012-13, in the University of Peshawar, it was noticed that an amount of Rs.25.57 million was outstanding/recoverable against the students of different disciplines/departments/institutions. However, no serious effort towards recovery of the outstanding amount has been made which resulted into loss to the institution. Audit held that amount was required to have been recovered for better financial management and to avoid financial loss. Loss occurred due to weak financial mismanagement.

199. The irregularity was reported to the management in June, 2014. The management replied that in the past students were facilitated to deposit dues in easy installments. The recovery is under process and will be adjusted before the completion of their courses. The reply was not satisfactory because most of the students have completed their studies without payment of dues.

200. In the DAC meeting held in June 2015, the department repeated the previous reply. DAC did not agree and directed that recovered amount may be got verified from audit and balance amount be recovered without further delay. No further progress was reported till finalization of this report.

201. Audit recommends to investigate the matter and recover the amount.

DEPARTMENTAL VERSION

202. The management of the University explained that the past students were facilitated by giving them the relief to deposit their dues in easy installment basis. The full amount is under process of recovery and will be adjusted fully before completion of their course. Moreover, the result will be withheld till full amount is recovered. However, this practice of installment has been stopped and the students dues are now deposited in lumpsum. Latest position of outstanding dues are as under:-

| Department | Program/ Discipline | Outstanding Dues | Dues recovered | Latest position of dues |
|-----------------------------------|--------------------------------------|------------------|----------------|-------------------------|
| Institute of Management Sciences | B.B.A, M.B.A, M.P.A, B.B.A Hons etc. | 14.8 | 5.3 | 9.5 |
| Institute of Chemical Sciences | B.S, Exam Fee | 1.049 | 1.049 | Nil |
| Computer Science | BCS, M.Sc, M.S &Ph.D | 4.109 | 3.965 | 0.144 |
| Statistics | BS, M.Sc, M.S &Ph.D | 0.467 | 0.3334 | 0.1336 |
| Political Science | BS, M.Sc, M.S &Ph.D | 1.369 | 1.369 | nil |
| Zoology | B.S, M.Sc Final | 0.124 | | nil |
| Institute of Education & Research | B.Ed&M.Phill | 0.148 | 0.1245 | 0.0235 |
| Department of Economics | ---- | 3.509 | 2.801 | 0.708 |
| | Total | 25.575 | 15.066 | 10.509 |

203. During the meeting the Department explained that all dues against the students have been recovered.

PAC RECOMMENDATION

204. In view of the fact that all the amount had been recovered, the para was recommended to be settled subject to verification of record pertaining to complete recovery by Audit within a month.

205. The Committee further directed the Institution to device proper mechanism for timely recovery in future.

DP No.4.4.10 LOSS DUE TO PURCHASE OF LAND WITHOUT ACCESS - RS.6.12 MILLION.

AUDIT VERSION

206. During the financial year 2013-14, the record of University of Peshawar revealed that land measuring 1,478 Kanal costing Rs.102.04 million including all taxes and commission was purchased for University of Peshawar Campus-II & Employees Welfare Foundation Township at Azakhel Nowshera. Audit observed that University and Employees Welfare Foundation had sustained a huge loss of Rs. 6.12 million because the land was purchased by the middle man without any access to the road. Later on in 12th meeting of the Board of Employees Welfare Foundation dated 29.6.2010 it was decided that 73 kanal and 10 marlas (18 jareeb and 30 marlas) land of university be exchanged with 24 kanal and 10 marlas land owned by Mr. Islam Badshah. This action of the committee is against the spirit of Land Acquisition Act due to which University of Peshawar and Employees Welfare Foundation sustained a loss of Rs.6.12 million. (1470 marlas – 490 marlas= 980 marlas x 6250 per marlas(market value of that time)).

| Land given in exchange | Land taken in exchange | Difference | Rate per marla (Rs.) | Loss (Rs. in million) |
|-------------------------------|-------------------------------|-------------------|-----------------------------|------------------------------|
| 1470 marlas | 490 marlas | 980 marlas | 6,250 | 6.12 |

207. The lapse occurred due to non-implementation of Land Acquisition 1894 and involving the relevant Sections/Officers of the university/government. The matter was reported to the management in April/May 2015, but no reply was given.

208. In the DAC meeting held in Jan, 2016, the department replied that the case is under investigation by NAB. DAC decided to place the Para before the PAC.

209. Audit recommends to take action against the person(s) at fault besides recovery of the amount.

DEPARTMENTAL VERSION

210. The management of the University stated that the case is under investigation by National Accountability Bureau, (NAB).

PAC RECOMMENDATION

211. As the case was pending with the NAB, hence, the Para was kept pending till the decision of the NAB Court. The Department was further directed to pursue the case regularly through a well conversant officer.

DP No.4.4.11 LOSS DUE TO ALLOWING LESSER MONTHLY RENT OF SHOPS - RS. 4.26 MILLION.

AUDIT VERSION

212. During the financial year 2013-14, in the University of Peshawar, it was noticed that a lease deed was executed between the Director Administration University of Peshawar and lessee of the Departmental store, canteen and tandoor. Average monthly rent of shop having covered area of 178 sft is Rs.33 per sft. However Audit observed that University administration fixed a very nominal monthly rent for 136 existing shops, thus put the University to sustain annual loss of Rs. 4.26 million (detail as under):-

| S/No | Name of market | Name of lessee | Covered area (sft) | Rent pm required @ Rs.33 per sft | Monthly rent fixed (Rs) | Difference | Months | Loss (Rs in million) |
|--------------|-----------------------|-------------------------|--------------------|----------------------------------|-------------------------|------------|--------|----------------------|
| 1. | Saddiq-e-Akbar market | H.Ali Muhamm ad saboori | 859.69 | 28,369.77 | 19,829 | 8,540.11 | 12 | 0.10 |
| 2. | Urdu Department | Muhamm ad Ashraf | 1,151.65 | 38,004.45 | 10,497 | 27,507.45 | 12 | 0.33 |
| 3. | STC building | H.Liaqat Ali | 4,327.10 | 142,794.30 | 22,162 | 120,632.30 | 12 | 1.45 |
| 4. | Madina Market | Arsala Khan | 6,424.45 | 212,006.85 | 13,997 | 198,003.85 | 12 | 2.38 |
| Total | | | | | | | | 4.26 |

213. The irregularity occurred due to negligence on the part of management which extended undue benefit to the shop keepers at the cost of University.

214. The matter was reported to the management in April/May 2015, but no reply was given.

215. In the DAC meeting held in January 2016, the department has given an un-satisfactory reply. The Chair however did not agree with the reply and decided to constitute a fact finding inquiry committee for remedial action.

216. Audit recommends to conduct inquiry, fix responsibility and take appropriate steps to safeguard university's property and finances.

DEPARTMENTAL VERSION

217. The management of the University explained that the audit has calculated loss on the basis of covered area of the shops, which was @ Rs.22/- sft. The policy has not yet been adopted by the University of Peshawar.

218. All shops of the University are under the administrative control of the food and market management committee/vigilance committee. The monthly rent is fixed/imposed and increased as per agreement deed signed.

219. Regarding rent, the food and market management committee in its meeting held on 12.05.2011 decided as under:

- i) The rent of the shops shall be increased @ 25% as per orders of the honourable court and @ 75% by the food and market management committee. Thus increasing the rent @ 100% on initial/old rent already imposed. The shop keepers had to submit an affidavit/no objection on this.
- ii) Since tandoors and canteen in the University of Peshawar are providing food and other items on subsidized rates to the students and employees of the University therefore, their rent was increased @ 50% on initial/old rent already imposed.
The rent of all shops will be increased @10% per year at the time of renewal of contract.
- iii) It was decided that the rent of the new allotment will be determined by the F&MMC at the time of allotment of the shop which would be enhanced. According to existing policy. However, the suggestion of audit will be discussed in the food and market management committee meeting.

220. During the meeting the Department stated that the Audit has calculated loss on the basis of covered area of the shops. This policy was not adopted by the University before 2018. Now the Food and Market Management Committee in its meeting held on 29-06-2018 had decided to impose the rent of all shops on the basis of covered area @ Rs. 25 per square feet from the financial year 2018-19.

PAC OBSERVATION

221. The Committee observed that lease deed executed between the management of the University and lessee of the Departmental Store, Canteen and Tandoor shows that a very nominal monthly rent was fixed, which clearly indicates negligence on the part of the management and as a result undue benefits were extended to the shopkeeper (s) at the cost of the University revenue.

PAC RECOMMENDATION

222. As corrective measures had been adopted, the Committee, therefore, taking a lenient view recommended to settle the para subject to verification of record that the rates were fixed as Rs. 25/- per Sqr foot by the Audit within a month. Para stands. Progress be reported to PAC within a month time.

223. The Committee further directed the Department not to make long term agreement having in built clauses for fluctuation increase in rent according to present market rates with the lessee and enter into fresh agreement with the shopkeeper (s).

DP No.4.4.12 LOSS DUE TO UNAUTHORIZED LEASING AND FIXING LESSER MONTHLY RENT OF UNIVERSITY FOOD CANTEEN - RS.4.16 MILLION.

AUDIT VERSION

224. During the financial year 2013-14, in the University of Peshawar, it was noticed that a lease deed was executed between the Director Administration/Director Sports, University of Peshawar and Mr. Abdul Aziz S/O Mr. Sher Afzal resident of Tehkal Payan Peshawar for the construction of restaurant, having covered area of 3,411 sft in Faqeer Api Park on self finance basis. Rent @ Rs. 6,000 per month of the restaurant will start after the completion of the structure, half of the rent will be paid at the end of each calendar month until the construction amount is adjusted. Monthly average rent of shop is Rs.33 per sft, thus the monthly rent of this restaurant, having covered area of 3411 sft, comes to RS.112,563. Monthly rent in this particular case has been fixed Rs.6,000, thus monthly loss is Rs.106,563 (112,563-6,000) and total loss of 39 months, from 01/2012 to 03/2015 is Rs.4.16 million. Detail given below:-

| Rate per Sft required(Rs) | Rate per Sft allowed | Difference | Total covered area | Per month loss | Total months | Total loss (Rs.in million) |
|----------------------------------|-----------------------------|-------------------|---------------------------|-----------------------|--------------------------|-----------------------------------|
| 33 | 1.75 (6000/3411) | 31.240 | 3,411 | 106,563 | 39 (1/2012 to 3/2015) | 4.16 |

225. According to Directorate of Works Assessment Committee, the construction cost calculated was Rs.4.12 million so it will take 114 years to adjust expenditure (4,122,460/36,000 per year @ 3,000 per month = 114 year) for which Vice

Chancellor was not competent. Thus the government sustained total loss of Rs.4.16 million and recurring loss of Rs.106,563 per month. The loss occurred due to weak financial management and undue favour to contractor.

226. The matter was reported to the management April/May 2015, but no reply was given.

227. In the DAC meeting held in January 2016, the department gave an unsatisfactory reply. The Chair however did not agree with the reply and decided to constitute a fact finding inquiry committee for remedial action.

228. Audit recommends to investigate the matter in detail and take action against the person at fault, besides taking remedial measures to save the recurring loss.

DEPARTMENTAL VERSION

229. The management of the University explained that the University food canteen was constructed in the Year 2012 after obtaining approval of the worthy Vice-Chancellor. The agreement executed between University of Peshawar and Mr.Abdul Aziz on 01.03.2011 with the following terms and condition.

230. According to clause-5 of the lease agreement “that both the parties agreed that half of the rent will be adjusted in amount being invested on the construction of the restaurant and half of the rent will be paid at the end of each calendar month until the construction amount adjusted . Accordingly Mr.Abdul Aziz has deposited his monthly rent in the university account no.6290-3 as per detail below:-

Rs.30000/- vide receipt no.1 dated 18.06.2013

Rs.6000/- vide receipt no.9 dated 02.07.2014

Rs.39600/- vide receipt no.1 dated 17.07.2014

Rs.43560/- vide receipt no.5 dated 24.04.2015

Total Rs.119160/-

231. As per agreement executed by University of Peshawar no loss incurred to University of Peshawar. The loss calculated by the Audit on the basis of covered area of shops rent @ Rs.33/- per sft, which is not adopted by the University of Peshawar. However, every possible efforts is under process to carry out a new/revise agreement in the best interest of university of Peshawar and a summary of the case will be placed before Syndicate for appropriate decision. Para may be settled please.

232. During the meeting the Department explained that the Audit Para was placed before the meeting of Food and Market Management Committee on 16-09-2019 for perusal. The Committee discussed the Audit Para in detail and made the following recommendations:-

- i. The lease agreement may be sent to the legal counsel for legal opinion to comment whether it is valid lease agreement or otherwise and that whether at that time the signing parties were competent to enter into such kind of lease agreement under the University Act.
- ii. Any other question is that in case the lease agreement is void then what will be legal course/way for University to terminate the said lease?
- iii. In case the lease agreement is valid then what will be the legal course/ways for the University to terminate the said lease?
- iv. A meeting will be held to discuss the points in the legal opinion.
- v. The case shall then be forwarded to the Syndicate alongwith the legal opinion and recommendation of the Committee for decision in order to note, discuss and resolve the issue. Accordingly the matter was sent to the Incharge legal section University of Peshawar to obtain legal opinion from the legal counsel regarding the above mentioned recommendation. As and when this office receives the legal opinion the same will be placed before the Syndicate for appropriate orders.

PAC OBSERVATION

233. The Committee observed that:-

- i. Lease deed executed between the management of the University and Mr. Abdul Aziz S/o Mr. Sher Afzal, Residing of Tahkal Payan, Peshawar shows that a very nominal monthly rent was fixed which clearly shows negligence on the part of the management by providing undue benefits to the lessee shopkeeper at the cost of the University.
- ii. The issue was placed before the Food and Market Management Committee on 16-09-2019 which was under the control of the Management of University but its reports had not been returned to the Management as yet which clearly shows inefficiency on the part of the departmental officials/officers.

PAC RECOMMENDATION

234. After detailed discussion, the Committee recommended to conduct detailed inquiry into the matter and submit its report to PAC Cell within a months time.

101. The Department was also directed to initiate appropriate disciplinary action against the Legal Section for making abnormal delay in submission of legal opinion. Para stands. Progress be reported to PAC Cell.

DP No.4.4.14 OVERPAYMENT DUE TO ALLOWING HIGHER RATES – RS.94.06 MILLION.

AUDIT VERSION

235. During the financial year 2012.13, in the office of Directorate of Works University of Peshawar, it was noticed that construction of two Academic Blocks was awarded to M/s Nishan Engineering Pvt. Ltd. Lahore on the basis of self prepared BOQ during 2005-06 when rates of CSR 1999 were applicable. The record showed that payment of Rs.238.35 million was allowed upto 20th final bill, however, comparison of certain rates paid to the contractor even with CSR 2009, reveals that the rates of CSR 2009 for the items concerned were found much lower than those paid and accepted in 2005-06. The acceptance and payment of unreasonably higher rates than CSR to contractor resulted into an overpayment of Rs.94.06 million.

236. Audit held that rates of CSR 1999 and market analysis of the rates was required to have been done before acceptance of higher rates which was not done.

237. Overpayment to the contractor occurred due to financial mismanagement and undue favor to contractor.

238. Overpayment was pointed out in June, 2014. The management stated that it was a special nature building where rich items specification have been used to maintain best quality of work and to increase the durability of structure.

239. In the DAC meeting held in June, 2015, the management replied that no overpayment has been made. DAC did not agree and decided to verify the record. No record produced for verification till finalization of this report.

240. Audit recommends to investigate the matter, fix responsibility and recover the overpayment from the person(s) concerned, because there was no such item paid the rate of which was not available in the CSR 1999 & CSR 2009, nor the rates were approved from the Rate Advisory Committee.

DEPARTMENTAL VERSION

241. The management of the University explained that the said project was a special nature of ornamental building in which rich items/specifications have been used in order to maintain the best quality of work and to increase durability of the building structure. In 2005-06, there was much uncertainty of rates in the market and developmental works were adversely affected by the same throughout the country particularly KPK and the CSR-1999 rates were almost obsolete in the year 2005-06. Also most of the rich specification used in the building were not available in the description of CSR-1999 even in CSR-2009. (Comparison of the items description of the items description of paid rates and CSR-2009 is attached. for ready reference). Due to the above facts, the project consultant, M/s Architect Bureau prepared the engineers cost estimate on the basis of prevailing market rates. i.e. item rates in order to avail reasonable and workable rates in the bids. It is further added that the rates of lowest bidder. M/s Nishan Engineers Lahore were quite reasonable, which was accordingly evaluated, checked and approved by the Bid Evaluation Committee. (Comparative statement is attached.) As per the approved bid, Rs.1118.18 was the per sq.ft cost of the building which was quiet reasonable. Furthermore, it is to clarify that renovation work for old University residences includes only 3 basic items i.e. white wash, distemper and paint on old surface which were feasible to carry out on the rates of CSR-2009 even with 20% rebate rates. Similarly, the installation of Sui gas work also includes limited items like GI pipe and valves and the same rates were feasible on the basis of rebate on CSR-2009. But the subject project, being a complete mega structure of 6 story with more than 100 items having rich specifications was not practically feasible to be carried out on the schedule rates in the year 2005-06 wherein the engineering cost estimate was prepared by the Project Consultant. At present the Block-1 was completed in all respects successfully and operationalized since September, 2010.

242. It is further to mention that at present the Khyber Pakhtunkhwa Govt has also implemented the item rate criteria for tendering of all the developmental projects.

PAC RECOMMENDATION

243. As per decision made in D.P. No.4.4.5.

DP No.4.4.15 OVERPAYMENT DUE TO ALLOWING HIGHER RATES - RS.52.86 MILLION.

AUDIT VERSION

244. During the financial year 2013-14, in the University of Peshawar, it was noticed that an over payment of Rs.52.86 million was made to the contractor due to allowing item rates instead of CSR 1999 rates applicable at that time (2005-06). Comparison of the item rates with the CSR 1999 rates shows that these rates were much higher than the scheduled rates, which resulted into an overpayment of Rs.52.86 million.

245. The lapse occurred due to lack of internal controls.

246. The matter was reported to the management in April/May 2015. The management replied that the said project is of a special nature of ornamental building in which rich specifications have been used. In 2005-06 there was much uncertainty of rates in the market and developmental works were adversely affected and the CSR 1999 rates were almost obsolete. Most of the rich specifications used in the building were not available in the description of CSR 1999 not even in CSR 2009. Specially specification of major civil works and electrification items were missing in the CSR 1999 and CSR 2009. Reply of the management is not convincing.

247. In the DAC meeting held in Jan, 2016, the department repeated the previous reply. DAC did not agree with the reply and decided to place the para before the PAC.

248. Audit recommends to conduct inquiry, fix responsibility and recover the overpayment from the person(s) at fault.

DEPARTMENTAL VERSION

249. The management of the University explained that the said project was a special nature of ornamental building in which rich items/specifications have been used in order to maintain the best quality of work and to increase durability of the building structure. In 2005-06, there was much uncertainty of rates in the market and developmental works were adversely affected by the same throughout the country particularly KPK and the CSR-1999 rates were almost obsolete in the year 2005-06. Also most of the rich specifications used in the building were not available in the description of CSR-1999. (Comparison between items description of BOQ and CSR-1999/2009 at Page-01 to 09) specially, of major civil works and electrification items were missing in

the CSR 1999 & 2009. At present the Academic Block-2 is 90% completed and it will be operationalized very soon.

250. It is to mention that the Khyber Pakhtunkhwa Government has also implemented the items rate criteria for tendering of all the developmental projects throughout.

PAC RECOMMENDATION

251. As per decision made in D.P. No.4.4.5.

DP No.4.4.17 OVERPAYMENT DUE TO UN-AUTHORIZED DRAWAL OF PROJECT ALLOWANCE - RS. 1.62 MILLION.

AUDIT VERSION

252. During the financial year 2013-14, the record of University of Peshawar revealed that some staff were assigned additional duties in Project Employees Welfare Foundation Township at Aza Khel, Nowshera, which entitled them for Additional Charge Allowance @ 20% upto maximum of Rs.6,000 per month as required under Project Policy but they were paid Rs. 25,000, 20,000, 15,000 and 10,000 per month, thus Rs.1.62 million was overpaid, which needs justification.

253. The lapse occurred due to non-observing Govt. rules and regulations.

254. The matter was reported to the management in April/May 2015, but no reply was given by the management.

255. In the DAC meeting held in January 2016, the department replied that under the section 13 (4) (vi) of the University of Peshawar Act 1974, the Vice Chancellor has assigned additional duties to the officers at fixed honorarium out of University employees welfare foundation fund. DAC did not agree and decided to place the para before PAC.

256. Audit recommends to take action against the person(s) concerned and recover the excess amount paid.

DEPARTMENTAL VERSION

257. Exercising powers under the provision of Section-13 (4) (vi) of the University of Peshawar Act-1974, the Vice-Chancellor has assigned additional duties to

the Officers at fixed honorarium out of University employees welfare foundation fund.
Copies of office orders are attached.

| S/N | Name of Officer | Designation | Period | Total months | Honouraria drawn | Additional allowance admissible | difference | Overpayment |
|--------------------------|-------------------|--------------------|-------------------|--------------|------------------|---------------------------------|------------|----------------|
| 1. | Mr. Ishtiaquillah | P.D | 8/2010 to 07/2012 | 24 | 25000 | 6000 | 19000 | 456000 |
| 2. | Mr. BehreKaram | Dy. PD | 3/2010 to 1/2011 | 11 | 20000 | 6000 | 14000 | 154000 |
| 3. | Mr. FazalSher | A.O | 10/2010 to 8/2012 | 23 | 15000 | 6000 | 9000 | 207000 |
| 4. | Malik Nazar | Engineer | -do- | 23 | 15000 | 6000 | 9000 | 207000 |
| 5. | Mr. Mazharullah | D.F | -do- | 23 | 15000 | 6000 | 9000 | 207000 |
| 6. | Mr. Riaz Khan | Litigation officer | 3/2010 to 8/2010 | 29 | 15000 | 6000 | 9000 | 261000 |
| 7. | Mr. Mohammad Alam | P. D | 9/2012 to 3/2015 | 31 | 10000 | 6000 | 4000 | 124000 |
| Total Overpayment | | | | | | | | 1616000 |

PAC OBSERVATION

258. The Committee observed that the Government Officers were used for private works during official hours and additional charge allowances/honorarium were granted to them from the University employees welfare foundation funds, which was not admissible under the Rules & Regulations.

PAC RECOMMENDATION

259. After detailed deliberation, the Committee recommended for recovery of additional charge allowance/honorarium from the Officers concerned and deposit the same into the University employees Welfare Foundation Funds within a month time.

260. Para stands. Progress be reported to PAC.

DP No.4.4.20 UNAUTHORIZED AWARD OF INCREMENTS TO THE TTS FACULTY MEMBERS – RS.2.34 MILLION.

AUDIT VERSION

261. During the financial year 2012-13, in the University of Peshawar, it was noticed that annual increments worth Rs.2.34 million were granted to 19 Professors/Assistant Professors of different disciplines despite the fact that the annual assessment report as required were not submitted, similarly on job performance review reports were also not provided by the competent forum therefore, the incumbent were not entitled for the grant of annual increment. Thus the payment so allowed as annual increment upto June, 2013 was unauthorized.

262. Audit held that annual increments were required to have been allowed after fulfilling the required formalities which were not completed.

263. The irregularity was reported to the management in June, 2014. The management replied that a committee has been constituted to revisit the Tenure Tract Statutes and to bring it at par with the HEC Statutes.

264. In the DAC meeting held in June 2015, the department repeated the previous reply. DAC did not agree and directed that either produce the report of the committee or recover the amount. No progress was intimated till finalization of this report.

265. Audit recommends to investigate the matter, fix responsibility besides recovery.

DEPARTMENTAL VERSION

266. The management of the University explained that on proposal of the syndicate in its meeting held on 17th & 26th June, 2020 and recommendation of the Senate in its meeting held on 15-02-2007, the Governor, Khyber Pakhtunkhwa Chancellor, University of Peshawar approved the University of Peshawar Tenure Track statutes Annual Increment to the TTS faculty in the said statutes is reproduced here under:

Increment in Tenure Track pay scales

267. “The annual increment on the Tenure Track Pay Scales shall fall due on the 1st day of December, following the completion of not less than six months service at a stage in the Tenure Track Pay Scales”.

268. In view of the above provision of the University of Peshawar Tenure Track Statutes 2010, increment had been awarded to all TTS faculty members for the Session 2011, 2012 & 2013 on DTRC Reports.

269. Later on, on the recommendation of the University of Peshawar Senate in its meeting held on 27-12-2016, the Governor, Khyber Pakhtunkhwa/Chancellor, University of Peshawar Tenure Track Statutes 2010 vide Governor’s Secretariat, Khyber Pakhtunkhwa letter No.SO(III)5(1)18/GS/10/1906-09, dated 19-06-2017 and No.SO(III)5(1)18/GS/10, dated 23-06-2017.

270. Subsequently, after the promulgation of University of Peshawar TTS Statutes 2016, the management awarded annual increments to the TTS faculty members on submission of Annual Assessment as well as DTRC Reports each year.

PAC RECOMMENDATION

271. As corrective measures have been adopted, hence the Para was recommended to be settled subject to verification of record by the Audit in the light of the decision of the Senate dated 27-12-2016, Notification No.SO/E-I/HE/1-50/2010 dated 14-05-2010 and letters No.SO(III)5(1)18/GS/10/1906-9 dated 19-07-2017 and No.SO(III)5(1)18/GS/10 dated 23-06-2017 within one month time.

DPNo.4.4.25 WASTEFUL EXPENDITURE ON STIPEND AND TUITION FEE OF PH.D SCHOLARS - RS.17.93 MILLION.

AUDIT VERSION

272. During the financial year 2013-14, in the University of Peshawar, it was noticed that a sum of Rs.34.89 million was paid to various Foreign Universities as tuition fee and stipend for three Ph.D scholars. Audit observed that payment is unauthentic because, 03 doctors after completion of their Ph.D did not return to Pakistan. No efforts were initiated by the University authorities against them according to agreement. The expenditure incurred was thus wasteful. As per surety bonds expenditure of Rs. 34.89

incurred on the stipend and tuition fee of these Ph.D scholars was supposed to be recovered from them, which was not done.

273. Wasteful expenditure incurred due to not following the conditions of surety bonds.

274. The matter was reported to the management in April/May 2015. The management furnished no relevant reply.

275. In the DAC meeting held in January 2016 the department replied that Mr.Jamshed Ahmed has successfully completed his Ph.D and joined back University in April,2015. While the course work and thesis of Mr. Jamshed Ahmed has been completed. But only his Viva will be held in October, 2015. Mr. Shamsul Haq did not join the university due to which the P&D department has forwarded his case to University Legal Cell for necessary action against the concerned scholar as per agreement. Outcome of the case will be forwarded to Audit. DAC decided to place the Para before PAC.

276. Audit recommends to take action against the scholar as per conditions of surety bonds.

DEPARTMENTAL VERSION

277. The management of the University explained the position of the updated status of three scholars observed by Audit Officer are as under:-

Jamshed Ahmed:

278. The above scholar has successfully completed his Ph.D and joined back the University in April,2015. His thesis were accepted and approved in December,2014. (Copy of completion certificate by Director is attached at page-01)

Muhammad Adnan:

279. The course work and thesis of the concerned scholar has been completed. But only his Viva will be held in October,2015. (copy of advisor letter is attached at page-02).

Shams ul Hadi:

280. The study tenure of above scholar has completed but he has not yet joined back the University. He is not responding despite many reminders from the University

side. Due to which the P&D department has forwarded the case to University Legal Cell for necessary action against the concerned scholar as per agreement.

PAC OBSERVATION

281. The Committee observed that the financial crises and heavy deficit is being faced by almost all the Universities of Khyber Pakhtunkhwa and most of the Universities are at the verge of collapse. The problem if not resolved at an earliest will further deteriorate the education system.

PAC RECOMMENDATION

282. As similar nature issues are involved in it, therefore, the Para was referred to the Sub-Committee already constituted in Draft Para No.4.4.22 (2015-16).

DP No.4.4.27 UNAUTHENTIC EXPENDITURE AND MISAPPROPRIATION OF RS.10.05 MILLION.

AUDIT VERSION

283. During the financial year 2013-14, in the office of University of Peshawar, it was noticed that a sum of Rs. 10.05 Million was shown drawn from the Indigenous Account No. 0404-79007873-1 Habib Bank Limited of Pakistan, contingency account 673-3 NBP, Account No10991-7 NBP M.Phil/PhD and private fund account 8860-9 NBP by the Institute of Chemical Sciences Department and shown incurred on various purposes, but vouchers in support of expenditure were found missing. Therefore, in the absence of vouchers the expenditure could not be considered as authentic and seems to have been misappropriated.

284. The unauthentic expenditure occurred due to weak internal controls

285. The matter was reported to the management in April/May 2015. The management replied that the University of Peshawar had already lodged an F.I.R against the suspected accounts officials (dealing hands) of the Institute of Chemical Sciences and the matter is already under investigation & pending before the NAB.

286. In the DAC meeting held in January 2016, the department replied that the University of Peshawar had already lodged an FIR against the suspected Officials. Further, according to our knowledge the involved Accounts officials of the ICS are

behind the bars for further investigation and possible recovery. In our opinion the matter is already been in process of investigation and possible recovery through NAB. DAC decided to stand the Para till full recovery and the practice should be discontinued.

287. Audit recommends to recover the amount and take action against the person(s) at fault.

DEPARTMENTAL VERSION

288. The management of the University explained that the University of Peshawar had already lodged an FIR against the suspected Officials.

289. Further, according to our knowledge the involved Accounts officials of the ICS are behind the bars for further investigation and possible recovery.

290. In our opinion the matter is already been in process of investigation and possible recovery through NAB, therefore any action on our part against the involved at this stage is beyond our authority.

PAC RECOMMENDATION

291 Similar nature Paras of the Institute of Chemical Sciences, had already been referred to the Sub-Committee, therefore, the Para was referred to Sub-Committee constituted in Draft Para No.4.4.1.

DP No.4.4.32 NON-PRODUCTION OF AUDITABLE RECORD - RS.3.50 MILLION.

AUDIT VERSION

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

293. During the financial year 2012-13, in the University of Peshawar, it was noticed that an amount of Rs.3.50 million was released to the Chemistry Department for contingent activities. The auditable record was time and again demanded from the Director concerned but not produced, therefore, the record remained unaudited. It was reportedly know that there was embezzlement case of millions of rupees but record was

not produced to ascertain the factual position. It is worthy to note that to physics, geology, English & zoology department only Rs.50,000 or no release was made while Rs.3.50 million released to the Chemistry Department.

294. The irregularity was reported to the management in June, 2014. The management replied that the amount was released for contingency and purchase of chemicals and glass wares. The record was handed over to the fact finding committee in respect of an embezzlement case.

295. In the DAC meeting held in June 2015, the department repeated the previous reply. DAC did not agree and directed that the record may be provided to audit as and when received from NAB after investigation is completed. No further action has been reported till finalization of this report.

296. Audit recommends to investigate the matter fix responsibility and recover the amount.

DEPARTMENTAL VERSION

297. The management of the University explained that the amount of Rs.35,00,000/- was released on account of contingency for the purchase of chemicals and glassware for the Year 2012-13. The expenditure record of the above amount of Rs.35,00,000/- all account cash book and cheque books has already been handed over to the fact finding Committee constituted by competent authority in respect of Embezzlement case. The departmental fee collection/funds are aimed for the repair, renovation, civil work, day to day expenditure and student tours and not for the purchase of chemicals and glassware. Furthermore, Rs.1000/- retained as security is refunded to each student at the end of session from this fund. Other uses of this fund are looking after the activities organized by chemistry society i.e. Co-curricular and extra curriculum activities in the Institute. Moreover, the syllabus of chemistry contains both theory and practical work in contrast to the mentioned Departments.

298. As far as the sanction of handsome funds to the Institute compared to other departments is concerned, the Institute is looking after the needs of more than 700 students enrolled in different academic programs. Furthermore, the high ranking of the University is due to the research productivity by this Institute. The institute has already

been declared as Flagship department by the Chancellor based on the accomplishment in the field of research and production.

PAC RECOMMENDATION

299. Similar nature Paras of the Institute of Chemical Sciences, had already been referred to the Sub-Committee, therefore, the Para was referred to Sub-Committee constituted in Draft Para No.4.4.1.

FOLLOW-UP BUSINESS

300. In the meeting of PAC held on 02-09-2020, the following Follow-up Business Draft Paras were discussed.

301. The Secretary-PAC briefed the Committee regarding the implementation status of recovery made on the recommendation of the Public Accounts Committee and also shown the recovery position as follows:-

| S/No | Name of University | DP No. | Recoverable amount | Recovered amount | Outstanding amount |
|------|--|---------------------|--------------------|------------------|--------------------|
| 1. | University of Science & Technology Kohat | 5.4.7 (2014-15) | 1.632 (m) | Nil | 1.632 (m) |
| 2. | University of Science & Technology Kohat | 5.4.10 (2014-15) | 1.686 (m) | Nil | 1.686 (m) |
| 3. | University of Haripur | 5.4.19 (2014-15) | 1.3 (m) | 0.9 (m) | 0.4 (m) |
| 4. | Gomal University of D.I.Khan | 5.4.22 (2014-15) | 2.262 (m) | Nil | 2.262 (m) |
| 5. | Gomal University of D.I.Khan | 5.4.23 (2014-15) | 9.263 (m) | Nil | 9.263 (m) |
| 6. | Islamia College University Peshawar | 5.4.27 (2014-15) | 9.502 (m) | 7.4 (m) | 2.102 (m) |

| | | | | | |
|---------------------|---|---------------------|-------------------|-------------------|-------------------|
| 7. | Islamia College University Peshawar | 5.4.29 (2014-15) | 4.05 (m) | 3.9 (m) | 0.15 (m) |
| 8. | Vice Chancellor, University of Peshawar | 5.4.4 (2014-15) | 4.197 (m) | 1.264 | 2.932 |
| Total Amount | | | 33.892 (m) | 13.464 (m) | 20.428 (m) |

302. The Committee shown grave concern over the non responsive attitude of the Kohat University of Science and Technology and Gomal University D.I.Khan.

DP No. 5.4.7 & 5.4.10

(2014-15)

303. The Vice Chancellor Kohat University of Science and Technology was asked to explain the reasons of non implementation of PAC recommendations made on the Audit Report for the year 2014-15.

304. He explained that upon the recommendation of PAC notices were issued to the contractors time and again for depositing the amount of over payment but they failed to do so as yet. Therefore, district administration has been approached for early recovery of the amount in question. He added that a letter has been received from the PAC Cell recently with the direction to comply with the PAC directives to conduct enquiry for fixing responsibility and to initiate action leading to recovery from the concerned coupled with departmental action against the person at fault.

305. The Committee shown grave concern over the casual attitude of the University authorities as the action required to be completed within a month was not completed even after the lapse of one year and (9) months.

PAC RECOMMENDATION

306. Upon the assurance of Vice Chancellor Kohat University of Science and Technology that all the recoveries will be made at an earliest. The Department was

directed to complete the action required within a month positively under intimation to PAC Cell.

DP No.5.4.22 and 5.4.23

(2014-15)

307. It was noticed with grave concern that Gomal University had not implemented the recommendation of PAC made in Draft Paras 5.22 and 5.4.23 involving recovery.

308. The Vice Chancellor Gomal University, D.I.Khan explained that University has filed an appeal vide letter reference No. 31/DF/GU dated 06-02-2019 to the Secretary Public Accounts Committee Khyber Pakhtunkhwa for review of the decision regarding Draft Para No. 5.4.22. “Irregular expenditure incurred from 2/3rd self finance amounting to Rs. 2.262 million” as pointed out by Audit and giving a chance to hear the factual position for which result is still awaited. However, when the case was brought into the notice of the present Vice Chancellor, he directed to place it in Gomal University Syndicate for fixing responsibility.

309. The then Secretary PAC considered the appeal and filed as it did not come in his competency and informed the University accordingly with the direction to implement the decision of the PAC.

310. The Department was once again directed to conduct inquiry for fixing responsibility and to initiate action leading to recovery from the persons at fault within a month positively; otherwise proceedings under the Privileges Act of the Provincial Assembly of Khyber Pakhtunkhwa would be initiated against the sitting administration.

COMMUNICATION & WORKS DEPARTMENT

OVERVIEW

Twenty Seven (27) Draft Paras, reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meeting held on 9th and 10th September, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

| | | |
|----|----------------------------------|----------|
| 1. | Mr. Mushtaq Ahmad Ghani, Speaker | Chairman |
| 2. | Mr. Muhammad Idrees, MPA | Member |
| 3. | Mr. Baber Saleem Swati, MPA | Member |
| 4. | Mr. Fazle-e-Shakoor Khan, MPA | Member |
| 5. | Mr. Inayat Ullah, MPA | Member |
| 6. | Mr. Ahmad Kundi, MPA | Member |
| 7. | Mr. Jamshaid Khan, MPA | Member |
| 8. | Arbab Waseem Khan, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Shabbir Ahmad,
Deputy Secretary.

FINANCE DEPARTMENT

Mr. Safeer Ahmad,
Additional Secretary.

Mr. Akhtar Saeed Turk
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Zain-Ul-Abidin,
Deputy Director.
2. Mr. Khalid Zaman,
Audit Officer.

COMMUNICATION AND WORKS DEPARTMENT

1. Mr. Ejaz Hussain Ansari ,

- Secretary.
2. Mr. Amer Durrani,
Managing Director.
 3. Engineer Muhammad Uzair,
Chief Engineer (North).
 4. Engineer Muhammad Tariq,
Chief Engineer (Center).
 5. Sahibzada Qasim Noor,
Deputy Director (F) PKHA.
 6. Mr. Adnan,
Deputy Director.
 7. Mr. Farman Khattak,
XEN, C&W Highway Division, Swat.
 8. Mr. Irshad Khattak,
XEN, PBMC.
 9. Mr. Arshad Ali Shah,
XEN, C&W Highway Division Peshawar.
 10. Mr. Muhammad Nasir Khan,
Assistant Director Accounts.
 11. Mr. Muhammad Nasir Khan,
Assistant Director (PKHA).
 12. Mr. Alam Zeb Niazi,
DAO Highway Swat.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Nasrullah Khan Khattak,
Secretary.
 2. Mr. Amjad Ali,
Additional 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:-

EXECUTIVE ENGINEER, COMMUNICATION&WORKS DIVISION
CHARSADDA

DP No. 3.4.2 LOSS TO GOVERNMENT DUE TO ALLOWING PREMIUM ON
(CSR) 2012 & NON SCHEDULED ITEMS - Rs. 63.04 MILLION.

AUDIT VERSION

3. Rate Advisory Committee (RAC) in its meeting held on 15-11-2012 under the chairmanship of Secretary Finance Department/Chairman, during discussion of Agenda Item No.03, categorically rejected 6.07% premium offered by the contractor on CSR 2012 in a scheme “Construction of Dormitories for the support staff at Khyber Pakhtunkhwa House Islamabad” and approved all those schemes which were below or at par with CSR 2012.

4. According to Paras 20 & 23 of GFR Vol-I, any loss of public money, departmental revenue or receipts etc. held by or on behalf of government should be immediately reported, by the officer concerned, to his immediate official supervisor as well as Audit, showing the errors or neglect of rules. After full investigation report should be submitted of the nature and extent of loss, showing the errors or neglect of rules by which such loss was rendered possible, and the prospects of effecting recovery. 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.

5. The Audit reported that during the financial year 2013-14, in the office of Executive Engineer, C&W Division Charsadda, it was observed that government sustained loss of Rs.63.04 million by allowing premium to the contractor on Scheduled & Non-Scheduled Items (NSI) in the scheme “Construction of Judicial Complex at Charsadda”.

(Rs. in million)

| Description | T.S Estimate | 8% Premium |
|---------------------|---------------------|-------------------|
| Scheduled Items | 548.92 | 43.91 |
| Non-Scheduled Items | 239.07 | 19.13 |
| Total | | 63.04 |

6. Audit is of the view that if a scheme having a premium of 6.07% on CSR 2012 was not approved by Rate Advisory Committee then how premium of 8% was authorized in the instant case by the sanctioning authority.

7. Premium on CSR 2012 cannot be permitted on the ground that it was not admissible and announced by the Provincial Government of Khyber Pakhtunkhwa. Premium on NSI was unjustified as not admissible under the rules because it was already based on Market Rates including contractor's profit and taxes.

8. Loss occurred due to weak internal controls and non-adherence to rules. When pointed out in Oct 2014, the management furnished no reply. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommend to investigate the matter and fix responsibility against the person(s) at fault besides recovery of payment of premium on Scheduled & NSI amounting to Rs.63.04 million.

DEPARTMENTAL VERSION

9. The Department explained that no premium was included in the PC-I prepared on CSR 2012. After competitive bidding, the lowest bid of M/S Sabz Ali Khan who offered 8% above on CSR 2012 and 8% above on NSI was approved by competent authority i.e. Chief Engineer (Centre) C&W Department Peshawar. The bid of the contractor falls within the permissible limit of 10%, therefore, no loss incurred to the Government.

10. During the meeting the Secretary C&W Department further explained that in delegation of Powers Rules 2018 the Competent Authority was authorized to allow premium upto 10% on the schedule items mentioned in BOQ. As for as the NSI were concerned the authority was also authorized to allow premium.

OPINION OF FINANCE DEPARTMENT

11. The Additional Secretary Finance Department told that premium upto 10% was allowed on scheduled items however it was not allowed on the non-scheduled items as it was based on the rate analysis made on prevailing market rates.

PAC OBSERVATION

12. The PAC observed that:-
- i. As explained by the Finance Department 8% premium was not allowed to the contractor on non-scheduled items was allowed.
 - ii. The 8% premium allowed needs clarification due to different explanations advanced by the Department & Finance Department.

PAC RECOMMENDATIONS

13. In view of the above as there was confusion upon awarding premium on non-scheduled items which need resolution as most of the Paras are based on the same issue therefore the Sub-Committee comprising the following was constituted:-

1. Mr. Muhammad Idress, MPA
2. Mr. Inayat Ullah Khan, MPA
3. Mr. Babar Saleem Swati, MPA

14. The Sub-Committee will thrash out the issue of allowing of premium on non-scheduled items in the light of rules in vogue and submit report to PAC within one month.

DP No. 3.4.4 LOSS DUE TO EXCESS PAYMENT- Rs. 33.27 MILLION.

AUDIT VERSION

15. According to Paras 20 & 23 of GFR Vol-I, any loss of public money, departmental revenue or receipts etc. held by or on behalf of Government, should be immediately reported by the officer concerned, to his immediate official supervisor as well as Audit. After full investigation report should be submitted of the nature and extent of loss, showing the errors or neglect of rules by which such loss was rendered possible, and the prospects of effecting recovery. 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.

16. The Audit reported that during the financial year 2013-14, in the office of Executive Engineer, C&W Division Charsadda, it was noticed that a sum of Rs.33.27 million was overpaid to the contractors in the work “Abdul Wali Khan Sports Complex at

Charsadda” vide voucher No.55-R dated 25-09-2014. According to its Master Plan, Drawing & Design the total area of the Sports Complex was 33,605 M².

17. During physical verification, the average height of earth filling was not more than 1 meter. By comparing the covered area quantity with the total paid quantities, which was more than the double quantities actually carried out at site as per following detail:

| Total Paid Quantities of filling material | Actual quantities required to be carried out | Excess paid quantities |
|--|---|-------------------------------|
| 78,219 M ³ | 33,605 M ³ | 44,614 M ³ |
| Amount overpaid | 44,614x578.05 = Rs.25,783,342 | |
| Compaction Charges of excess quantities | 44,614x167.78 = Rs.7,485,336 | |
| Total overpaid amount | Rs.33.27 million | |

18. Loss occurred due to weak internal controls. When pointed out in Oct 2014, the management furnished no reply.

19. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommend to conduct inquiry, fix responsibility and recover the amount of Rs.33.269 million from the person(s) at fault.

DEPARTMENTAL VERSION

20. The Department explained that it was a standard Engineering practice that estimation of Earth work quantities was based on the plotted x-sections after conducting topographic survey of the site of the Project. In the instant case contour plan and x-sections were plotted at the design stage of the Project. Accordingly, the fill quantity has been paid and the same was duly approved in the technical sanction of the Estimate which was accorded by the Chief Engineer C&W Department Peshawar. It is pertinent to mention that Revised PC-I i-e the provision of Earth filling was approved by the PDWP and Revised Administrative Approval has been notified vide No.PO(TSY&M) Abdul-Wali Khan Sports Complex/2012-13 dated Peshawar the January 1, 2015. In light of the above it is incorrect to estimate the quantity of fill with thumb rule. All the record has been produced to Audit and was duly verified.

PAC RECOMMENDATIONS

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

DP No. 3.4.5 LOSS TO GOVERNMENT DUE TO CANCELLATION OF TENDERING PROCESS-Rs. 30.00 MILLION.

AUDIT VERSION

22. According to Paras 20 & 23 of GFR Vol-I, any loss of public money, departmental revenue or receipts etc held by or on behalf of Government, should be immediately reported by the officer concerned to his immediate official supervisor as well as Audit. After full investigation report should be submitted of the nature and extent of loss, showing the errors or neglect of rules by which such loss was rendered possible, and the prospects of effecting recovery. 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.

23. The Audit reported that during the financial year 2013-14, the office of Executive Engineer, C&W Division Charsadda, it was noticed that various schemes were put to tender on CSR 2012 and the lowest rate of contractor was approved by the competent authority, but on the directive of higher authorities regarding hiring the services of consultants for the projects already tendered and not to accept Bids below 10% on CSR 2012, the whole process of tendering already approved was cancelled.

24. Before cancellation, the bid costs of the contractors with their respective premiums was Rs.47.06 million but after the cancellation the bid costs of the schemes were considerably increased to Rs.77.21 million. Thus in this whole process the Government was put into a loss of Rs.30.00 million.

25. Now through Notification No.SO(FR)/FD/9-7/2011/Vol-II dated 05.11.2014 issued by the Finance Department of Khyber Pakhtunkhwa, the competent authority has once again amended the rules for selection of bidders and deleted the condition of not to quote bids below 10% on MRS 2013 which made and termed the earlier decision of cancellation of the already approved bids as a failure and serious lapse on the part of responsible(s) involved. In the process of formulating policies for the

selection of bidders, Government was put into a heavy loss of Rs.30.00 million in one office.

26. Audit held that the impact of loss to Government exchequer could be avoided or minimized if the local office had made an effort in a prudent manner on its part and presented before the competent forum the consequences of the cancellation. Audit held that loss occurred due to weak financial control system. When pointed out in Oct 2014, the management furnished no 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 recover the loss of Rs.30.00 million from person(s) at fault after fixing responsibility besides analyzing the impact of this decision on other projects in the Province.

DEPARTMENTAL VERSION

28. The Department explained that the loss calculated by Audit team was Rs. 30 million but its value was more than Rs. 30 million if it was calculated for whole Province. It was a policy matter. The Provincial Government issued letter that all the schemes would be executed through consultants and the tenders below 10% would not be accepted. After issuance of instructions from Secretary Communication & Works Department vide letter No. CEC/GS/2-5/8643, dated 12/12/2013 the tenders were cancelled and put to re-tender. After completing all codal formalities the work orders were issued to the contractors on 26/09/2014, 03/10/2014 and 09/10/2014. Later on the Provincial Government again changed the policy and issued letter No. SO(FR)/FD/9-7/2011/Vol-II, dated 05/11/2014 as mentioned by the Auditor, and allowed the contractors to offer their bids below 10.0%. At that time the work orders were issued and it was not possible to cancel the tenders. All the above process was adopted as per rules and instructions of Provincial Government.

PAC RECOMMENDATIONS

29. In view of cancellation order No.PS/MIN/C&W/2013 dated 30-07-2013 issued on the directives of Chief Minister Khyber Pakhtunkhwa all the contracts of the

development schemes whether relate to the current ADP or the previous one which have been announced or awarded by the C&W Department without consultancy were cancelled and the Department was further directed to proceed as per policy. The Para was therefore, recommended to be settled.

DP No. 3.4.10 LOSS DUE TO UNAUTHORIZED PAYMENTS OF STEEL SHUTTERING IN R.C.C WORKS - Rs. 11.76 MILLION.

AUDIT VERSION

30. According to Paras 56, 58 & 89 of CPWD Code and Government of Khyber Pakhtunkhwa W&S Department Notification No.SO(E) C&W/13-7/77 dated 23.11.1993. No work should be started/tendered without technical sanction. Technical sanction for each project should be issued from the start of the work and the number of technical sanction should be recorded in the NIT of the same work. Technical Sanction is a guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data and proper detailed drawings & design have been sanctioned.

31. The Audit reported that during the financial year 2013-14, in the office of Executive Engineer, C&W Division Charsadda, it was observed that Government sustained heavy loss of Rs. 11.76 million on account of “Erection and removal of steel form work for RCC or Plain Concrete” Form work was included in R.C.C and part of it in the Scheme “Construction of Judicial Complex Charsadda” upto 11th R/Bill vide voucher No.53-R dated 24.09.2014.

32. Moreover, as per Technical Sanction of the project, the item “Erection and Removal of Steel Form Work for RCC or Plain Concrete Vertical (06-39-b)” having a composite scheduled rate of Rs. 774.41 PM³ was the item which was approved and made part of Technical Sanction on the demand of the client even though approved PC-I had no such provision for the same item and paid for an amount of Rs. 475,448. But surprisingly, the consultant of the project authenticated the payment and approved through IPCs 05 to 07 a new item of work “Erecting & removing formwork to concrete in any shape/position Vertical (06-38-b)” having no provision in PC-I and Technical Sanction whatsoever for an amount of Rs. 11.29 million. Audit held that the execution of steel shuttering in RCC works was not admissible.

33. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends that loss may be recovered from the concerned under intimation to Audit.

DEPARTMENTAL VERSION

34. The Department explained that the item of work erecting and removing form work to concrete in any shape/position vertical was paid to the contractor vide IPC No. 5, 6, & 7. Later on the consultant has recovered the same as per following detail.

| S.No | Vr# | Dated | Amount |
|---------------|----------------------------|-------------------------|-----------------|
| 1. | 11-B, 23 rd R/B | 26/10/2016 | Rs. 39,99,732/- |
| 2. | 29-B, 24 th R/B | 27/12/2016 | Rs. 27,57,675/- |
| 3. | 26-B, 25 th R/B | 27/01/2017 | Rs. 29,99,997/- |
| 4. | 11-B, 27 th R/B | 26/04/2017 | Rs. 46,02,617/- |
| Total: | | Rs.1,43,60,021/- | |

35. As the amount of Rs. 14.36 million has been recovered instead of 11.761 million from the contractor.

PAC RECOMMENDATIONS

36. As whole of the amount was recovered the Para was therefore, recommended to be settled subject to verification of recovery by Audit. Progress be reported to PAC within one month.

DPNo.3.4.24 NON-IMPOSITION OF PENALTY DUE TO NON COMPLETION OF WORKS WITHIN STIPULATED PERIOD-Rs. 13.71 MILLION.

AUDIT VERSION

37. According to clause 2 of the Contract Agreement signed between the Government and the Contractor, the time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor and shall be reckoned from the date on which the order to commence work was given to the contractor. The contractor shall pay as compensation an amount equal to ten percent or such smaller amount as the Superintending Engineer may decide on the said estimated cost of the whole work for every day that the due quantity of works remains incomplete, provided always that the entire amount of compensation to be paid under the provisions of this clause shall not exceed ten percent on the estimated cost of the work as shown in the tender.

38. The Audit reported that during the financial year 2013-14, in the office of Executive Engineer, C&W Division Charsadda, it was observed that Government was deprived of the amount of penalty amounting to Rs. 13.71 million which was not imposed on the contractors for non completion of works within the stipulated time period in the Scheme “Establishment of Girls Degree College Dargai District Charsadda”.

39. Audit held that loss occurred to Government due to weak internal controls. Non-imposition of penalty was pointed out in October, 2014. The management furnished no reply.

40. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommend that loss may be recovered from the person(s) at fault under intimation to Audit.

DEPARTMENTAL VERSION

41. The Department explained that the scheme was approved at a cost of Rs. 147.133 million and after competitive bidding, the work was awarded to M/S Iqbal & Sons on 19/02/2011. Later on the scheme was revised and approved with a revised cost of Rs. 247.642 (Million) vide No. CPO/DCPO/HE/AA/M-04/16-17. Due to non-release of funds in time, the scheme was continued each year. The scheme was completed by the contractor in the financial year 2016-17, but the scheme is still ongoing and is due for completion in the CFY 2018-19. However, time extension has been granted by the competent authority. Therefore, penalty cannot be imposed on the contractor.

PAC OBSERVATION

42. While examining the working paper the Committee observed that in the Pre-PDWP meeting held on 26-03-2015 the scheme was referred to M&R Directorate for detail examination and inspection. In pursuance of Pre-PDWP proceedings, Directorate of M&E submitted detailed report which revealed that during planning, designing and implementation stage serious lapses were made by the C&W division Charsadda, Execution agency carried out the geo-technical investigation and structure design after awarding work to the contractor. The cost of the project was increased due to change in

structure design from strip foundation to raft foundation, increase in DPC level missing of 104 RCC columns in the original design of the academic block missing of PCC 1:2:4 under floor in student's hostel additional work like front staircase seating arrangement and gallery slab (40x30) in the examination hall. The Higher Education Department submitted revised PC-I/DCE of the scheme at a cost of Rs. 247.642 million with the request to consider revised estimate of the scheme to resume construction work on the site which is abandoned since last two years.

43. Revision of the scheme was approved by the PDWP at a revised cost of Rs.247.642 million with the direction that responsibilities should be fixed on the concerned staff of C&W division Charsadda involved in poor planning, designing and implementation and to complete the scheme within 06 months.

44. It was established that contractor was not at fault the delay in completion of work was due to the lapse of the Department. Hence penalty was not required to be imposed.

45. The Secretary assured that appropriate action would be initiated against the responsible officers according to the quantum of responsibility.

PAC RECOMMENDATIONS

46. The Para was therefore, recommended to be settled subject completion of inquiry for fixing responsibility and initiation of appropriate action against the concerned for poor planning , designing and implementation. Progress be reported to PAC within two months. Para stands till the inquiry report and departmental action.

EXECUTIVE ENGINEER, HIGHWAY DIVISION MARDAN

DP No. 3.4.7 LOSS DUE TO NON IMPOSITION OF PENALTY FOR DELAY IN COMPLETION OF WORK-Rs.18.58 MILLION.

AUDIT VERSION

47. According to clause 2 of the Contract Agreement, the contractor shall pay as compensation an amount equal to 1% or such smaller amount as the SE, whose

decision in writing shall be final, may decide on the amount of estimated cost. The amount of compensation shall not exceed 10% of the cost of work.

48. The Audit reported that during the financial year 2010-11, in the office of XEN Highway Division Mardan, it was noticed that various contractors failed to complete the works due to poor performance and negligence on their part. However, as initially calculated, penalty amounting to Rs.32.41 million was neither imposed nor recovered from the contractors. Loss was pointed out in Jan, 2014. The management furnished no reply.

49. In the DAC meeting held in February, 2015, the Department replied that in some cases extension was not required while to others extension granted where required. DAC did not agree and directed that the relevant record be produced to Audit for verification within 15 days.

50. The record was verified on 18.01.2016 and it was found that time extension to three contractors was granted while to four contractors neither extension was granted nor penalty amounting to Rs.18.58 million was imposed/recovered from them.

51. Audit held that penalty was required to have been imposed/ recovered as required under the rules which was not done. Audit recommends that recovery may be made from persons responsible.

DEPARTMENTAL VERSION

52. The Department clarified that the seven cases involving extension in time limit were processed for the purpose and the same have since been obtained which can be verified.

PAC OBSERVATION

53. Ex-post facto time extension for completion of the project was granted without showing any reasons which was not acceptable.

54. The issue of non completion of work in time was repeated in most of the cases hence require to be resolved once for all.

PAC RECOMMENDATIONS

55. In view of the above, the Para was referred to the Sub-Committee already constituted vide Draft Para No. 3.4.2.

DP No. 3.4.17 OVERPAYMENT DUE TO DEVIATION FROM APPROVED PC-I, TECHNICAL SANCTION & BOQ-Rs. 8.37 MILLION.

AUDIT VERSION

56. According to Para 95 of CPWD code, Engineer is strictly prohibited to deviate from sanctioned design in the course of execution of work.

57. The Audit reported that during the financial year 2012-13, in the office of XEN Highway Division Mardan, it was noticed that the work, “widening improvement & BTR from Access Road to Bacha Khan Campus (left & right side)” a quantity of 7,245M² of an item of work, “S/F of Railing as specified” was paid to contractor M/S Abdul Hakeem & Sons @ Rs.3,537.40PM².

58. Further verification revealed that in the PC-I, technical sanction & BOQ, schedule item of railing was approved @ Rs.2,379.47PM². The contractor was paid for the railing @ Rs.2,379.47PM² upto 16th running bill. In the 17th running bill the rate was changed from Rs.2,379.47PM² to Rs.3,537.40PM² in deviation of PC-I, TS and BOQ, resulting in an overpayment of Rs.8.37 million.

59. Moreover, the specification and quantity of the scheduled item was more protective and suitable on canal side than that of non-schedule item, claimed and paid. The irregularity was pointed out in Jan 2014. The management furnished no reply.

60. In the DAC meeting held in Feb, 2015. The Department replied that the rate of S/F of railing provided in PC-I was not suitable as per specification. The contractor applied to the then Chief Minister who marked the application to worthy Secretary C&W for necessary action. On his direction the rate according to design and specification was analyzed and approved in TS estimate, which was executed at site and paid accordingly. DAC disagreed and directed that recovery must be made. Audit recommends that recovery should be made as per DAC decision.

DEPARTMENTAL VERSION

61. The Department explained that the rate of S/F for railing provided in the PC-1 was not suitable as per specification, the contractor applied to the then Chief Minister who marked the application to worthy Secretary for necessary action. On his direction the rate according to design, specification and weight was analyzed and approved in T.S estimate, which was executed at site and paid accordingly.

PAC OBSERVATION

62. The Technical Sanction (T.S) issued after the final bill and completion of work needs justification.

PAC RECOMMENDATIONS

63. In view of the direction of Chief Executive of the Province the rate was analyzed and approved in the revised Technical Sanction, the Para was therefore recommended to be settled however, the issue of T.S which was issued after the completion of work need justification in the light of Para 56 of CPWD code and the issue was required to be analyzed in the light of rules in vogue, hence was referred to Sub-Committee already constituted in Draft Para No. 3.4.2.

DP No. 3.4.18 OVERPAYMENT DUE TO ALLOWING INCORRECT MEASUREMENT-Rs.1.89 MILLION.

AUDIT VERSION

64. 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.

65. The Audit reported that during the financial year 2010-11, in the office of XEN Highway Division Mardan, it was noticed that the contractor was allowed an item of work PCC 1:3:6 for a quantity of 613.85M³ in the construction and improvement of Gaddar Sawal Dher road to Bakhshali Degree College on the basis of measurement recorded on page No.8 of the MB No.174. The same quantity was brought to page No.130 and was paid to the contractor thus one quantity of work done was paid twice

which resulted into an overpayment of Rs.1.89 million to the contractor. When pointed out in Jan, 2014, the Department furnished no reply.

66. In the DAC meeting held in February, 2015, the Department replied that when there was a dispute between contractor and executing agency the work was re-measured. DAC did not agree and directed that the reasons for re-measurement and all MBs from first to last bill be produced to Audit for verification within 15 days.

67. The record was verified on 18.01.2016 and it was found that a quantity of 613.85 M3 of an item of work PCC 1:3:6 with 50% boulders was paid to the contractor on the basis of measurements recorded on page No 8 of the MB No. 174. The item of works was later on re-measured from RD00 to RD 3+925 and entries recorded on pages No.117 to 130 of the same MB. However, the previous entries already paid were added to the re-measured quantities which otherwise were required to have been deducted. Similarly erection and removing of form work was also paid in accordance with the PCC work thus by doing so the contractor was allowed double measurement for a single item of work resulted into an over payment of Rs.2.98 million.

68. Audit held that payment was required to have been allowed in accordance with actual work done by the contractor which was not done. Audit recommends that recovery may be made from persons responsible.

DEPARTMENTAL VERSION

69. The Department explained that:-

i. Over payment of Rs. 4,03,189/- due to incorrect measurement :

Re-measurement of 3rd to 8th running bill has been carried out to 9th bill the same quantity of 1st and 2nd running bill has been brought forwarded to 9th running bill an only payment of net quantity as result of measurement has been made to the contractor. In view of the above no overpayment has been made to the contractor.

ii. Overpayment of Rs. 14,92,401/- due to incorrect calculation.

Re-measurement of 3rd to 8th running bill has been made and the net re-measured quantity has been brought to 9th running bill. As well as the quantity taken by Audit of 2nd running bill which has not been re-measured and the same quantity of 2nd running bill has been forwarded to

9th running bill and no over or twice payment has been made. Detail below:-

Quantity as per re-measured 3rd to 8th running bill page No.130—
1724.77 M3.

Same quantity of 2nd running bill (No re-measured) page-38 613.85
M3 Total Quantity 2338.62 M3 D/d Already paid page-110 2273.87 M3

Net Quantity = 64.75.

70. From the above it is clear that payment has been allowed for the actual quantity and no over payment has been made.

PAC RECOMMENDATIONS

71. The Para was recommended to be settled. Subject to verification of measurement books (MBs) and relevant vouchers by Audit. Progress be reported to PAC Cell within a month.

EXECUTIVE ENGINEER, HIGHWAY DIVISION PESHAWAR

DP No. 3.4.13 LOSS DUE TO INCLUSION OF PREMIUM IN THE AMOUNT OF ESCALATION-Rs. 2.49 MILLION.

AUDIT VERSION

72. According to S.No.6 & 10 of the Notification No.SOG/W&S 11-129/2005 dated 02.01.2009, issued by the Government of Khyber Pakhtunkhwa, the amount of escalation payable or deductible in respect of items of work provided in the letter under reference shall be calculated on the basis of quantity of item actually consumed in the work during the month.

73. The Audit reported that during the financial year 2013-14, in the office of XEN Highway Division Peshawar, it was noticed that M/s Prime Construction Co. was allowed escalation of Rs.34.65 million in the construction of road from Garangi to Sher Kali of Pajjagi Road upto 29th running bill paid vide Vr No.91/R-I dated 25-06-2015. During review of the claim of escalation it was found that the escalation was claimed by including the amount of premium of 5% above with the amount of IPC meaning thereby

that payment was made for the 5% higher rate despite the fact that base rate without including premium was claimed.

74. M/s Karcon Pvt. Ltd. was allowed escalation of Rs.16.47 million in the construction of Road from Bacha Khan Markaz to Faqir Kali i/c Bridge upto 31st running bill paid vide Vr.No.84/R-1 dated 25-06-2015. During review of the claim of escalation it was found that the escalation was claimed by including the amount of premium of 5% above on other than bridge and 8% on bridge work with the amount of IPC meaning thereby that payment was made for 5%+8% higher rate despite the fact that base rate without including premium was claimed.

75. It may be added that escalation was allowed for admissible items on the basis of market price and actual consumption. Thus the inclusion of 5% premium of the contractor was neither required to be added nor was admissible. The payment of escalation of including the amount of premium resulted into loss of Rs. 2.49 million.

76. Loss due to non-adherence to the provisions of rules and weak financial controls. Loss was pointed out in October, 2015. The management stated that reply will be furnished after verification of record.

77. 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 recover the amount from the concerned.

DEPARTMENTAL VERSION

78. The Department explained that according to Government of Khyber Pakhtunkhwa Works and Services Department Notification. The escalation was admissible on different items/services. So far the inclusion of 5% above on CSR-2009 is concerned the same has been accepted by the Department and approved by the competent authority. Moreover except POL and labour escalation have been paid on actual consumption of items and its rates. Escalation for POL has been paid for Rs.7.462 million which falls in the permissible limit of 15% of contract price clause"-iii" of the said notification. Escalation of labour has been paid amounting to Rs.9.268 (M) against the provision of 10% of the contract price of Rs.78.324 (M). In view of the above

clarification the premium and escalation two different items and there is no any condition in the said notification for including/excluding of above/below on composite schedule rates.

PAC RECOMMENDATIONS

79. Due to plausible explanation advanced by the Department the Para was recommended to be settled.

DP No. 3.4.14 LOSS DUE TO NON-RECOVERY OF THE COST OF TIMBER FROM THE CONTRACTOR-Rs.1.84 MILLION.

AUDIT VERSION

80. 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.

81. The Audit reported that during the financial year 2014-15, in the office of XEN Highway Division Peshawar, it was noticed that the construction of road from Markaz to Faqir Killi i/c Bridge was awarded to M/s Karcon Pvt. Ltd. The record showed that the contractor was previously paid an amount of Rs.29,696 on account of removal of 27 trees having 600 mm dia @ Rs.1099.85 per tree which was deleted and excluded from the payments made to the contractor vide voucher No.17/R-1 dated 17.06.2014. It may be added that the item of work was included in the estimate of the work and was required to have been carried out by the contractor rather it would have definitely been executed but was intentionally deleted to escape the timber so obtained from the harvesting of the trees. The contractor has harvested 27 trees falling in the road according to the approved estimates. However, neither the timber so obtained from the harvesting of trees was accounted for anywhere in the accounts nor was disposed off, and sale proceed deposited in the revenue. This resulted into loss of Rs.1.84 million to the public exchequer.

82. Loss occurred due to weak internal controls. When loss was pointed out in September, 2015, it was stated by the management that detailed reply will be furnished after verification of record.

83. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

84. Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) responsible.

DEPARTMENTAL VERSION

85. The Department explained that at the time of layout of road the trees were not present at site which were removed by the land owners just stamps of the trees were left at site. The stamps were excavated through excavator. The payments for removal of stamps were paid to the contractor which has been recovered later on i.e. Rs. 29,696/-vide Voucher No.17/1-R dated 17/6/2014 in this regard. Also, the land awards issued for acquisition in subject road were also shown to Audit for verification, wherein it is clearly mentioned that “no payment” was made for “Tree, orchard etc compensation”.

PAC RECOMMENDATIONS

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

PROVINCIAL BUILDING CONSTRUCTION DIVISION No. II **PESHAWAR**

DP No. 3.4.26 UNAUTHENTIC PAYMENT ON TRANSPORTATION OF EARTH **Rs.12.57 MILLION.**

AUDIT VERSION

87. According to Para 10 of GFR Vol-I, every government officer incurring or authorizing 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. The Audit reported that during the financial year 2014-15 in the office of Provincial Building Construction Division No. II Peshawar Mr. Abid & Brother was paid Rs. 12.57 million for transportation of earth of all types for every 500 meter extra lead beyond 4.5 km up to 8 km in Casualty Block of Khyber Teaching Hospital. Audit had the following observations:

- i. The relevant record did not show any proof for the disposal of excavated material i.e. who had ordered to takeaway material upto 8KM.
- ii. Site for disposal was not mentioned in the record.
- iii. On physical verification of site and remarks of the locals actually the material were thrown near PCSIR Laboratory which is within the limit of one KM and even still lying there as is evident from the attached photographs.

88. The payment so made is held irregular and needs recovery. The irregularity occurred due to weak internal controls and undue favor to the contractor.

89. When pointed out in August 2015, the management replied that the transportation of the excavated materials has been completed under the supervision of consultant and the payment made accordingly. The excavated material have been transported and dumped at different places/locations in low lying areas in the out skirt of urban municipality of Peshawar, under supervision of the consultant beyond 8 Km. The item of work "Transportation of excavated materials beyond 8 Km" has been approved in the PC-I by the competent forum i.e. PDWP.

90. 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, fix responsibility and recover the excess amount paid.

DEPARTMENTAL VERSION

91. The Department explained that Para wise replies are as Under:-
- i. The relevant record/proof of the disposal of excavated material available.
 - ii. It is brought into yours kind notice that the mentioned material near PCSIR Laboratory removed from the demolition of old structure Khyber Medical College Peshawar.
92. All relevant record was produced to Audit and after detailed verification by the Audit Officer (Verification) of the Director General (Audit) Khyber Pakhtunkhwa, Peshawar.

PAC RECOMMENDATIONS

93. Due to plausible explanation advanced by the Department, the Para was recommended to be settled.

**MANAGING DIRECTOR , PAKHTUNKHWA HIGHWAYS
AUTHORITY**

**DP No. 3.4.1 LOSS DUE TO EXCESS PAYMENT IN EARTH WORK-Rs.175.07
MILLION.**

AUDIT VERSION

94. According to Para 220 of CPWA Code, all payments shall be made for work done duly measured in accordance with quantity, quality, rates and specification approved in the detail cost estimate and according to Para 69 & 89 CPWD Code, expenditure on a work should be restricted to the Estimate/BOQ Cost while Paras 20 and 23 of GFR Vol-I, provides that every government officer is personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinates.

95. The Audit reported that during the financial year 2013-14, in the office of Managing Director (MD) Pakhtunkhwa Highways Authority (PKHA), it was noticed that a sum of Rs.175.07 million was paid in excess in the earth work in different schemes. The PC-I, survey and design was prepared by the consultant for which heavy payments were made. The purpose of engagement consultant was to reduce the possibility of variation, but in the present case the variation increased from 10 to 100%, which was abnormal and failure of consultant. The same may be investigated that why 100% variation occurred in most items of different schemes. In some schemes the stone available from rock excavation and disposed hard rock was not utilized in the RRM work.

| S # | Name of scheme | Name of contractor | Amount ((Rs. in million) |
|------------|---|---------------------------|---------------------------------|
| 1. | Construction of road from Dir upper to Sheringle Package-II (KM 8 to 16) | Cemcon Pvt. Ltd | 38.22 |
| 2. | Dualization of Charsadda Tangi road Package-5 (from 16+100 to 19+600) 3.50 Kms. | Fine Home | 10.20 |
| 3. | Improvement/Rehabilitation of Sawari Sir Qilla Choga Puran Road Package-2 (0 to 650 km) | Muhammad Ibrahim | 47.76 |
| 4. | Improvement/Rehabilitation of Sawari Sir Qilla Chowga Puran road (49.50 to 67.50) | Pir Muhammad & Co. | 26.96 |

| | | | |
|--------------|---|--------------------------------|---------------|
| | 18 k.m. Package-II | | |
| 5. | Improvement/rehabilitation of Sawari Sir Qilla Chowga Puran road (49.50 to 67.50) 18 km. Package-II | Shaukat Khan & Co. | 28.70 |
| 6. | Improvement/rehabilitation of shahbazgara road (km 12+750 to km 17.070) Package-IV | Shah Zaman (Pvt.) Ltd. | 1.75 |
| 7. | Construction of link road between N-45 & Sheringle road | Dir Sheringle Construction Co. | 12.74 |
| 8. | Constitution of Bagh Dheri Bridge | New Khan Builders | 8.74 |
| Total | | | 175.07 |

96. Excess quantity executed due to weak internal controls and defective PC-1, survey, design and BOQ. Loss was pointed out in Dec, 2014. The management replied that the quantities based on preliminary topographic survey subject to variation on the basis of joint survey.

97. 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, fix responsibility and initiate remedial measures to avoid such lapses in future.

DEPARTMENTAL VERSION

98. The Department explained that quantities over and above of BOQ have been regularized through Variation Orders under clause 51 & 52 of the Contract Agreement and Technical Sanction (T.S) granted by the Competent Authority. In compliance with the Pre-PAC recommendations, the Variation Orders and T.S were produced to the Verification of Record (VOR) Cell of Director General Audit (Provincial) for verification, but it was not agreed.

99. During the meeting the Department explained that in some cases alignments were changed which resulted into excessive earth work. The same was regularized through variation orders and revised Technical Sanctions.

PAC OBSERVATION

100. The Committee observed that:-

- i. Variation in the scope of work was allowed in clauses 51 & 52 of the contract agreement but no time limit was mentioned in the said clauses.
- ii. Variation orders and revised Technical Sanctions were issued after the completion of work.
- iii. Consultant had not done justice to his job by conducting defective survey and preparing unjustified design.
- iv. Cuttings were made in variation orders, the figures were changed without any attestation.

PAC RECOMMENDATIONS

101. As the Secretary Communication & Works Department admitted his fault regarding cutting & non attestation and assured that it will not be repeated in future and excess earth work was performed as per requirement of the site, the Para was recommended to be settled subject to verification of complete record of Variation Orders and revised Technical Sanction within a month. The Department was directed to issue warning to the concerned consultants for conductive defective survey and design. Progress be reported to PAC.

DP No. 3.4.3 LOSS TO GOVERNMENT DUE TO NON-UTILIZATION OF AVAILABLE EARTH FROM EXCAVATION-Rs. 55.35 MILLION.

AUDIT VERSION

102. 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.

103. The Audit reported that during the financial year 2014-15, in the office of Managing Director PKHA, it was noticed that an item of work “road way excavation in surplus/unsuitable material” was executed through contractors under various schemes and another item, “formation of embankment from borrow pit/filling” was also executed. Loss of Rs.55.35 million sustained by the government due to non-utilization of available earth from excavation in “formation of embankment” showing it as unsuitable. It was added that in 80% cases, this item has been shown as unsuitable by the PKHA where embankment item was shown suitable from borrow pit. Audit holds that if roadway excavated earth was unsuitable then how it becomes suitable in that locality for

embankment from borrow pit. The excavated earth was utilized but embankment was shown from borrow pit. The matter was reported to the competent forum for corrective action and recovery of loss.

104. Loss was pointed out in Sep, 2015. The management replied that tests have been carried out and due to the character specification, the earth was not used. Reply of the management was not convincing.

105. Audit was of the view that as in 80% cases the said materials are declared by the Department as unsuitable which was a huge loss to government. Streamlining the procedure regarding declaring the excavated material as suitable/unsuitable. 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, fix responsibility and recover the loss from person(s) responsible, besides devising a strategy to save the public exchequer from such loss in future.

DEPARTMENTAL VERSION

106. The Department explained that an item “Formation of Embankment from Borrow Pit/Filling” was executed in all the packages as observed by Audit due to unsuitability of available earth/material. It was also added that the said executed items are covered in Variation Orders/Technical Sanctions.

107. It further told that as under observation item was executed due to unsuitability of available materials as per Laboratory Tests and duly covered in Variation Orders/Technical Sanctions.

PAC OBSERVATION

108. The Committee observed that:-

- i. The test reports attached with the working paper were not legible.
- ii. Audit could not produce any documentary evidence in support of its contention that the earth was suitable for utilization.

PAC RECOMMENDATIONS

109. In view of the above, the Para was recommended to be settled subject to verification of the laboratory tests by Audit within a month. The Department was directed

to avoid such lapses in future. The Audit was directed to keep attested copies of the documentary evidence on which the Para was based, produce it to the PAC during the meeting and to avoid framing Paras on presumption.

DP No. 3.4.6 LOSS TO PUBLIC EXCHEQUER DUE TO NON TRANSPARENCY IN THE TENDER PROCESS-Rs.26.53 MILLION.

AUDIT VERSION

110. 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.

111. The Audit reported that during the financial year 2014-15, in the office of Managing Director, Pakhtunkhwa Highways Authority, it was noticed that tenders were invited from prequalified contractors/firms for execution of work, "Improvement and Widening of D.I.Khan-Chashma Road D.I.Khan Phase-I Sub Head Package-I (KM 0+000 to 8+000)" through print media vide Daily Aaj dated 16-05-2011, 03 contractors participated in the competition. M/s Brothers Construction & Builders offered the lowest rebate of 07% below on the BOQ cost based on CSR 2009. However, the management rejected the same bid i.e. for Rs.111.26 million and accepted the 2nd bid of Rs.131.48 million offered by M/s Haji Aurangzeb Khan Gandapur & Sons @ 9.90% above with lame excuse of non providing 8% additional security vide work order No.PKHA/CC/No.203/213 dated 04-04-2013. Though as per condition No.3 of NIT, 8% additional security was required for more than 10% below and not for 7% below. As such, the public exchequer sustained loss of Rs.26.53 million which may be recovered from the contractor or person(s) at fault.

112. The matter was reported to the management in October, 2015. The management replied that estimate was on CSR 2009+20% and the offered rebate of 7% was more than 10% below. The comparison was made with estimate. Reply was not convincing. M/s Brothers have quoted rates on CSR 2009 & not on the engineer estimate and the management has made wrong interpretation for award of work to the choice contractor on the plea of additional security because deposit of additional security was

not required in this case being 7% below. Audit observed that recovery may either be made from the contractor or person(s) at fault.

113. 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, fix responsibility and recover the loss from the person(s) at fault.

DEPARTMENTAL VERSION

114. The Department explained that M/S Brother Construction and Builders offered lowest rate of 7% below on the CSR-2009, which comes to Rs.111.261 million as bid cost against the estimated cost of Rs.138.65 million as per N.I.T, which was actually 19.75% below against the tender cost. Hence, the bid of the concerned lowest bidder was more than 10% below against the estimated cost, therefore, he was twice asked vide letter No.44-FHA/113 dated 01-06-2011 and No.44-FHA/209 dated 13-06-2011 to deposit 8% additional security to firm up his bid by casting more than 10% below against the estimated cost as enunciated in N.I.T. “failing which his earnest money shall stand forfeited”. It is pertinent to mention that as per notification vide No.44-FHA/457/FHA dated 18-07-2011 the contractor failed in fulfilling N.I.T condition and his bid was cancelled and his 2% earnest money Rs.27,73,000/- was forfeited. Thereafter, the work was offered to the 2nd lowest bidder as per Rule-29 (5) of NWFP Procurement of Goods Works & Services Rules-2003. It is important to note that as per Pre-PAC recommendations, the requisite documents i.e: Quoted rate of Contractor on Tender Form along-with BOQ and Engineer Estimates made on the rates of CSR 2009 were duly produced to the Verification of Record (VOR) Cell of Director General, Audit (Provincial) for verification, but it was not agreed and recommended the Para to be stand. However, the requisite documents as recommended by the Pre-PAC meeting are available for verification.

115. During the meeting the Secretary C&W Department explained that 20% premium allowed on CSR 2009 by the Finance Department which was not considered by the contractor while submitting their bids hence estimated cost of the project was Rs. 143,563 million and not Rs. 138,65 million. He further told that the contractor went on

appeal in Court of Law for justice but the Court in its judgment had not entertained his appeal.

PAC OBSERVATION

116. The Committee observed that:-
- i. Work was awarded to the second lowest bidder and not the first lowest as clarified from the comparative statement dated 26-05-2011.
 - ii. The Department could not show the Court decision or the letter of Finance Department in support of its contention.
 - iii. When the work was awarded to the second lowest on dated 25-05-2011 how the letter were issued to the 1st lowest for depositing 8% additional security to firm up his bid on 01-06-2011 & 13-06-2011 and his bid was cancelled on 18-07-2011.
 - iv. The Department told that 25-05-2011 was the tender opening date and not the approval date.

PAC RECOMMENDATIONS

117. In view of the above, as there was confusion of dates and non availability of supporting documents it was decided to carry out verification of the following record by Audit.

- i. Notification/letter of Finance Department allowing 20% premium on CSR 2009.
- ii. Work order issued to the second lowest bidder.
- iii. Court decision referred to by the Department.

118. The Para was therefore settled subject to verification of the above record by Audit within a month. Progress be reported to PAC.

DP No.3.4.8 EXPECTED LOSS DUE TO UNAUTHORIZED CHANGE IN THE SCOPE OF WORK - Rs. 854.39 MILLION.

AUDIT VERSION

119. 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.

120. The Audit reported that during the financial year 2013-14, in the office of MD, PKHA, it was noticed that a sum of Rs. 854.387 million was authorized in excess in the schemes construction of road from Dir Upper to Sheringle Kohistan and Patrak 32 Km.

121. The scheme was originally approved for Rs. 981.37 million with completion period of 30 months started from 1/2010 to 6/2013 and distributed in five packages. The said work was not completed in time up to 6/2013 and after 15 months of the original completion date 6/2013, on the request of MNA, the TST work changed to premix carpet. The original PC-1; BOQ Cost was based on CSR 2009 rates in which in each package premix carpet and TST was available, while the revised premix cost was based on MRS 2013 which was unique revision which leads to increase in the cost of the schemes from Rs.981.37 million to Rs.1,835.74 million equal to double of the original cost (1,835.735-981.367=854.387) The original work was awarded on CSR 2009 and its revision to MRS 2013 was not justified which put the government to a loss of Rs.854.39 million. The following TST Work has already executed and paid.

| Package | Item of work | Rate | Qty | Total (Rs.in million) |
|----------------|---------------------|-------------|------------|------------------------------|
| 1. | TST | 339.82 | 3659.99 | 1.24 |
| 2. | TST | 339.82 | 5642.50 | 1.92 |
| 3. | TST | 339.82 | 3660.00 | 3.16 |

122. When the TST work was executed on CSR 2009 then the revision of the PC-1 for premix carpet on MRS 2013 was not justified.

123. Loss occurred due to lack of internal controls. When pointed out in Dec, 2014, the management replied that Chief Minister, Khyber Pakhtunkhwa on the demand of the public representative has directed to revise the scheme by including premix carpet instead of TST. The premix will be done after receipts of revised administrative approval.

124. 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 fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

125. The Department explained that originally work was awarded with a estimated cost of Rs.981.367 million based on CSR-2009 containing the item of T.S.T but on the continuous demand of public representative to Honorable Chief Minister, Khyber Pakhtunkhwa the scheme was revised with the cost of Rs.1798.525 million. Revised PC-I covered the item of premix based of prevailing MRS-2013 and the matter has been regularized by the Competent Forum with the approval of Honorable Chief Minister, Khyber Pakhtunkhwa being Chief Executive of the Province.

PAC OBSERVATION

126. The Committee observed that:-
- i. The revision of rates was made on the direction of Chief Executive of the Province.
 - ii. Codel formalities were not adopted while revising the rates.

PAC RECOMMENDATIONS

127. As the revision of rates was made on directions of Chief Executive of the Province, the Para was recommended to be settled, however to avoid such lapses in future the issue of revised estimates and rate analysis were referred to Sub-Committee already constituted in DP No. 3.4.2 (2015-16).

DP No. 3.4.9 LOSS DUE TO NON FORFEITURE OF EARNEST MONEY OF 2nd AND 3rd LOWEST BIDDER-Rs. 14.06 MILLION.

AUDIT VERSION

128. According to Procurement Rule 2003 Para 29 (5) if the tenderer whose tender has been accepted fail to sign the contract or failed to provide any required security for the performance of the contract, the procuring entity shall order the forfeiture of earnest money and shall gave orders of acceptance to second lowest or in case of failure of the second lowest to the third lowest bidder and so on, on the same terms of forfeiture of earnest money.

129. The Audit reported that during the financial year 2013-14, accounts record of the office of MD, PKHA revealed that in the Schemes package No. 33/2010/FD Restoration of Flood damages in D.I.Khan Tank road (3-62) km on provincial Highway

S-I Government sustained a loss of Rs 14.06 million due to non-forfeiture of earnest money in the light of Procurement rule 2003 Para 29 (5).

(Rs.in million)

| S No. | E/COST | 2% | No of bidders | Total loss |
|-------|--------|-------|---------------|------------|
| 1. | 62.915 | 1.279 | 11 | 14.06 |

130. The forfeiture from the 1st lowest bidder was done in 2012 while the amount transferred in 2014 to the reserved fund account. If the TDR Purchased on the total amount worked out by Audit, a sum of Rs.3.94 million would have been earned as profit.

(Rs.in million)

| Amount | Rate of interest | Total amount | Year | Grand total |
|--------|------------------|--------------|------|-------------|
| 14.06 | 14% | 1.97 | 2 | 3.94 |

131. According of the NIT Condition 8% additional security was required to have been deposited by the bidders who quote more than 10% below rates while the contractor has quoted 9.99% below on CSR 2009. As the rate quoted by the bidder was less than 10% below therefore, there was no need of depositing 8% additional security. Loss occurred due to weak internal controls and non-adherence to rules.

132. The matter was reported to the management in December. 2014, wherein the management furnished no reply.

133. 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, fix responsibility against the person(s) at fault and take measures to safeguard the interest of Government.

DEPARTMENTAL VERSION

134. The Department explained that total 11 Nos. bidders participated in the instant under observed work/package No.33/2010/FD Restoration of Flood damages in D.I.Khan Tank road (3-62) km on provincial Highway S-1” earnest money as pointed out by Audit of 10 Nos. unsuccessful bidders were returned after issuance of Work Order. The question of keeping 11-Nos. earnest money as per Audit observation in TDRs at @

14% for 2 years does not seem valid. It is pertinent to mention that amongst the participative bidders M/S Shalozan Constructors casted lowest bid 29.99% below against the engineer estimate and the work was awarded on obtaining of 8% additional security for marking the bid by more than 10% below against the estimate.

135. Later on, the contractor failed to start the work despite of repeated notices and the Authority forfeited his 2% earnest money and also debarred the said contractor. Afterward, for resumption of work on flood damages the authority has intended to re-tender the work. Meanwhile 11-Corps Headquarter has intimated to this Authority that tender may be cancelled and the work may be undertaken through quick impact projects by FWO. It is important to note that earnest money of the 1st lowest bidder was forfeited duly shown to the Verification of Record (VOR) Cell, but it was not agreed rather stated “that the Department has illegally imposed the 08% additional security due to which the contract of the 1st lowest bidder was canceled”

136. It was otherwise; a contractor under the rules was required to deposit 08% additional security by casting his bid more than 10% below against the Engineer Estimate. In this case, the lowest bidder failed to deposit 08% additional security in full rather deposited 50% of the additional security, therefore his bid was cancelled and 02% E/Money was forfeited accordingly.

PAC RECOMMENDATIONS

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

DP No.3.4.11 LOSS DUE TO NON-DEDUCTION OF INCOME TAX FROM ASSIGNEE CONTRACTOR – Rs. 10.39 MILLION.

AUDIT VERSION

138. According to Income Tax Ordinance 2001, if a person who is though domiciled in non taxable area and executes work in that area but is residing in taxable area within the meaning of section 82 of the Income Tax Ordinance, he shall be subject to the provision of the said ordinance.

139. The Audit reported that during the financial year 2014-15, the accounts record of Managing Director, Pakhtunkhwa Highways Authority revealed that a work, “improvement/rehabilitation of Sawari-Sirqillah-Chawga-Puran Road Sub Head Package-II (KM 7 to KM12)” was awarded to M/s Ziaullah & Co. for execution at total cost of Rs.146.03 million vide work order No.FHA/CC/No.129/2010 dated 07.10.2010. However, the work was assigned to another contractor M/s Pir Muhammad & Co. vide assignment agreement dated 23.09.2013 notified by the authority No.48-PKHA/474/const: dated 24.09.2013. The work valuing Rs.138.60 million was executed upto 01.04.2014 vide voucher No.612 dated 01.04.2014 (13th R/B). However, income tax of Rs.10.39 million was not deducted from the bills. Therefore, the public exchequer sustained loss which may be recovered. Loss occurred due to extending undue benefit to the contractor.

140. Loss was pointed out in October, 2015. The management replied that both contractors are exempted from income tax. Reply was incorrect. The former contractor is settled in District Peshawar, how he was exempted from the deduction of income tax?

141. 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 recover the income tax.

DEPARTMENTAL VERSION

142. The Department explained that the work falls in the erstwhile tribal areas administered under FATA/PATA which were exempted under Article 247 of the Constitution of Islamic Republic of Pakistan therein stated that “Parliament Act cannot be extended to FATA/PATA”.

143. It is also pertinent to mention that both the contractors’ original as well as assignee are the bona-fide residents of erstwhile tribal areas, therefore, they were exempted from income tax. Moreover, M/S Pir Muhammad & Co. has produced the Income Tax exemption certificate, which were already provided, and is hereby again attached for ready reference.

PAC RECOMMENDATIONS

144. Due to the fact that the exemption certificate of the contractors had been verified by Audit, the Para was recommended to be settled.

DP No. 3.4.12 LOSS DUE TO UNAUTHORIZED PAYMENT OF ESCALATION- Rs. 2.79 MILLION.

AUDIT VERSION

145. 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.

146. The Audit reported that during the financial year 2013-14, in the office of MD Pakhtunkhwa Highways Authority, it was noticed that local office has allowed escalation on steel to the contractor. The record further showed that the contractor was granted secured advance of Rs.12.89 million on account of steel purchased by the contractor and brought to site. As the steel so purchased and subsequently utilized in the work was procured on the government finances therefore escalation on the steel was not admissible to the contractor. The payment on this account is termed as loss of Rs.2.79 million to the public exchequer.

147. Loss occurred due to extend undue favour to contractor, non-adherence to provision of rules and financial mismanagement. When pointed out in December, 2014, the management stated that payment has been made as per provision of contract and no favour extended to contractor. Reply not convincing.

148. 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 recover the amount from the contractor or person(s) at fault.

DEPARTMENTAL VERSION

149. The Department explained that secure advance on actual supply at site with regard to the item of steel quantity as 70% of the supply was granted under the clause 60.1 (a) (b) & (e). It is worthwhile to be noted that escalation was actually granted

to the contractor on actually work done items less the quantity of the steel granted as secure advance. Calculation sheet along-with the copies of 7th IPC and Vouchers from 1st running bill up-to 7th were produced to Verification of Record (VOR) Cell for verification, in compliance with the Pre-PAC decision, but was not agreed rather it was recommended to be stand.

PAC OBSERVATION

150. The Committee observed that:-
- i. Secured advance of Rs. 12.89 million was granted to the contractor on account of steel purchased by the contractor and brought to site.
 - ii. Record transpired that payment of escalation was also made to the contractor on the steel which was purchased and brought to site on amount paid to the contractor as secured advanced.

PAC RECOMMENDATIONS

151. In view of the above, the Committee recommended to initiate action leading to recovery of the exact amount of escalation paid on the steel purchased upon the secured advance.

DP No. 3.4.15 LOSS TO PUBLIC EXCHEQUER DUE TO MANIPULATION IN TENDERS - Rs. 1.31 MILLION.

AUDIT VERSION

152. According to Para 89(a) (b) of CPWD Code read with para-23 of GFR Vol-1, tenders must be invited in the most open and public manner & 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.

153. The Audit reported that during the financial year 2014-15, in the office of MD PKHA while checking the tender documents of work, “Dualization of Mardan-Charsadda Road Phase-I Sub Head: Package-III” it was noticed that following manipulation carried out in %age of premium. As such, award of work to Ghulam Mohammad & Co. at premium of 8% (reduced from 14.12% to 8%) led to loss of Rs.1.31 million (130,766,607 x 1% (8% - 7.12%) to public exchequer which may be recovered from contractor or person(s) at fault.

| SNo. | Name of contractor (M/s) | Original premium offered (age%) | Manipulated offer (age%) | Difference (age%) |
|------|--------------------------|---------------------------------|--------------------------|-------------------|
| 1. | Ghulam M. & Co | 7.12 | 14.12 | 7 |
| 2. | NIC contractor | 10 | 18 | 8 |
| 3. | Itehad Co | 15 | 45 | 30 |
| 4. | Behram Construction Co | 10 | 16 | 6 |

154. The matter was reported to the management in October, 2015. The management replied that no cutting has been made in the tenders and the lowest contractor reduced rates from 14.12% to 8%. Reply is evasive. The actual quoted rates of the winning contractor were 7.12% and not 14.12% and due to changes in rates and award of work to him at 8%, the difference in rates is 1%. Loss may be recovered from the contractor or person(s) responsible. The rates in the tender form of four contractors manipulated which is very serious matter and needs special attention of the high ups.

155. 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 recovering the loss.

DEPARTMENTAL VERSION

156. The Department explained that there were 06 Nos bidders participated in the tender of the said work instead of 04 Nos bidders as observed by audit. It is worthwhile to be noted that the successful bidder being the lowest has originally offered his rate of 14.12% above instead of 7.12% above showing therein offered rate in figure as well as in words. Afterward, the contractor has voluntarily offered 8% above rebated rate against the Engineer's Estimate instead of 14.12% above as quoted originally.

157. It is pertinent to mention that the Authority has saved the 6.12% of the estimated cost, otherwise all other participative bidders offered higher rates as compared to the successful bidder. It is requested that as no loss has been sustained to the Government exchequer instead a saving of Rs.11.186 (m) has been made in the shape of offered rebated bid.

PAC RECOMMENDATIONS

158. As record was verified by Audit, the Para was therefore recommended to be settled.

DP No. 3.4.16 OVERPAYMENT TO CONTRACTOR DUE TO ALLOWING FORM WORK-Rs.9.27 MILLION.

AUDIT VERSION

159. 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.

160. The Audit reported that during the financial year 2013-14, in the office of MD PKHA, it was noticed that two contractors were allowed payment of Rs.9.27 million on account of erection and removal of form work in isolation despite the fact that it cannot be allowed in isolation in RCC work because in RCC work, the rate of form work already included.

161. The item of work of RCC so allowed in the instance cases were inclusive of form work therefore, separate payment on account of form work termed as undue favour to contractor which resulted in overpayment of Rs.9.27 million. Audit held that payment was required to have been withheld because of the composite rates of CSR already inclusive of form work. Overpayment was pointed out in December, 2014. The management stated that the form work was paid for PCC and no extra payment was made to contractor.

162. 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, fix responsibility and recover the overpayment.

DEPARTMENTAL VERSION

163. The Department explained that the Scheme “Widening & Rehabilitation of Shabqadar Battagram road (8 km) consist of two packages i.e: Package-I & II were awarded to M/S Ittehad Construction Co and M/S Sabz Ali Khan & Co respectively. In

both packages, side drains were constructed of plain cement concrete (1:3:6). The CSR rate analysis of PCC reveals that form work is not included in rate. Thus formwork was separately paid in Bills No.5 in both packages (Drainage and Erosion Control work) of the item “Erecting and removal of form work” (Vertical) in 12th/final IPC in Package-I and 14th/Final IPC in Package No. II in accordance with the CSR items, which were actually carried out by contractor at site.

164. The Audit party observation that formwork item was paid in RCC work is not correct, as form work was paid for PCC. The items were regularized in Technical Sanctions.

PAC RECOMMENDATIONS

165. Explanation of the Department advanced was found plausible and duly endorsed by Audit, therefore Para was recommended to be settled.

DP No. 3.4.19 NON-RECOVERY OF OUTSTANDING GOVERNMENT DUES - Rs. 20.87 MILLION.

AUDIT VERSION

166. 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.

167. The Audit reported that during the financial year 2014-15, in the office of Managing Director, Pakhtunkhwa Highways Authority, it was noticed that Rs.7.96 million are outstanding against the owners of Petrol and CNG pumps on account of Right of Way as on 30.06.2015. Non recovery of public revenue badly affects the budgeting of the authority as well as the public interest. Similarly, a sum of Rs.200,000 is outstanding against M/s Al-Mehreen Enterprises on account of Hiring Charges of Bitumen Distributor, which needs immediate recovery from the contractor concerned.

168. The contracts of various Toll Tax Collection were auctioned by the Pakhtunkhwa Highways Authority at a total cost of Rs.90.84 million. However, receipt statement for 2014-15 shows Rs.78.13 million realized from Toll Tax Collection.

Therefore, Rs.12.71 million were not deposited into government treasury. Thus outstanding amount of Rs.20.87 million needs to be recovered from the concerned.

169. The contracts of various Toll Tax Collection were auctioned by the Pakhtunkhwa Highway Authority at a total cost of Rs.90.84 million. However, receipt statement for 2014-15 shows Rs.78.13 million realized from Toll Tax Collection. Therefore Rs.12.71 million were not deposited into government treasury. Thus outstanding amount of Rs.20.87 million needs to be recovered from the concerned.

170. The matter was reported to the management in October, 2015. The management replied that:-

- i. Recovery is a continuous process and it can't be brought to nil. The receipt is actual and reasons for shortfall conveyed to the govt. Recovery for Rs.200,000 was made.
- ii. The amount will be recovered through adjustment against security of the contractor.

171. 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 expedite efforts for early recovery of the outstanding amount.

DEPARTMENTAL VERSION

172. The Department explained that the instant Draft Para contains the following three items:-

- i. **1st . Recovery from Oil Companies & Stations:-**

Since year 2014-15, PKHA through its devoted efforts recovered a total of Rs.8.386 (M) outstanding from CNG stations and Petrol Pumps. Moreover, strenuous efforts are being made by the Vigilance wing of PKHA by visiting the various sections of Provincial Highways and also served notices upon those stations to whom outstanding payment was pending. It is worth mentioning that PKHA is facing problems to identify the actual companies as most of the oil stations leave one company and enrolled with the other. It is also pertinent to mention here that some of the outlets of the petrol companies are closed but the companies are not providing the latest list so that the identification may be possible. With the continuous and hectic efforts of PKHA, it is probable that the entire outstanding amount against the POL companies will be recovered and progress to that effect will be intimated to Audit in due course of time.

ii. **2nd Recovery of Hiring Charges of Bitumen Distributors:-**

The recovery of Rs. 200,000/- against M/S Al-Mehreen Enterprises has been made from his security.

iii. **3rd Recovery of Toll Tax Collection:-**

Total 04 Nos Contracts of Toll Tax collection were auctioned by the PKHA at a total cost of Rs.90.840 (M) during the year 2014-15. All the outstanding amount as pointed by Audit has duly been recovered and deposited into the PKHA's account. It is important to note that requisite documents with regard to the recoveries were produced to the Verification of Record (VOR) Cell of DG Audit (Provincial), but it was not agreed and fate of the Draft Para has not yet been conveyed.

PAC RECOMMENDATIONS

173. In view of the explanation that whole of the amount had been recovered the Para was recommended to be settled subject to verification of recovered amount by Audit within a month.

DP No. 3.4.20 UNAUTHORIZED EXPENDITURE DUE TO ABNORMAL INCREASES IN THE COST OF SCHEME-Rs. 993.15 MILLION.

AUDIT VERSION

174. According to Para 95 of CPWD code, Engineer is strictly prohibited to deviate from sanctioned design in the course of execution of work.

175. The Audit reported that during the financial year 2014-15, in the office of MD PKHA, it was observed that in the start, local office prepared schemes with the least cost, got approved and awarded to the contractors and later on these schemes were subsequently abnormally increased due to various reasons despite the fact these schemes were prepared by the consultants. In certain cases overall scope of the scheme changed like conversion of TST work into Premix while in some cases the items of Earth work/Embankments allowed abnormally in excess of the BOQ. It may be added that in series of cases scheduled items were allowed as non BOQ. During test check it was found from the review of some cases that an amount of Rs. 993.15 million was spent in excess of the approved schemes which have no validity because all the schemes and BOQs were prepared by the consultant having paid fee for design, estimates etc. This excess so allowed is termed as unauthorized expenditure.

176. Audit held that all BOQs of the schemes were prepared by the consultants for which handsome amount was paid to them therefore before the commencement of work proper analysis should have been carried out which was not done. Unauthorized expenditure occurred due to weak internal controls, extending undue favor to contractor, non-adherence to provisions of the rules and procedures and financial mismanagement.

177. When pointed out in September 2015, the management stated that the increase was due to the reason that alignments were changed on the directives of CM, schemes revised due to additional works etc. Reply not convincing.

178. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends that detailed scrutiny of all such schemes be carried out and be shown to PAC that what was the initial cost, why the cost increased and what was the role of consultants to whom huge amounts as consultancy paid.

DEPARTMENTAL VERSION

179. The Department explained that quantities contained in the original BOQ are always estimated quantities based on preliminary topographic survey of design consultants which are subject to variation on the basis of detail joint survey conducted between the contractor and supervisory consultant. It was also added that excess quantities of an item "Formation of Embankment from Borrow Excavation" over and above the BOQs are executed as per actual site requirement under Clause 51 & 52 of C.O.C duly regularized in Technical Sanction.

180. Secondly as far as the execution of premix as pointed out in Advance Para No.127/2014-15 was concerned, this item was executed by the approval of Honorable Chief Minister Khyber Pakhtunkhwa, as already replied in D.P.No.3.4.8/2015-16.

PAC RECOMMENDATIONS

181. As per DP No. 3.4.8 (2015-16).

DP No. 3.4.21 UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF ABNORMAL DEVIATION FROM CONTRACT COST - Rs. 703.48 MILLION.

AUDIT VERSION

182. According to Para 19 of GFR Vol-I read with Para 89 of CPWD Code, the agreement with contractor must be precise and definite. It should state the quantity and quality of work to be done and the terms upon which the payments will be made.

183. The Audit reported that during the financial year 2014-15, in the office of Managing Director, Pakhtunkhwa Highways Authority it was noticed that contracts for Rs. 416.54 million was made with the contractors for execution of work “Improvement/Widening of Serikot–Panyan Section of Provincial Highways S-1 (24 KM) Haripur”. However, Final Bills of the contractors show that expenditure of Rs.703.48 million was incurred against contract cost of Rs.416.26 million which is gross deviation from contracts as well as drawing/designs approved by the competent forum. Audit would like to know the reasons for such abnormal deviation in each and every case. Either the surveys/reports carried out through the consultants were imaginary or non transparency observed in the tender process and execution of work.

(Rs. in million)

| SNo. | Voucher No. & Date | Contractor | Contract cost | Cost of work executed | %age excess execution |
|------|---|-----------------------------------|---------------|-----------------------|-----------------------|
| 1. | 659/23-04-2015 (33 rd & Final Bill) | M/S Raja Naik Mohammad & Bros. | 146.88 | 247.47 | 68.485 % |
| 2. | 648/21-04-2015 (35 th & Final Bill) | M/S Mohammad Afzal Khan & Bros | 166.50 | 327.06 | 96.433 % |
| 3. | 657/23-04-2015 (19 th & Final Bill) | Zeb Construction Co. | 102.88 | 128.95 | 25.341 % |
| | | Total | 416.26 | 703.48 | 69% |

184. The issue was reported to the management in October, 2015. The management stated that BOQs are tentative. Variation orders are issued under Clauses 51 & 52 of the contract agreement for addition/alteration. Audit is of the view that Clauses 51 & 52 are frequently misused. The increase in cost from 416.25 million to 703.48 million is abnormal and is reported to the competent forum for corrective action.

185. 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 dig out the deficiencies which resulted into abnormal deviation and increase in the contract cost, despite the fact that consultant was hired for this purpose.

DEPARTMENTAL VERSION

186. The Department explained that Widening of Serikot Panyan Road Section of Provincial Highways (S-1) 24-Km District Haripur” was originally administratively approved for the cost of Rs.497.184 million and was tendered in three packages and work order issued to successful bidders at contract cost as mentioned in the Audit Para. Later on, during the execution of work, the additional component of Serikot Bypass was included in the scheme under direction of Worthy Chief Minister, Khyber Pakhtunkhwa. The scheme was therefore revised for a cost of Rs.744.030 million. The contractors shown willingness to execute the additional works on their old approved rates.

187. The Variation Orders were accordingly prepared and approved by the competent forum. Therefore the increase in cost is not due to the faulty survey of the consultant but due to the increase in scope of work on the direction of Chief Minister Khyber Pakhtunkhwa duly covered in revised PC-I, V.Os and T.S granted by the Competent Authority.

PAC OBSERVATION

188. The PAC observed that:-

- i. While submitting the case for revision in the PDWP meeting held on 06-03-2012 the Department told that the enhancement in cost of the project from Rs. 497.184 to Rs. 744.030 was due to poor planning and Designing on part of the Project consultant. They have already issued an show cause note to the consultant. The consultant also violated the trust of the forum by not attending the meeting and that the Department was considering the options of debarring them and action against the consultant will also be shared with the Pak Engineering Council for action on their part. The project was approved subject to the condition that Managing Director PKHA will submit the fact finding report within a month.

- ii. The Department produced the said inquiry report and proof of the action taken against the consultants.

PAC RECOMMENDATIONS

189. In view of the above, the Para was recommended to be settled.

DP No. 3.4.22 UNAUTHORIZED PAYMENT TO THE CONTRACTORS ON ACCOUNT OF ESCALATION-Rs. 71.33 MILLION.

AUDIT VERSION

190. In accordance with the Government of Khyber Pakhtunkhwa, Work & Services Department Notification No.SOG/W&S/11-129/2005 dated 30-06-2005, escalation for extended period is not admissible.

191. The Audit reported that during the financial year 2014-15, the accounts record of Managing Director Pakhtunkhwa Highways Authority revealed that contracts for execution of approved works were made with the contractors. The works were awarded after proper feasibility studies, geotechnical investigation, drawing designs carried out through consultants for which huge payments were made. For execution of works, services of other consultants for construction supervision at high costs were also acquired. Time frame for completion of the schemes was also mentioned in the work orders and contracts. Huge funds were provided for execution of these works in each financial year out of which investments were also made. However, despite availability of every facility and supervision by the consultants and department engineers, the works were not completed within time limit. The management failed to invoke liquidated damages clause of agreements rather escalation of Rs.71.33 million was allowed to the contractors for the extended period which was unauthorized. Recovery may either be affected from the contractors or the Pakhtunkhwa Highways Authority Engineers.

192. Unauthorized payment was made due to weak internal controls. Unauthorized payment was pointed out in October, 2015. The management stated that the works could not be completed because of funds and shifting of utilities problems. Hence, escalation was admissible.

193. 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 the recover escalation paid from the person(s) concerned.

DEPARTMENTAL VERSION

194. The Department explained that Audit has observed the 21 Nos works in the Advance Para no.102/2014-15 converted into the current Draft Para. It is also added that requisite time extensions to the contractors were granted under clause 44 of COC without any fault of the contractor, therefore imposing liquidated damages upon the contractor could not be established.

195. Since, the delay were not on the part of the Contractors concerned, therefore as per contract agreement Clause 70.1 of COC, the contractors were entitled for escalation/de-escalation.

196. During the meeting the Department explained that time extensions were granted due to the fact that funds were not readily available and the contractors were not at fault and produced documentary evidence to the Committee.

PAC RECOMMENDATIONS

197. In view of the explanation advanced by the Department the Para was recommended to be settled.

DP No. 3.4.23 EXCESS PAYMENT ON ACCOUNT OF EXCESS OVER PC-1/ BOQ ITEMS-Rs. 44.75 MILLION.

AUDIT VERSION

198. According to Para 220 of CPWA Code read with Paras 69 & 89 CPWD Code and Para 20 read with Para 23 of GFR Vol-I, all payments shall be made for work done duly measured in accordance with quantity, quality, rates and specification approved in the detail cost estimate. Expenditure on a work should be restricted to the Estimate/BOQ Cost. Every government officer is personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinates.

199. The Audit reported that during the financial year 2013-14, MD PKHA paid a sum of Rs. 44.75 million for some items of work not provided in the approved

PC-1/BOQ and paid in excess than quantities provided in the PC-1 and BOQ in the following schemes:-

| S.No. | Name of scheme | Amount(Rs. in million) |
|--------------|--|------------------------|
| 1. | Construction of link road motorway Wali Khan interchange | 35.43 |
| 2. | Construction of Khwazakhela RCC bridge | 9.32 |
| Total | | 44.75 |

200. Some non BOQ Items were paid, though the survey drawing and design was carried out by the consultant for which heavy payments were made to him, but even then in some items more than 100% variation/excess payment, were made, which require proper investigation. Audit held that variation order for 15% in excess on item is normally allowed. 100% variation on item of work or execution of those items not provided in the PC-1 required revision of the PC-1.

201. When pointed out in December, 2014, it was replied by the department that as per clause-51 & 52 of the contract agreement the variation order has been approved by the competent authority. Audit disagree with the reply.

202. 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, fix responsibility and initiate remedial measures to avoid such lapses in future.

DEPARTMENTAL VERSION

203. The Department explained that BOQ quantities are always estimated quantities based on preliminary topographic survey of design consultant, which are subject to variation on the basis of detailed joint survey conducted between the contractor and supervisory consultants. The quantities of all the under observed items pointed out in 02-Nos. Advance Paras were executed as per actual site requirements, therefore, these excess quantities over and above of BOQs are duly regularized through Variation Orders granted under Clause 51 & 52 of the Contract Agreement and Technical Sanctions accorded by the Competent Authority.

PAC RECOMMENDATIONS

204. In view of the explanation advanced by the Department the Para was recommended to be settled subject to verification of variation orders issued in the light of relevant provision for variation of the schemes in the contract agreement.

DP No. 3.4.25 UNJUSTIFIED EXPENDITURE ON ROAD ASSET MANAGEMENT SYSTEM-Rs. 2.49 MILLION.

AUDIT VERSION

205. According to S.No.(c) of Terms of reference provided in the PC-1 of scheme, road asset management system, the consultant will be required to insure the equipments with one of the major insurance companies. As laid in Para 159 of GFR Vol-I, the controlling officer is responsible to conduct physical verification of assets yearly.

206. The Audit reported that during the financial year 2014-15, in the office of MD PKHA, it was noticed that “ADP scheme road asset management system” was administratively approved at a total cost of Rs. 102.96 million on 24.09.2011. Expenditure of Rs.112.96 million which included payments of Rs. 19.00 million to the consultants was incurred on the project. The expenditure stands unjustified on the following grounds:

- i. Rs. 2.487 million were paid to National Insurance Co. Ltd. out of development funds NIDA-11 on account of insurance of vehicles & equipments vide Vr.No.689 dated 30.05.2013 which was the responsibility of the consultants in light of condition-C of TOR.
- ii. Vehicles costing Rs.9.098 million were purchased by the project management. The project has been closed but the vehicles are in possession of officers. Thus, the precious assets are misused. Physical verification of assets was not carried out by the controlling authority.

207. Unjustified expenditure was pointed out in October, 2015. The management stated that payment of insurance out of PKHA fund was decided in the meeting by the competent authority. On payment of insurance by the consultants, the rates would have been increased. Reply is not convincing. The unjustified expenditure incurred due to not following the TOR clauses in letter and spirit.

208. 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 recover the insurance amount from the consultant and the where about and misuse of vehicles be investigated.

DEPARTMENTAL VERSION

209. The Department explained that Original approved cost of the RAMS project under ADP No.952/2014-15 was amounting to Rs.102.960 (M) but Technical Sanction of the said project was granted of amounting to Rs.112.960 (M) which is within the 15% limit of Original / initial cost and thus the expenditure has been justified.

210. In addition to above, it is pertinent to mention here-with that as per TOR, the consultant was required to insure the equipments, but in pursuance of the decisions of the Consultant Selection Committee meeting held on 08.01.2013 Chaired by Managing Director PKHA being the Competent Authority, the cost of Consultancy Services was not only reduced to 43.849 (M) but it was further rationalized to Rs.21.000 (M) and the cost of Insurance would be paid by PKHA, which is covered under section 21 (1) read with section 4 of PKHA Ordinance.

211. It was also important to note that after the above mentioned meeting, the agreement was signed between the parties, wherein the condition regarding the payment of Insurance by the Consultant was deleted.

212. Secondly, as far as the custody of vehicles and other equipments are concerned, it is worth noting that the project was conceived for the Roads Assets Management to PKHA and C&W Department to increase the Road efficiency and manage the Road Network and it assets. It clarified that Assets Management of Roads was a continuous process and it will be updated annually revealed in PC-I, therefore as other equipments of the project retained by the PKHA, likewise the vehicles were also retained by the Authority.

213. In light of the above, it is concluded that as insurance of the equipments was made by PKHA under the above mentioned sections of PKHA's Ordinance duly reflected in its aforementioned minutes of the meeting and the vehicles like other

equipments of the said project are used in continuous process, therefore, no loss sustained as well as no irregularities have been made, therefore, Draft Para may kindly be recommended to be settled please.

PAC RECOMMENDATIONS

214. In view of the explanation advanced by the Department the Para was recommended to be settled subject to physical verification of the vehicles, equipments, detail of equipments and vehicles retained by the Department and full justification of its use by the departmental officers by Arbab Muhammad Waseem, MPA, Audit and PAC cell within one month.

DP No. 3.4.27 LOSS DUE TO MISSING EQUIPMENTS & VEHICLES-Rs. 5.94 MILLION.

AUDIT VERSION

215. According to Para 148 of GFR Vol-I, all material 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.

216. The Audit reported that during the financial year 2013-14, in the office of MD PKHA, it was noticed that in the construction of Odigram Bridge Rs.5.94 million was paid to the contractor for the purchase of survey, laboratory equipments and transport for employer engineers. After completion of the scheme the said equipments and vehicles become the property of the PKHA but where about of the same were not available in record of local office. Audit held that missing of items occurred due to weak internal controls and non-observance of rules and procedures.

217. The irregularity was pointed out in December, 2014. The management replied that laboratory items purchased are on the charge of PKHA and proper handing/taking over has been done. Reply is not satisfactory. Complete record of lab equipments, machinery, vehicles purchased under bill No.7 of each project may be produced.

218. 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 carry out investigation in respect of all similar nature works executed in the PKHA and recovery should be made from the person(s) responsible.

DEPARTMENTAL VERSION

219. The Department explained that the laboratory item purchased is on the charge of PKHA and to this affect proper Handing/Taking over of the purchased equipment has been done amongst the stake holders. Handing/taking certificate of lab equipment's is annexed.

PAC RECOMMENDATIONS

220. As per DP No. 3.4.25 (2015-16).

FOLLOW-UP BUSINESS

221. In the meeting of PAC held on 09-09-2020, the following Follow-up Business Draft Paras were discussed.

DP No. 4.4.6, 4.4.7, 4.4.9 & 4.4.12

(2014-15)

222. The Secretary-PAC explained that Four (04) Draft Paras No. 4.4.6, 4.4.7, 4.4.9 and 4.4.12 were settled, subject to verification of record in meeting of PAC held on 05-11-2019 but the Department failed to do so till date.

223. The action required to be completed within a month time had not been finalized as yet even after the lapse of 10 months.

DP No. 4.4.11 NON-PRODUCTION OF RECORD OF ILLEGAL APPOINTMENTS IN PBMC PESHAWAR.

224. The Para was subjudice, hence was kept pending till decision of Court of Law and the Department was required to pursue it regularly but no progress was intimated till date.

DP No. 4.4.17 NON-RECOVERY FROM CONTRACTORS-Rs.1.483 MILLION.
(2014-15)

225. Departmental action i-e inquiry and initiation of action against the concerned for non of deduction voids was required to be taken within a month but no action had been initiated by the Department till date. Except an inquiry officer was nominated on 03-09-2020 just five (05) days before the commencement of PAC meeting which, clearly shows the laxity and non-responsive attitude of the officers sitting at the helm of affairs of the Department.

DP No. 9.13 LOSS DUE TO NON RECOVERY OF STORES-Rs. 1.15 MILLION.
(2005-06)

226. Total amount recovered but verification of recovery Rs.4,22,345/- is pending.

227. The PAC shown grave concern over the casual and non-responsible attitude of the Department and directed to complete the actions involved in the above said Draft Paras within 10 days positively and report progress to the Follow-up Committee already constituted for the purpose. Otherwise the officers sitting at the helm of the affairs will be held personally responsible.

HEALTH DEPARTMENT

OVERVIEW

Thirty nine (39) Draft Paras, reflected in the Auditor General,s Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meeting held on 23rd, 24th, 30th September and 1st October, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

| | | |
|----|---|----------|
| 1. | Mr. Mushtaq Ahmad Ghani, Speaker | Chairman |
| 2. | Mr. Muhammad Idrees, MPA | Member |
| 3. | Mr. Inayatullah Khan, MPA | Member |
| 4. | Arbab Muhammad Waseem Khan, MPA | Member |
| 5. | Mr. Babar Saleem Swati, MPA | Member |
| 6. | Mr. Ahmad Kundi, MPA | Member |
| 7. | Mr. Fazal Shakoor, MPA | Member |
| 8. | Mr. Aghaz Ikramullah Khan Gandapur, MPA | Member |
| 9. | Mr. Jamshaid Khan, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

1. Mr. Qaisar Khan,
Additional Secretary.
2. Mr. Shakeel Asghar,
Additional Secretary.

FINANCE DEPARTMENT

1. Mr. Akhtar Saeed Turk,
Additional Secretary.
2. Mr. Safeer Ahmad,
Additional Secretary.
3. Mr. Fazal Hussain,
Deputy Secretary

AUDIT DEPARTMENT

1. Mr. Lal Muhammad,

- Director General.
2. Mr. Zain-Ul-Abidin,
Deputy Director.
 3. Dr. Muhammad Ismail,
Deputy Director.
 4. Mr. Khalid Zaman,
Audit Officer.

HEALTH DEPARTMENT

1. Syed Imtiaz Hussain Shah,
Secretary.
2. Mr. Farooq Jamil,
Special Secretary
3. Dr. Tahir Nadeem Khan,
Hospital Director, (KTH).
4. Mr. Riaz Ali Khan,
Director Finance (KTH).
5. Dr. Tariq Burki,
Hospital Director, (LRH).
6. Dr. Farruk Jamail,
Hospital Director, (MTI) D.I Khan.
7. Mr. Muhammad Awais Khan,
Director, Finance (KGNTN) Bannu.
8. Dr. Shams-ur-Rehman,
Deputy Director, Finance (LRH).
9. Prof. Dr. Zia-ul-Haq,
Vice Chancellor (KMU).
10. Dr. Siraj Muhammad,
Medical Superintendent (Government Naseerullah Khan Hospital).
11. Dr. Ahmad Faisal,
Medical Superintendent (General & Mental Hospital Dadar Mansehra).
12. Dr. Muhammad Zahid,
Medical Superintendent (Sarhad Hospital Psychiatric Diseases).
13. Dr. Khan Bahadur,
MS DHQ Charsadda.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Nasrullah Khan Khattak,
Secretary.

2. Mr. Amjad Ali,
Additional Secretary-I.
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:-

DP No.7.4.9 LOSS TO THE HOSPITAL DUE TO SUPPLY OF EXPIRED LAB: CHEMICALS - RS.11.89 MILLION.

AUDIT VERSION

3. The Audit reported that according to serial No. 14 of the Health Department letter No. SO(D)Health/3-8/94 dated 27.3.2001, the pharmacist shall accept only fresh stock of medicines, however, any drug near expiry date shall be replaced at the earliest.

4. During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar, laboratory chemicals worth Rs.11.89 million supplied were found either expired or having short expiry dates “less than 06-month period”. Which were a great loss to the hospital as well as injurious to the patients.

5. The loss occurred due to weak internal controls and extending undue benefit to the supplier at the cost of precious lives of poor patients.

6. Loss was reported to the management in October 2015, the department was requested repeatedly for fixing the DAC meeting, but neither the DAC meeting was convened, nor reply was given by the management, till finalization of this report.

Statement showing detail of short expiry medicines

| S No | Cheque No & Date | Amount | Name of Supplier | Medicine/ Chemical | Qty | Rate | Amount | Date of Supply | Date of Expiry |
|------|--------------------|---------|------------------|--------------------|-----|------|---------|----------------|----------------|
| 1 | 163185 dt 27-8-14 | 221220 | Ejazuddin | CA clean | 10 | 3444 | 31685 | 19-6-14 | 17-6-14 |
| 2 | 16375 dt 6-9-14 | 1249936 | -do- | Cell pack | 80 | 8250 | 607200 | 24-2-14 | 28-3-14 |
| 3 | -do- | -do- | -do- | Stromatolyser | 100 | 7200 | 662400 | 24-2-14 | 8-12-13 |
| 4 | 163791 dt 25-10-14 | 1536849 | -do- | Cell pack | 100 | 8250 | 7590000 | 13-3-14 | 5-6-14 |
| 5 | -do- | -do- | -do- | Stromatolyser | 100 | 7200 | 662400 | -do- | 6-12-13 |

| | | | | | | | | | |
|----|-----------------------|---------|---------------------|--------------------|-------------|----------|-----------------|---------|----------|
| 6 | -do- | -do- | -do- | CA clean | 12 | 3444 | 38022 | -do- | 26-12-14 |
| 7 | 167100 dt 23-6-15 | 1849934 | M/s Roche Pak | Elecsys T-3 | 06 packt | 28804/50 | 172827 | 16-2-15 | 31-10-15 |
| 8 | -do- | -do- | -do- | -do- | -do- | -do- | -do- | 16-2-15 | 30-9-15 |
| 9 | -do- | -do- | -do- | -do- | -do- | 35724 | 285798 | 16-2-15 | 30-6-15 |
| 10 | -do- | -do- | -do- | -do- | 03 | 24327 | 72983 | 16-2-15 | 31-12-15 |
| 11 | -do- | -do- | -do- | -do- | 03 | 24327 | 72983 | 16-2-15 | 30-9-15 |
| 12 | -do- | -do- | -do- | -do- | 03 | 22190 | 67170 | 16-2-15 | 31-12-15 |
| 13 | -do- | -do- | -do- | -do- | 05 | 39105 | 195529 | 16-2-15 | 30-6-15 |
| 14 | -do- | -do- | -do- | -do- | 03 | 35065 | 105197 | 16-2-15 | 31-7-15 |
| 15 | -do- | -do- | -do- | -do- | 01 | 23827 | 23827 | 16-2-15 | 31-12-15 |
| 16 | -do- | -do- | -do- | Precygram HBA | 01 | 8581/5 | 8581/5 | 16-2-15 | 31-3-15 |
| 17 | -do- | -do- | -do- | Precipath HBA | 02 | 11086 | 22172 | -do- | -do- |
| 18 | -do- | -do- | -do- | HBA IC | 05 | 36318 | 181593 | 16-2-15 | 31-12-15 |
| 19 | -do- | -do- | -do- | Phosphorus sys | 02 | 21069 | 42138 | 16-2-15 | 31-8-15 |
| 20 | -do- | -do- | -do- | Urea | 20 | 5175 | 103500 | 16-2-15 | 31-8-15 |
| 21 | -do- | -do- | -do- | Elecsys | 01 | 42770 | 42770 | 16-2-15 | 31-10-15 |
| 22 | -do- | 493402 | -do- | HBA Tc TQ Gen-3 | 03 | 36318 | 108955 | 22-4-15 | 31-12-15 |
| 23 | -do- | -do- | -do- | Urea Liquid | 10 | 14526/90 | 145269 | 22-4-15 | 31-12-15 |
| 24 | -do- | -do- | -do- | Urea UU sys- 1 | 15 | 5175 | 77625 | 22-4-15 | 31-8-15 |
| 25 | -do- | -do- | -do- | Priconorm L4 | 01 | 7110/90 | 7110/90 | 22-4-15 | 31-8-15 |
| 26 | -do- | 205926 | -do- | HBA IC Gen-3 | 06 | 36318/60 | 217911 | 2-6-15 | 31-12-15 |
| 27 | 164253 dt 26-11-14 | 864986 | -do- | Urea Liquid | 10 | 14526/90 | 145269 | 13-2-14 | 31-7-14 |
| 28 | -do- | -do- | -do- | Elecsys TSH | 02 | 35724/60 | 71449 | 11-3-14 | 31-8-14 |
| 29 | -do- | -do- | -do- | Urea UV Sys- 1 | 20 | 5173 | 103460 | 3-3-14 | 31-7-14 |
| | | | | | | | 11893389 | | |

DEPARTMENTAL VERSION

7. The Department explained that the items pointed out by the Audit were supplied and issued to the concerned units in time before the expiry date. The concerned units utilized these items well before the expiry date with no patients' adverse reaction/reports.

8. During the meeting the Department further explained that:-

S/No.1 The Audit had inadvertently attached the old bill of landing with the Para, which was for batch No.A 3067 showing date of expiry as 17.6.2014 whereas CA clean with expiry date 14-05-2015 was supplied taken on register at S/No.6 of 9 page No.472/52,54,444 with batch No. A4056 on delivery challan.

S/No.3 Department produced stock register, stromatolyser entered on page-427 order No.3945/LRH/PC lot No.AM3021 with expiry date 26-09-2014 was inadvertently taken by Audit as 08-12-2013 which was for batch No.AM2025.

S/No.5 Department produced the record mentioned at S/No.5 taken on register receipt on issue of lab chemicals etc with order No. 5471/LRH, lot No. AM3027 with expiry date 13-12-2014 inadvertently entry taken by Audit as A2025 with expiry date 06-12-2013.

9. The Department informed that it was mistake on part of Audit and the Institution had not purchased expired or short expiry lab chemicals.

PAC OBSERVATION

10. The PAC observed that:-

- i. The Audit had framed Para on irrelevant document without any clarification.
- ii. DAC was not held due to which the minor issue involved was not rectified.

PAC RECOMMENDATION

11. In view of the above, the Para was recommended to be settled with the direction to the Department to convene DAC meetings regularly. The Audit was directed to examine the record carefully before raising objection in the shape of Audit Para.

DP No.7.4.10 LOSS DUE TO NON-RECOVERY OF HOSPITAL DUES - RS.8.25MILLION.

AUDIT VERSION

12. The Audit reported that according to rule 17(2) of Medical Institution Rules 2001 all the receipts of an institution shall be deposited in the Bank in the name of the institution concerned.

13. During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar, the Hospital authorities executed various contracts for cycle/car Park, khoka shops and 09 shops on monthly rent basis. On further scrutiny of relevant record i.e, receipt statement, Challans etc. it was observed that monthly rent of Rs.8.25 million

was still outstanding against various contractors up to 29.09.2015. It is worth mentioning that 09 shops adjacent to Gyaneer block were rented on monthly rent basis, but neither formal contract was executed with the contractors nor substantial amount as advance was received which contributed towards non-payment of monthly rent.

14. The loss occurred due to weak internal controls. Loss was reported to the management in October 2015. The management replied that the Para relates to DMS Litigation/contract Section detail reply along with record will be submitted in near future.

The department was repeatedly requested for holding of the DAC meeting, neither the DAC meeting was convened nor further detail submitted by the management, till finalization of this report.

15. Audit recommends to recover the dues from the person(s) concerned and proper contracts be signed with the contractors. The detail is as under:-

| S# | Name of Contractor | Name of Contract | Period of default | Monthly Rent | Outstanding Amount |
|----|--------------------|------------------|--|--------------|--------------------|
| 1 | Ghulam Akbar | Car/Cycle Stand | September, 2007 | 173000 | 153,000 |
| 2 | Shabir Ahmad | -do- | 1-3-07 to 14-5-07 & 16-9-07 to 4-11-07 | 175000 | 573,333 |
| 3 | Suleman Babar | -do- | February, 2009 | 215800 | 155,800 |
| 4 | Muhammad Ayaz | Cycle Stand | 06-2013 to 03-2014 | 150000 | 1,500,000 |
| 5 | Atif-Ur-Rehman | Gynae Khoka | 03-2015 to 07-2015 | 86316 | 431,580 |
| 6 | Jehanzeb | Shop G-01 | 11-2012 to 07-2015 | 31500 | 1,039,500 |
| 7 | Jan Rahim | -do- G-02 | -do- | 26500 | 874,500 |
| 8 | Jehanzeb | -do- G-03 | -do- | 15200 | 501,600 |
| 9 | Jan Rahim | -do- G-04 | -do- | 15100 | 498,300 |
| 10 | Haji Abdul Samad | -do- G-05 | -do- | 15500 | 511,500 |
| 11 | -do- | -do- A-07 | -do- | 15500 | 511,500 |
| 12 | Jan Rahim | -do- G-08 | -do- | 15100 | 498,300 |
| 13 | Tariq Umar | -do- A-09 | -do- | 15100 | 498,300 |
| 14 | Jehanzeb | -do- G-07 | -do- | 15100 | 498,300 |
| | | | | Total | 8,245,513 |

DEPARTMENTAL VERSION

16. The Department explained that the outstanding dues were related to different fiscal years which were duly reported by the Directorate of Finance LRH on monthly basis as under: -

Contractors at serial No. 1-4 (Car Park/Cycle stand):-All the contractors were absconders several legal notices were served to them but they have not turned up yet. The Anti-corruption Department has also been involved in the recovery proceedings and they have approached all the absconders at their residential address.

Contractor at serial No. 5: This contractor has cleared all his outstanding dues amounting to Rs. 4, 31,580/-.

Contractors at serial No. 6—11: have been awarded the shops in Saraye Block near Gyanee Block on rental basis. There were few disputes between the shops keepers and the hospital authorities that: -

- i. Remittance of rent of 7—8 months due to non-availability of Electricity.
- ii. Construction of Path way/stairs towards Gynae Block.
- iii. Removal of cabin on frontal elevation of Saraye Block / illegal encroachment.

17. All the shop allottees were served legal notices in March 2016. Two of them have deposited the outstanding rent with effect from February 2014 to February 2015 as a token payment. While the others have submitted applications for review their outstanding dues. The detail of deposited amount is as under: -

- a. Mr. Janzeb, Shop No. G—1 + G—3 + A—7 has deposited Rs. 11, 87,850/- on (31.03.2016).
- b. Mr. Jan Rahim, shop No. G—2 + G—4 has deposited Rs. 10,96,764/- on 01.04.2016 + Application to cancel allotment of Shop A—9.
- c. Mr. Tariq Umar, shop No. A—9 has submitted an application for cancellation of his allotment.
- d. Haji Abdul Samad (Late), Shop No. G—5 + G—7 = has submitted application for remittance of rent on account of non business activity in the shops.

PAC OBSERVATION

18. The PAC observed that:-
- i. The same nature Para was discussed in the Audit report for the year 2010-11, wherein against the same contractors namely Mr. Ghulam Akbar and Mr. Shabir Ahmad same amounts were outstanding even after the lapse of (8) years.
 - ii. The Department had not executed any formal agreement for nine (09) shops adjacent to Gyanee block which were rented on monthly rent basis.
 - iii. No efforts were made by the controlling officer to recover the dues in time.
 - iv. The contract of Mr. Ghulam Akbar was expired in December 2006; however, notice was issued to him on 31-03-2011.
 - v. No security or advance was obtained while awarding all contracts.

PAC RECOMMENDATION

19. The Committee after detailed discussion and in view of the above observations directed the Secretary to conduct inquiry for fixing responsibility and to initiate action leading to recovery from the concerned contactors within a month. In case of failure the amount involved may be recovered from the responsible Officers according to quantum of their responsibility. Para Stands. Progress be reported to PAC. Moreover for corrective measures the Department was directed to device a fool proof mechanism for in time receipt of government dues, ensure contract agreements having penal clauses in case of default from either side.

DP No.7.4.12 LOSS DUE TO IGNORING LOWEST RESPONSIVE BIDDER - RS.4.80 MILLION.

AUDIT VERSION

20. The Audit reported that according to rule 29 of Khyber Pakhtunkhwa Procurement rules read with Health Department notification No.2-111/SPO/PC/H/Vol/2004-05, dated 06-06-2005, the tender accepting authority shall consider the detail evaluation report prepared by technical evaluation committee before

taking final decision and the order shall be placed to the bidder, whose bid is responsive and having lowest evaluated price.

21. During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar, a sum of Rs.11.60 Million was shown paid to M/S Allumed Solution for the supply of 20 No. KLS martin diathermy machines vide bill No. Kst 9005492 dated 23.9.2013. According to comparative statement lowest responsive bidder was M/S Sudais Associate whose bid was Rs.3,40,000/- while the offer of M/S Allumed Solution was 580,000. Local office ignored the lowest responsive bid and accepted the higher rates due to which hospital sustained a loss of Rs.4.80 million ($580,000 - 340,000 = 240,000 \times 20$).

22. The loss occurred due to extending undue benefit to the contractor and non-adherence to rules. Loss was reported to the management in October 2015, no reply was given by the management. The department was repeatedly requested to convene the DAC meeting, the DAC meeting was not convened till finalization of this report.

DEPARTMENTAL VERSION

23. The Department explained that the selection has been made by the purchase committee of the institution on specification basis. The Comparative statement attached has mentioned the comments that the bid/Machine quoted by the M/s Sudais Associates was not according to specification. Therefore, the purchase has been made from the next lowest bidder. The Department further explained that the purchase was made on the recommendation of end user.

PAC OBSERVATION

24. The Committee observed that:-
- i. The technical Committee evaluated the Technical bids of the suppliers and submitted report for consideration of the purchase Committee. The lowest bid which was also responsive was rejected by the institution without any cogent reason.
 - ii. There was no such provision in Rules to make selection of items on the recommendations of end user.

PAC RECOMMENDATION

25. The Committee after detailed discussion and thorough examination recommended to recover the overpaid amount from the responsible (s) after fixing responsibility within three (3) months. Moreover, the views of end user may be obtained at the time of advertising the specification and not at the time of purchase as such practice leads to create doubts.

DP No.7.4.13 LOSS DUE TO DAMAGE OF COSTLY MACHINERY DURING SHIFTING FROM ONE PLACE TO ANOTHER -RS.2.99 MILLION.

AUDIT VERSION

26. The Audit reported that according to Para 20 of GFR Vol-I, any loss of public money, departmental revenue or receipts etc. held by or on behalf of government should be immediately reported, by the officer concerned, to his immediate official supervisor as well as to audit. After full investigation report should be submitted of the nature and extent of loss, showing the errors or neglect of rules by which such loss was rendered possible, and the prospects of effecting recovery.

27. During the financial year 2014-15, record of the Hospital Director MTI LRH Peshawar revealed that Hospital sustained a heavy loss of Rs. 2.99 million as the costly machinery damaged during shifting from one place to another, as per detail given below: -

| Name of machinery | dealer | Qty | Rate (Rs.) | Amount (Rs.in million) |
|------------------------------|----------------------|------------|-------------------|-------------------------------|
| Short Wave Sw-1000 Diathermy | M/S Sudais Associate | 03 | 850,000 | 2.55 |
| Therapeutical ultrasound | ZuisPharma land | 03 | 146,000 | 0.44 |
| Total | | | | 2.99 |

28. According to Unit in charge an order was received by the hospital authority to vacate the Physiotherapy building for Evening OPD, so the above machineries were badly damaged during shifting from one place to another. The matter was required to be reported to the high ups as well as to Audit and inquiry should have

been conducted to fix responsibility, but no such action has been taken by the local office. Thus, government sustained a loss of Rs.2.99 million.

29. The loss occurred due to negligence of the concerned staff. Loss was pointed out in October 2015, no reply was given by the management, the department was repeatedly requested to convene the DAC meeting, the DAC meeting was not convened till finalization of the report.

DEPARTMENTAL VERSION

30. The Department explained that non of the machines was damaged during shifting however one of the machine developed a fault after shifting which being in warranty period was repaired free of cost by the supplier.

PAC OBSERVATION

31. The Committee shown its grave concern over the non conducting of DAC as a result of which such non issue was reported.

PAC RECOMMENDATION

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

DP No.7.4.15 OVER-PAYMENT DUE TO LOCAL PURCHASE OF MEDICINES ON HIGHER RATES - RS.5.96 MILLION.

AUDIT VERSION

33. The Audit reported that according to Standard Operating Procedure of Local Purchase (LP) of Medicines, circulated vide Government of K.P Health Department No. SO(D)/Health/2-43/2003 dated 19.9.2006 a bulk local purchase upto 30% of the allocated budget of medicines etc. (admissible in teaching hospitals) shall be subject to non-availability of government contract rate(MCC KP). LP contractor will have to submit weekly detailed bills along with the warranty and price list of the concerned firms. Bill will be tallied with the cash memos already submitted along with daily supplies by the quarter concerned.

34. During the financial year 2014-15, record of the Hospital Director MTI LRH Peshawar revealed that an expenditure of Rs.40.99 million was incurred on local purchase of medicines, (Regular and MCC costing Rs.16.57 million and Rs.24.42 million

respectively) and paid to the LP contractor. Audit observed that an overpayment of Rs.5.96 million had been made to the contractor due to allowing higher rates as compared to MCC and market rates following are the main causes of overpayment: -

- i. The MCC rates for 2013-14 were submitted till the finalization of new rates for the year 2014-15 vide Chief Executive LRH No.30380-84 dated 20.9.2014, but the medicines were purchased through LP contractor instead of placing order to the MCC firms due to which overpayment was made to the LP contractor.
- ii. LP contractor has not submitted weekly detailed bills along with warranty and price lists of the concerned firms due to which higher rates were claimed by LP contractor.
- iii. Medicines were available on stock, but instead of issuing the medicines from the regular, the same were purchased on higher rates through LP contractor due to which an overpayment was made.

35. The lapse occurred due to lack of internal controls. Overpayment was reported to the management in Oct, 2015. The reply of the management was not satisfactory. the department was repeatedly requested to convene the DAC meeting, the DAC meeting was not convened till finalization of this report.

DEPARTMENTAL VERSION

36. The Department explained that the funds for the emergency relief package in the financial year 2014-15 under the title of special initiative for Pro-Poor and Enhancement of Emergency Service became available on 25-05-2015. In the year 2014-15 under the devolved system where a new system was getting in place a major portion of the disposable could not be finalized for the reason that the MCC rates has expired on 30.06.2014 under the KPPRA rules, extension was not granted beyond December 2014 owing to the non-finalization of the disposable items for the reason of fulfilling the codal requirement of tendering at institution level, all kind of supplies were arranged through the available allowed procedure of local purchase as the only way out to secure supplies in the uninterrupted manner to comply with the policy decision of the Government to secure 100% coverage in the A&E Unit and critical care units in particular and other units in general although the institution did not have cash in hand to place bulk supply orders, LP was made in anticipation of the availability of funds because

in case of non- arrangement through LP, the patient visiting the A & E Unit in emergency would have to purchase these kind of items which was detrimental to the policy of the Government and simply non practicable.

37. The comparison of rates as reflected in the Para could have substance if the approved rates could have been available with the necessary funds on the day of purchase, which is not the case either.

38. At the event of the availability of fund and approved rates together, the supply orders if delayed cannot be taken as a mismanagement on design but the careful evaluation to the procedure and plan of action would reveal that it was due to the addressal of the quarters involved in the approval of the purchase plan to satisfy their concern to avoid financial implications for instance.

39. The Notification No. 30831-37/LRH/E-IV Dated. 29.10.2015 along with inquiry report and relevant documents were ample evidence that nothing has been done by the stakeholders in the chain of procurement and decision making with a guilt or a self-conceived design/default to cause financial damages.

40. The LP Contractor has been paid back his claims exactly in conformity with the agreement deed mutually signed by the institution and the LP contractor. No favor has been extended what so ever to the LP contractor.

PAC RECOMMENDATION

41. In view of the plausible explanation advanced by the Department, the Para was recommended to be **settled** subject to verification of record in support of the Departmental reply by Audit within a month. Para Stands till verification. Progress be reported to PAC.

DP No.7.4.20 UN-AUTHORIZED PURCHASE AND DOUBTFUL UTILIZATION OF MEDICINES - RS.40.99 MILLION.

AUDIT VERSION

42. The Audit reported that according to Standard Operating Procedure of Local Purchase of Medicines circulated vide Government of K.P Health Department No. SO(D)/Health/2-43/2003 dated 19.9.2006 Day to Day local purchase shall be made upto 10 % of the allotted budget of drugs and bulk local purchase upto 30% of the allocated

budget of medicines. Moreover, according to serial No. 17 of Job description of Pharmacist circulated vide Health Department letter No. SO(D)Health/3-8/94 dated 27-03-2001, the pharmacist shall ensure that drugs coming to the medicine store on daily LP basis, meet all the specification i.e. the required brand, properly stamped and then entered on the LP book maintained for the purpose. He/she shall ensure that the batch No. expiry date of such drugs and signature of the receiving authorized person are properly recorded in the LP book.

43. During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar, an expenditure of Rs.40.99 million was incurred on the purchase of LP medicines (Regular and MCC costing Rs.16.57 million and Rs.24.42 million respectively) and subsequently paid to the LP contractor. Moreover, Audit observed that a total expenditure of Rs.52.962 million has been incurred on the purchase of medicines (Regular Rs.39.07 million and CMC Rs.13.89 million). According to SOP 10% amounting to Rs.5.30 million ($52,961,733 \times 10\%$) was required to be incurred on L.P but local office incurred Rs.40.99 million, which was unauthorized. Moreover, Audit further observed that: -

44. No batch No. Expiry date etc; was entered in the LP book/register to ascertain that the medicines supplied were in good quality and not near to expiry date.

- i. No proper signatures of the receiving authorized person were taken on the LP book, in absence of which it could not be ascertained to whom the medicines were issued.
- ii. LP contractor will have to submit weekly detailed bills along with warranty and price list of the concerned firms. Bill will be tallied with cash memos already submitted along with daily supplies by the quarter concerned as required under SOPs, which was not done.

45. Audit observed that such serious lapses have been occurred in the presence of a pharmacist whose primary responsibility is to check and control such lapses but even a single signature of any pharmacist had not been found in the LP register which clearly shows that record was not properly maintained as per rules.

46. The lapse occurred due to lack of internal controls and non-adherence to rules & procedures. It was reported to the management in Oct, 2015, the management

furnished no satisfactory reply. the Department was repeatedly requested to convene the DAC meeting, the meeting of DAC was not convened till finalization of this report.

47. Audit recommends to conduct inquiry and take appropriate action against the person(s) at fault besides streamlining the procedure of local purchase of medicines.

DEPARTMENTAL VERSION

48. The Department explained that the provision of 10% Local Purchase limit could be feasible only if we could have approved rates at the beginning of the financial year, but it will be appropriate to re-call that the approved prequalified firms list became available on 27.09.2014 with subsequent corrigendum and addendum and after words the process of invitation of quotation was initiated by the hospital in hurry which was evident from the 1st advertisement appeared in the press with a cut off date of 02.10.2014 & which finalized in three tenders by end of February 2015. The gap period from September 2014 to February 2015 was the period where they did not have stocks in the regular stores from December, 2014 to February 2015, they did not have stock of the most required items in the A&E Bulk store. Upon availability of the approved rates the codal requirements of soliciting the approval from the relevant offices encompassing the Director Audit was put in place and subsequently the supply orders placed whereby quick supplies were received bringing down the cost in LP due to the availability of supplies in the bulk purchase.

- i. The Batch No and expiry date as referred to in the sub para-1 were checked by the pharmacist and there can be no question to accept the short expiry or a quality other than the prescribed one as a permanent feature of the Institution and which can be ascertained from the proforma and also the entry in books at the ward level and probably for the same reason the Audit observation has not pin pointed a single specific case where a short expiry medicine or alternate brand of poor quality was ever accepted.
- ii. The Incharge Pharmacist for the LP Section always accords signature in the LP receiving ledger and not a single sanctioned indent can be identified as non-realized indent at the wards of the Institution which means that the drugs sanctioned and received in the main pharmacy store

duly verified by the duty pharmacist were collected from the pharmacy LP section and properly utilized at the respective wards for which purpose the ledgers of the wards were at the disposal of the Audit party during the course of their duty.

- iii. The Accounts Officer of the Institution fully conversant with the Audit procedure had been kind to perform that function else Director Finance & Deputy Director Audit could have not processed these claims however it will be appropriate to mention that the LP contractor being in contract with the institution accords a certificate on the body of the bills that nothing is in contravention to the Drug Act, 1976 and that is the crux of the clause of warranty under the Drug Act 1976 and therefore no deviation had taken place. The pharmacy Section had been in interaction with the administration for the early availability of the stocks at the approved rates for which purpose their correspondence had been helpful for the timely reception of the stock however till then the local purchase had been the only way out although there had been efforts to exploit the provisions of the Rule-10 for procurement of medicine to the tune of Rs. 50,000/- and 1,00,000/- but in most of the situations the firms declined to submit quotations for the reasons best known to them.

PAC OBSERVATION

49. The Committee observed that:-
 - i. The Department reply is verbose and not according to the queries of the Audit.
 - ii. The Institution were allowed to made purchases through LP upto 10 percent, while in the instant case the purchases made through LP were upto 70 percent.

PAC RECOMMENDATION

50. The Committee after detailed discussion directed the Secretary Health to conduct inquiry himself for fixing responsibility and initiating appropriate action against the responsible(s) according to the quantum of their responsibility within one month.

51. The Department was further directed to streamline the system of local purchase by framing /follow rules & SOPs while making local purchases and also ensure that the tasks assigned to the Officers are fulfilled in future. Para Stands. Progress be reported to PAC.

DP No.7.4.26 NON-DEPOSIT OF MAINTENANCE/DEPRECIATION CHARGES IN THE GOVERNMENT TREASURY - RS.34.77 MILLION.

AUDIT VERSION

52. The Audit reported that according to Government of K.P Finance Department letter no. BOVI/FD/1-1/2011-12 dated 29.4.2013 at least 50% of the amount recovered from the diagnostic services rendered to the patients will be diverted to a separate account to be maintained specially for the maintenance and repair of equipment.

53. During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar (Cardiology unit), a sum of Rs.69.54 million was realized as receipt during that period. As per Finance Department letter, 50% of receipt amounting to Rs.34.77 million (65,539,900 x 50%) was required to be deposited into separate account which was not done.

54. The lapse occurred due to non-observing Government orders. The matter was reported to the management in October 2015. The management replied that this notification is not applicable on the cardiology unit. Reply was not convincing. The department was repeatedly requested to convene the DAC meeting, the meeting of DAC was not convened till finalization of this report.

DEPARTMENTAL VERSION

55. The Department explained that the all collection/realization have been strictly made according to Government Order/Notification vide No. SOH(V)1-1/96/KC Dated. 12.03.1997 and revised order/notification vide No. SOB/HD/10-12/04-05/P.K Dated. 27.06.2006 no irregularity had been occurred.

PAC RECOMMENDATION

56. In view of the reply of the Department the Para was recommended to be settled subject to verification of record in support of departmental reply by Audit within a month.

DP No.7.4.28 NON-DEPOSIT OF SIDE ROOM CHARGES INTO RESERVE FUND– RS.4.02 MILLION.

AUDIT VERSION

57. 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.

58. During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar, for the months of July 2014 to June 2015 an amount of Rs.4.02 million was collected on account of side room charges in the wards, but on verification of record, it was disclosed that the said amount was not remitted into the Reserve Fund of the Hospital. Non-deposit of receipt was a serious lapse on the part of concerned staff.

59. The lapse occurred due to weak internal controls and non-observance of rules. The matter was reported to the management in October 2015. The management furnished no reply the department was repeatedly requested to convene the DAC meeting, the meeting of DAC was not convened till finalization of this report.

DEPARTMENTAL VERSION

60. The Department explained that; -

Medical B Unit

61. The Incharge Medical “B” Unit has replied that there is one Female Ward Side Room in Medical B Unit and they were not taking any charges from the patients.

Psychiatry Unit

62. The Incharge Psychiatry Unit has replied that there are two side rooms in our Female Ward which are being used for patients and they were not taking any charges from patients.

Medical C Unit

63. The Incharge Medical C Unit has replied that there are three bedded chamber which is mainly used as Isolation Room for infected patients. It is not having any attached wash room facility. they are not charging these patients at all. The figures of Rs. 2000/-per patient with a total tally of Rs.3,46,000/-PKR is factually incorrect.

Pulmonology Unit

64. The Incharge Pulmonology Unit has replied that they have no side room and no charges for anything including room charges are collected in this unit.

Gyanee B Unit

65. The Incharge Gyanee Unit had replied that side room charges were not collected from the patients throughout the year; it is wholly on the disposal of Registrar concerned who allots these side rooms to the deserving patients free of cost. Moreover, if there are no serious patients then ordinary patient are put in these rooms as the rooms has two beds each numbered as 25, 26, 27 & 28. As such there are no charges for these rooms. Patient who want separate room are referred to Cardiology Private Rooms.

Gyanee A Unit

66. The Incharge Gynae-A Unit has replied that side room charges were not collected from patients throughout the year; Registrar concerned is competent to allot the side rooms to the deserving patients free of cost.

Medical A Unit

67. The Incharge Medical "A" Unit has replied that the side rooms under discussion are basically used as Isolation and HDU Rooms. Besides they are also allotted to the patient of Hospital Staff whenever they are available, however charity donation is accepted from the patients as a gesture of good will to support poor patients in the units. Secondly no maintenance Budget is being provided to them to meet the expenses of petty mater like stationary, Fans and AC repairs from the Administration and they are running those unit including buying MMP split ACs and computer system from their own resources.

Neurosurgery Unit

68. The Incharge Neurosurgery Unit has replied that they do not have any side rooms in Neurosurgery Ward, so they did not collect any charges.

PAC RECOMMENDATION

69. In view of plausible explanation of the Department that no side room charges were collected duly supported by documentary evidence. The Para was recommended to be **settled**.

DP No.7.4.31 WASTEFUL EXPENDITURE ON THE PURCHASE OF X-RAY MACHINES HAVING OLD TECHNOLOGY -RS. 11.55 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 2014-15, record of the Hospital Director MTI LRH Peshawar, revealed that a sum of Rs.7.70 million was paid to M/s Shirazi Trading Co. for the purchase of 02 X-Ray machines vide cheque No. 166085 dated 14.4.2015 @Rs.3.85 million while the payment of one machine (already received) was not paid during 2014-15. According to Head of Radiology Department three X-Ray machines Radnext-50 were supplied to the LRH by the Shirazi Trading Company. One X-Ray machine had been installed in chest OPD and two machines were lying in Radiology department. According to supplier both X-Ray machines were same in all respect. The Head Radiologist observed that machine installed in Chest OPD was not according to specification and the floor mounted machine had technology of more than 20 years old. It was altogether different than Radnext-50 highlighted in the brochure. Brochure of the company highlights the randext-50 ceiling only while the floor mounted variety details were not given in the brochure. The tube assembly of supplied Radnext-50 also does not match the picture given in brochure for even floor-mounted variety. Tube movement was also uncontrolled and without brakes and there was danger of its falling, damage and injury to patient. There is a bar brake of tube assembly movement which was on the opposite side of the table and not easy to apply. These features of tube movement, tube assembly movement were not explained by the company agent at the time of sale instead he insisted that his machine is the only machine manufactured in Japan and it has best feature of all machines. After installation of the machine the representatives were called

in several meetings regarding their fraud and replacement of all 03 X-Ray machines by latest General Electronics as company was no more agent of the Hitachi Company. So, from this audit view confirmed that old and obsolete technology machines were purchased at the rates of new and latest technology which put the Government into a loss of Rs. 11.55 million.

72. The lapse was occurred due to extending undue benefit to the supplier on Government cost. The department was repeatedly requested to convene the DAC meeting, the meeting of DAC was not convened till finalization of this report.

73. Audit recommends to conduct detail inquiry, fix responsibility and recover the loss under intimation to Audit.

DEPARTMENTAL VERSION

74. The Department explained that all these machines have been procured by adopting proper procurement Rules. The payments have been made after obtaining comments that these machines are supplied as per approved hospital specifications, properly installed and in working condition by the end user.

PAC OBSERVATION

75. The Committee observed that the Audit has framed the said Para on the observations of the Head Radiologist that the old and obsolete technology machines were purchased at the rate of new and latest technology.

76. Secondly institution informed the Committee that all purchases (two machines) had been made after obtaining the Comments from the concerned that these machines are according to specification which are installed and still in working condition. Third machine was donated by the supplier which specifications are different from the two machines purchased by the Institution.

PAC RECOMMENDATION

77. After detailed discussion the Department was directed to conduct fact finding into the matter and submit report to PAC within one month.

DP No.7.4.33 WASTEFUL EXPENDITURE ON THE PURCHASE OF X-RAY MACHINE - RS. 6.46 MILLION.

AUDIT VERSION

78. 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

79. During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar, a sum of Rs.6.46 million was paid to M/s Medequips Pharma for the purchase of Toshiba X-Ray. According to tender documents model DS-PH-1 was selected and order was placed but the supply was made of DST-1000A by the firm which was not according to specification and supply order. Thus, the whole expenditure of Rs.6.46 million was wasteful.

80. The lapse occurred due to extending undue benefit to the supplier at Government cost and non-observance of rules. It was reported to the management in October 2015, but no reply was given by the management. The department was repeatedly requested to convene the DAC meeting, the meeting of DAC was not convened till finalization of this report.

DEPARTMENTAL VERSION

81. The Department explained that the firm supplied the equipment according to specification and order placed to the firm. The 3-Phase X-Ray Generator Model KXO-50S was ordered vide No. 22891 dated 25-06-2012 and the same model has been delivered. The end user also verified it. The Department further informed that in the said machine only one item was not according to specification but as the supplied item was of latest approved technology therefore it was accepted.

PAC RECOMMENDATION

82. In view of plausible explanation of the Department, the Para was recommended to be **settled**.

DP No.7.4.36 DOUBTFUL UTILIZATION OF SANITARY & ELECTRICITY ITEMS - RS.3.12 MILLION.

AUDIT VERSION

83. 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 store

84. During the financial year 2014-15, record of the Hospital Director MTI LRH Peshawar revealed that an expenditure of Rs. 3.12 million was incurred on the purchase of sanitary and electrical items. On further verification of record, it was noticed that items were shown issued to different wards and units for utilization, but record of wards and Assistant Director Works is silent about the items. Neither any utilization report of the items received by the wards/units was available with the Store Keeper nor with the A.D. Works. It was further added that against the store utilized no record entry was made in measurement book by the technical staff of Works Department. Thus, the expenditure Rs.3.12 million was unverifiable.

85. The unauthentic utilization occurred due weak internal controls. The matter was ported to the management in October 2015. No proper reply was furnished by the management. The department was repeatedly requested to convene the DAC meeting, the meeting of DAC was not convened till finalization of this report.

86. Audit recommends to investigate the matter and take action against the person(s) concerned.

Statement showing the detail of purchases made during 2014-15
(Sanitary and Electrical Items)

| Cheque No and Date | Supplier Name | Items | Amount |
|---------------------------|-----------------------|----------------|---------------|
| 164281 dated 6-12-14 | Mian Abdul Karim | Sanitary Items | 97820 |
| 163800 dated 29-10-14 | -do- | -do- | 94424 |
| 66046 dated 31-3-15 | Yasir Enterprises | Electric Items | 22379 |
| 165390 dated 5-3-15 | Yasir Enterprises | Sanitary Items | 62985 |
| 166352 dated 9-5-15 | Hamid Traders | Electric Items | 205675 |
| 167093 dt 11-6-15 | -do- | -do- | 142545 |
| 167043 dt 11-6-15 | -do- | -do- | 646678 |
| 167822 dated 25-6-15 | MianShafi Enterprises | -do- | 48200 |
| 163703 dated 16-9-14 | Yasir Enterprises | Sanitary Items | 495952 |
| 163771 dated 16-10-14 | -do- | -do- | 494026 |

| | | | |
|-----------------------|------------------|--------------|----------------|
| 163800 dated 29-10-14 | Mian Abdul Karim | -do- | 514530 |
| 164214 dated 6-11-14 | SaifUllah | -do- | 292225 |
| | | Total | 3117439 |

DEPARTMENTAL VERSION

87. The Department explained that all the items supplied to this hospital has been properly taken on the stock and issued to the concerned units.

PAC RECOMMENDATION

88. The Committee after detailed discussion, referred the Para to VOR Committee for verification of record within one month.

BACKLOG

89. During the meeting the issue of the pending Audit Reports for the year 2016-17 and 2017-18, came under discussion. In order to speed up the over sight process and clear the backlog a Sub-Committee of the Public Accounts Committee was constituted comprising the following:-

- | | | |
|----|---------------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Babar Saleem Swati, MPA | Member |
| 3. | Mr. Jamshaid Khan, MPA | Member |
| 4. | Mr. Ahmad Kundi, MPA | Member |
| 5. | Arbab Muhammad Waseem Khan, MPA | Member |

90. The Committee was assigned the task to examine the Audit Report for the year 2016-17 and 2017-18 within three months and report back to PAC accordingly.

DP No.7.4.6 LOSS ON ACCOUNT OF PHARMACY WELFARE SHOP - RS.71.10 MILLION.

AUDIT VERSION

91. 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.

92. During the financial year 2014-15, in the office of Director Hospital KTH, the gross profit of Rs.8.38 million was realized since start of the pharmacy welfare shop till September 2015. A sum of Rs.5.40 million was incurred on the salaries and other miscellaneous expenditure resulting into a net profit of Rs.2.98 million for (6) years i.e. from 2010 to September, 2015. The profit earned was meager which do not justify the existence of such a big shop in the Hospital running round the clock in two shifts.

93. It was further noticed that the amount of net profit realized for Rs.2.98 million was also not credited into the Hospital receipts. Whereabouts of the profit realized was not known to audit. It is pertinent to mention here that the same type of pharmacy welfare shop in the Ayub Teaching Hospital Abbottabad was given to the contractor on the monthly rent of Rs.1.03 million thus earned a sum of Rs.74.09 million for 6 years. The comparison shows that KTH was put into a huge loss of Rs.71.10 million.

94. The lapse occurred due to weak internal controls. When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record. The department was repeatedly requested to convene the DAC meeting; however DAC meeting was not convened till finalization of this report.

DEPARTMENTAL VERSION

95. The Department explained that Pharmacy Welfare Shop KTH was established for the welfare of patients and not for business purpose. No Government funds were provided to Pharmacy Welfare Shop for the purchase of drugs. The drugs were made available from firms/distributors upon request on credit basis and the payment to the companies was made after sale process through cheque from the designated joint account opened in Bank of Khyber KTH. The drugs were sold on discounted rates with a marginal profit to cope up the day to day expenditures of shop and salary of daily wages employees. The Pharmacy Shop was not rented out for commercial business; therefore, its comparison with any other institution do not arise. However, the shop was closed during June 2016 on administrative grounds. Moreover, the balance amount in the Pharmacy Account will be transferred to Fund Account shortly.

PAC OBSERVATION

96. The Committee observed that:-
- i. No record of the establishment of the Pharmacy shop regarding provision of medicines on discounted rates with marginal profit and framed SOPs/rules for the purpose could be produced by the Department.
 - ii. The amount of Rs. 2.98 million was kept in the account opened for pharmacy shop and was not deposited to the Government Treasury despite the fact that the shop was closed during June, 2016.
 - iii. The department could not advance any plausible reply for closure of the shop in 2016.

PAC RECOMMENDATION

97. In view of the above, the Committee directed the department to conduct detailed inquiry into the matter and fix responsibility against the person at fault and to bring complete facts into the knowledge of PAC. Para stands inquiry report be submitted to PAC within a month.

DP No.7.4.7 LOSS DUE TO NON RECOVERY OF ELECTRICITY CHARGES – RS.39.55 MILLION.

AUDIT VERSION

98. The Audit reported that according to **F. R 45-B. I**. The tenant is required to pay the cost of the water, electric energy, etc., consumed.

99. During the financial year 2014-15, in the office of Khyber Teaching Hospital, it was noticed that in two Doctors Hostels a sum of Rs.20.67 million and Rs.19.77 million were paid as electricity bills for 9 months. A total nos of 124 rooms were in use in each Hostel. Only Rs.300 per month is being deducted, thus only Rs. 8,92,800/- was deducted for 12 months (the deductions made from doctors was also not shown to audit). As heavy loss of Rs.39.55 million was sustained by Hospital despite clear orders regarding deduction of users charges from the occupants of rooms.

100. The loss occurred by extending undue favor to the residents of doctor hostels. Moreover, recovery from the residents of Doctors flats, Nursing Hostels, Nursing flats in the office premises may also be made with exact calculation.

101. When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record. Audit requested the department

repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

102. Audit recommends to investigate the matter, recover the amount of electricity charges and streamline the procedure of recovery of electricity charges.

DEPARTMENTAL VERSION

103. The system regarding deduction of utility charges from the occupants of hostel rooms has already been streamlined up to some extent as per following details:-

- i) Separate check meters have been installed in the doctors hostel and deductions are being made on the basis of actual consumptions from their salaries.
- ii) A sum of Rs. 15,000/- accommodation allowance admissible to TMO in light of Notification No. SOB-I/HD/House Job/2012-13 dated 19.05.2016 is not paid to the TMOs who occupied rooms in hostel.
- iii) Similarly, the rates of utility charges from Medical Officers have been enhanced from Rs.300/- PM to Rs.4000/- PM per head in winter season and Rs.6000/- PM per head in summer season. Moreover, the existing management is trying their best to make necessary arrangement to further streamline the system in the best public interest.

PAC OBSERVATION

104. The Committee observed that:-

- i. Similar nature of Paras are being brought before PAC every year.
- ii. System had been streamlined upto some extent, but still need improvement.
- iii. The recoverable amounts involved pertaining to the financial year 2014-15 as pointed out by the Audit are required to be recovered.

PAC RECOMMENDATION

105. In view of the above, the Committee taking a lenient view directed the Department to conduct detailed inquiry into the matter and bifurcate the amounts pertaining:-

- i. House Officers, TOMs, in service Doctors involve, residents of Nursing Flats and Doctors Flats in the premises.

106. The Committee further directed to make recovery from the concerned except House Officers and TMOs, get it duly verify by Audit and to install individual electric meters on each residence in the Doctors Hostel, Doctors Flats and Nursing Flats. The PAC Cell was directed to issue letter to the Chief Executive PESCO, for installation of meters on each residence in the Doctors Hostel.

DP No.7.4.8 LOSS DUE TO ILLEGAL OCCUPATION OF PRIVATE ROOMS - RS.13.63 MILLION.

AUDIT VERSION

107. The Audit reported that according to paras 23 and 26 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. 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.

108. During the financial year 2014-15, in the office of Director Hospital KTH, it was observed that 17 rooms were occupied in Private rooms at B side by the officers or for other accommodation purpose by various staff members. Similarly, 09 rooms were reserved for staff including one room for pharmacy store. Thus revenue of 26 rooms was not realized for Rs. $26 \times 500 \times 365 =$ Rs.4.54 million only in 2014-15. Thus there was huge loss of Rs.13.63 million in the last three years to the Hospital on account of income/receipt of private rooms being illegally occupied ($4,545,000 \times 3 = 13,635,000$) there was enough space in the administration block where these officers/officials can be accommodated. It was astonishing to note that new office rooms were constructed in the private room's area, where only few were occupied for the offices however, the officers were not willing to shift there. Another building could have been constructed from the receipts of 26 rooms but due to ill financial management this practice continued.

109. The matter is very sensitive which not only deprived Government from income but also the patients are deprived of their due right. The lapse occurred due to mismanagement and weak internal controls.

110. When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

111. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

112. Audit recommended to inquire the matter and fix responsibility against the person(s) at fault besides taking appropriate action to save hospital from recurring loss.

DEPARTMENTAL VERSION

113. The Department explained that there was acute shortage of offices: therefore, there was no other option with the management except to temporally conversion of some rooms into the offices. It was an administrative decision and made in the best public interest. However, after completion of construction work in new building, the concerned officers/officials were shifted to the new building and private rooms were vacated. However, now the private rooms at “B” side have been demolished under the approved scheme for construction of modular OTs.

PAC RECOMMENDATION

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

DP No.7.4.11 LESS DEPOSIT/RECOVERY OF BLOOD BANK RECEIPTS- RS.6.66 MILLION.

AUDIT VERSION.

115. The Audit reported that according to para 26 read with para 23 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. Every government officer will be personally responsible for any loss or fraud on his part or on the part of his subordinate.

116. During the financial year 2014-15, in the office of Director Hospital KTH the main stock register of stationery revealed that a total no of 51,500 blood requisition forms were issued to wards and were consumed. According to rules screening charges @ Rs.250 per bag is to be collected from admitted patients and Rs.800 per bag from

outsiders and deposited into account. As 51,500 blood bags were issued to patients therefore, Rs.12.87 million (51,500x250) was supposed to be received and deposited into account. Further record revealed that only Rs.6.21 million was remitted into Hospital receipts, thus Rs.6.66 million was less deposited. Hence Para 26 read with 23 of GFR Vol-I was violated.

117. The lapse occurred due to weak supervisory control over the blood bank which put the government into a heavy loss of Rs.6.66 million.

118. When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

119. Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report. Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) concerned.

DEPARTMENTAL VERSION

120. The Department explained that large number of stationery forms were issued from the main stationery department to all units on proper indent book. The forms were available in the respective units and are issued/utilized according to the requirement. Large number of blood requisition forms like other stationery forms were usually lying un-utilized in wards/units.

121. Blood forms have no concern with revenue. Blood bags can't be issued mere on Blood forms rather blood bags are issued only when proper computerized cash receipts are attached with blood form.

122. Total 20487 blood bags requisition forms inclusive of opening balance of 456 forms were collected from various units by blood bank out of which upon 20199 requisition forms blood was issued to various units leaving a balance of 288 blood bags.

123. Out of 20199 forms, 18084 issued to General Wards @ Rs. 250/- with a total amount of Rs. 4.25 million while 2115 forms issued to Private patients @ Rs. 800/- with a total amount of Rs. 1.692 million. Thus total amount comes to Rs. 6.21 million and the same has already been remitted in to Hospital receipts.

PAC RECOMMENDATION

124. In view of plausible explanation of the Department that the total amount comes to Rs.6.21 million which has already been remitted into Hospital receipts, the Para was recommended to be **settled**.

DP No.7.4.19 UNAUTHORIZED ISSUANCE OF EMERGENCY MEDICINES TO PRIVATE ROOM PATIENTS RS.70 MILLION.

AUDIT VERSION

125. The Audit reported that according to No.SO(B-II) HD/ERP/2013 special initiative package dated 19.09.2013 regarding protocols/guidelines with regard to utilization of funds provided/transferred for free treatment of patients in emergency services were:-

- i. To provide free emergency medicines, diagnostics services to all those patients visiting casualty for emergency treatment needing urgent attention or intervention.
- ii. All supplies / medicines /hygiene kit including diagnostic services to be provided free of cost to any normal delivery patient including C. Section and other complicated delivery cases admitted through casualty till the patient is discharged.
- iii. Free medicines only with diagnostic services to all patients admitted to CCU, ICU, NICU& Nursery for 72 hours.
- iv. Free treatment including medicines and diagnostic services to all patients of terrorist activities including burns till the patient is discharged.
- v. Free treatment including medicines and diagnostic services for 48 hours to all patients of accidents & Trauma admitted through casualty.

126. During the financial year 2014-15, in the office of Director Hospital Khyber Teaching Hospital Peshawar a sum of Rs.70 million was incurred on medicine (casualty medicine Rs.10 million and special initiative package Rs.60 million). Scrutiny of the record of private rooms A+B revealed that medicines of millions of rupees were shown issued to the patients of private rooms, VIP patients, hospital employees and others who were not admitted through casualty and were not entitled for emergency/casualty medicine as per the protocols/guidelines of the special initiative

package quoted above. The issuance of emergency medicines to the regular patients of Private rooms is against the protocols/guidelines of SIP circulated vide above notification.

127. Moreover, the exact value of medicines issued from ERP & SIP to the private room patients be bifurcated by the local office. The irregularity was pointed out in Oct, 2015. The management stated that detailed reply will be given after consultation of record.

128 Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

129. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault besides streamlining the procedure of issuance of medicine to emergency and regular patients.

DEPARTMENTAL VERSION

130. The Department explained that in the light of DAC decision an inquiry Committee was constituted comprising of the following officers to probe the issue of drugs/disposables to private rooms patient out of SIP budget:-

- | | | |
|----|-------------------------------------|----------|
| 1. | Dr. Farman Ali, Blood Bank Officer | Chairman |
| 2. | Mr. Ali Waqas, Manager Supply Chain | Member |
| 3. | Ms. Seema Samin, Pharmacist | Member |

131. A brief inquiry was carried out by the Inquiry Committee wherein Mr. Jaleel Anwar (Chief Pharmacist) was directed to produce the whole record pertaining to the subject Draft Para. He appeared before the Inquiry Committee with complete record.

132. Mr. Jaleel (Chief Pharmacist) also appeared before the Inquiry Committee and explained that private rooms are composed of three portions.

1. Entitled Rooms.
2. Isolation Rooms.
3. General Rooms for private public patient.
 - i. The entitled rooms are meant for the hospital staff patients and Government dignitaries including judiciary, AG Office, Civil Servants etc where patients are not charged for the rent etc.

- ii. Isolation Rooms are meant for the poor patients who are infected Bomb blast victim, Accident and other Emergency diseases, Since there is no isolation ward in the hospital so these 10 rooms has been declared as isolation ward where each rooms has 2-3 beds and patients are given free admission/treatment.
- iii. General Private Rooms are meant for patient other than entitled or emergency and are paid by the patients.

133. In the instance case the record of the drugs issued from SIP Pharmacy shows that these drugs were issued to patients in Isolation Private rooms where patients of Hemorrhagic fever, Dengue, MRSA and Bomb blast victim/Accident cases were admitted, who are actually entitled for treatment out of SIP fund.

PAC OBSERVATION

134. The Committee observed that the explanation of the Department seems to be cogent but supporting record to be verified.

PAC RECOMMENDATION

135. The Committee observed that the explanation of the Department seems to be cogent but supporting record to be verified.

DP No.7.4.21 IRREGULAR EXPENDITURE ON ACCOUNT OF LOCAL PURCHASE OF MEDICINES - RS.16.43 MILLION.

AUDIT VERSION

136. The Audit reported that according to Para 10 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.

137. During the financial year 2014-15, in the office of Director Hospital Khyber Teaching Hospital, it was observed that an amount of Rs.16.43 million was expended on the local purchase of medicines.

138. Audit observed the following:

- i. As per rules only Rs.7.07 million as 10% of the total budget of medicine (Rs.70.70 million for medicine, medicine casualty and kidney dialysis)

was required to be expended on the local purchase but contrary to that Rs.16.43 million incurred on it.

- ii. The comparison of the MCC, local tender system and the local purchase shows that at least 17.5% higher rates amounting to Rs.2.88 million were paid to the local purchase contractor. Had these purchases been made on MCC or tender, the Government would have been saved from the loss.
 - iii. Stamp duty @ 1 % amounting to Rs.164,000 was not deducted which may be recovered from the contractors.
 - iv. The Income/Tax was required to be deducted @ 7% instead of 4.5% which put the Government into a loss of Rs.410, 859 which needs to be recovered.
 - v. The same contract was awarded during 2013-14 to the same contractor on 15.50% discount, however, during 2014-15 awarded on 12.65%. Resulting into a loss of Rs. 468,378 @ 2.85% to the hospital.
139. The loss occurred due to weak internal controls and giving undue benefits to the contractor.
140. Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.
141. Audit recommends to streamline the system of local purchase through MCC and explain its position before the PAC.

DEPARTMENTAL VERSION

142. The tender for Kidney Dialysis medicines was called thrice but no rate were received of those items and same were also not available in MCC list as MCC Tender was decentralized for 2014-15 so LP was only option for dialysis patients.
143. LP was awarded for those medicines which were not included in MCC list.
144. The 1% Stamp Duty has been recovered vide cheque No. 33948059 Dated 19.1.2019 and deposited in to KTH Fund A/c. The same has later on deposited into the relevant head of account vide challan.
145. The 7% Tax was on services whereas supply of drug on petty purchase basis was involved in the instant case; so, therefore, tax @ 4.5% was deducted as per rules. Every year the LP Contract is advertised and bids are evaluated and then decided

by committee from the available bids. There was no rule to follow/compare the last year bid with fresh bids.

PAC OBSERVATION

146. The Committee observed that similar nature Para of the LRH (DP No.7.4.20) had already been referred to Secretary Health for detailed inquiry.

PAC RECOMMENDATION

147. Same decision as per Draft Para No. 7.4.20 for the year 2015-16.

DP No.7.4.22 IRREGULAR EXPENDITURE ON ACCOUNT OF PURCHASE AND REPAIR OF AIR CONDITIONERS - RS. 10.85 MILLION.

AUDIT VERSION

148. The Audit reported that according to paras 10&11 of GFR Vol-I, each head of department is responsible for enforcing financial order and strict economy at every step. 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.

149. During the financial year 2014-15, in the office of Director Hospital KTH (MTI), a sum of Rs.10.85 million was provided in the budget head “A-13201-I. AC Work” out of the amount provided a sum of Rs.5.57 million was incurred on the purchase of new split ACs and a sum of Rs.3.33 million incurred on the repair of split ACs and AC plant. Moreover, no vouchers and account for the remaining amount of Rs.1.95 million incurred on account of AC work was produced to audit. Audit raised the following observations:-

- i. The purchase of ACs in presence of Centralized Air Conditioning System was unjustified.
- ii. The Hospital was having its own centralized AC System, heavy staff deployed on its maintenance and on their salaries heavy expenditure incurred. On the other hand Hospital authority purchased split ACs

without the approval of the Management Council. Resultantly the Centralized AC system remained out of order.

- iii. The split ACs purchased were installed in doctors chambers and not in the wards, resultantly the patients and other staff are suffering from the weather intensity. Moreover, this practice continued from several years and due to non maintenance of Air Condition Plant the patients and staff members are suffering from the hot weather.
 - iv. Due to defective central air conditioned system no proper temperature maintained in operation theaters, as per standard practice. Thus the patients, the doctors and staff suffer in OT.
 - v. The split ACs purchased are out of order as evident from letter No.63816-19/KTH dated 17.10.2015 addressed to M/s Supertech Business Solution that you were informed through notices to repair split air conditioners and flooring standing in different units however, till date no action was taken.
 - vi. Sales Tax and income tax @ 20% from the supplier of split ACs was not deducted for Rs. 5,566,550 x 20% = Rs.1,113,310
 - vii. All the bills paid were required to be pre-audited from Resident Audit Department but same was not done, which is irregular.
 - viii. The tender floated were not according to KPPRA rules as the ACs were purchased from the distributor instead of manufacturer.
 - ix. Rate analysis for the purchase of Split Air Conditioners was not made as the same were purchased on the excessive rates from the market which needs proper inquiry.
150. If the amount of Rs.10.85 million would have been incurred on the repair of AC system instead of purchases and repair of Split ACs the whole hospital would have been benefited from AC plant. The lapse occurred due to weak internal controls.
151. When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record. No progress shown till finalization of this report.
152. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.
153. Audit recommends to conduct detailed inquiry, fix responsibility and take measures for the comfort of patients, attendants, staff and doctors.

DEPARTMENTAL VERSION

154. The Department explained the following: -

1. Khyber Teaching Hospital was established in the era 1975 contained with the facility of centrally air conditioned unit contained the capacity of 1400 tons and covered the entire hospital sufficiently. However with the passage of time the additional / new construction was in placed such as wings / wards and OT's units, this caused load increase on existing AC plant and it was inadequate to cover the requirement of AC facility in the all areas. Furthermore, efficiency of existed AC plant also decreased from its original capacity. Presently, the requirement of the Hospital is 2590 Tons while existing capacity of the plant is 1400 Tons due to which Purchase of ACs was made after fulfillment of proper codal formalities to cover the deficiency.
2. There is no Central Air System in Nephrology Department so ACs were installed, while due to rush and sensitivity of patients in units like Burn & Plastic Surgery Unit, Blood Bank, Medical ICU, Surgical ICU, Dialysis & OPDs, ENT OTs and Casualty Units ACs were installed in the patients interest.
3. None of the ACs has been installed to doctor's chambers. All the ACs have been installed in units purely in the interest of patients where required.
4. One split AC 1.5 Ton installed in Main OT No.1 was in warranty period. It was become out of order. The supplier was asked vide letter dated 10.07.2015 to repair the same. The fault was removed, but next time compressor burnt, the supplier failed to replace the compressor. Hence no payment was made.
5. Sales tax is exempted, while income tax, and stamp duty have been deducted from the supplier bills. Some bills are attached for ready reference. However, the Audit can verify the original bills.
6. Total bills of Rs. 10.85 million was processed during financial year 2014-15 out of which bills amounting to Rs. 8.90 million were cleared/passed in 2014-15 while the remaining bills amounting to Rs. 1.95 million were

carried forward to 2015-16 and cleared/passed in next financial year 2015-16 which does not fall under the Audit domain of 2014-15.

7. The Maintenance Section submits the bills to Accounts Section, which are further submitted to pre-audit. After pre-audit cheque are delivered to the suppliers by the Accounts Section.
8. Tender are invited from the manufacturers/authorized dealers and lowest rates are approved.
9. Explanation as per S/No.7 above.
10. Besides above, the AC Plant was old and out dated for which arrangements was made and now replacement of Air Condition is in progress.

PAC RECOMMENDATION

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

DP No.7.4.27 NON DEPOSIT OF MAINTENANCE/DEPRECIATION CHARGES INTO GOVT. TREASURY 20.56 MILLION.

AUDIT VERSION

156. The Audit reported that according to Finance Deptt: Notification of Govt. of KPK No.BOV/FD/1-1/2011-12 dated 29/04/2013 that 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 equipment, this fund will only be utilized on the said purpose and no other.

157. During the financial year 2014-15, in the office of Director Hospital KTH, it was noticed that a sum of Rs.41.13 million was recovered from diagnostic services during the said year. However, the local office did not deposit Rs.20.56 million as 50% to separate bank A/C for repair and maintenance of the equipment. The above order was not followed as by directing 50% share to separate account, the share of the stakeholders for the year 2014-15 would be reduced as below:

(Rs.in million)

| Total receipts | 50 % Govt. Share | Balance to be distributed | 30% Dr Share required | 30% actual paid to Dr. | Overpayment to Dr |
|-----------------------|-------------------------|----------------------------------|------------------------------|-------------------------------|--------------------------|
| 41.131 | 20.565 | 20.565 | 6.169 | 9.245 | 3.076 |

158. Notification was made on 29.04.2013, therefore the local office has to calculate the exact amount of 50% share of diagnostics share from May 2013 to June 2014.

159. The lapse occurred due to weak internal controls and non implementation of government order.

160. When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

161. Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

162. Audit recommends to investigate the matter, fix responsibility against the person(s) at fault and recover the excess amount paid to the stakeholders, besides depositing maintenance/depreciation charges in separate accounts.

DEPARTMENTAL VERSION

163. The Department explained that the Para relates to 2014-15, at that time, all the Teaching Hospital including KTH was making share Distribution on the Health Department notification dated 13th April 2005 as no other formula was in place.

164. Moreover, Health Department vide notification No. SOB-I/HD/1-27/PR/Vol-III dated 15.04.2019 has circulated the revise formula for distribution of user charges in the Teaching Hospital w.e.f 15.04.2019 in pursuance of Peshawar High Court writ Petition No.3129/2010 Dated 16.11.2013: and subsequently withdrawn the revised notification vide No.SOB-1/HD/1-27/PR/Vol-III dated 19.06.2019.

PAC RECOMMENDATION

165. In view of the explanation advanced by the Department, the Para was recommended to be settled subject to verification of record by the Audit within (30) days.

DP No.7.4.32 WASTEFUL EXPENDITURE ON ACCOUNT OF SECURITY SERVICES - RS.7.02 MILLION.

AUDIT VERSION

166. 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 ordinary prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

167. During the financial year 2014-15, in the office of Director Hospital (MTI) KTH, it was observed that a sum of Rs.7.02 million was incurred on the Security services provided by MS-Askari Guard Pvt. Ltd for deploying 55 Security guards. The local offices have 70 Chowkidars at its strength who are drawing huge amount as salary. The hiring of private security personnel's put the attendance of the regular 70 chowkidars at question. Moreover, the private security guards (male and female) are also working in the different wards beside main gates. Moreover, service charges @ 8% were also not deducted from the Askari Guard Pvt.Ltd for Rs.561,637. In the presence of official Chowkidars, expenditure incurred on hiring services of 50 security guards from M/s Askari Guards Pvt Ltd is wasteful.

| Month | Guard Amount @ Rs.12,000 PM | Supervisor @ Rs.14,000 PM | Lady Searcher @ Rs.11900 PM | Lady Searcher CCTV @ Rs.13,000 PM | Total payment |
|------------|-----------------------------------|---------------------------------|-----------------------------------|---|------------------|
| Jun, 2015 | 40 | 3 | 8 | 4 | 669,200 |
| May, 2015 | 40 | 3 | 8 | 4 | 649,463 |
| Apr, 2015 | 40 | 3 | 8 | 4 | 657,000 |
| Mar, 2015 | 41 | 3 | 7 | 4 | 632,527 |
| Feb, 2015 | 32 | 3 | 8 | 4 | 571,200 |
| Dec, 2014 | 33 | 3 | 7 | 4 | 545,303 |
| Jan, 2015 | 33 | 3 | 7 | 4 | 521,300 |
| Aug, 2014 | 33 | 3 | 7 | 4 | 518,500 |
| Sep, 2014 | 33 | 3 | 7 | 4 | 519,365 |
| Oct, 2014 | 33 | 3 | 7 | 4 | 519,365 |
| Nov, 2014 | 33 | 3 | 7 | 4 | 519,365 |
| July, 2014 | 23 | 4 | 6 | 4 | 697,878 |
| Total | | | | | 7,020,466 |

168. The wasteful expenditure occurred due to weak supervisory control over the Chowkidars and giving undue favor to the company at the cost of public revenue.

169. When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

170. Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

DEPARTMENTAL VERSION

171. The Department explained that total 66 number Chowkidars are working as regular employees. However these employees are not sufficient trained in the wake of terrorist attacks on various government establishments. Therefore, trained security personnel were recorded for deployment at sensitive points to ensure Public safety in the hospital. Therefore contract for security was awarded to a firm M/s Askari Guard Pvt. Ltd after observing all codal formalities and payment was made to the security firm concerned accordingly. Hence payment was made in the best public interest. As far as services charges @ 8% are concerned, the Department assured the Committee that deduction will be started from the month of August, 2020.

PAC RECOMMENDATION

172. In view of the explanation advanced by the Department that services charges @ 8% are being deducted from the Askari Guards Pvt Ltd, the Para was recommended to be settled.

173. The Department was further directed to protect Government rights and not to repeat such practice in future.

DP No.7.4.39 LESS DEPOSIT OF RECEIPTS - RS. 10.44 MILLION.

AUDIT VERSION

174. 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.

175. During the financial year 2014-15, the Audit reported that in the office of Director Hospital Khyber Teaching Hospital, it was noticed that a sum of Rs.65.47 million was realized as per the statement provided by the IT department and handed over

to the Almoner. However, the receipt statement provided by the Almoner shows an amount of Rs.55.03 million resulting into less deposit of Rs.10.44 million.

176. The less deposit of government receipts occurred due to weak internal controls.

177. When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

178. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

179. Audit recommends to investigate the matter, fix responsibility against the person(s) at fault and balance receipts be deposited into the government treasury.

DEPARTMENTAL VERSION

180. The Department explained that the difference between IT figure and Almoner figure was due to the following reason.

| Digital X-Ray IT figure | Digital X-Ray Almoner Figure | Difference |
|--------------------------------|-------------------------------------|-------------------|
| 1,19,99,720 | 21,05,189 | 98,94,531 |

181. According to the Contract Agreement, Net Profit was distributed between KTH and Digital X-Ray in 50% : 50% ratio after deduction of the cost of film, Envelop charges, employees salaries and electricity charges. So, IT figure of Rs.1,19,99,720/- was comprising of the Gross amount received from Digital X-Ray during the financial year 2014-15 while the Almoner figures represent the net amount after deduction of all expenses; therefore, difference of Rs. 98,94,531/- is pointed out by the Audit.

182. The statement showing detail of total sales, cost of goods sold, entitled shares and 50%:50% profit with effect from July 2014 to June 2015 is hereby attached.

183. Similarly, a sum of Rs.4,36,069/- has been cancelled/refunded in various heads and a sum of Rs. 109,380/- has been deposited in next year 2015-16. Detail is attached.

| S/No. | Amount (RS) |
|--------------|---------------------|
| 1. | 9,894,531/- |
| 2. | 436,069/- |
| 3. | 109,380/- |
| Total | 10,439,980/- |

PAC OBSERVATION

184. The Committee observed that huge difference in figures i.e Digital X-Ray IT figure was Rs. 1,19,99,720/- while digital X-ray almoner figures was Rs. 21,05,189/- needs to be verified.

PAC RECOMMENDATION

185. The Para was recommended to be settled subject to verification of relevant record by the Audit within (30) days.

DP No.7.4.1 MIS-APPROPRIATION OF MEDICINES-RS.20.56 MILLION.

AUDIT VERSION

186. The Audit reported that according to paras 148, 149, 151 & 155 of GFR Vol-I, all materials received should be examined, counted, measured, weighed at the time when delivery is taken, and entered in stock by a responsible officer. When materials are issued for departmental use, manufacture, sale etc., the officer in charge of the store should see that an indent in prescribed form has been made by a properly authorized person. The officer entrusted with stores should take special care for arranging their safe custody. A reliable list, inventory or account of all stores in the custody of government officer should be maintained in a form prescribed by the competent authority to enable a ready verification and checking the accounts at any time

187. During the financial year 2010-11, in the office of Medical Superintendent DHQ Hospital D.I.Khan, it was noticed that medicines valuing Rs. 20.56 million were purchased by the local office but were not taken on stock register and were fictitiously issued. In some cases stock was not physically available as such medicines were misappropriated by the dealing hands. The details are as under.

- i. Medicines, cotton roll, disposable syringes valuing Rs.4.02 million were purchased but were either not taken on the relevant stock register/ not available in balance nor were handed over to the new store keeper.
- ii. Medicines valuing Rs. 9.65 million were provided by DG Health/ NGOs during flood season but documentary evidence was not available. The DMS store physically verified the same on 23.07.2011 and found shortage of medicines.
- iii. Medicines valuing Rs. 5.08 million were issued to units but the expense was either in excess of actual issue or fake issue was shown. The return from sub unit was also not taken on stock. DMS Zanana Hospital stated that no indent to store issued by her or even by the Gynaecologist.
- iv. Medicines valuing Rs. 1.29 million were taken on emergency stock register but neither issued to the sub store nor was physically available.
- v. Gyanae medicines valuing Rs.0.50 million were shown issued from store but were neither acknowledged by the unit nor were actually issued.

188. Audit held that medicines were required to have been properly accounted for and issued according to actual demand and consumption of the units. Similarly the balance was required to have been handed over to the newly posted store keeper which was not done, which resulted into mis-appropriation of medicines worth Rs.20.557 million. Misappropriation of medicines occurred due to non adherence to the rules and procedures and financial mismanagement.

189. Misappropriation was pointed out in October 2011. The management admitted the mis-appropriation and stated that recovery will be made. Audit requested the department repeatedly for holding of the DAC meeting; however DAC meeting was not convened till finalization of this report.

190. Audit recommends to investigate the matter, fix responsibility and recover the misappropriated amount from the person(s) concerned.

DEPARTMENTAL VERSION

191. The Department explained that the Audit while conducting audit of DHQ Hospital D.I. Khan (now MTI) for the year 2010-11 has pointed out various Paras of irregularities/ mis-appropriation/embezzlement. On the print media report, the Hon'ble CM constituted an Inquiry Committee subsequently on the recommendations of Inquiry Committee Dr. Misal Khan Ex. MS and Mr.Nazir Hussain, Ex-Store Keeper were

removed from service and recovery of Rs.18.785 Million and Rs.17.411 million respectively were ordered from both vide Health Dept: Notification No.SOH(E-V)2-161/2007 dated 27.02.2013.

192. The Department further explained that the accused i.e Mr. Misal Khan, Ex-MS DHQ Hospital D.I Khan and Mr. Nazir Hussain Ex-Store Keeper went on appeal against the departmental action to Services Tribunal wherein the penalty of removal from service was converted in compulsory retirement.

193. On the query regarding the recoverable amount as to whether it was reduced or otherwise the department shown ignorance.

PAC OBSERVATIONS

194. The Committee observed that:-

- i. The present Administration of the Hospital was ignorant of the fact of the case and could not produce any document in support of its contention.
- ii. Inquiry report conducted on the basis of which the Ex-MS Mr. Misal Khan and Ex-Store Keeper Nazir Hussain were penalized could not be provided.
- iii. Judgment of the Service Tribunal was also not provided.

PAC RECOMMENDATION

195. The Committee after detailed discussion and in view of the above observations constituted an IDC comprising the representative of Health Department, Finance Department, Law Department, Director General Audit, Hospital Director MTI D.I. Khan and PAC Cell of the Provincial Assembly of Khyber Pakhtunkhwa. The Committee will examine detailed record pertaining to the Draft Paras No. 7.4.1, 7.4.3, 7.4.4, 7.4.5, 7.4.17 and 7.4.18 i.e documentary proof on which the said Draft Paras were based, inquiry report, Services Tribunal Judgment and CPLA of the Department filed against the judgment of the Services Tribunal.

196. The Committee after examining the complete record pertaining to subject Paras will submit its report containing its findings and recommendations to the PAC within (15) days positively. PAC Cell of the Provincial Assembly will be the convener.

DP No.7.4.3 MIS-APPROPRIATION OF MEDICINES RECEIVED FROM WHO RS.2.00 MILLION.

AUDIT VERSION

197. The Audit reported that according to paras 149 & 150 of GFR vol-I, when materials are issued from stock, the officer in charge of the store should see that an indent in the prescribed form has been made by a properly authorized person. When materials were issued a written acknowledgement should be obtained from the person to whom delivered. In cases of transfers, the officer in charge of store should see that the stores in his custody were handed over correctly to his successor and a proper receipt taken from him.

198. During the financial year 2010-11, the Medical Superintendent District Head Quarter Hospital D.I.Khan received huge quantity of medicine and cotton rolls amounting to Rs.2.00 million from W.H.O. In the stock register the quantity was entered but was not shown issued to wards nor handed over to newly posted storekeeper. In case of cotton rolls, 5 to 10 rolls were shown issued to the patients directly and stock register page was also not signed due to which it was not clear that by whom issued. Non-issuance and non-handing over to new store keeper shows that the medicines of Rs.2.00 million misappropriated.

199. The misappropriation was pointed out in October, 2011. The management agreed with audit and replied to recover the same but no recovery reported till finalization of this report. Audit requested the department repeatedly for holding of the DAC meeting, however. DAC meeting was not convened till finalization of this report.

200. Audit recommends conducting inquiry, fixing responsibility and recovering the misappropriated medicines from the person at fault.

DEPARTMENTAL VERSION

201. The Department explained that the Audit while conducting Audit of DHQ Hospital D.I. Khan for the year 2010-11 had pointed out various paras of irregularities/mis-appropriation/embezzlement. On the print media report, the Hon'ble CM constituted an Inquiry Committee and on recommendations of Inquiry Committee report Dr. Misal Khan Ex. MS and Mr.Nazir Hussain, Ex-Store Keeper were removed

from service and recovery of Rs.18.785 Million and Rs.17.411 million were ordered from both vide Health Dept: Notification No.SOH(E-V)2-161/2007 dated 27.02.2013.

PAC RECOMMENDATION

202. Same as Draft Para No. 7.4.1

DP No.7.4.4 MISAPPROPRIATION OF EQUIPMENTS - RS.1.60 MILLION.

AUDIT VERSION

203. The Audit reported that according to Para 149 read with Para 159 of GFR Vol-I, The stock register be maintained with a detail of all items to check and verify the stock position at a glance and shall be verified physically once in a year by the officer other than custodian of store.

204. During the financial year 2010-11, MS DHQ Teaching Hospital D.I.Khan incurred an expenditure of Rs.15.68 million and Rs.2.50 million on purchase of equipments. The work and services department under the scheme “Standardization of DHQ Hospital D.I.Khan” during 2008-09 & 2009-10 has installed new air conditioners in new wards of the hospital as per detail given below. A detail store position of air conditioners was submitted by each sub-unit dated 17.10.2011.

| S# | Item | Quantity installed by C&W | Quantity available | Difference | Rate (Rs) | Amount (Rs in million) |
|--------------|---|---------------------------|--------------------|------------|-----------|------------------------|
| 1 | Split AC 1.5 ton (as per work bills attached) | 46 | 15 | 31 | 40,200 | 1.25 |
| 2 | Window 1.5 ton (pell) | 136 | 126 | 10 | 35,500 | 0.35 |
| Total | | | | | | 1.60 |

205. Old stock of the existing building during demolition and donation record if any was not maintained to verify the then stock position. However on comparison of

number of AC installed by Work's Department with current physical verification disclosed that sufficient quantity of air conditioners valuing Rs.1.60 million were short.

206. The misappropriation was pointed out in October, 2011. The management replied that a detail of AC supplied by C&W will be obtained and inquiry shall be conducted. Report of which shall be sent to DAC. Till date no inquiry report has been shown to audit.

207. Audit requested the Department repeatedly for holding of the DAC meeting; however DAC meeting was not convened till finalization of this report.

208. Audit recommends conducting inquiry, fixing responsibility and recovering the misappropriated amount from the person at fault.

DEPARTMENTAL VERSION

209. The department explained that the audit while conducting Audit of DHQ Hospital D.I Khan for the year 2010-11 had pointed out various paras of irregularities/mis-appropriation/embezzlement. On the print media report, the Hon'ble CM constituted an Inquiry Committee and on recommendations of Inquiry Committee report Dr. Misal Khan Ex. MS and Mr. Nazir Hussain, Ex-Store Keeper were removed from service and recovery of Rs.18.785 Million and Rs.17.411 million were ordered from both vide Health Dept: Notification No.SOH(E-V)2-161/2007 dated 27.02.2013.

PAC RECOMMENDATION

210. Same as Draft Para No. 7.4.1.

DP No.7.4.5 MISAPPROPRIATION OF OPD RECEIPTS – RS.1.38 MILLION.

AUDIT VERSION

211. 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.

212. During the financial year 2010-11, the Medical Superintendent District Headquarter Hospital D.I.Khan realized a sum of Rs.1.38 million on account of OPD charges but was not deposited into government treasury. Thus Rs.1.38 million misappropriated by the dealing hands.

213. Audit held that misappropriation occurred due to weak internal controls. Misappropriation was pointed out in October, 2011. The management agreed for inquiry. No progress has been intimated till finalization of this report. Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

214. Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) concerned.

DEPARTMENTAL VERSION

215. The Department explained that the Audit while conducting Audit of DHQ Hospital DI Khan for the year 2010-11 had pointed out various paras of irregularities/misappropriation/embezzlement. On the print media report, the Hon'ble CM constituted an Inquiry Committee and on recommendations of Inquiry Committee report Dr. Misal Khan Ex. MS and Mr. Nazir Hussain, Ex-Store Keeper were removed from service and recovery of Rs.18.785 Million and Rs.17.411 million were ordered from both vide Health Dept: Notification No.SOH(E-V)2-161/2007 dated 27.02.2013.

PAC RECOMMENDATION

216. Same as Draft Para No. 7.4.1

DP No.7.4.17 OVERPAYMENT DUE TO ALLOWING HIGHER RATES–RS.1.50 MILLION.

AUDIT VERSION

217. The Audit reported that according to paras 144 & 145 of GFR Vol-I read with para 29 of KP Procurement Rules 2003, all purchases should be made in a very public and economical manner through wide publicity.

218. During the financial year 2010-11, in the office of MS DHQ Hospital D.I Khan, it was observed from tender documents that medical gas was purchased at higher rates and lowest offered was rejected with the plea that the lowest bidder had not deposited the renewal fee due to which a sum of Rs.8,17,350/- was overpaid, whereas equipment valuing Rs.1.08 million was purchased from the same dealer during that

financial year. In another case, a sum of Rs.6,90,251/- was overpaid due to excess rate accepted than the MCC approved rates.

219. When pointed out in Oct, 2011, the management agreed to recover the overpayment. But till the finalization of this report no intimated. Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report. Audit recommends to recover the overpayment.

DEPARTMENTAL VERSION

220. The Department explained that the Audit while conducting Audit of DHQ Hosp: D.I.Khan for the year2010-11 had pointed out various paras of irregularities/misappropriation/embezzlement. On the print media report, the Hon'ble CM constituted an Inquiry Committee and on recommendations of Inquiry Committee report Dr. Misal Khan Ex. MS and Mr.Nazir Hussain, Ex-Store Keeper were removed from service and recovery of Rs.18.785 Million and Rs.17.411 million were ordered from both vide Health Dept: Notification No.SOH(E-V)2-161/2007 dated 27.02.2013

PAC RECOMMENDATION

221. Same as Draft Para No. 7.4.1

DP No.7.4.18 NON-RECOVERY OF RS.36.20 MILLION.

AUDIT VERSION

222. 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.

223. During the financial year 2013-14, in the office of MS DHQ Hospital D.I Khan, it was noticed that inquiry committee of the Health department conducted inquiry against Misal Khan Medical Superintendent (MS) and decided to remove him from service and recover Rs.18.78 million on account of loss to public exchequer. The MS was dismissed from service on 27.02.2013, but huge amount of Rs.18.78 million not yet recovered.

224. Similarly another accused of the same case, Nazeer Hussain Store Keeper also removed from service but recovery of Rs.17.41 million is outstanding against him.

225. Non-recovery was pointed out in Sep, 2014. The management furnished no reply. In the DAC meeting held in Dec, 2015, it was decided that the Commissioner D.I Khan be approached to recover the embezzled amount. Till finalization of this report no recovery was intimated.

226. Audit recommends to implement the decision of DAC in letter and spirit.

DEPARTMENTAL VERSION

227. The Department explained that the Audit while conducting Audit of DHQ Hosp: DI Khan for the year 2010-11 had pointed out various paras of irregularities/misappropriation/embezzlement. On the print media report, the Hon'ble CM constituted an Inquiry Committee and on recommendations of Inquiry Committee report Dr. Misal Khan Ex. MS and Mr. Nazir Hussain, Ex-Store Keeper were removed from service and recovery of Rs.18.785 Million and Rs.17.411 million were ordered from both vide Health Dept: Notification No.SOH(E-V)2-161/2007 dated 27.02.2013.

PAC RECOMMENDATION

228. Same as Draft Para No. 7.4.1

DP No.7.4.25 IRREGULAR AND UNAUTHORIZED EXPENDITURE ON ACCOUNT OF PAY WITHOUT RENDERING SERVICES RS.2.59 MILLION.

AUDIT VERSION

229. The Audit reported that according to para 113 of GFR Vol-I, pay shall be paid to the government servants on rendering service against the sanctioned posts

147. During the financial year 2010-11, in the office of MS DHQ Teaching Hospital D.I.Khan, it was reported by the Chief Nursing Supdt: of the hospital that a large number of nurses had engaged other individuals to perform duties in their places. It was a risky game playing with the lives of the patients. The payment to nurses not performing duties is serious irregularity and an unauthorized payment.

230. When pointed out in October, 2015, the management replied that inquiry will be conducted on the issue. The inquiry report still awaited till finalization of this report.

231. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

232. Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

233. The Department explained that in light of Draft Para, the management seriously took notice of the issue and no such mal-practice was found. Moreover, instruction has been issued to the employees that in case of indulgence of any employee in such mal-practice severe action shall be taken against him.

234. In light of the above, the draft Para may please be settled as no loss sustained to Govt: exchequer.

PAC RECOMMENDATION

235. In view of the fact that corrective measures have been adopted the Para was recommended to be **settled** with the direction to the Department to avoid such practice in future.

DP No.7.4.30 WASTEFUL EXPENDITURE DUE TO NON-INSTALLATION OF CT SCAN - RS.25.82 MILLION.

AUDIT VERSION

236. 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.

237. During the financial year 2012-13, in the office of MS DHQ Hospital D.I.Khan, it was observed that a CT Scan Machine valuing Rs.25.82 million is rusting in

the corridor of radiology department. This machine was purchased in the financial year 2011-12 and is still un-installed which cause financial loss to the government exchequer besides patients' sufferings. The following further shortcomings/observations were noticed.

- i. The machine was lying in hospital having no proper care from sun, rain etc. while its security is the responsibility of the contractor which was not availed by the local office.
- ii. Due to non-installation of machine it was possible that its warranty period expire.
- iii. Despite incurrence of huge expenditure on the purchase of machine the poor patients are deprived from its benefits.
- iv. The machine has not yet been operationalized so one cannot be sure whether the machine will be working properly/effectively or otherwise.
- v. No inspection report of the electro medical engineer was available on the record.
- vi. For the operation of machine, trained staff is required which in this case is not available.

238. When pointed out in Sep 2014, the management furnished no reply.

239. In the DAC meeting held in Dec, 2015, the management replied that the case was in process in the light of judgment by high court. DAC decided that as installation and functioning report from the department still awaited therefore, Para placed before the PAC.

240. Audit recommends to conduct inquiry and fix responsibility against the person(s) responsible.

DEPARTMENTAL VERSION

241. The Department explained that the CT Scan Machine was purchased in 2012 vide supply order No.A-23/Quotation/DHQ dated 09.01.2012. The Health Department in its meeting held on 11.05.2012 had directed to MS DHQTH DI Khan to withdraw the supply order and re-advertise the same after preparation of complete documents.

242. The MS DHQTH DI Khan at that time had withdrawn the supply order vide No.3457 dated 07.06.2012. The firm M/S Sherazi Trading Company had lodged Writ Petition in Peshawar High Court Peshawar vide No.1465-P/2013 against the supply

cancellation order. On 25.09.2014, the Honorable Peshawar High Court Peshawar directed the respondent to get the CT Scan machine supplied two years back installed and functionalized and thereafter get it inspected through independent team of experts and radiologist Hayatabd Medical Complex and KMU and if the machine was found up to the mark as per specifications provided in the tender, they shall pay the cost thereof as agreed and accepted in the notice of award. However, if any deficiency was found in the CT Scan machine and was not found up to the standard as per provided in the specification the petitioner shall not be entitled to any amount and shall remove the same at his own cost.

243. In light of High Court decision the Health Department had constituted and notified inspection committee. The firm M/S sherazi was asked to install the machine in compliance with the High court Peshawar judgment dated 25.09.2014.

244. The inspection Committee had inspected the machine on 01.08.2015 and had mentioned in the conclusion of the inspection report submitted to Health Department that CT Scan machine Model ECLOS-4 SLICES HOLE BODY E-RAY SYSTEM as per court order has been installed by the supplier and functionalized, fulfills the requirement of the Hospital as per quotation and supply order. The machine after inspection was not functioning and the firm / supplier put it in functioning order from February-2018. Till February-2019, 3277 CT Scan performed on it. During Financial Year 2018-19, the Govt: allocated / provided the required budget for payment of the bill to the supplier.

245. The machine was out of order since March-2019, the firm has been asked to repair the same but they have not repaired the machine till date.

246. In light of above no maintenance contract was signed by the supplier and the hospital and till date no payment has been made. Therefore the draft Para may please be dropped.

PAC OBSERVATION

247. The Committee observed that:-

- i. The payment for the said machine was not made as yet.

- ii. The purchase process was doubtful as GST was not applicable on purchases made for the Hospital.
- iii. The machine frequently went out of order but the supplier failed to fix in time.
- iv. The inspection report was fictitious as according to the statement of the Department the machine was not working after the inspection.

PAC RECOMMENDATION

248. After detailed discussion the Committee directed the Department to ask the contractor to functionalize the CT Scan Machine extend the warranty period of CT Scan machine upto three years from the date of repair and payment should be made after three years failing which the contractor may be asked to remove the CT Scan machine immediately as per Court decision. Para Stands .Progress by reported to PAC.

DP NO.7.4.34 DOUBLE DRAWAL OF MEDICINES - RS.1.87 MILLION

AUDIT VERSION

249. The Audit reported that according to Para 148 of GFR Vol-I, all store received shall be counted, measured and weighed as the case may be and recorded in the stock register under proper attestation of store in charge.

250. During the financial year 2010-11, MS DHQ Hospital D.I. Khan purchased medicine of Rs.1.03 million. Entries were made in stock register at page 165 and issue was shown accordingly. It was astonishing that the same item with same quantity, invoice No and date was recorded at page 89 and issue was shown on page 165. The bill of the same amount was also drawn from District Account-IV. Thus there was double drawl of Rs.1.03 million.

251. It was further revealed that the purchase of other medicines was made for Rs.834,900 but the same amount was also drawn for the same quantity from District Account-IV. Thus Rs.834,900 was double drawn.

252. The double drawl was due to weak internal controls. The matter was pointed out in Oct 2011. The management agreed with audit to recover the double drawl but till the finalization of this report no recovery affected.

253. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

DEPARTMENTAL VERSION

254. The Department explained that it was a fault on their part and admitted the double drawl as pointed out by Audit.

PAC OBSERVATION

255. The Department admitted its fault but could not produce any evidence or documentary proof that the amount had been recovered.

PAC RECOMMENDATION

256. In view of the above observation the Committee directed the Secretary Health to conduct inquiry for fixing responsibility, recover the said amount from the quarter concerned and also initiate departmental action against the person who allowed double drawal and those who failed to recover the same amount as yet. Para Stands. Progress be reported to PAC within one month.

DP No.7.4.35 FICTITIOUS LIABILITY/PENDING CLAIMS OF VARIOUS FIRMS – RS.6.24 MILLION.

AUDIT VERSION.

257. 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.

258. During the financial year 2013-14, the accounts record of Medical Superintendent DHQ Hospital D.I.Khan revealed that various firms submitted their claims of Rs.6.24 million on account of medicines supplied during 2012-13 to the hospital. However, the payments were still outstanding to the hospital. Further record revealed that no stock entries of the medicines supplied by these firms were made available nor where about was known by the hospital staff. The claims of the firms were duly supported with the delivery challans and supply order. In this connection the firms

also informed the Director General Health Services KP regarding the outstanding liabilities against the DHQ D.I.Khan.

259. It was stated by the sitting store keeper that the medicines supplied by the firms were not taken on the stock register. Other relevant documents of the medicines so purchased were also not available on the record.

260. The firm issued several reminders to MS DHQ Hospital DI Khan for the clearance of outstanding payments against the Hospital. Audit apprehends that either fictitious liabilities were created or the medicines worth Rs.6.24 million have been misappropriated by the dealing hand.

261. The lapse occurred due to weak internal controls. The matter was reported to the management in Sep, 2014. The management furnished no reply.

262. In the DAC meeting held in Dec 2015, it was replied by the management that no original record regarding the said medicine was available. DAC decided to conduct inquiry and fix responsibility against the person(s) at fault.

263. Audit recommends to implement the decision of DAC in letter and spirit.

DEPARTMENTAL VERSION

264. The Department explained that some firms had submitted bills for payment on supply of medicines and disposables. They were asked to produce the relevant documents i.e. supply orders, Invoice, receipt/acknowledgement of authorized official. They failed to produce any such documents which were essential for the payment. After observation on claim, the firm never demanded payment / claim till date which prove that it was all fictitious.

265. No supply order was on record nor supply was made therefore, no payment was made. Hence draft Para may please be dropped.

PAC OBSERVATION

266. The Committee observed that the firm/contractor had not produced the relevant record i.e. supply order Invoice receipt and acknowledgement of the authorized officer in support of their claims/demand.

PAC RECOMMENDATION

267. The Committee shown grave concern over the lethargic attitude of the Department as huge liability was created without any supply made, as payment was not made hence while taking a lenient view the Committee recommend to settle the Para with the direction to the Hospital management to strengthen its internal control in order to avoid such lapses in future.

Sarhad Hospital Psychiatric Diseases

DP No.7.4.2 SUSPECTED MISAPPROPRIATION ON ACCOUNT OF LOCAL PURCHASE OF MEDICINES - RS.3.27 MILLION.

AUDIT VERSION

268. The Audit reported that according to Paras 10 & 145 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.

269. During the financial year 2013-14, the accounts record of Medical Superintendent Sarhad Hospital for Psychiatric Diseases Peshawar revealed that rates for local purchase of medicines were approved in respect of M/s Nimra Medicos but on further scrutiny of record it was observed that during this period an amount of Rs.3.27 million was paid to M/s Continental Enterprises on account of local purchase of medicines. The claim pertains for the financial year 2013-14. A huge expenditure on this account was incurred upto 30.06.2013, but due to un-known reasons liability of Rs.3.27 million was shown cleared during 2013-14. It was apprehended that due to lack of internal check/controls such irregularities/negligence were made. Excess expenditure of Rs.3.27 million in the previous financial year 2012-13 and clearance from the budget allocation for 2013-14 needs detailed enquiry against the person(s) responsible.

270. When pointed out in Sep, 2014, the management furnished no reply. The matter was discussed in the DAC meeting held in December 2015. DAC directed that fact finding inquiry be conducted within one month. No further progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

271. The Department explained that reference DGHS letter No. 990/- Audit dated 30-10-2018 an inquiry was conducted into the matter with the recommendations that Local Purchase was made for :-

1. Tab. Olanzapine. 200000 tablets.
2. Tab. Risperidon 10000 tablets.

272. Total cost of the medicines was Rs.32,70,000/-. The rates for Local Purchase (LP) of both the item were approved by the Hospital authority for the year 2013-14, however, the payment was made in the next Financial year due to non-availability of funds.

PAC OBSERVATION

273. The Committee observed that:-

- i. Bulk purchase was made on 20th of June just ten days before the closing of financial year. The purchase of medicine should have been made to meet the demand of the Hospital for ten days only.
- ii. Copy of the inquiry report was not found attached, just the recommendation of the Committee was provided in the working papers, therefore, factual position of the case could not be ascertained.
- iii. The supply order for the said medicine were made on 20-06-2014 and on the same date the said supply was made alongwith submission of bill.
- iv. Huge quantity of Medicines were purchased on the demand of Junior Technician in the absence of funds for the same.

PAC RECOMMENDATION

274. As the officer deputed was not well versant who failed to explain the case and was not able to respond to the queries raised by the Members of the Committee. The Committee therefore, could not reach to a just and fair conclusion, hence, a Sub-

Committee comprising the following was constituted to thrash out the issue and submit report to PAC within one month.

1. Mr. Ahmad Kundi, MPA
2. Mr. Fazal Shakoor Khan, MPA
3. Mr. Aghaz Ikramullah Khan Gandapur, MPA.’

DP No.7.4.14 LOSS ON ACCOUNT OF PURCHASE OF FOOD ITEMS ON HIGHER RATES – RS.1.36 MILLION.

AUDIT VERSION

275. The Audit reported that during the financial year 2013-14, in the office of MS Sarhad Hospital for Psychiatric Diseases Peshawar, it was noticed that tender for the supply of diet charges was approved for the year 2011-12 by the DG Health Services KPK and was extended by the Hospital Management. On scrutiny of comparative statement it was noticed that extra ordinary high rates were approved during 2011-12, therefore, the supplier was willing for the supply of food items during 2013-14. For example; present market rate of beef is Es.260 per kg but the supplier had quoted Rs.320 per kg in 2011-12. A survey of the market carried out and the comparison of approved/market was made which resulted into a loss of Rs.1.36 million.

276. Loss occurred due to weak internal controls. Loss was pointed out in Sep, 2014. The management replied that as the quotations and rates were approved by DG Health KP and the matter will be conveyed to the concerned quarter for reply.

277. In the DAC meeting held in Dec, 2015, it was decided that inquiry be conducted for recovery of overpayment and fixing responsibility. Audit recommends implementing the decision of DAC.

DEPARTMENTAL VERSION

278. The Audit explained that reference DGHS letter No. 79/AR (Pension) Dated 30-01-2019 an inquiry was conducted the inquiry reports states that the approved rates were valid for the Dadar & Mental Hospital Peshawar for the year 2012-13 , the Audit party has observed after the market survey that the approved rates were high as compare to the market rate at that time. According to the audit observation difference between the market and approved rate was Rs. 20/- per KG. Due to the fact that stuff was

supplied at the door and also liable to the taxes will be costly as compared to the purchase from the market. Therefore the inquiry committee recommend that as the rates have been approved by the competent committee of the DG Health Services and no short supply, below specification supply or non supply has been observed. Hence, the observation may be settled.

PAC RECOMMENDATION

279. The explanation of the Department being found plausible was accepted and the Para was recommended to be **settled**.

DP No.7.4.16 OVERPAYMENT ON ACCOUNT OF PURCHASE OF MEDICINES – RS.1.02 MILLION.

AUDIT VESION

280. The Audit reported that during the financial year 2013-14, in the office of MS Sarhad Hospital for Psychiatric Diseases Peshawar, it was noticed that an expenditure of Rs.6.90 million was incurred on the local purchase of medicines from M/S Nimra Medicos at 20% discount. On verification of rates list approved by medicines co-ordination cell, it was revealed that most of these medicines were available in MCC list but the local purchase was made to facilitate the supplier, resulting into loss of Rs.1.02 million.

281. No check exercised by the hospital management and undue favour was extended to the supplier. The matter was pointed out in Sep, 2014. The management stated that matter will be examined and appropriate action will be taken. The irregularity committed and needs detail investigations besides recovery from the person(s) responsible.

282. The matter was discussed in the DAC meeting held in Dec, 2015. DAC directed that inquiry be conducted to fix responsibility and recover the overpayment. Audit recommends to implement the decision of DAC.

DEPARTMENTAL VERSION

283. The Department explained that this office purchased the following items on local purchase basis:-

- i. Inj. Pentothal

- ii. Tab. Kampro 5 mg
- iii. Tab. Carbamazepin 200 mg.
- iv. Tab. Stalazine 5 mg
- v. Tab. Haloperdol 5 mg
- vi. Inj. Flupehenazine.

284. These medicines were not available in MCC list, therefore, requested that the Para may be dropped.

PAC RECOMMENDATION

285. The Para was recommended to be settled subject to verification of relevant record and to ascertain that the medicines were not available in the MCC list by the Audit within (30) days. Progress be reported to PAC Cell.

Khyber Medical University (KIMS Kohat)

DP No.7.4.24 IRREGULAR AND UNAUTHORIZED PAYMENT OF KIMS ALLOWANCE RS.6.20 MILLION.

AUDIT VERSION

286. The Audit reported that according to HEC letter No.F.P.2-15/HEC/2009/580 dated 4.8.2009 read with Finance Deptt Govt of Khyber Pakhtunkhwa letter No.SOSR.III/FD/1-27/2003 dated 23.4.2003 and Higher Education Deptt letter No.SOA/FE/5-8/AA/AP/FA (1994-95) dated 18.9.2004, in order to maintain uniformity and standardization of allowances, facilities and perks etc in public sector universities, Vice Chancellors were directed to make payment of salary according to prescribed rates admissible under the BPS scheme.

287. During the financial year 2013-14, in the Khyber Medical University Peshawar, it was noticed that an amount of Rs.6.20 million was paid to the employees working in KIMS Kohat as special KIMS allowance in violation of the above rules. The said allowance in violation of above orders is irregular.

288. Audit held that irregular payment of KIMS allowance was made due to weak financial management. The matter was reported in February 2015. No reply was given.

289. Audit requested the university management repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report. Audit recommends to investigate the matter, recover the amount and stop further payment of KIMS allowance.

DEPARTMENTAL VERSION

290. The Department explained that after taking over the control of Kohat institute of Medical Sciences (KIMS) from Kohat University of Science & Technology (KUST), the KMU syndicate in its 8th Meeting held on 06-02-2012 and KMU Senate in its 5th meeting held on 21-05-2012 approved the KIMS allowance for KIMS employees in order to protect their pay as per rates given below.

a) Officers BPS-17 & above
(Faculty/Admin Staff).

| | |
|--------|--------------------------|
| BPS-22 | Rs. 20,000/- (per month) |
| BPS-21 | Rs.18,000/- (per month) |
| BPS-20 | Rs.15,000/- (per month) |
| BPS-19 | Rs.12,000/- (per month) |
| BPS-18 | RS. 10,000/- (per month) |
| BPS-17 | RS.5,000/- (per month) |

B) Administrative and Academic Staff (BPS-16 and below) @ 30% of running basic pay.

291. As per section 20 (1) of KMU Act, 2006 the Senate shall have all powers of the University not expressly vested in any Authority or Officer by this Act and all other powers not expressly mentioned in this Act that are necessary for the performance of its functions.

PAC OBSERVATION

292. The Committee observed that the KMU allowances were paid in violation of the Provincial Government pay and package policy, HEC directive as well as Finance Department instructions.

293. The Committee further observed that such irregularities are frequently reported by the Auditor General of Pakistan. The PAC had condemned such attitude of the University authorities and recommended to stop such practice forthwith. The Universities had not implemented PAC recommendation with the plea that these incentives had been approved by their Syndicate. The Institutions were totally misusing the authority of Senate and Syndicate for their own interest.

PAC RECOMMENDATION

294. In view of the above and after detailed discussion the Committee recommended to convene a Special meeting on the issue. The representatives of Health, Higher Education, Accountant General, Finance, Law, HEC and Advocate General may be invited to the meeting in order to examine the allowances of the Institutions in the light of pay & package policy of the Government. Moreover, the power of Syndicate and Senate may also be examined as to whether their recommendation have over riding effect on Acts and pay & package policy of the Government.

295. The Committee should recommend unanimous mechanism and guide line to all the autonomous bodies with regard to their pay and allowances and other day to day business.

DP No.7.4.29 WASTEFUL EXPENDITURE OF RS.55.47 MILLION.

AUDIT VERSION

296. The objective of the Government is to provide free health facility to the poor people at their door step.

297. The Audit reported that During the financial year 2013-14, the accounts record of M.S Government Mental and General Hospital Dadar revealed that a sum of Rs.55.47 million was incurred on salary and operative expenses of the Hospital. The 100 bedded Mental Hospital was shifted from Dhodial to T.B Sanatorium Dadar to vacate the place for Hazara University in 2001. 50 bedded T.B Sanatorium with 37 posts has been retained and merged with Govt. Mental Hospital Dadar with the new name of Government Mental and General Hospital Dadar. T.B Sanatorium was constructed in

1939 and no developmental work was carried out in the Hospital, the building has been badly damaged during past flood and earth quack.

298. Audit has the following observations: -

- i. Being mental hospital there is no Psychologist and Clinical Psychiatrist, both the posts were lying vacant since long.
- ii. There is no facility of admission in the mental hospital for female patients whereas 14 female nurses were sanctioned and posted without any demand and need.
- iii. 50 bedded General Hospital has only 3 beds in the emergency ward where the patients were admitted in the day only.
- iv. The posts of male and female medical officers are also lying vacant.

299. In the absence of Psychologist and Clinical Psychiatrist in the Mental Hospital, not only treatment of the patients are unjustified but the expenditure incurred on the salary and operative expenses amounting to Rs.55.47 million also stands wasteful. The poor patients suffered due to non-posting of the required doctors.

300. The lapse occurred due to lack of interest of the relevant persons. The wasteful expenditure was pointed out in Dec 2014. The management replied that detailed reply will be furnished later on. The matter was discussed in the DAC meeting held in Dec, 2015, wherein DAC decided that wasteful expenditure needs justification.

301. Audit recommends that in the absence of psychologist and clinical psychiatrist in the mental hospital, the poor patients will suffer badly, which needs remedial action on emergent basis. Steps taken by the management to be shown to the PAC.

DEPARTMENTAL VERSION

302. The Department explained that presently a qualified Medical Officer in psychiatry is working against the post of Psychiatrist.

303. Services of the Psychologist has been arranged through NGO till posting of Psychologist.

304. Position of the Medical Officers are mostly filled, currently one CMO BPS-20 02 PMOs BPS-19, 03 SMOs BPS-18 and 03 MOs of fBPS-17 are working at Hospital with 24/7 service provision. All the posts of Paramedical staff are filled.

305. Average daily psychiatric OPD is above 100, while General OPD is about 200 daily. Average Bed occupancy of mental ward is 80% or above.

306. The matter of posting for psychiatrist and psychologist has again taken up with higher authorities vide this office letter No. 638 dated 21-10-2019 as decided in pre-PAC meeting held on 24-07-2019.

PAC RECOMMENDATION

307. The steps taken by the management shown to the Committee alongwith documentary proof. As corrective measures had been adopted and the Hospital had been fully functionalized, the Para was, therefore, recommended to be **settled**.

DP No.7.4.38 LESS REALIZATION OF LITHOTRIPSY RECEIPTS – RS.1.45(M) AUDIT VERSION.

308. 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.

309. During the financial year 2012-13, in the office of Institute of Kidney Diseases Hayatabad Peshawar, it was noticed that Rs.1.45 million was less realized by the lithotripsy section. Further scrutiny of the record shows that as per IT record total number of patients were 1530 w.e.f 01.07.2012 to 30.06.2013 while actual number of patients for the said period were 2013, in the manual record so there was a difference of 483 patients which resulted into less realization of receipts amounting to Rs.1.45 million (483 x 3000).

310. Less realization was pointed out in Nov, 2013. The management stated that detailed reply will be furnished later on.

311. In the DAC meeting held in Dec, 2014, the department furnished no satisfactory reply. DAC decided that as IT section record and manually maintained record shows the difference, therefore, the amount may be recovered from the quarter concerned.

312. Audit recommends to recover the amount from person(s) at fault as decided in the DAC.

DEPARTMENTAL VERSION

313. The Department explained that as per record of Lithotripsy Section total number of patients were 1528 examined during the year 2012-13. In this regard a report prepared from the relevant registrar of the said section. Both the statement may kindly be re-examined in light of the audit observations. There were no difference between the record of Lithotripsy Section and I.T Section hence no irregularity or loss were occurred by the concerned staff.

314. During the meeting the Director Institute of Kidney Disease (IKD) Hayatabad explained that the variation in manual and IT record was due to the fact that in the manual record all the entries including entitled free and all the admitted patients was recorded, some time due to ill health and nausea the test could not be performed, some time the test were deferred due to non localize stones. Hence these entries were not included in the I.T record. He certified that all the entries in the I.T record were correct and payments duly deposited. Keeping in view of the above facts, the Draft Para may kindly be settled.

PAC RECOMMENDATION

315. The explanation of the Department advanced during the meeting was found plausible, hence the Para was recommended to be **settled**.

DP No.7.4.23 IRREGULAR AND DOUBTFUL DRAWAL OF FUNDS IN ANTICIPATION OF SUPPLY-RS.6.26 MILLION.

AUDIT VERSION

316. 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 According to S.No 6 of the condition of the MCC letter No. 167-267/ MCC dated 07.03.2014 bill for the payment will be submitted by the supplier after completion of the supply.

317. During the financial year 2013-14, in the office of District Health Officer Charsadda, it was noticed that Rs. 6.26 million was drawn from the treasury on account of cost of medicines. However the record of the local office revealed that the contractors have not supplied the said medicines till the date of audit i.e. 05.11.2014. It shows that the bills were submitted and money drawn by the dealing hands in anticipation of the supply of store by the contractor. Thus the drawal of funds without supply of medicines was irregular.

318. It may be added that the drawal of funds in anticipation of the supply of the store was the violation of aforementioned rules. Audit held that the funds were required to have been drawn after the supply of medicines by the supplier which was not done.

319. Irregular drawal of funds occurred due to weak internal controls and financial mismanagement. Irregular and doubtful drawal was pointed out in November 2014. The management furnished no reply.

320. Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

321. Audit recommends to investigate the matter, fix responsibility and recover the amount from the person(s) at fault.

DEPARTMENTAL VERSION

322. The Department explained that the following three (3) firms completed their supply which were taken on stock register and further issued to various health facilities.

1. MS Sanofi Rs. 212900
 2. Mr. Stanly Rs.1524129
 3. R. Mainbow Rs.787096
- Total Rs. 254125**

323. Moreover cost of non supply of medicine worth Rs. 45,56,457 had been deposited into Government treasury vide challan No. 89 Dated 20/08/2015.

324. Inquiry conducted in the light of pre PAC Recommendation. Negligence was observed on part of Accounts Clerk & Store Keeper for not informing the concerned DHOs in due time. So warnings should be issued to them to be careful in future.

PAC OBSERVATION

325. The Committee observed that as the Department admitted negligence and irregularity in the process, therefore, the matter need to be further investigated in detail.

PAC RECOMMENDATION

326. In view of the above the Para was referred to the Sub-Committee already constituted vide Draft Para No. 7.4.2 for detail probe by the Sub-Committee.

DP NO.7.4.37 LESS DEPOSIT OF GOVERNMENT RECEIPTS - RS.2.92 MILLION

AUDIT VERSION.

327. 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.

328. During the financial year 2014-15, in the office of Medical Superintendent DHQ Hospital Charsadda, it was noticed that a sum of Rs.8.00 million has been received from different units on account of OPD fee, Admin Fee, X-Ray fee etc, but the reconciliation statement of receipt duly verified by DAO shows that only a sum of Rs.5.08 million credited to Govt; Treasury till the end of June 2015, thus a sum of Rs.2,920,433 was less deposited which seems to have been misappropriated by the dealing hands.

329. The lapse occurred due to weak financial management. When pointed out in September, 2015. The management replied that recovery would be made if the point of view of Audit was correct.

330. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

331. Audit recommends to investigate the matter, fix responsibility and recover the amount from the person(s) at fault.

DEPARTMENTAL VERSION

332. The Department explained that actual receipt Rs 92,087/- was generated from Physiotherapy Unit instead of Rs.122810/-which was deposited into Govt Treasury. However, whole of the amount i.e. Rs.28,89,710/-has been deposited into Govt Treasury. Letters have been issued to DG Audit for verification of record in light of Pre-PAC recommendation on 07-08-2020 and 27-08-2020 but no response has been received yet.

PAC OBSERVATION

333. The Committee observed that:-
- i. There was difference of figures reported by the Audit and explanation by the Department regarding deposited amount.
 - ii. In case the Audit has not pointed the amount would not have been deposited.
 - iii. The then MS failed to deposit the said amount to government treasury in time.

PAC RECOMMENDATION

334. In view of the above as verification of complete record was required by Audit, therefore, the Para stands till verification of record within a month. The Department was further directed to stop the practice and to withhold the Pension of Ex-MS concerned till the verification of record by the Audit. Progress be reported to PAC.

FOLLOW-UP BUSINESS

335. In the meeting of PAC held on 23-09-2020 and 01-10-2020 the following Follow-up Business Draft Para were discussed.

D.P. No. 8.20 (2009-10)

D.P. No. 10.4.25 (2014-15)

336. In the meetings of PAC held on 5th December, 2018 and 20th April, 2012, Draft Para No. 10.4.25 for the year 2014-15 and Draft Para No. 8.20 for the year 2009-10

were discussed respectively and were settled subject to verification of record by Audit within a month but the record was not produced for verification till date. PAC shown its concern over the non responsive behavior of the Department and directed the Department to verify the record within (15) days positively, otherwise the officer sitting at helm of the affairs will be personally held responsible.

DP 10.4.14 UN-AUTHORIZED EXPENDITURE OF Rs. 13.660 MILLION (2014-15)

DP 10.4.17 UN-AUTHENTIC EXPENDITURE OF Rs.27.955 MILLION (2014-15)

DP 10.4.23 OVERPAYMENT OF Rs 2.096 MILLION (2014-15)

DP 10.4.24 OVERPAYMENT OF Rs.1.118 MILLION (2014-15)

DP 10.4.21 NON-PRODUCTION OF RECORD (2014-15)

337. The Committee noted with heavy heart that recommendations made on the Audit Report for the year 2014-15 were not fully implemented so far despite the repeated reminders by the PAC Cell. Therefore, the Committee referred the above Draft Paras to the Follow-up Committee.

DP 10.4.20 MISAPPROPRIATION OF MEDICINE Rs.2.942 MILLION. (2014-15)

338. The subject Draft Para was referred to Verification of Record Committee for verification.

GENERAL OBSERVATIONS.

- i. Although the Secretary of the Department was well prepared and explained the issues involved in Draft Paras very well.
- ii. The representatives of the concerned Institutions were not well prepared neither they could explain the issues in the Paras nor could they properly respond to the queries of the Committee properly.
- iii. The working papers were incomplete most of the relevant documents were not found attached. The Department was therefore, directed to mend its

casual attitude and give due importance to the most important business of PAC.

ENVIRONMENT DEPARTMENT

OVERVIEW

Twenty one (21) Draft Paras, reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meeting held on 07th and 08th October, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|---|---|
| 1. | Mr. Mushtaq Ahmad Ghani, Speaker | Chairman |
| 2. | Mr. Muhammad Idrees, MPA | Acting Chairman 2 nd sitting |
| 3. | Arbab Muhammad Waseem Khan, MPA | Member |
| 4. | Mr. Fazle-e-Shakoor Khan, MPA | Member |
| 5. | Mr. Inayatullah Khan, MPA | Member |
| 6. | Mr. Aghaz Ikramullah Khan Gandapur, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

1. Mr. Shabbir Ahmad,
Additional Secretary.
2. Mr. Muhammad Khalid Zaman,
Deputy Secretary.

FINANCE DEPARTMENT

Mr. Akhtar Saeed Turk,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Lal Muhammad,
Director General.
2. Mr. Muhammad Qayyum,
Director.
3. Mr. Zain-Ul-Abidin,
Deputy Director.
4. Mr. Khalid Zaman,
Audit Officer.
5. Mr. Mahmood-ul-Hassan Saeed,
Assistant Audit Officer.

ENVIRONMENT DEPARTMENT

1. Mr. Shahid Ullah Khan,
Secretary.
2. Mr. Khalid Iqbal,
Additional Secretary.
3. Mr. Shawkat Fiaz,
DFO, Chitral.
4. Mr. Muhammad Arif,
DFO, Siran, Mansehra.
5. Mr. Muhammad Amjad,
DFO, Agror Tanawal, Mansehra.
6. Mr. Shah Khalid,
DFO, Kohistan.
7. Mr. Shahid Noor,
DFO, D.I.Khan.
8. Mr. Jawad Mumtaz,
DFO, Kunhar, Mansehra.
9. Mr. Muhammad Shakeel,
DFO Mardan.

10. Mr. Muhammad Waseem,
DFO Swat.
11. Mr. Muhammad Farooq,
DFO, Kalam (Swat).
12. Mr. Ijaz-ul-Haq,
Internal Audit Officer.

PROVINCIAL ASSEMBLY SECRETARIAT

1. M. Nasrullah Khattak,
Secretary.
2. Mr. Amjad Ali,
Additional Secretary.
3. Mr. Ashtimand,
Deputy Secretary.
4. Mr. Khalid Shaheen,
Deputy Secretary.
5. 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 SUSPECTED MISAPPROPRIATION OF TIMBER VALUING
Rs.17.47 MILLION.**

AUDIT VERSION

3. The Audit reported that according to Sub Section-04 of section 23, 26 and 45 of NWFP Forest Ordinance 2002, when an offence is established then apart from fines and sentences awarded by the Court, all forest produce, tools, implements, carriages including mechanically propelled vehicles, pack animals, sawing unit, chain saw, arms, ammunitions and other equipments and conveyance used in the commission of a forest offence shall stand confiscated in favor of Government in addition to the punishment awarded under this section.

4. During the financial year 2012-13, in the office of Divisional Forest Officer, Chitral, it was noticed that a number of Court cases were decided in favour of the Government and the culprits were fined by the Court. Similarly, the case property was

also decided to be confiscated towards Government. However, the case property valuing Rs.16.00 million was not taken on the relevant timber record.

5. In some other cases it was found that timber valuing 1.47 million was further misappropriated due to tempering in the available record, incorrect brought forward of balances and incorrect stock entries in the timber record.

6. Audit held that the confiscated timbers were required to have been properly accounted for and that the tempering in record was required to have been inquired into which was not done. Misappropriation was pointed out in March 2014. The management stated that detailed reply will be submitted later on.

7. 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, fix responsibility and recover the amount from the person(s) concerned.

DEPARTMENTAL VERSION

8. The Department explained that the Draft Para consist of 02 Advance Paras:-.

1. AP No. 266 /2012-13:

During the year 2012-13, 25 cases have been decided in various Courts of Chitral District. The case properties have already been entered in the relevant Form-07.

2. AP No. 271/2012-13:

i. During the month of 1/2012 the following Transport Pass have been issued:-

| | | |
|----|---------------------------|-------------------|
| 1. | TP No. 24, dated 1/2012 = | 130.30 cft. |
| 2. | TP No. 26, dated 1/2012 = | 140.00 cft |
| 3. | TP No. 28, dated 1/2012 = | 243.00 cft |
| 4. | TP No. 29, dated 1/2012 = | 179.00 cft |
| 5. | TP No. 30, dated 1/2012 = | <u>188.90 cft</u> |

Total = 881.40 cft

The Timber Form No.07 has been corrected as per Transport Pass issued accordingly.

ii. The Timber Form No. 07 has been corrected and the missing timber i.e. 183.0 cft has been entered in relevant Form No.07.

- iii. The timber 129.7 cft have been brought forward in next month in Form No. 07.
- iv. The said timber 69.0 cft entered in Form No. 07.
- v. The Timber Form No. 07 has been corrected and 85 cft shown in Form No. 07.

PAC OBSERVATION

9. The Committee observed that:-
 - i. Entries of the missing timber was corrected as per transport pass issued by the Department after the Audit objection.
 - ii. Tempering in record was established in the light of the departmental reply.
 - iii. Entries were made afterwards but the Department could not produce challans of deposited amount into Government Kitty.

PAC RECOMMENDATIONS

10. In view of the above contention of the Audit regarding misappropriation of timber valuing Rs.17.47 million was established therefore, the Committee recommended action leading to recovery after fixing responsibility from the responsible(s) within a month time. Para stands. Progress be reported to PAC.

DP No. 5.4.7 LOSS TO PUBLIC EXCHEQUER DUE TO FIXING THE RESERVE PRICE LESS THAN MARKET-Rs. 5.13 MILLION.

AUDIT VERSION

11. 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.

12. During the financial year 2014-15, in the office of DFO Siran Mansehra, it was noticed that reserve price for timber sale was fixed very less than the market price and the Government exchequer was put to a heavy loss of Rs.5.13 million. The local office in consultation with conservator office fix a nominal price for valuable timber and the contract for sale of timber was awarded on lesser rate than the market price. It was pertinent to mention that the market rate taken as yard stick for calculating the above mentioned loss was also less than the Compounding rate (CC) of Forest Department.

Thus the public exchequer was put to a loss of Rs.5.13 million. Undue favour was extended to the contractor at the cost of the public property. When reported to the management in December, 2015, it was stated that detailed reply would be furnished after consultation of record.

13. 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 recover the loss from the person(s) at fault.

DEPARTMENTAL VERSION

14. The Department explained that the contention of Audit was incorrect and based on presumptions. The Timber in Market was graded quality wise and then sold on choice rates, whereas, in the Departmental Depots, the Timber of case properties decided after lengthy process in the Courts as well as confiscated in Forest/far flung areas and that apprehended from the offenders during transportation, was brought and stored after completion of legal formalities, which cannot be termed as of good quality and cannot be compared to the Market rates. The reserved rates were fixed on quality of timber and open auction of said timber was conducted by auction Committee in presence of various bidders. Moreover, the compensation rates also cannot be compared to auction rates as the compensation was realized from offenders, who commit an offence of illegal timber whereas, the auction of illegal timber was conducted in the market and every interested person can participate in the open auction, where no undue favour can be extended. Moreover, auction rates do not include 18% sale tax, 10% income tax, production duty @ 30/- per cft and FDF surcharge per cft prescribed in Forest Ordinance 2002.

PAC OBSERVATION

15. The Committee observed that advertisement was not made for auction of confiscated timber as per KAPPRA Rules and sold it on choice rates, as a result no chance for fair competition was provided to Public.

PAC RECOMMENDATIONS

16. As the Department was unable to provide details of types of timber confiscated and reserve price of each type of timber therefore, after detailed discussion a

Sub-Committee was constituted comprising the following to probe the issue in detail and submit a report within a month:-

- | | | |
|----|-------------------------------|----------|
| 1. | Mr. Muhammad Idress Khan, MPA | Chairman |
| 2. | Mr. Jamshid Khan, MPA | Member |
| 3. | Arbab Muhammad Waseem, MPA | Member |

DP No. 5.4.8 LOSS DUE TO NON-RECOVERY OF PROHIBITIVE DUTY ON COMPENSATION CASES-Rs. 3.42 MILLION.

AUDIT VERSION

17. The Audit reported that according to letter of the Secretary Government of Khyber Pakhtunkhwa Environment Department No.SO(Tech)/ED/V-105/2006/Vol-III dated 20-06-2011, Rs.400 per cft should be recovered as duty on prohibited timber.

18. During the financial year 2013-14, in the office of DFO Agror Tanawal Forest Division Mansehra, it was noticed that prohibitive duty @ 400 per cft on forest produce in compensation cases of various forest ranges was not recovered. The fine in all these compensation cases was charged and categorized as “possession of converted timber for sale” as per Forest Act, Appendix-II, compensation for forest offences and value of case property rules 2004, but duty amounting to Rs.3.42 million was not recovered from offenders, which resulted into loss to the stated extent.

19. Loss was pointed out in May, 2015. The management stated that detailed reply would be furnished after consultation of original record.

20. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends that recovery may be made from the person(s) responsible.

DEPARTMENTAL VERSION

21. The Department explained that Section-110 of the Khyber Pakhtunkhwa Forest Ordinance, 2002 invoked with the Government of Khyber Pakhtunkhwa Compensations for Forest Offences and value of case property Rules, 2004 amended/revised from time to time lastly 2013 does not contain any mandatory power to realize prohibitive duty @ 400/- per Cft on Forest Produce of any kind. The timber of compounded cases as pointed out by Audit has never been allowed for transportation by

this office. The timber of such cases was allowed for local use only after recovery of the compensation money. Record of this office reveals that not transport pass for transportation of such timber from the jurisdiction of Agror Tanawal Forest Division to some other district or place has been issued by this office. Therefore no duty on such timber, firewood and other Forest Produce as provided under Rule-3(2) of Khyber Pakhtunkhwa duty on Forest Produce Rules-2004 was recovered. Extract copy of Rules-3(2) of Khyber Pakhtunkhwa Duty on Forest Produce Rules-2004 is re-produced below: -

Rule-3(2) such duty on timber, firewood and other forest produce shall be collecting at the time of issuing of the transport pass by the DFO or the Forest Check Post specified by him. Provided that such duty on timber, firewood and other forest produce, placed stored and lying in depots specified in Column 3 of Appendix-II appended to these rules shall be collected by DFO concerned.

The same type of observation/Advance Para No. 42 for the year 2011-12 was also pointed out by the Audit party in Siran Forest Division Mansehra, which was discussed in the Departmental Accounts Committee (DAC) meeting held on 26-08-2013 to 30-08-2013 and dropped the Advance Para by Committee.

PAC RECOMMENDATIONS

22. The Department could neither advance any plausible explanation nor was fully prepared to respond the queries raised by the Hon'ble Members therefore the Para was referred to the Sub-committee already constituted in Draft Para No. 5.4.7.

DP No.5.4.10 LOSS TO GOVERNMENT DUE TO NON RECOVERY OF PROHIBITIVE DUTY ON COMPENSATION CASES-Rs. 2.68 MILLION.

AUDIT VERSION

23. The Audit reported that according to letter of the Secretary Government of Khyber Pakhtunkhwa Environment Department No.SO(Tech)/ED/V-105/2006/Vol. VIII dated 20.6.11 Rs.400/- per cft should be recovered as duty on prohibited timber.

24. During the financial year 2014-15, in the office of DFO Siran Mansehera, it was noticed that prohibitive duty @ 400 per cft on forest produce in compensation cases was not recovered. The fine charged in all these Compensation cases had been categorized "Possession of converted timber for sale" as per Forest Act, Appendix-II compensation for forest offences and value of case property rules 2004. The fines

charged were categorized as prohibitive timber however; prohibitive duty was not recovered as per detail below:

| Sub division | Upper Siran | Hilkot | Mansehra | Lower Mansehra | Total |
|---------------------|--------------------|---------------|-----------------|-----------------------|--------------|
| GFT | 914.27 | 961 | 903.61 | 3,914.61 | 6,693.49 |

25. The local office let off the smugglers and forest offenders on charging the compensation value only. However, the Government orders were violated as prohibitive duty associated with the compensation cases for Possession of converted timber for sale was not recovered, which put the public exchequer into a loss of Rs.2.68 million (6693.49 cft* 400/cft).

26. When pointed out in December, 2015, it was stated that detailed reply would be furnished after consultation of original record.

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 fixing responsibility and recovering the loss.

DEPARTMENTAL VERSION

28. The Department explained that the contention of Audit regarding recovery of duty on prohibitive rate was incorrect with the reason that the transportation of timber was only allowed through issuance of Transport pass by the competent authority i.e. DFO Territorial concerned under the provisions of Khyber Pakhtunkhwa Forest Produce Transport Rules 2004, wherein Rule-4 provides that “the forest produce being subject-matter of a compoundable offences under Section-110 of the Ordinance shall not be permitted for transportation beyond the limit of the village in which the offence has taken place.” No such Timber as mentioned in the observations by Audit has been allowed for transportation after realization of the compensation. The duty whether normal rate or prohibitive rate was recoverable at the time of issuance of transport pass as specified in Rule-3(i)(a), (b), (c) and (2) of Khyber Pakhtunkhwa Duty on Forest Produce Rules 2004. Rule-3 (2) of said Rules provides that “such Duty on Timber, firewood and other Forest Produce shall be collected at the time of issuing of the Transport pass by the Divisional Forest Officer” concerned or the Forest Check post specified by him. Also Section-110

of the Khyber Pakhtunkhwa Forest Ordinance-2002 read with Compensation Rules-2004 does not contain and such provision. Therefore, no Duty on prohibitive or normal rates can be recovered on the compounded timber when the timber was not allowed for transportation under the authority of Transport Pass. Further to above, same observation was raised by the Audit on the account for the year 2011-12 and 2012-13 vide Para No. 42 and 174 respectively, which were discussed in DAC meeting held on 28-08-2013 and 04-01-2016 and settled

PAC OBSERVATION

29. The Committee observed that the concerned DFO was neither fully prepared nor could he respond to the queries raised by the Committee.

PAC RECOMMENDATIONS

30. In view of the above and as similar issue was involved therefore; the Para was referred to the Sub-Committee already constituted in Draft Para No. 5.4.7.

DP No.5.4.11 LOSS TO THE PUBLIC EXCHEQUER DUE TO MISAPPROPRIATION OF GOVERNMENT MONEY-Rs. 2.47 MILLION.

AUDIT VERSION

31. The Audit reported that according to Paras 23 and 26 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. 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.

32. During the financial year 2014-15, in the office of DFO Siran Mansehra, it was noticed that contract agreements were made with the General Public (growers/owners of land) for raising youth nurseries in the project “Billion Trees Tsunami Afforestation”. First installment for soil preparation was paid @ Rs.25,000 per nursery in April, 2015 to the growers of the youth nursery for Rs.2.47 million. However,

2nd installment for plantation was not paid to them till December 2015, due to failure in the soil preparation for nurseries in the first phase. Thus Rs.2.47 million was a loss to the Government. Audit hold that failure of the nursery growers in the 1st phase was because of weak assessment and lack of interest of the management or owners in the project activities. It is pertinent to mention that third party validation report was made by the monitoring team but the report was not provided to Audit. The lapse occurred due to extending undue benefit to the youth at the cost of Government and lack of interest of the management.

33. When pointed out in December, 2015, it was replied that efforts were made to recover the Government money from the defaulters and detailed reply would be furnished later on.

34. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends that in similar nature cases conduct inquiry, fix responsibility and recover the amount besides streamlining the procedure of establishment of youth nurseries.

DEPARTMENTAL VERSION

35. The Department explained that the observation was based on misunderstanding. The payments to the Private Nursery growers were made after physical verification of the work done on spot. As provided in the PC-I BTAP, first installment was paid to the Private Youth Nursery growers during the audit period i.e. upto 30-06-2016 according to the terms of agreement deed for initial nursery raising expense. Similarly 2nd installment was paid to some of Nursery growers whose work was verified. However payment was not made to those nursery growers whose work could not be verified upto 30-06-2016. The observation was beyond the audit period i.e. 30-06-2015, however, it was clarified that not all but some of the Private Nursery growers have failed to complete the work due to one reason or the other. It was not the weak assessment or lack of interest of Management as pointed out by Audit, rather it was the negligence/disinterest of the private person who have shown their interest in nursery raising and signed agreement, received first installment for initial expenses but failed to complete the nursery raising work. It was the Government Policy to raise nurseries

through private persons in order to promote Farm Forestry and provide job opportunities at door step. The Department can only provide technical assistance and can do nothing except to take action under the provisions of Law. The 3rd Party validation report was not received during the audit period hence could not be provided at that time. Furthermore, target regarding raising of youth nurseries as envisaged in the PC-I for the year 2014-2015, has been achieved. Mostly private nurseries growers have produced healthy plants according to the agreement deed. Some private nurseries growers have produced less plants than the agreement executed with them, hence final installment made to them in the light of actual plants received. However, following Nurseries Growers have failed to provide required quantity of Plants, therefore recoveries have been effected as noted against each.

| S No. | Name of Nursery Grower | Nursery Type | | No. of Units | G.Total | Value of Plants received | Amount of Recovery | Remarks |
|-------|--|--------------|-------------|--------------|---------|--------------------------|--------------------|---|
| | | TTube | Broad leave | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| 1. | Baber s/o Mohammad Saeed | 25000 | 0 | 1 | 37500 | 0 | 37500 | The Grower could not raised the nursery and Original cheque returned. |
| 2. | Ahmad Nawaz s/o Mohammad Hayat | 25000 | 0 | 1 | 37500 | 0 | 37500 | Recovered and remitted in Government Treasury dated 29.05.2018 |
| 3. | Naheed Khan s/o Masood Ur Rehamn | 0 | 25000 | 1 | 112500 | 90000 | 22500 | Deducted from the bill of current year. |
| 4. | Sir Buland Khan s/o Abdul Wahab Khan | 0 | 25000 | 1 | 56250 | 54000 | 2250 | Recovered and remitted in Government Treasury dated 31.01.2017. |
| 5. | Nazir Ali Shah s/o Gohar Shah of Khhoo Battalak | 0 | 25000 | 1 | 83250 | 87300 | 0 | Bill for balance payment not received |
| 6. | Syed Rafqat Shah s/o Mehfooz-ul-haq of Chinarkot | 0 | 25000 | 1 | 56250 | 58500 | 0 | Bill for balance payment not received |
| 7. | Allah Nawaz Khan s/o Javed Khan | 0 | 25000 | 1 | 67500 | 36000 | 31500 | Recovered from bill of phase-II. |

| | | | | | | | | |
|-----|---|-------|-------|---|--------|--------|-------|--|
| 8. | Syed Saqib Sherazi s/o Syed Khalid Hussain Shah | 25000 | 0 | 1 | 37500 | 39000 | 0 | Bill for balance payment not received |
| 9. | Khurshid Alam Khan s/o Murad Ali Khan | 25000 | 0 | 1 | 37500 | 0 | 37500 | 37500/- recovered and remitted in Government Treasury dated. |
| 10. | Raza Mohammad Khan s/o Shan dad Khan | 0 | 50000 | 2 | 168750 | 126000 | 42750 | i. Deposited cash Rs. 22,000/- vide receipt dated 29.05.2018 ii. Balance recovery = 20750/- |
| 11. | Azhar Gul s/o Muhammad Younis | 0 | 75000 | 3 | 337500 | 336600 | 900 | Recovery of Rs. 900/- deducted from the bill of phase-II Nursery Installments. |
| 12. | Nadeem Khan s/o Ghulam Habib Khan | 25000 | 0 | 1 | 37500 | 0 | 37500 | Recovery of Rs. 37,500/- effected from the bill of 1 st installment of Phase-II Nursery. |
| 13. | Majid khan s/o Ghulam Rabbani | 0 | 50000 | 2 | 112500 | 113400 | 0 | Bill for balance payment not received |
| 14. | Saeeda bano w/o Muhammad Riaz | 50000 | 0 | 2 | 97500 | 51300 | 46200 | Rs. 46,200/- to be recovered. |
| 15. | Hajra bibi w/o Jehanzeb khan | 25000 | 0 | 1 | 37500 | 0 | 37500 | Rs. 37,500/- recovered vide receipt dated 31.10.2017 & remitted in Government Treasury. |
| 16. | Bibi Asia w/o Muhammad Miskeen | 25000 | 0 | 1 | 37500 | 0 | 37500 | Rs. 37,500/- to be recovered. |
| 17. | Farzana Bibi w/o Anwar Sajjad | 25000 | 0 | 1 | 37500 | 0 | 25000 | Rs. 37,500/- to be recovered. |
| 18. | Mst. Sharafat Nisa w/o Mehrab shah | 25000 | 0 | 1 | 37500 | 0 | 37500 | Rs. 15,000/- deposited into Government Treasury deed 30.04.2018. balance Rs. 22,500/- to be recovered. |

36. The Department added that partial recovery has been made while Rs. 1,43,000/ are required to be recovered.

PAC OBSERVATION

37. The Committee observed that recovery has been started by the Department from the Private Nursery Growers (PNG) after the objection of Audit. If the Audit had not raised objection the Government money would have been misappropriated.

PAC RECOMMENDATIONS

38 . After detailed discussion the Committee recommended to initiate action leading to recovery of the recoverable amount from the responsible departmental officer(s) who failed to recover the amount in time after fixing responsibility according to quantum of responsibility. Recovery may be got verified from Audit within a month. Para stands. Progress be reported to PAC.

DP No.5.4.14 NON-RECOVERY OF OUTSTANDING GOVERNMENT DUES FROM FDC-Rs. 18.88 MILLION.

AUDIT VERSION

39. 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.

40. During the financial year 2014-15, in the office of DFO Dir Kohistan at Sheringal, it was noticed that penalty amounting to Rs.18.887 million was imposed on two FDC lots, detail as under:-

| LOT No. | AMOUNT (Rs. in million) |
|----------------|--------------------------------|
| 87/M | 1.59 |
| 616/M | 17.29 |
| Total | 18.88 |

41. The record further revealed that no efforts were made by the concerned DFO for the recovery of outstanding dues of Rs.18.88 million. Non-recovery was due to non-adherence of rules and weak internal financial controls.

42. The matter was pointed out in October, 2015. The management furnished no reply.

43. 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 accelerate efforts for early recovery and deposit the amount in Government Treasury.

DEPARTMENTAL VERSION

44. The Department explained that detail break up of each lot/fine imposed was furnished as under:-

i. **Lot No.57/M, Fine Rs.1.592M**

Fine amounting to Rs.2,920,257.00 was imposed by the Department on FDC on account of illicit cutting of trees in FDC coupe. The Government outstanding dues was discussed in an arbitration and the penalty was reduced to the tune of Rs.1,592,865.00. The arbitration decision was challenged by FDC in the Civil Court Dir. The Court has decided the case in favor of FDC. Forest Department has lodged an RFA No.200/06 in Peshawar High Court against the decision of Civil Court. 1st date for hearing was fixed on 26-09-2006 and representative of the Department attended the honorable High Court and after that no court summon issued by the honorable High Court. This office has requested to MFO, FDC Malakand Circle at Mingora, vide letter No.2318/G dated 16-05-2012 for an early payment of outstanding Government dues. The MFO, FDC Malakand Circle Mingora vide his office letter No.3398 dated 25-05-2012 reported that the case is subjudice in the court.

45. This office has finally requested to MFO, FDC Malakand Circle at Mingora, vide letter No.3218/G dated 08-03-2016 for an early payment of outstanding government dues. The MFO, FDC Malakand Circle Mingora vide his office letter No.2949 dated 24.03.2016 reported that the said RFA (RFA No.200/06) has been dismissed by Darul Qaza Mingora Swat on 20.03.2014. It was further submitted that the same nature Para/observation has been taken in to Draft Para No.5.2.10 for the year, 2010-11 which may kindly be deleted from Draft Para No.5.4.14 for the year, 2015-16.

ii. **Lot No.616/M, Fine Rs.17.295 M**

The following marking has been carried out in FDC Lot No.616/M Panjkora Forest Compartment No.57 and 58 under the Approved dry standing and wind fallen trees policy, 2003:-

| S.No. | Pecies | No. of Trees | Standing Volume |
|-------|--------|--------------|-----------------|
| 1. | Deodar | 435 = | 1,30,941.0 cft |

| | | | |
|----|----------------|-------------|-----------------------|
| 2. | Kail | 23= | 4,644.0 cft |
| 3. | F/Spruce. | 38= | 4,943.0 cft |
| | Total:- | 496= | 1,40,528.0 cft |

46. Forest Department Dir Kohistan Forest Division was handed over the forests of FDC Lot No.616/M Panjkora Forest Compartment No.57 and 58 to FDC on 01-08-2008. Agreement for the sale of trees in FDC Lot No.616/M Panjkora Forest Compartment No.57 and 58 has been executed between Forest Department and FDC on 20-01-2009.

47. As per agreement clause 10(a) that in the event of the FDC, their agents or labour deliberately felling a tree over 6 inch diameter which they are not entitled to fell under terms of the agreement, the Conservator of Forests may impose fine not exceeding five times the price of the trees according to the rates given in the schedule. Such an action of Forest Department shall not confer on the FDC any right of ownership. The illegal timber so obtained will be separately recorded, transported and sold by FDC in its respective timber market and royalty released to Forest Department thereof. For a tree under 6 inch diameter, the FDC shall be liable to pay price at the sale rates plus penalty not exceeding Rs.1000 per tree. The amount of fine on this account shall be paid by the FDC within 90 days of the receipt of order, and in case default, shall pay 1.2% of compounded interest per month on unpaid amount, provided that the case was not subjudice with the designated arbitrator.

48. On receipt of complaint from local forest concessionists to the Chief Conservator of Forests Malakand Forest Region-III and Conservator of Forests Malakand Forest Circle West on 07-10-2013 that FDC work contractor illicitly converted unmarked trees in FDC Lot No.616/M, Panjkora Forest Compartment No.57, DFO Dir Kohistan Forest Division was directed to immediately check the said FDC coupe and furnish detail report. In response the DFO Dir Kohistan constituted a joint committee on 11-10-2013 to check the damages. The committee submitted its detail report stating that 21 Nos. unmarked trees of deodar species measuring 4,687.0 cft (standing volume) has illegally

been cut by FDC work contractor and converted into 134 logs of 3,750.0 cft was seized by Forest Department.

49. The FDC authorities have violated the agreement and fine to the tune of Rs.17.295M has been imposed by the Conservator of Forests Malakand Circle West under agreement clause-10(a) vide office order No.18 dated 13-11-2013. As per agreement clause-10 (a), interest at Rs.1.2% per month was payable by FDC and thus total outstanding in Lot No.616/M comes Rs.29.747M (Rs.1,72,95,000 + Rs.1,24,52,400 as 1.2% interest of 60 months). This office has regularly been requested to MFO, FDC Malakand Circle Mingora for early payment of huge Government outstanding dues, vide this office letter No.1429/G, dated 29-11-2013, No.3725/G, dated 09-06-2014, No.1963/G, dated 26-12-2014, No.3218/G, dated 08-03-2016, No.4875/G, dated 30-06-2017, No.3189/G, dated 21-02-2018, No.1840/G, dated 28-11-2018 and finally reminded vide letter No.2201/G, dated 28-12-2018, but no payment made by FDC till now.

PAC OBSERVATION

50. The Committee observed that the Department could neither produce relevant record nor could it respond to the queries raised by the Committee to defend the Para.

PAC RECOMMENDATIONS

51. The Para was therefore, referred to the Sub-Committee already constituted in Draft Para No. 5.4.7.

DP No. 5.4.18 UNAUTHORIZED EXPENDITURE ON ACCOUNT OF MAINTENANCE OF EXISTING NURSERIES-Rs. 1.08 MILLION.

AUDIT VERSION

52. The Audit reported that according to Paras 10 & 23 of GFR Vol-I, each Government officer is 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. 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.

53. During the financial year 2013-14, in the office of Divisional Forest Officer Kunhar Watershed Division Mansehra, it was noticed that in the ADP scheme “integrated watershed management for the uplands of Khyber Pakhtunkhwa” Rs.100,000 was provided for the maintenance of existing nursery as per revised physical and financial target/plan duly approved by the Chief Conservator of Forest North Region-II, Abbottabad and communicated for strict compliance. Contrary to the above, the local office spent Rs.1.08 million on the maintenance of existing nursery. Audit holds that the Chief Conservator of Forest North Region-II, being head of the division had approved the revised target for physical activities with regard to the financial allocation, thus incurrence of expenditure over and above the revised financial target was unjustified and unauthorized.

54. The lapse occurred due to weak financial controls. The irregularity was pointed out in May 2015. The management stated that detailed reply will be furnished after consultation of original record.

55. 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) responsible.

DEPARTMENTAL VERSION

56. The Department explained that Divisional Forest Officer, Kunhar Watershed Division Mansehra vide letter No.317/KWM dated 25-09-2013 addressed to Conservator of Forests/PD, Watershed Management Circle Abbottabad placed demand for fund under head “Maintenance of Existing Nurseries” from 10-2012 to 09-2013 Rs. 8,70,300/- which was released accordingly vide Conservator of Forests/PD, watershed Management Circle Abbottabad letter No.1243/B&A dated 07-10-2013, and vide letter No.460/KWM dated 02-12-2013 placed demand for fund under head Maintenance of existing nurseries (Liabilities) = Rs. 42000/- and Maintenance of existing nurseries (for the M/O 10 & 11/2013) = 170900/- (Rs. 42000+170900=Rs. 212900) which was released accordingly by Worthy Conservator of Forests/PD, Watershed Management Circle Abbottabad No. 1510/B&A dated 17-12-2013.

57. Total amount released to Kunhar Watershed Division Mansehra under head Maintenance of existing nurseries = Rs. 870300 + Rs. 212900 = Rs. 10,83,200/-. Thus this office incurred total amount of Rs. 10,83,200/- on the above mentioned nurseries which was within the prescribed limit.

PAC RECOMMENDATIONS

58. In view of the plausible explanation the Para was recommended to be settled.

DP No.5.4.19 BLOCKAGE OF PUBLIC MONEY-Rs. 33.56 MILLION.

AUDIT VERSION

59. 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.

60. During the financial year 2013-14, in the office of Divisional Forest Officer Siran Mansehra, it was noticed that number of damaged reports were entered and cases were shifted to prosecution for decision. The timber and other items confiscated valuing Rs.33.56 million were issued on superdaris to various persons. Audit held that the offenders shifted the cases to the prosecution instead of compounding the cases but the local office handed over the confiscated timbers and other valuable items on superdari. Audit further pointed out that there was no approved criteria and basis of superdari on which the valuable public assets are handed over to the people and in general it was required that the confiscated items shall be retained in the Forest Department custody unless and until decision of the Court was arrived. Efforts need to be made for early decision of the cases from Court as huge value of Government timber was involved in the prosecution cases.

(Rs. in million)

| Name of sub division | Maneshra | Lower siran | Hilkot | Upper siran | Total |
|-------------------------------------|----------|-------------|------------|-------------|-------|
| Value of confiscated material (Rs.) | 781,738 | 4,895,426 | 11,796,279 | 16,104,069 | 33.56 |

61. Blockage of money was due to weak internal controls. When pointed out in December, 2015, the management stated that detailed reply will be furnished after consultation of record.

62. 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, expedite the cases and evolve procedure for dealing with supardari cases.

DEPARTMENTAL VERSION

63. The Department explained that the observation of Audit was not based on fact rather an imagination. In almost all the Forest offence cases subsequently prosecuted in the Court of Law, all the forest produce was in the shape of felled trees and have rightly been given on Superdari under the provision of Section-77 (3) of Forest Ordinance-2002. Due to inadequate release of funds by the Khyber Pakhtunkhwa Finance Department under object Budget Sub-head, these felled trees was lying far flung highly difficult/remote area could not be converted in to scants and transportation of extracted timber to Central Timber sale Depot Mansehra for disposal. It was pertinent to mention that a Forest Guard who was responsible to protect the entire forest of beat under his territorial jurisdiction most prominently. Besides to supervise other developmental activities processing of damage reports, apprehension of forest offenders and their production before the Court of Law as well as prosecution of case pending adjudication in the Court of Forest Magistrate regularly and thus could neither sit on spot to safeguard the felled trees. Whereas the timber so apprehended was concerned, the same has been properly been taken on relevant timber Form and transported to Central Timber sale Depot for disposal. However, efforts are being made to pursue the pending Prosecution Cases for early decision by the Court.

PAC OBSERVATION

64. The Committee observed that the reply of the Department was convening but supporting documents could not be produced to the Committee.

PAC RECOMMENDATIONS

65. In view of the above the Para was recommended to be settled subject to verification of record by the Audit within a month.

DP No.5.4.20 SHORT DEPOSIT OF GOVERNMENT RECEIPTS-RS.1.92 MILLION.

AUDIT VERSION

66. The Audit reported that according to Paras 23 & 26 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. 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.

67. During the financial year 2014-15, in the office of DFO Siran Mansehra, it was noticed that Rs.4.09 million was realized on account of compensation of forest produce and vehicle/tool cases. The reconciled receipt statement of the local office revealed that Rs.2.18 million were deposited in the Government treasury instead of Rs.4.09 million, thus resulting into short deposit of Rs.1.92 million.

68. The lapse occurred due to weak internal controls. When pointed out in December, 2015, it was stated by the management that detailed reply will be furnished after consultation of record.

69. 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 deposit the remaining receipt into Government Treasury.

DEPARTMENTAL VERSION

70. The Department explained that all sum realized on account of compensation and value of forest produce has been remitted into Government Treasury as per detail is as under:

| | | |
|----|--|---------------|
| 1. | Total amount realized as compensation value of Forest Produce. | Rs. 4976526/- |
| 2. | Amount disbursed as Reward. | Rs.1006750/- |

| | | |
|----|--|--------------|
| 3. | Net remitted into Government Treasury. | Rs.3969776/- |
|----|--|--------------|

PAC OBSERVATION

71 The Committee observed that the relevant Laws and Rules of the Department regarding awarding rewards are contradictory to the provision of Article-118 of the Constitution of Islamic Republic of Pakistan. It was also admitted that Rules have not been amended as per previous recommendation of PAC made on DP No.71 (1997-98) and DP No.7.4.4 (2014-15).

PAC RECOMMENDATIONS

72. In view of the above, the Committee upheld the previous recommendations of PAC given in D.P No.71 (1997-98) and D.P No.7.4.7 (2014-15) and directed the Department to initiate necessary measures for amending the relevant Laws and Rules in vogue in light of the said recommendations of PAC.

73. The Committee further directed the Department to initiate action leading to recovery of the total amount involved from the responsible(s) who allowed rewards despite clear cut instructions of PAC issued time and again after fixing responsibility. Para stands. Progress be reported to PAC with three (03) months.

DP No. 5.4.2 SUSPECTED MISAPPROPRIATION IN EXPENDITURE INCURRED ON DAILY WAGES LABOUR IN MEGA PROJECT- Rs. 4.10 MILLION.

AUDIT VERSION

74. The Audit reported that the labour should be allowed as per Pakistan Engineering Council (PEC) bidding documents with labour component as 10% of the contract price notified by the Works & Services Department vide letter No.SOG/W&S/11-29/2005 dated 02-01-2009, Para F-4 addressed to all Administrative Secretaries for information and compliance.

75. During the financial year 2014-15 in the office of Divisional Forest Officer, Mardan, it was noticed that funds to the tune of Rs.4.36 million were provided under Mega project to the local office. On scrutiny of record, it was revealed that Rs.4.10 million was shown drawn on muster roll on account of daily wages labour, which was 94.10% of the total expenditure under this project.

76. In the presence of all types of machinery, equipments and other modern technology, the ratio of the unskilled labour was required upto 10% but it was enhanced to 94.10%, which was unrealistic. This shows that only Rs.2,57,400 was incurred on other activities.

77. Similarly under “Billion Trees Project” a sum of Rs.43.55 million was placed at the disposal of local office. On verification, it was observed that an amount of Rs.21.22 million was shown incurred on daily wage labour, which was 48.72% of the allocated budget, whereas the balance budget of Rs.22.33 million was utilized on the establishment of youth nurseries in private sector and plantation. The huge expenditure on daily wage labour was made in violation of rules. The lapse occurred due to mismanagement and lack of planning.

78. The matter was reported to the management in December 2015. The management stated that detailed reply will be given after consulting the record.

79. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends that detailed investigation be carried out and procedure be devised to avoid such type of expenditure in future.

DEPARTMENTAL VERSION

80. The Department explained that the expenditure amounting to Rs.4.36 million against the released budget has been incurred in full on account of daily laborer charges deployed on watch & ward and maintenance of plantation. So far as the question of utilization of machinery, equipments and other modern technology was concerned, it was clarified that there was no provision of modern technology for plantations in the PC-I schemes. Therefore, the plantations have been raised under these schemes through general laborer on daily wage basis which was covered by the PC-I provision. Beside, one of the objectives of these schemes was to provide job opportunities to the poor families of local population at their door step by engaging them on daily wage basis in the cultural work such as layout, digging of pits, planting, watering and watch and ward. All the expenditure has been incurred in accordance with the approved rates of PC-I and no violation has been occurred in expenditure than the PC-I provision.

81. On a quarry from the Committee Member regarding payment made, the Department told that cash payments were made to the labours but now the system has been changed and in most of the cases payment is being made through crossed cheques and biometric verification with NADRA is also done.

PAC RECOMMENDATIONS

82. In view of the above, the Committee recommended the Para to be settled.

DP No. 5.4.3 MISAPPROPRIATION ON ACCOUNT OF LESS DEPOSIT OF AUCTION MONEY OF TIMBER-Rs.1.20 MILLION.

AUDIT VERSION

83. 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.

84. During the financial year 2014-15, in the office of Divisional Forest Officer Mardan, it was noticed that 132 transport permits were issued to various contractors on account of transportation of auction of different species auctioned.

85. Actually realized receipts and taxes were Rs.5.99 million while Divisional Office deposited Rs.4.79 million, thus there was less deposit of Rs.1.20 million into the Government treasury and seems to have been misappropriated.

| S.No. | Amount Calculated by Audit (Rs) | Shown Deposit by the Office (Rs) | Difference (Rs) |
|--------------|--|----------------------------------|------------------|
| 1. | 1/4 th Value of Auction 1,921,681 | 1,572,000 | 349,681 |
| 2. | 20% FDF on Sale Value 1,537,345 | 1,307,519 | 229,826 |
| 3. | 5%FDF Per CFT 384,336 | 149,992 | 235,344 |
| 4. | 10% Income Tax 768,672 | 642,826 | 125,846 |
| 5. | 17% Sales Tax 1,306,743 | 1,123,102 | 183,641 |
| 6. | 1% Stamp Duty 76,867 | 0 | 76,867 |
| Total | 5,995,644 | 4,795,439 | 1,201,205 |

86. The lapse occurred due to financial mismanagement and weak internal controls. The matter was reported to the management in December 2015. The management replied that action will be taken accordingly. 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, fix responsibility and recover the amount.

DEPARTMENTAL VERSION

87. The Department explained that during the year 2014-15, 132 Nos Lots of different Forest produce have been auctioned. The detail of actual amount realized from the purchasers on account of 1/4th amount of the sale value as well as other taxes, the abstract of which is as under:

| SNo. | Particular | Amount realized and deposited in Govt: Treasury by the Department (Rs.) | Amount calculated by Audit (Rs.) | Difference (Rs.) |
|-------------|---------------------------------|--|---|-------------------------|
| 1. | 1/4 th of sale value | 1957000 | 1921681 | (+)35319 |
| 2. | 20% FDF on sale Value | 1517720 | 1537345 | (-)19625 |
| 3. | 5 % FDF per Cft | 182702 | 384336 | (-)201634 |
| 4. | 10% Income Tax | 2101635 | 768672 | (+)1332963 |
| 5. | 17 % Sale Tax | 1313475 | 1306743 | (+)6732 |
| 6. | Duty | 571898 | 76867 | (+)495031 |
| | | 7,644,430 | 5,995,644 | 1,648,786 |

88. The above tabulated figures show that the Department has realized an amount of Rs.76,44,430/- whereas as Audit has shown realization of Rs.59,95,644/- which was less by Rs.16,48,786/-.

PAC OBSERVATION

89. The Committee observed that the Department did not convene DAC resultantly petty nature issues were brought before it.

PAC RECOMMENDATIONS

90. In view of the explanation advanced by the Department the Para was recommended to be settled subject to verification of original challan of the deposited auction money in to Government Treasury by the Audit within a month.

91. The Committee further directed the Department to take departmental action against those who failed to implement the decision of Pre-PAC till date.

DP No. 5.4.4 LOSS DUE TO PAYMENT OF ROYALTY BY FDC AT LESSER RATES- Rs. 65.01 MILLION.

AUDIT VERSION

92. The Audit reported that 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.

93. During the financial year 2013-14, in the office of DFO Kalam, it was noticed that FDC has transported a quantity of 89,132 cft timber of various species from Forests to timber market pertaining to five different lots. In return a meager amount of Rs.19.66 million for three lots was paid to DFO without details of per cft cost of timber while the payment of two lots was not paid. The per cft rate of the paid amount was found to be much lower as compared to market rate as by calculating the amount on minimum market rate of Rs.950 per cft FDC was required to pay Rs.84.67 million (89,132 cft @ Rs. 950 p.cft) as such Rs. 65.01 million was less paid. (Rs. 84.67 million-Rs. 19.66 million)

94. Audit held that payment was required to have been recovered from FDC which was not done. Loss due to non recovery occurred due to weak internal controls. Loss was pointed out in October, 2014, wherein the management stated that FDC has been asked to pay the amount.

95. 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 recover the amount from FDC.

DEPARTMENTAL VERSION

96. The Department explained that FDC authority has paid Rs. 1,36,363,000/- till date in the five lots as per and had to transport 630,211 cft timber as per executed agreements of five lots. As far as less amount is concerned, as per stance of FDC lump sum rate Rs. 950/- per cft was not justified, as the lots were comprising of different species of timber and the rates are not the same in the market. Furthermore, the lots agreements are not on pre fixed basis but on Net sale, so the rates find fluctuations in the market. Payment in the lots was still being made but the final balance amount would be paid on completion of lots and subsequent approval of price/Executive Committee. However FDC authority has been reminded to clarify its position regarding payment of less amount and slow payment process of balance amount as well as reconciliation of the amount paid vide DFO Kalam letter No. 1821 /G, date 28/01/2019.

PAC RECOMMENDATIONS

97. The Para was recommended to be settled subject to verification of original challan of recovery and its deposit into Government Treasury for the quantity of 89,132 cft timber mentioned in the Draft Para by the Audit within a month.

DP No. 5.4.5 LOSS DUE TO AUCTION OF TIMBER ON LESSER RATE- Rs.18.27 MILLION.

AUDIT VERSION

98. 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.

99. During the financial year 2014-15, in the office of Divisional Forest Officer, Mardan, it was noticed that Shesham wood/timber was auctioned on different dates on lesser rates as compared to the rate approved vide Government of Khyber Pakhtunkhwa, Environment Department notification No.SO(Tech)/ED/V-

105/2013/Vol:VIII dated 24-01-2014. The reserve rates approved for shesham was Rs.1,800 per cft. The sale of timber at lesser rate resulted into a loss of Rs.18.27 million.

100. The lapse occurred due to financial mismanagement and weak internal controls. The matter was reported to the management in December 2015. The management stated that detailed reply would be given after consulting the record.

101. 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 carry out investigation and recover the loss besides fixing responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

102. The Department explained that the Audit has misconstrued the provision of Rs.1,800/- per cft for Shesham in terms of the Government of Khyber Pakhtunkhwa Environment Department Notification No.SO(tech)/ED/V-105/2013/Vol:VIII dated 24-01-2014 which was only for illicit transportation of Shesham. In normal cases regarding disposal of Forest Produce through open auctions, reserved rates are approved by the Conservator of Forests in anticipation of conducting auction which were definitely less than the aforementioned rate i.e. Rs. 1,800/- per cft which was a penalty (not approved rate for auction) and realized from the Forest Offenders who illegally transport Shesham Timber which are not covered by legal permits.

PAC RECOMMENDATIONS

103. The explanation of the Department was found plausible duly supported by documentary evidence i.e Notification No.SO.(tech)/ED/V-105/2013/Vol:VIII dated 24-01-2014 hence the Para was recommended to be settled.

DP No. 5.4.6 LOSS DUE TO AUCTION OF TIMBER ON LESSER RATES- Rs.16.76 MILLION.

AUDIT VERSION

104. The Audit reported that according to Para 23 of GFR Vol-I, every Government officer will personally be responsible for any loss to Government either

through his own willful fault or negligence or any of his subordinates. A complaint of Muhammad Rasool and all the members of timber contractors of district Mardan, Charsadda, and Swabi addressed to Director Anti Corruption Establishment, Khyber Pakhtunkhwa regarding auction of timber on lesser rates.

105. During the financial year 2014-15, in the office of Divisional Forest Officer, Mardan, it was noticed that Anti-Corruption Team Mardan visited the local office for investigation of the complaint lodged by Muhammad Rasool. Accordingly, Audit also examined the complaint and verified the relevant record. As a result of verification of record, it was disclosed that various species were auctioned on 18-11-2011 on higher rates, and the auction documents were submitted for approval to the Conservator Forest Department, the successful bidders were required to deposit the balance amount as per approved criteria but due to unknown reasons, no one deposited the amount in the specified period. The contractor's bid securities were forfeited.

106. The timber was re-auctioned on 13-12-2011 on lesser rates, which resulted into a loss of Rs.16.76 million to public exchequer. The lapse occurred due to mismanagement and weak internal controls.

107. The matter was reported to the management in December 2015. The management stated that detailed reply would be furnished after verification of record. 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 recover the amount besides fixing responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

108. The Department explained that as per criteria for the disposal of Forest Produce through open auction, Call Deposit worth Rs. 50,000/- was realized from each bidder before his participation in the auction proceedings as per condition No.2 of the Auction Condition. Later on, the successful bidders retracted from their bids, therefore, the entire amount of their Call Deposits i.e. Rs. 7,00,000/- was forfeited in favour of Government and remitted into Government Treasury, copies of the Treasury Challans (TCs) are as per detail given below:-

- i. TC No. 143 dated 15.12.2011 for Rs. 400,000/-.
- ii. TC No. 173 dated 14.12.2011 for Rs. 50,000/-.
- iii. TC No. 174 dated 14.12.2011 for Rs. 50,000/-.
- iv. TC No. 175 dated 15.12.2011 for Rs. 50,000/-.
- v. TC No. 176 dated 15.12.2011 for Rs. 50,000/-.
- vi. TC No. 177 dated 15.12.2011 for Rs. 50,000/-.
- vii. TC No. 178 dated 20.12.2011 for Rs. 50,000/-.

Total = Rs. 700,000/-

109. Subsequently, the said Forest Produce were re-auctioned which fetched higher rates than that of the Approved Reserved Rates. Therefore, no financial loss has been sustained to Government. Moreover, the Anti-corruption Department conducted proper inquiry in the matter and decided the case in favour of Forest Department.

PAC OBSERVATION

110. The Committee observed that the successful bidders failed to deposit $\frac{1}{4}$ of the total amount on the spot as per terms & conditions of the auction. The Department was required to blacklist such bidders/contractors for future bidding but no action was taken against the defaulters.

PAC RECOMMENDATIONS

111. The Committee taking a lenient view recommended the Para to be settled subject to verification of complete record pertaining to the Para by the Audit within a month.

112. The Department was directed to make sure recovery of $\frac{1}{4}$ of the total amount on spot from the successful bidder.

DP No. 5.4.9 LOSS DUE TO PAYMENT OF RENT OF LAND AT HIGHER RATE-Rs. 3.06 MILLION.

AUDIT VERSION

113. 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.

114. During the financial year 2014-15, in the office of DFO Swat, it was noticed that private land was hired for Department nurseries under the Billion Tree Tsunami Project in Khyber Pakhtunkhwa. It was however, observed that higher rate of Rs.10,000 and Rs.15,000 per kanal was paid as compared to Rs.6,000 per kanal provided in the PC-I of the Project resulting into loss of Rs.3.06 million to the public exchequer.

115. Audit held that land was required to have been hired on the rates as prescribed in the PC-I which was not considered resulting into loss to the public exchequer.

116. Loss was pointed out in January, 2016. The management replied that the rate was approved by the Project Management Committee. Reply was not correct because rate of PC-I should have been followed.

117. 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, fix responsibility and recover the loss from the person(s) responsible.

DEPARTMENTAL VERSION

118. The Department explained that the plea of the Audit was correct that Rs. 6000/- per Kanal was approved as per PC-I. But the land owners were not giving their land for raising of Department nursery under BTAP as the market rate of rent for per Kanal was Rs. 15000/- to Rs. 20000/-. Thus the issue was shared with the Project Authorities during 1st phase of the Project and accordingly has been enhanced upto Rs. 15000/- per Kanal/annum circulated vide Conservator of Forest, Malakand East Forest Circle office letter No. 4027-31/P&D, dated 13-11-2015.

PAC RECOMMENDATIONS

119. The explanation advanced by the Department being plausible duly endorsed by the Audit was accepted and the Para was recommended to be settled.

DP No.5.4.12 LOSS DUE TO NON ESTABLISHMENT OF YOUTH NURSERIES- Rs. 2.16 MILLION.

AUDIT VERSION

120. 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.

121. During the financial year 2014-15, in the office of Divisional Forest Officer, Mardan, it was noticed that 1st installment (1/4th of the total value) was released to 128 private/youth nurseries. The second installment was conditioned to the satisfactory, healthy position of the nursery. On verification, it was observed that 2nd installment was paid to 86 out of 128 persons, and the remaining 42 persons failed to establish youth nurseries in their respective areas. There were 8 other such persons whose names were included in the list of those who were granted 2nd installment, but were not found in the list for 1st installment. Due to failure of 42 persons in establishing youth nurseries, the Government sustained a loss of Rs.2.16 million.

122. The Provincial/departmental monitoring teams did not perform their duties efficiently. The payment of 1st and 2nd installment, without verifying existence of nurseries, resulted into loss of Rs.2.16 million, which needs to be recovered from the person(s) concerned or SDFO. The lapse occurred due to mismanagement and lack of internal controls.

123. The matter was reported to the management in December 2015. The management replied that action would be taken accordingly.

124. 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 throughout the Province and recover the loss besides fixing responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

125. The Department explained that the observation raised by Audit party that only 86 private nursery growers out of 128 were paid 2nd installment was not correct. In fact, the 2nd installment was paid to all the aforementioned 128 nursery but the Auditor did not check the list of growers thoroughly. As far as the question of 8 other growers was concerned, it was clarified that the observation of the Auditor contradict his own

statement that “1st installment (1/4th of the total value) was released to 128 private/youth nurseries”. Moreover, he has not identified the said 8 growers to this office.

PAC RECOMMENDATIONS

126. As partial amounts of the Para was recovered by the Department and recovery of the balance amount was in progress therefore the Para was recommended to be settled subject to completion of recovery and its verification by the Audit within a month.

127. The Committee further directed the Department to initiate criminal proceedings if required against the defaulter to expedite the recovery and its deposit into Government Treasury.

DP No. 5.4.13 OVERPAYMENT ON ACCOUNT OF HIGHER RATE OF DAILY LABOUR-Rs. 5.32 MILLION.

AUDIT VERSION

128. 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.

129. During the financial year 2014-15 in the office of Divisional Forest Officer, Mardan, it was noticed that budget under the object “hiring of daily wage labour” was provided in current budget, Railway Track Project, MEGA Project and Billion Trees Project. On scrutiny of record, it was observed that daily wage labours were engaged and charged to Current budget, Railway Track/MEGA Projects at the rate of Rs.300 per day, whereas in the Billion Trees Project, the labours were shown paid at Rs. 400 per day in the same locality, which resulted into a loss of Rs.100 per day per person. By doing so, 53162 labours were paid an excess amount of Rs. 5.32 million during the year.

130. The lapse occurred due to mismanagement and weak internal controls. When pointed out in December, 2015, it was replied that the provision of Rs.400 was available in the PC-I of the project. Audit was of the opinion that the provision is no justification for payment in excess of approved rate, by Chief Conservator Forest

Department, of Rs.300 per day for unskilled labour as has been done in other projects in the same locality.

131. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

132. Audit recommends to conduct inquiry, fix responsibility besides recovery from the person(s) responsible.

DEPARTMENTAL VERSION

133. The Department explained that the interpretation of Audit Office on this account was incorrect. Actually, the plantation works have been carried out under various developmental schemes as highlighted by the Audit party in the Audit Para at different approved rates under the said schemes. The duration of each PC-I schemes as mentioned in the Audit Para was five years. All the PC-I schemes were approved about three years before approval of the “**Billion Trees Afforestation Project**”. During that time, the labour rate was Rs. 300/- per day while under BTAP scheme which was approved during 11/2014, the labour rate was provided as Rs. 400/- per day, therefore, no financial loss has been sustained to the Government.

PAC RECOMMENDATIONS

134. In view of the plausible explanation of the Department that the amount was paid as per PC-I duly verified by the Audit the Para was recommended to be settled.

DP No.5.4.15 NON RECOVERY OF OUTSTANDING DUES FROM FDC-Rs. 3.96 MILLION.

AUDIT VERSION

135. The Audit reported that according to Para 28 of GFR Vol-I, no amount due to Government should be left outstanding without sufficient reasons and order for irrecoverable sum must be sought from the competent authority.

136. During the financial year 2013-14, in the office of DFO Kalam, it was noticed that FDC has harvested trees of various lots, obtained timber and transported to market for sale. The record showed that Rs. 3.96 million was outstanding recoverable against the FDC on account of 40 % Government share, duty on timber, extension fee

and fine etc for which strenuous efforts were not made. Audit held that the outstanding amount was required to have been recovered from FDC which was not done. Non-recovery of outstanding dues occurred due to weak internal controls.

137. Non-recovery was pointed out in October 2014, wherein the management stated that FDC has been asked to pay the amount.

138. 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 recover the amount from FDC.

DEPARTMENTAL VERSION

139. The Department explained that this office had outstanding amount against FDC to the tune of Rs.3.96 million and most of the outstanding dues against FDC has already been recovered including 3.96 Million. Further breakup and lot wise detail is as given below:-

- i. **FDC Lot No.538/M.**
The relevant record revealed that the total Forest Duty payable in Lot No.538/M has already been recovered. However, extension of Rs.1,10,218/- imposed by Forest Department for operative period duly recovered vide MFO FDC letter No.FDC/MFO/Mkd:III-2429/2012 dated 13/11/2008.
- ii. **FDC Lot No.549/M**
The amount of Rs.1,85,334/80, Government share was retained for timber lifted by Security Forces/Taliban from various road side depots of Swat Forest Division duly verified by the Committee as per decision taken by FDC Board of Directors in its 45th meeting held on 01/10/2017.
- iii. **FDC Lot No.575/M**
The relevant record shows that the payable royalty of the lot for Rs.35,20,484/- has already been paid by MFO FDC on the basis of physical checking/verification of marking list duly clarified vide his letter No.FDC/DFM/SWT/Mis/2007/3320, dated 31/10/2007 and No.FDC/DFM/Swat/IV-5/2008/2427, dated 17/6/2008.
- iv. **FDC Lot No.566/M**

The relevant record revealed that total of 18962.38 cft timber was extracted/operation to market in the lot and total payable duty for Rs. 5,00,760/- has already been paid to Forest Department and nothing was outstanding in the lot. The Government share of royalty paid in the lot has clarified as per MFO FDC office letter No.566/M/1755, dated 08/11/2017 as per following detail:-

- i. Payable for kail 563 Cft @ Rs.190/- per cft ...Rs.1,06,970/-
- ii. Payable for F/S 73629 Cft @ Rs.84/- per cft...Rs.6,18,836/-

Total:- Rs.62,91,806/-

v. **FDC Lot No. 587/M**

Rs.3,06,700/- on account of Government share has already been recovered from MFO FDC vide T/C No.329, dated 23/10/2014 against Rs.4,54,800/-The balance amount of Rs.1,48,100/- has been retained for the timber lifted by Security Forces/Taliban/.Flood in the light of Decision taken by FDC Board of Directors in its 45th meeting held on 02/10/2017. Extension Fee of Rs.38,235/- has been recovered from MFO FDC vide his letter No.III-2519/777, dated 08/2/2012.

vi. **FDC Lot No.588/M**

The amount of fine of Rs.8,54,763/30 for 197 cft was reduced by the Arbitrator to one time i.e Rs.142,461/- as per arbitration award vide SO(Tech)ED/V-413/09/kc-4307, dated 05/1/2016. The amount of Rs.1,42,461/- has been recovered from MFO FDC vide his letter No.III-2520/912, dated 12/7/2017.

vii. **FDC Lot No.589/M**

The case regarding imposition of fine by Forest Department upon FDC for Rs.15,68,880/- has been challenged before the arbitrator as per provision of the agreement. The decision of the arbitrator was awaited as and when decided action would be taken accordingly.

viii. **FDC Lot No.590/M**

The relevant record revealed that 92,643.50 cft of timber was extracted/transported to market, the detail of Forest duty as per working paper is given as under:-

- iii. Forest Duty realized from purchasers.....
Rs.20,00,469/-
- iv. Duty paid by FDC to Forest Department.....
Rs.20,00,469/-

ix. **FDC Lot No.591/M**

The relevant record revealed that total of 112337.20 cft timber extracted/transported to Market in the lot, and the Forest Duty calculated on the basis of market receipts was given as under:-

| | | |
|-----|---|----------------|
| v. | Forest Duty realized | Rs.27,55,947/- |
| vi. | Duty paid by FDC to Forest Department.... | Rs.27,94,313/- |
| | Overpayment in duty | Rs. (34,366/-) |

PAC RECOMMENDATIONS

140. As the amount involved had been recovered and the Department adopted corrective measures for streamlining the system to save the illicit cutting of trees. Hence the Para was recommended to be settled.

**DP No.5.4.16 UNAUTHORIZED EXPENDITURE ON PURCHASE OF PLANTS-
Rs. 13.44 MILLION.**

AUDIT VERSION

141. 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.

142. During the financial year 2014-15, in the office of DFO Swat, it was noticed that an amount of Rs.13.44 million was spent on the purchase of large size plants from Adam Diyar Nursery Odigram in violation of PC-I wherein no provision for such type of plants were made. Similarly the competent authority has not released any amount for this purpose which shows that the powers of the cheque drawing authority were misused. Therefore, the amount of Rs.13.44 million, so spent was unauthorized.

143. It was noticed that in the PC-I uniform rate of Rs.15 per plant (that too was not provided for large size plants) was provided while the supplier was paid higher rates which resulted into loss of Rs.3.76 million to the public exchequer. The position was not correctly mentioned in the statement of excess/surrenders therefore, it was misrepresentation of financial information to the concerned authorities. No specific area was shown where the plants were planted to verify its existence and plantation. Audit held that proper size of plants in the light of provisions of PC-I, and according to released

funds was required to have been purchased and properly shown in the statement of excess/surrender.

144. Unauthorized expenditure was pointed out in January, 2016. The management replied that the provision of purchase of large size plants available in the approved PC-I and the purchases were made as per comparative statement. Audit disagree with reply.

145. 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, fix responsibility and take appropriate action.

DEPARTMENTAL VERSION

146. The Department explained that the purchase of large size plants have been made in accordance with the approved PC-I provision and allocation @ Rs. 22/- per plant has been made. No loss has been sustained to Government.

PAC RECOMMENDATIONS

147. The reply of the Department was found satisfactory duly supported by documentary proof i-e PC-I, hence the Para was recommended to be settled.

DP No. 5.4.17 UNAUTHORIZED PAYMENT ON ACCOUNT OF REWARD FROM RECEIPTS TO THE FIELD STAFF-Rs. 1.51 MILLION.

AUDIT VERSION

148. The Audit reported that according to rule 7 (i) of FTR Vol-I, all moneys received by or tendered to Government officers on account of the revenues of the provincial Government shall without undue delay be paid in full into a treasury or into the bank. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure not otherwise kept apart from the Provincial consolidated fund of the Provincial Government.

149. During the financial year 2014-15, in the office of DFO Swat, it was noticed that the local office paid Rs.1.51 million as reward from compensation cases to their staff on the rate as usually paid in routine i.e. 25% of the recovered amount from the

forest offenders which was violation of the above rules. This was also evident from the fact that though major portion of the compensations has been paid on rewards but even then the cases of illicit cutting of trees are increasing day by day. Thus unauthorized payment of reward amounting to Rs.1.51 million be recovered from the quarter concerned. Audit held that expenditure from the receipts was unauthorized. The irregularity was pointed out in January, 2016. The management furnished no reply.

150. 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 recover the unauthorized payment besides stoppage of this practice in future.

DEPARTMENTAL VERSION

151. The Department explained that the reward was granted within permissible limit in light of the provision under Forest Ordinance 2000 and Delegation of Power and Powers of Re-Appropriation Rules 2001 as well as Khyber Pakhtunkhwa Forest Officers (Powers, duties and Reward Rules, 2014). Therefore was no violation of any section of Forest Ordinance, 2002 under which the compensation was realized and rewards paid out of it.

PAC RECOMMENDATIONS

152. In view of the above, the Committee upheld the previous recommendations of PAC given in D.P No.71 (1997-98) and D.P No.7.4.7 (2014-15) and directed the Department to initiate necessary measures for amending the relevant Laws and Rules in vogue in light of the said recommendations of PAC.

153. The Committee further directed the Department to initiate action leading to recovery of the total amount involved from the responsible(s) who allowed rewards despite clear cut instructions of PAC issued time and again after fixing responsibility. Para stands. Progress be reported to PAC with three (03) months.

DP No. 5.4.22 WASTEFUL EXPENDITURE DUE TO NON-ESTABLISHMENT OF PRIVATE NURSERIES-Rs. 4.91 MILLION.

AUDIT VERSION

154. 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.

155. During the financial year 2014-15, in the office of DFO Swat of “Billion Trees Tsunami Afforestation Project in Khyber Pakhtunkhwa” it was noticed that for the establishment of Private Nurseries by different persons a sum of Rs.4.91 million was paid as 25% advance of the total cost of the scheme. But after expiry of the reasonable time no progress was shown till date of audit. The advance payments were made without any guarantee. Thus wasteful expenditure incurred.

156. Proper record was not maintained for each nursery to verify its physical existence and compare it with the financial utilization and targets.

157. Wasteful expenditure was pointed out in January, 2016. The management replied that according to the provision of approved PC-I, private nurseries will be raised. On identification and nomination of local community organization of target communities nursery units will be allotted to youth. The expenditure incurred on raising of plants will be paid to the nursery growers through cross cheque. The payment will be made in three installments. 25% will be paid as mobilization advance for the purchase of polythene bags, seed and initial activities, 25% after three months based on physical monitoring and finally 50% on receipt of plants from the nursery during next phase. In Swat Forest Division specified agreement has been executed with the nursery growers through active involvements of local organization. The expenditure incurred on private nursery growers in the shape of 25% mobilization advance (1st installment). However, rest of two installments are due according to the provision of PC-I, but due to non release of funds the two installments not paid till 30-06-2015. Audit did not agree with the reply as till date of audit i.e. January, 2016 the last two installments not paid. Thus the expenditure already incurred was wasteful.

158. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit

recommends that detailed investigation be carried out to ascertain the factual position and take appropriate action against the person(s) at fault.

DEPARTMENTAL VERSION

159. The Department explained that as per PC-I Private Nurseries will be raised on identification and nomination of local community organization of target communities through a written resolution, nursery unit will be allotted to youths. 25% of the total payment was made as 1st installment were paid as per PC-I mobilization advance. The rest two installment were paid as per PC-I procedure and all the payment have been made and plants procured from nursery growers under to buyback agreement and no loss incurred.

PAC RECOMMENDATIONS

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

FOOD DEPARTMENT

OVERVIEW

Thirty Six (36) Draft Paras, reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meeting held on 14th, 15th October and 18th November, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|------------------------------------|---|
| 1. | Mr. Muhammad Idrees | Acting Chairman 1 st & 3 rd sitting |
| 2. | Mr. Babar Saleem Swati | Acting Chairman 2 nd sitting |
| 3. | Arbab Muhammad Waseem Khan | Member |
| 4. | Mr. Fazl-e-Shakoor Khan | Member |
| 5. | Mr. Inayatullah | Member |
| 6. | Mr. Jamshaid Khan | Member |
| 7. | Mr. Aghaz Ikramullah Khan Gandapur | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

1. Mr. Qaisar Khan,
Additional Secretary.
2. Mr. Muhammad Khalid Zaman,
Deputy Secretary.
3. Mr. Izaz Ullah,

Deputy Secretary

FINANCE DEPARTMENT

1. Mr. Safeer Ahmad,
Additional Secretary.
2. Mr. Akhtar Saeed Truk,
Additional Secretary.
3. Mr. Shahrukh Ali
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Lal Muhammad,
Director General.
2. Dr. Ismail,
Deputy Director.
3. Mrs. Zubda Mubashar,
Deputy Director.
4. Mr. Khalid Zaman,
Account Officer.

FOOD DEPARTMENT

1. Mr. Khushal Khan,
Secretary.
2. Mr. Abdul Jalil,
Deputy Director, Audit.

PROVINCIAL ASSEMBLY SECRETARIAT

3. Mr. Nasrullah Khan Khattak,
Secretary.
4. Mr. Amjad Ali,
Additional Secretary-I.
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.6.4.1 EXPECTED LOSS DUE TO UNNECESSARY RETENTION OF STOCK OF WHEAT- RS.1038 MILLION.

AUDIT VERSION

3. The Audit reported that according to paras 23 & 145 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 any other subordinate. Purchases must be made in the most economical manner in accordance with the definite requirement of the public services. Care should be taken not to purchase store much in advance of actual requirement.

4. During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that there were different blocks having 44 stores wherein a quantity of 42764 m.tons wheat valuing Rs. 1479 million (42,764 @ Rs. 34,600 per ton) was stored on 22.09.2015. During 2014-15 only 12395 m.tons wheat was sold and issued to different Flour Mills. This transpired that during the coming financial year 2015-16 more or less to the same quantity of 12764 m.tons wheat will be required. Thus a quantity of 30,000 m.tons (42,764 MT – 12,764 MT) valuing Rs.1038 million was not urgently required for issuance in the next year and there were likely chances that the Government stock will lose its value and will ultimately be lost to the Public exchequer.

5. Audit held that the procurement was required to have been made according to the actual requirement of the District, while in the instant case was not made and unnecessary and excessive procurement was made.

6. Loss occurred due to unnecessary procurement, non-adherence to rules and procedure and weak internal controls. The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

7. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

8. Audit recommends to investigate the matter and to streamline the system of procurement of wheat in such a transparent manner that the chances of damage of Government stock could be minimized.

DEPARTMENTAL VERSION

9. The Department explained that according to the release policy of the Government, the expected annual requirement of wheat according to the population for District Peshawar, Khyber & FR Peshawar was 89250 m.tons for the year 2015-16 which was issued vide Food Directorate Khyber Pakhtunkhwa Peshawar letter No.4912/FG-337/release dated 14-10-2015 and enhancement of wheat release No.6200/FG-337 dated 23-11-2015.

10. The stock position of PR Center Peshawar on 01-02-2016 was 6037 m.tons, which was insufficient for release of wheat quota to the functional Flour Mills for remaining period of issue upto 30-04-2016. Food Directorate has allocated 2000 m.tons wheat from PRC Bannu and a quantity of 12,000 m.tons wheat from PRC D.I.Khan to PRC Peshawar on PR to PR basis.

11. Hence the question of 30,000 m.tons excess stock stored than the actual requirement for the year 2015-16 do not arise. Furthermore, Food Department was duty bound for strategic reserves to coup with any emergent situation or shortage of wheat as had happened in the past which may lead to starvation and Law & Orders situation. Up to date record reveals that no loss of wheat was in safe and sound condition with all remedial measures intact to safeguard it from bad weather conditions and infestations.

PAC RECOMMENDATION

12. In view of explanation advanced by the Department, the Para was recommended to be settled with the direction to the Department to device proper mechanism for making assessment to ensure purchases in most economical manner in accordance with the definite requirements of the public and to improve the storage system of wheat to safeguard the Government money.

DP No.6.4.2 LOSS DUE TO SUPPLY OF DEFECTIVE WHEAT-RS. 393.48 MILLION.

AUDIT VERSION

13. 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.

14. During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that the contractor has lifted PASSCO wheat dispatched from Mulsi Ahmad Pur, Vehari and some other stations which were received mixed with mud & sand and was not of fair average quality (FAQ) as was reported by the AFC PRC Peshawar to the S&EO Peshawar on 03.12.2013 and also directed the contractor to dispatch FAQ wheat from the destination. The record however was silent about the replacement or recovery of wheat. Audit held that recovery or replacement of the mixed wheat was required to have been made from the contractor which was not done. This resulted into an approximate loss of Rs.393.48 million to the Public Exchequer even if it is presumed that 25% of the wheat was defective.

15. Loss occurred due to non adherence to the orders issued by the office itself and weak internal controls.

16. The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

17. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

18. Audit recommends to investigate the matter, fix responsibility and recover the loss.

DEPARTMENTAL VERSION

19. The Department explained that the PRC Godowns received only the fair average quality (FAQ)/sound wheat stock from the concerned carriage contractor delivered from the approved loading/dispatching stations as per allocation order and was properly taken on FG-3 register. The correspondence as referred to by audit was just precautionary measures to avoid defective and mixed wheat receipt from the carriage contractor. Further added that the wheat so received/taken on stock has already been released to the Flour Mills of the District at Government fixed rates and sale proceeds deposited in the Government Treasury accordingly.

PAC OBSERVATION

20. The Committee observed that the Pre-PAC meetings were held on 2nd and 3rd of January, 2010 wherein the Department was directed to verify the relevant record i.e. FG-3 register, FAQ certificate and deposit challans by the Audit within fifteen (15) days before the meeting of PAC, which was not verified till date and it clearly shows inefficiency on the part of the Departmental officers/officials.

PAC RECOMMENDATION

21. In view of the reply of the Department, the Para was recommended to be settled subject to verification of relevant record i.e. FG-3 register, FAQ certificate and deposit challans by the Audit within a month. The Department was further directed to take departmental action under the (Efficiency & Disciplinary) Rules-2011 against those who failed to implement the decision of DAC and Pre-PAC and intimate progress to the PAC within a month.

DP No.6.4.3 POTENTIAL LOSS TO PUBLIC EXCHEQUER DUE TO EXCESS PURCHASE OF WHEAT AGAINST COVERED ACCOMMODATION – RS.370.59 MILLION.

AUDIT VERSION

22. 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.

23. During the financial year 2012-13, in the office of DFC Haripur, it was revealed from the review of the FG-3 register and other relevant record that the local office has procured a quantity of 28,137.368 m.tons wheat against the covered storage capacity of only 15,500 m.tons and the balance quantity of 12,637 m.tons was stored in open yards. The wheat in open yard was open to deterioration and potential loss to the Public Exchequer.

24. The irregularity was pointed out in November 2013. The management replied that wheat was lying in open but not damaged.

25. In the DAC meeting held in August 2014, the Department replied that excess wheat was procured to save payment of the extra subsidy and carriage charges etc.

DAC did not agree and directed that the record be got verified from audit. The relevant record was verified on 19th October 2015 and verification report was sent to the DFC Haripur with a copy to Administrative Department on 05.11.2015 for submission of record of FG-3 and inquiry report on 10.11.2015. DFC Haripur certified that FG-13 register and relevant inquiry file of 9150 EG Bags has been submitted to Food Directorate for onward submission to KP Ehtisab Bureau.

26. It has been confirmed by the verification report that there seems to be a potential loss of Rs.370.59 million due to storage of 12,637.37 m.tons wheat in the open which might be deteriorated due to weather.

27. Audit recommends to investigate the matter, fix responsibility and recover the loss from the person(s) held responsible.

DEPARTMENTAL VERSION

28. The Department explained that the wheat was purchased from the growers against the tentative target of 25,000 m.tons vide No.4414-39/FG-429/Procurement dated 05-04-2018. As the wheat in question was purchased to save from subsidy and transportation charges by the Government of Khyber Pakhtunkhwa Food Department. The stock so far been stored in open due to non availability of covered storage accommodation. Later on, the stock in question was issued to the functional Flour Mills of Haripur District in accordance with daily authorized quota and no balance was left in the stock and also no deterioration/damage of wheat stock was noticed. The supply of the above stock made to functional Flour Mills in good quality and no loss sustained to Government.

PAC OBSERVATION

29. The Committee while examining the record observed that FG-3 register and Inquiry Report were submitted to Ehtisab Bureau hence could not be verified.

PAC RECOMMENDATION

30. After detailed discussion, the Para was recommended to be settled subject to verification of FG-3 register and Enquiry Report conducted in the matter by the Audit within a month time.

DP No.6.4.4 LOSS TO PUBLIC EXCHEQUER DUE TO UN-NECESSARY PAYMENT OF INTEREST—RS.221.01 MILLION.

AUDIT VERSION

31. The Audit reported that according to Para 12 of GFR Vol-I, the Controlling Officer must see not only that the expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended upon object for which the money was provided.

32. During the financial year 2013-14, in the office of Director Food Khyber Pakhtunkhwa, Peshawar, it was noticed that Food Department Peshawar had deposited an amount of Rs.5.00 billion in Account-II with the State Bank of Pakistan. But loan of Rs.7.57 billion was taken from Bank of Khyber at interest rate of 11.19% per annum to purchase 5,00,000 M.Tons wheat from PASSCO. Thus Government paid an interest of Rs.221.01 million, resulted in a loss.

33. Loss was pointed out in January, 2015. The management replied that the arrangement of loan from commercial banks under commodities, operation and finance (COF) was in vogue throughout the country and without this the local wheat procurement was almost impossible which was more beneficial for the government as they have purchased the local wheat @ Rs.30,000 per ton as compared to Rs.38,120 per ton from PASSCO. The irregularity was admitted and nothing was said about the available amount in Account-II maintained in the State Bank of Pakistan Peshawar.

34. The matter was discussed in the DAC meeting held in July, 2015. DAC directed that record may be got verified from Audit within 30 days. No further progress was intimated till finalization of this report.

35. Audit recommends to investigate the matter that why the loan obtained when there was a huge amount available in Account-II.

DEPARTMENTAL VERSION

36. The Department explained that a quantity of 500,000 m.tons wheat was purchased from PASSCO making up payment/advance payment after obtaining proper sanction from Finance Department vide letter No.BOVII/FD/9—144/2013-14 dated 30-12-2013 as far as a quantity of 400,000 m.tons was purchased on obtaining of loan from

Bank of Khyber amounting to Rs. 7,56,87,50,000 due to insufficient balance in Food Account-II on 10-10-2013, 13-11-2013, 07-01-2014, 22-01-2014 and 07-03-2014 and the remaining quantity of 2,96,127.943 m.tons was purchased after making advance payment from Provincial Food Account-II.

PAC RECOMMENDATION

37. In view of plausible explanation of the Department that at the time of purchase of wheat insufficient balance was available in the Food Account-II, therefore, loan was obtained from Bank of Khyber. The PAC endorsed the decision of Pre-PAC recommended the Para to be settled subject to verification of relevant record in support of its reply by the Audit within a month.

DP No.6.4.5 LOSS DUE TO PURCHASE OF WHEAT AT HIGHER RATE - RS. 202.08 MILLION.

AUDIT VERSION

38. 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.

39. During the financial year 2014-15, in the office of Director Food, Khyber Pakhtunkhwa, it was noticed that two different summaries were submitted to the Chief Minister Khyber Pakhtunkhwa regarding purchase of 1,00,000 m.tons wheat from PASSCO Punjab and 50,000 m.tons from Food Department Government of Punjab. In two summaries two different rates were inserted, one @ Rs.35,000 per m.ton with cost of bag @ Rs.992 per m.ton from Food Department Punjab with total cost of Rs.35,992 per m.ton. In case of purchase from PASSCO though the cost of wheat was 30,000 per M.T but an amount of Rs.8012.78 per M.Ton was included as incidental charges (cost of bag @ Rs.1,111.04 and other incidentals @ Rs.6,901.74 per m.ton with total cost of Rs.38,012.78 per m.ton. This clearly indicate that on one hand the cost of wheat of Food Department Punjab was higher than the cost of wheat of PASSCO but PASSCO has included higher rate of Empty Gunny Bag and included unnecessary incidentals. The cost of PASSCO wheat was Rs.202.78 per m.ton higher than that of Punjab Food Department Punjab. The difference in the paid rate of cost of wheat and higher rate of bag with

incidental charges put the provincial exchequer into loss of Rs.202.08 million. Efforts were required to have been made for the reduction in rates with PASSCO as was done in case of Food Department or the entire quantity was required to have been purchased from the Food Department Punjab which was not done.

40. Loss occurred due to non adherence to the provision of rules and weak financial management.

41. The irregularity was pointed out in August 2015. The management replied that Food Department Punjab was originally not interested to sell further wheat to Khyber Pakhtunkhwa during 2014-15. The purchase was materialized on the intervention of Chief Minister Khyber Pakhtunkhwa.

42. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

43. Audit recommends to investigate the matter and fix responsibility, besides streamlining the procurement procedure.

DEPARTMENTAL VERSION

44. The Department explained that on the request of Khyber Pakhtunkhwa Food Department 50000 m.tons indigenous wheat @ Rs. 35,000/- per m.ton plus cost of empty gunny bag @ Rs. 992 per m.tons was provided by the Government of Punjab Food Department as a special consideration as evident from the letter No.SOF-1-3-1/2014 dated 07-08-2014 and MOU signed between Government of Punjab and Government of Khyber Pakhtunkhwa on 19-11-2014. Moreover, Food Department Punjab hardly agreed to provide wheat @ Rs.35,000/- on the intervention of Chief Minister Khyber Pakhtunkhwa after telephonic discussion with Chief Minister Government of Punjab. Further efforts were also made to purchase more wheat from Punjab Food Department as it was beneficial as compared to wheat cost of PASSCO, but Punjab Food Department was reluctant to provide more wheat on the same rate. However, in order to avoid unpleasant situation a quantity of 1,00,000 m.tons was purchased from PASSCO while summary for 3,00,000 m.tons was approved by Chief Minister however, due to surplus stock in the open market and slow lifting of wheat stored in the godowns by the Flour Mills, the remaining 2,00,000 m.tons wheat was not purchased by the Department. It was

further added that approved incidental charges vide Finance Division Government of Pakistan letter No.1(14)CF(c)/2014-350 dated 31-03-2014 was paid to PASSCO.

PAC RECOMMENDATION

45. In view of the plausible explanation advanced by the Department duly supported by documentary evidence, the Para was recommended to be settled.

DP No.6.4.6 LOSS DUE TO AUCTION OF DAMAGED WHEAT – RS.106.85 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 2014-15, Director Food Khyber Pakhtunkhwa floated advertisement for auction of 3053.1 m.tons damaged wheat lying at different sale points of District Chitral. The daily issue quota for District Chitral was 120 m.tons as per Director Food various orders. The opening balance of 2014-15, as on 01.07.2014 was 12,247.918 m.tons with PR to PR receipt of 15,128.447 m.tons, thus making total of 27,376.365 m.ton. Out of which only 11,307.066 m.tons issued to different PR Centers during the year 2014-15, leaving a closing balance of Rs.16,069.299 m.ton. This clearly shows that there was sufficient quantity in the godowns of District Chitral to cater the needs of the year and there was no need of further dispatches. The available balance as on 30.06.2015 was also more than the total wheat issued during 2014-15. Thus audit was of the view that the damaged wheat was the result of unnecessary releases and allocations made during and upto the year ended June 2015.

48. The loss was due to weak internal controls and excess release of wheat.

49. Loss was pointed out in August 2015. The management replied that allocation of wheat for Chitral was made not only on demand of the DFC but also by the District administration and public representative as well. Three months reserve stock was also kept to meet emergency needs in case of natural calamity. The damaged stock accumulated for last several years, due to natural calamities and non-provision of proper

storage. Audit disagreed with the reply and was of the view that damaged wheat was the result of excess allocation than the actual requirements and improper maintenance of godowns.

50. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

51. Audit recommends to investigate the matter, fix responsibility and streamline the procedure of issuance/receipt of wheat in accordance with the requirements of the people.

DEPARTMENTAL VERSION

52. The Department explained that the present auction of 3053 m.tons infested/poor quality wheat stock accumulated since 2003-04 to 2012-13 was initiated as per minutes of the meeting held on 11-10-2012 under the Chairmanship of Syed Qalb-e-Hassan, Minister Food Khyber Pakhtunkhwa. Food Department constituted a Committee comprising Members of the District Administration, Food Department, Agriculture Department, Law Department & Finance Department for suggesting ways and means for disposal of the infested wheat and to determine the condition of the wheat stock accumulated at District Chitral vide No.SOF/(Food Deptt)2-28/395 dated 29-04-2013. The Committee submitted its report vide No.Nil dated 04-09-2013. The Committee recommended 10,373 bags for auction and 20,158 bags for segregation.

53. In the mean time, MNA and MPA's of District Chitral suggested vide their letters that the whole reported poor quality and infested wheat be disposed off as it will create political problems. Keeping in view of the suggestion of the elected Representatives of District Chitral and the cost of segregation, a summary was moved to the Chief Minister for approval of auction of 30531 bags i.e 3053.100 m.tons on" **as is where is" basis**. After approval of the summary by the Chief Minister, Khyber Pakhtunkhwa auction notice was published in news papers wherein the 60 bags infested/poor quality wheat of PRC Arrandu were included in the 3053 m.tons auctioned wheat.

54. The Department constituted an auction Committee vide No.SOF(Food Deptt)/2-28/219 dated 23-02-2015. Accordingly auction was made on 04-06-2015 to 08-

06-2015 and auction amount of Rs. 174,27,329/- was deposited by the successful bidders into the Government Treasury vide challans No.2 dated 06-11-2015, No.1 dated 16-03-2016, No.1 dated 06-11-2015 & No.1 dated 16-03-2016.

55. After completion of all codal formalities of the bidding, a summary was moved to the Finance Department for write off of the losses on account of infestation of the above mentioned wheat stock vide No. nil dated 21-12-2016 and accordingly write-off sanction was granted vide No.BO-VII/FD/1-5/2017-18/Food/Vol-II dated 17-05-2018.

56. To minimize future losses if any, the Department has adopted a number of steps i.e. construction of 16 Nos new godowns in District Chitral. Beside appointments on the newly created 23 posts of Food Grain Supervisors and 32 posts of Chowkidar's for effective safe guarding of wheat stock at Chitral, have been ordered.

57. The Department explained that same issue vide Draft Para No.9.4.4 for the year 2014-15 also under consideration of Sub-Committee No.02 of PAC only the decision is still awaited.

PAC OBSERVATION

58. The Committee observed that a huge quantity of wheat was damaged/infested due to the inefficiency, mismanagement, lack of proper policy for storage and distribution of wheat in the Province on the part of the Departmental officers/officials.

59. Similar nature Para 9.4.4 for the year 2014-15 was referred to the Sub-Committee for detailed probe which has not yet been examined by the Sub-Committee due to dissolution of all Standing Committees by the House on 24-02-2020.

PAC RECOMMENDATION

60. 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 referred the subject Draft Para coupled with Draft Paras No.9.4.3 & 9.4.4 for the year 2014-15 to probe into the matter of huge losses of wheat and to suggest remedies so that future losses could be avoided.

1. Mr. Inayatullah Chairman
 2. Mr. Fazl-e-Shakoor Khan, Member
61. The Committee will submit its report within two months.

DP No.6.4.7 LOSS DUE TO NON-DEDUCTION OF INCOME TAX FROM SUPPLIERS OF WHEAT – RS.74.350 MILLION.

AUDIT VERSION

62. The Audit reported that according to clause (a) of sub section (1) of section 153 of the Income Tax Ordinance, 2001 read with Federal Board of Revenue C.No.1(2)WHT/2011 dated 20.01.2011, withholding tax @ 3.5% (now 4%) shall be deductible from a person who was not grower/cultivator of the agricultural produce.

63. During the financial year 2014-15, the Storage & Enforcement Officer Azakhel Nowshera, locally procured 57,192.227 m.tons wheat from different parties/growers and paid to them an amount of Rs.1,858.75 million by issuing cheques from Bank of Khyber without deduction of income tax @ 4%. The non-deduction of income tax resulted into a loss of Rs.74.35 million to public exchequer.

64. Loss due to non-recovery of income tax occurred due to weak internal controls and non-adherence to Rules.

65. Loss was pointed out in August 2015. The management stated that detailed reply will be furnished later on.

66. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

67. Audit recommends to investigate the matter, fix responsibility and recover the amount.

DEPARTMENTAL VERSION

68. The Department explained that wheat being agriculture product is exempted from all kind of taxes under section-41 of the Income Tax Ordinance and Government of Pakistan Revenue Division Federal Board of Revenue Islamabad letter C.No.1(2)WHT/2011 dated 21-01-2011. Further added that the observed quantity of wheat to the tune of 57,197.227 m.tons has been procured directly from the local growers/cultivators and representative of the growers, which were exempt from

withholding tax as per above referred Ordinance. It is worth to mention here that similar nature Draft Para No. 10.4.4 on Tax deduction embodied in the Audit Report 2013-14 has been discussed in PAC meeting held on 21-07-2017, wherein PAC recommended that the explanation of the Department was found plausible and the Para was settled.

PAC RECOMMENDATION

69. After detailed discussion, the Para was recommended to be settled subject to verification of record that the purchases of wheat had been made from the growers/cultivators by the Audit.

DP No.6.4.8 LOSS DUE TO LESS REALIZATION OF COST OF WHEAT-RS. 68.81 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 2012-13, in the office of DFC Haripur, it was noticed from the wheat deposit and issue register FG-3 that during the months of November, December 2012 and February 2013, the purchaser of wheat has deposited Rs.20 million in excess of the actual cost of wheat. The irregularity was pointed out in November 2013 and reported to the Department in January 2014. The management stated that the Mill owners deposited amount in the Treasury but wheat was issued later on.

72. Audit held that wheat was required to be issued according to the amount deposited by the purchasers however issue of wheat was made in excess of the amount deposited.

73. Loss due to less deposit of cost of wheat occurred due to non adherence to the Rules and procedures and financial mismanagement.

74. The loss was pointed out in Nov, 2013. The management replied that the Flour Mills have deposited the amount in treasury but the wheat was issued later on.

75. In the DAC meeting held in August 2014, the department repeated the previous reply. The DAC did not agree and directed that the original Treasury Challans may be got verified from audit. The relevant record was verified on 19th October 2015 and it was found that the purchaser has deposited Rs. 302.35 million against the issuance of wheat valuing Rs. 371.16 million, thus Rs. 68.81 million was less deposited by the purchasers.

76. Audit recommends to investigate the matter, fix responsibility and recover the amount from the person(s) at fault.

DEPARTMENTAL VERSION

77. The Department explained that:-

1. As per FG-3 register of PRC, Haripur a quantity of 16,980.100 m.tons was released to the functional Flour Mills of Haripur & Swabi District and Superintendent Jail Haripur. No excess wheat quota was released to functional Flour Mills but a quantity of 669.600 m.tons less released then the authorized quota from PRC, Haripur. Against the said releases a sum of Rs. 48,63,33,355/- were deposited into Government Treasury, Haripur and the said figures for the month of 6/2013 and 06/2014 were accordingly been verified by the DAO office Haripur.
2. According to Government release policy for the year 2012-13 the wheat quota released to the functional Flour Mills as per admissible working days i.e. 25, instead of different number of working days mentioned in the statement furnished by the Audit Officer and as such release made to functional Flour Mills during 2012-13 in accordance with daily authorized wheat quota and working days as admissible.
3. According to the FG-7 register, a quantity of 16980.100 m.tons wheat were issued to Flour Mills during 2012-13 at Government fix rates i.e. Rs.2,990/-,2,870/- and 2932.50 per 100 kg and Rs.1,385/- Rs.1,416.25 per PP bag costing to Rs.48,67,01,920/- was deposited into Government treasury which was verified by the DAO office as per 6/2013 and 6/2014 reconciliation statement. However, the less deposited of Rs.3,69,437/- +1,423 excess deposit when rectified were later on deposited during 2013-14.
4. As explained in S/No.I.

5. Issuance of wheat quota to Mughal Flour Mills was made after adopting all legal procedure. The joint inspection team declared the Mughal Flour Mills as functional, as per procedure Food Department release daily authorized wheat quota to Mughal Flour Mills.
6. During the financial year 2012-13 no storage capacity was available with the District Food Controller Haripur, therefore, the competent authority allowed to release the daily authorized wheat quota to the functional Flour Mills of Swabi on Government fix rates.
7. As per FG-3 register a quantity of 1523.100, wheat were issued to Soka Flour Mills as per authorized daily wheat quota acknowledgment certificate.

PAC OBSERVATION

78. The Committee observed that in the Pre-PAC meeting held on 2nd and 3rd of January, 2020, the Department was directed to provide record to VOR Cell of the Director General Audit, Khyber Pakhtunkhwa before PAC meeting which was not verified till date and its clearly depicts inefficiency on the part of the departmental officers/officials.

PAC RECOMMENDATION

79. The Para was recommended to be settled, subject to verification of record by the Audit within a month. The Department was further directed to take departmental action under the (Efficiency & Disciplinary) Rules-2011 against those who failed to implement the decision of Pre-PAC and proved themselves to be inefficient and progress be intimated to PAC within a month.

DP No.6.4.9 LOSS DUE TO PAYMENT OF INTEREST ON LOAN-RS.41.24 MILLION.

AUDIT VERSION

80. The Audit reported that according to Govt. of Khyber Pakhtunkhwa, Finance Department letter dated 03.10.2014, the expenditure incurred on purchase of 1,00,000 m.tons wheat from PASSCO will be met from the released Budget Grant under NC 11054 (049) PR 4450 and that the payment will be made out of Food Account-II.

81. During the financial year 2014-15, in the office of Director Food, Khyber Pakhtunkhwa, it was noticed that w.e.f 29.05.2014 to 31.08.2014 an amount of

Rs.1843.40 million loans from BOK was obtained at the mark up rate of Rs.10.77% per annum. It was however observed that sufficient balance in the Food Account-II was available as on these dates where from payment could have easily been made. However the facility of loan from commercial bank availed which created further liability of payment of interest of Rs.41.24 million for the period from 09.05.2014 to 08.09.2014 only.

82. Audit therefore held that obtaining loan was unnecessary as sufficient balance in Food Account-II was available from where these payments could have been made. This resulted into a loss of Rs.41.241 million on account of payment of markup. Loss occurred due to unnecessary taking of loan from the Bank.

83. The irregularity was pointed out in August 2015. The management replied that the local procurement was carried out by department on obtaining loans from Commercial Banks under Cash Credit Facilities (CCF), a procedure in vogue in the sister provinces and PASSCO, so as to made on spot payment to the growers/parties and that the Chief Minister Khyber Pakhtunkhwa has also approved the summary for procurement of wheat. Reply was not satisfactory, because approval was awarded for utilization of amount available in Food Account-II first and then by obtaining loan from the Bank of Khyber.

84. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

85. Audit recommends to investigate the matter and streamline the procurement procedure to avoid creating liabilities in the shape of payment of interest.

DEPARTMENTAL VERSION

86. The Department explained that on spot payment was made through Bank of Khyber to facilitate/encourage the growers as per Government policy in a transparent manner under Cash Credit Facilities (CCF) procedures, which was in vogue in all Sister Provinces and PASSCO. Further added that payment through AC Bills from Account-II takes weeks for ultimate release to growers, which was not only discourage them but hinder the whole process of procurement badly.

87. The Department further explained that similar nature Draft Para i.e. 9.4.5 for the year 2012-13 pertaining to Food Department was discussed in the PAC meeting. After detail discussion the PAC referred the Para to Sub-Committee of PAC, the Sub-Committee of PAC examined the Draft Para in its meeting held on 05-05-2016 and directed the Food Department to hold meeting with Accountant General, Director General Audit and Finance Department, Khyber Pakhtunkhwa jointly to evolve proper mechanism to avoid future complications.

88. On the recommendations of the Sub-Committee of PAC, Food Department arranged several meeting with all stock holders and framed a mechanism on 07-09-2016. It was worth to mention here that no loan has so far been obtained from commercial banks for the crop year 2017 & 2018 for procurement of wheat. The Department utilized the available balance in Food Account-II for procurement of wheat.

PAC RECOMMENDATION

89. In view of plausible explanation of the Department that at the time of purchase of wheat insufficient balance was available in the Food Account-II, therefore, loan was obtained from Bank of Khyber. The PAC endorsed the decision of Pre-PAC recommended the Para to be settled subject to verification of relevant record in support of its reply by the Audit within a month.

DP No.6.4.10 LOSS DUE TO NON-LIFTING OF WHEAT AS PER QUOTA – RS.26.74 MILLION.

AUDIT VERSION

90. The Audit reported that according to normal release of wheat quota policy circulated vide Director Food Khyber Pakhtunkhwa letter No.9844/FG-337/releases dated 26.12.2013, wheat quota of 142 m.tons was uniformly/proportionately be distributed amongst the functional Flour Mills of D.I.Khan District.

91. During the financial year 2013-14, the record of District Food Controller D.I.Khan revealed that 28,400 m.tons wheat costing Rs.994 million was required to be lifted by the seven (07) Flour Mills of D.I.Khan District with the ratio of 142 m.ton per day. The Flour Mills lifted 20,170.9 m.tons wheat while a quantity of 8,229.1 m.tons

wheat was not lifted. Thus the government sustained a loss of Rs.26.74 million (3250 x 8229.1).

92. The loss occurred due to lack of interest of the concerned staff in the sale of wheat.

93. The loss was pointed out in January, 2015. The management replied that according to the practice in vogue of the department, the owners of the Flour Mills were at liberty in lifting the wheat from the Government Godowns.

94. In the DAC meeting held in July 2015, the Department repeated the previous reply. DAC directed to conduct inquiry and result intimated to audit. Till finalization of this report no inquiry was reported to audit.

95. Audit recommends the compliance of DAC decision and progress be shown to the PAC.

DEPARTMENTAL VERSION

96. The Department explained that in light of DAC decision, an inquiry Committee comprising Qazi Fida-ur-Rehman, ADF, Malakand Division & Mr. Khan Zaman DFC, Kohat constituted vide office order No.319/ET-AP-No.-10-2014-15 dated 22-01-2019. The Inquiry Committee submitted their report. The finding & recommendations of Inquiry Committee were reproduced as under:-

- i. The scrutiny of the records revealed that less than the allocated wheat quota had been lifted in the leaning period.
- ii. No loss had been sustained in a sense that neither over quantity had been issued for the paid amount, nor had less payment been made for the issued quantity.
- iii. As per Flour Mills Orders 1959, there was no such provision for DFC to make Flour Mills bound for lifting their allocated quotas. So Flour Mills were liberty to lift their allocated quotas or otherwise.
- iv. As for the interest of the concerned staff, no materialized efforts were found on the part of the staff, however, in this regard, it was found that:-

- (a). D.I.Khan is a superfluous wheat producing District of Khyber Pakhtunkhwa were plenty, easy and comparatively cheaper availability might have diverted the local Flour Mills.
- (b). D.I.Khan was located at the gateway of the Punjab which further makes it easier and cheaper for the Flour Mills.
- (v). Keeping in view of these facts about D.I.Khan, the scrutiny of the revelation is as follow:-

(a). Detail of receipt:

| | |
|----------------------|-------------------------|
| OB on 01-04-2013 | 20075.949 m.tons |
| Procured wheat | 20778.536 m.tons |
| Receipt from Punjab | 5000.000 m.tons |
| Others | 0.748 m.tons |
| Total Receipt | 47855.233 m.tons |

(b). Detail of issue

| | |
|----------------------------|-------------------------|
| Issue to F/mills of DIK | 21390.000 m.tons |
| Issue to F/mills of Tank | 3561.000 m.tons |
| Transfer on PR to PR basis | 22904.233 m.tons |
| Total issue | 47855.233 m.tons |

Net balance as per FG-III was found nil.

97. Wake of the afore cited findings, the Inquiry Committee came to this conclusion and recommends that the non-lifted quota had been issued in PR to PR transfer in the same leaning period and thus the loss had been made good.

PAC OBSERVATION

98. The Committee observed that DAC meeting was held in July 2015, wherein the Department was directed to conduct inquiry. However, the Department conducted inquiry by the Inquiry Committee on 22-01-2019 after the lapse of three (03) years and six (06) months, which clearly shows inefficiency on the part of the Department.

PAC RECOMMENDATION

99. After detailed discussion, the Para was recommended to be settled with the direction to the Department to adopt corrective measures for making proper assessments and to avoid double transportation charges of wheat caused due to PR to PR transfers. The Department was also directed to conduct in time inquiries in future.

DP No.6.4.11 LOSS DUE TO NON DEDUCTION OF INCOME TAX FROM SUPPLIERS OF WHEAT-RS. 20.90 MILLION.

AUDIT VERSION

100. The Audit reported that according to clause (a) of sub section (1) of section 153 of the Income Tax Ordinance, 2001 read with Federal Board of Revenue C. No.1 (2) WHT/2011 dated 20.01.2011, withholding tax at the rate of 3.5% (now 4 %) shall be deductible from a person who is not grower/cultivator of the agricultural produce.

101. During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that 16073.49 m.tons wheat procured from different parties/ local growers and Rs. 522.388 million was paid to them by issuing cheques from the Bank of Khyber. Despite clear instructions of the Government, Income Tax @ 4% amounting to Rs. 20.90 million was not deducted from the claims of the suppliers. Non deduction of Income Tax resulted into loss of Rs.20.90 million to the public exchequer.

102. Loss occurred due to non adherence to the provisions of Rules, undue favor to the contractors and weak internal controls.

103. The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

104. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

105. Audit recommends to investigate the matter, fix responsibility and recover the amount.

DEPARTMENT VERSION

106. The Department explained that wheat growers/cultivators were exempted from all kinds of taxes including withholding tax under Section No.41 of Income Tax Ordinance.

107. Further added that the observed quantity has been directly procured from the growers/cultivator whom could not be levied with such like taxes as per Income Tax Ordinance duly affirmed by PAC decision made in 20th May, 2016.

PAC RECOMMENDATION

108. After detailed discussion, the Para was recommended to be settled subject to verification of record that the purchases of wheat had been made from the growers/cultivators by the Audit.

DP No.6.4.12 LOSS DUE TO NON FORFEITURE OF CALL DEPOSIT-RS. 14 MILLION.

AUDIT VERSION

109. The Audit reported that according to Clause 6 of the guidelines/procedure and tender form for the transportation of indigenous wheat from Punjab to Khyber Pakhtunkhwa for 2014-15 and Clause-2 of the contract Agreement executed with the contractors, on acceptance of rates, the successful bidders shall have to execute an agreement and provide 10% bank guarantee/ cash security of the freight value within (07) days failing which the earnest money shall stand forfeited in favour of Government.

110. During the financial year 2014-5, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that 14 Carriage Contractors were awarded contact for the transportation of indigenous wheat from Punjab to different destinations of the province but they failed to deposit bank guarantee/ cash security in light of clauses of the Guidelines of the Tender Form and Contract Agreement. The contactors failed to follow the clauses despite the fact that they have done business for more than Rs.277.33 million, therefore they were liable to be penalized and call deposit of Rs.1.00 million deposited by each of them was required to have been forfeited toward the government as required under the aforementioned provision of rules, which was not done.

111. Its indicates that on one hand the clauses of the condition of tender form as well as contract agreement were not observed both by the contractors as well as by the local office while on the other hand government was put to sustain loss of Rs.14 million (10,00,000 x 14) due to non forfeiture of the call deposits of the contactors.

112. Loss due to non forfeiture of the call deposit of carriage contractor occurred due to weak internal controls and non adherence to the Rules.

113. The irregularity was pointed out in August 2015. The management replied that the work order was issued to all concerned District Food Controllers and Storage & Enforcement Officer Peshawar/Azakhel were directed to collect the security @ Rs.10% freight value as a cash security in the name of Director Food Khyber Pakhtunkhwa in shape of call Deposit/TDR. The carriage contractors deposited the cash security where necessary. Reply was not satisfactory as no proof was provided. The office record of S&EO Peshawar & Azakhel shows that no bank guarantee/ security deposited by the carriage contractors.

114. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

115. Audit recommends to investigate the matter and fix responsibility.

DEPARTMENT VERSION

116. The Department explained that as per clause-2.1 of the contract agreement that the contractors shall produce the security/bank guarantee 10% of the freight value as per work order on the name of Director Food Khyber Pakhtunkhwa, as taken of a satisfactory fulfillment of the terms and conditions of the contract agreement.

117. An amount of Rs.10,00,000/- was obtained from each carriage contractor at the time of signing of agreement. In the work orders issued to the concerned District Food Controllers and Storage & Enforcement Officers it was directed to collect the 10% security @ Rs.10% freight value as cash security in the name of Director Food Khyber Pakhtunkhwa in shape of call despite/TDR vide memo NO.6426-27/AC-117/Security dated 29-10-2014. The carriage contractors deposited the cash security as per detail given below:-

| S/No. | Name of CC | Station | Amount | Despite of cash @ Rs.10% of the freight value | Total |
|-------|-----------------|----------|-----------|---|-----------|
| 1. | Ayaz & Brothers | Peshawar | 10,00,000 | 18,00,000 | 28,00,000 |

| | | | | | |
|--------------|--------------------------------|-----------|--------------------|-----------------|--------------------|
| 2. | Mohmand Carriage CO | Azakhel | 10,00,000 | 10,00,000 | 20,00,000 |
| 3. | Mohmand Carriage CO | Nowshera | 10,00,000 | --- | 10,00,000 |
| 4. | Yousaf Enterprises | Charssada | 10,00,000 | 13,00,000 | 23,00,000 |
| 5. | Evergreen Trading Co | Mardan | 10,00,000 | 12,00,000 | 22,00,000 |
| 6. | -do- | Swabi | 10,00,000 | --- | 10,00,000 |
| 7. | Evergreen Trading Co | Dargai | 10,00,000 | --- | 10,00,000 |
| 8. | H.Mohammad Banoor Khan | Dir Upper | 10,00,000 | --- | 10,00,000 |
| 9. | Muslim Khan | Dir Lower | 10,00,000 | 7,50,000 | 17,50,000 |
| 10. | Inam & Co | Swat | 10,00,000 | 2,12,000 | 12,12,000 |
| 11. | Mir Goods Haripur | Haripur | 10,00,000 | --- | 10,00,000 |
| 12. | Super Pakistan Hazara Goods | Havelian | 10,00,000 | --- | 10,00,000 |
| 13. | Mir Goods Haripur | Mansehra | 10,00,000 | 12,00,000 | 22,00,000 |
| 14. | Mir Goods Haripur | Battagram | 10,00,000 | --- | 10,00,000 |
| 15. | Mir Goods Haripur | Shangla | 10,00,000 | --- | 10,00,000 |
| 16. | Bilal & Co | Hangu | 10,00,000 | --- | 10,00,000 |
| 17. | Bilal & Co | Hangu | 10,00,000 | --- | 10,00,000 |
| 18. | Bilal & Co | Karak | 10,00,000 | --- | 10,00,000 |
| 19. | Bilal & Co | Bannu | 10,00,000 | -- | 10,00,000 |
| 20. | Bilal & Co | S.Naurang | 10,00,000 | -- | 10,00,000 |
| 21. | Bilal & Co | D.I.Khan | 10,00,000 | --- | 10,00,000 |
| Total | | | 2,10,00,000 | 9462,000 | 2,84,62,000 |

118. The carriage contractors deposited the cash security as per rules and they have done their transportation work will in time and no loss occurred to Provincial Government.

PAC OBSERVATION

119. The Committee observed that present format of contract agreement for transportation of wheat was very weak which creates hurdles for providing of 10% bank guarantee/cash security of the freight value in favour of Government.

PAC RECOMMENDATION

120. In view of the above, the Para was recommended to be settled with the direction to the Department to develop standard format of agreement duly vetted by the Law and Finance Departments for transportation of wheat to protect the Government rights in future.

DP No.6.4.13 LOSS DUE TO NON RECOVERY OF THE EFFECT OF DECREASE IN THE POL PRICES - RS.16.235 MILLION.

AUDIT VERSION

121. The Audit reported that according to clause 3.2 of the contract agreement executed with the contractors, 50% effect of the increase or decrease but not less than 10%, in the prices of POL will be adjusted and 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.

122. During the financial year 2014-15, in the offices of Storage & Enforcement Officer Peshawar and Azakhel Nowshera, it was noticed that the contractors were allowed original rate of Rs.3.2101 and Rs.3.2606 per ton per km respectively on account of transportation of wheat. During the period under report there was almost 30% decrease in the prices of POL and according to clause 3.2 of the contract agreement executed with the contractors, 50% effect of the increase or decrease, but not less than 10%, in the prices of POL would be adjustable, which was not done. This resulted into loss of Rs.16.235 million to the public exchequer.

123. Audit therefore, held that variation due to decrease in the rates of oil was required to have been adjusted in the rate of transportation and recovered from the contractor, which was not done.

124. Loss occurred due to non adherence to the provision of clause 3.2 of the contract agreement and undue favor was given to the contractors and weak internal controls.

125. The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

126. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

127. Audit recommends to investigate the matter, fix responsibility and recover the excess payment.

DEPARTMENTAL VERSION

128. The Department explained that DP No. 6.4.13 consist of two advance Paras and reply of each is as under:-

i. **Advance Para No.39 S&EO Azakhel.**

129. That audit has taken Rs.55,43,060/- vide cheque No.824557 dated 18-11-2014, No. 0824599 dated 23-01-2015, No.824574 dated 30-12-2014 and No.0824580 dated 05-01-2015 which pertain to 2nd quarter and effect of decrease in POL rate vide No.4195-96/AC-117/PFC dated 01-09-2015 was for the 3rd and 4th quarters. Hence no decrease or increase was applicable on 2nd quarter as per contract agreement. The sated rate of Rs.2.2824 for 3rd and 4th quarter by audit was not correct. The correct reduced rate was Rs.2.85 per ton per km. Accordingly an amount of Rs.8,91,587/- for the 3rd and 4th quarter have been recovered from M/S Mohmand Carriage Co, approved carriage contractor for the year 2014-15 Punjab to NRC Azakhel vide challan No.37 dated 25-07-2015.

ii. **Advance Para No.60 S&EO Peshawar.**

130. That Audit has taken Rs.51,07,786/- vide cheques No.1053544 dated 21-11-2014, No.1053546 dated 21-11-2014, No. 1053561 dated 16-12-2014, No. 1053564

dated 16-12-2014 and No.1053586 dated 06-01-2014 which pertain 2nd quarter while the rate was reduced for the 3rd and 4th quarter vide No.4195-96/AC-117/PFC dated 01-09-2015. Hence no decrease or increase was applicable on 2nd quarter as per contract agreement. The remaining two cheques bearing No.1053602 dated 15-01-2015 and No.1053688 dated 06-03-2015 falls in 3rd and 4th quarter and accordingly carriage contractor was directed to deposit the amount of Rs.20,30,369/- vide No.3764/AC-117/ decrease rate dated 13-07-2016 and the carriage contractor went to Court. The Court has decided the case in favour of Government vide their judgment dated 29-01-2019. Accordingly Rs.10,00,000/- has been recovered from cash security lying in Food Directorate vide T.C No.3002 dated 16-05-2019 for the remaining amount of Rs. 10,30,369/- the carriage contractor has been directed to deposit the balance amount vide letter No.417-22/security dated 25-03-2019.

PAC RECOMMENDATION

131. As partial amount of Rs. 8,91,587/- and Rs. 10,00,000/- pertaining to the offices of Storage & Enforcement Officer Peshawar and Azakhel Nowshera have been recovered and deposited in the Government treasury on 25th July, 2016 and 16th May, 2019, respectively leaving a balance amount of Rs. 10,30,369/-, therefore, the Committee recommended to recover the balance amount from the concerned Contractors immediately. Para stands till complete recovery and its verification by Audit within a month time. Progress be reported to PAC.

DP No.6.4.14 LOSS DUE TO SHIFTING OF WHEAT FROM GOVERNMENT STORE TO PRIVATE MILL-RS.8.33 MILLION.

AUDIT VERSION

132. The Audit reported that according to paras 151 and 167 of GFR Vol-I, 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.

133. During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that 350.878 m.tons wheat valuing Rs. 8.33 million was shifted and stored in the private godown of Kamangara Flour Mill Peshawar without approval of the competent authority. Later on the shifted wheat was damaged/infested and plunged during flood and become un-useable for the human beings, which resulted

into loss of Rs.8.33 million to the public exchequer due to an illegal action of the local authority, neither the stored wheat was recovered from concerned as no committee was constituted for taking action nor was any punishment proposed by the higher ups for issuance of Government stock to private mill despite the fact that sufficient space was available in the Godown of the local office.

134. Audit held that loss occurred due to mismanagement and weak internal controls.

135. The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

136. Audit requested the Department repeatedly for holding of the DAC meeting, however, DAC meeting was not convened till finalization of this report.

137. Audit recommends to investigate the matter, fix responsibility and recover the loss from the person(s) at fault.

DEPARTMENTAL VERSION

138. The Department explained that the case of the said quantity of wheat against Kamangara Flour Mill was subjudice in the honorable Court of the Civil Judge-XVIII Peshawar with last notice dated 07-09-2019 for hearing, which is regularly being pursued. As and when any decision received, will be shared with all concerned.

PAC OBSERVATION

139. The Committee observed that:-

1. The wheat in question was shifted to private Flour Mill without the approval of competent authority and any cogent reason despite the fact that a huge space was available in the Government Godowns.
2. Audit felt that the carriage contractors and owner of the Mill was a same person.
3. The reply of the Department advanced before PAC was all together different from the one seen in the supporting documents.
4. The owner of the Mill in his application addressed to the Director Food on 09-06-2010, had clearly mentioned that he will take all the responsibility for the storage, fumigation and any loss or damage to the wheat.
5. According to the Departmental physical verification report which was carried out by the Committee on 17-08-2020 wherein it was mentioned

that the said Flour Mill was neither hit by flood nor any Government wheat was damaged in the said Flour Mill and the contractor claim was after thought as no report of damage wheat was sent to the Department during the flood or immediately after it.

PAC RECOMMENDATION

140. In view of the above, the Department was directed to conduct fact finding inquiry into the case and to initiate disciplinary action against the responsible(s) under the (Efficiency & Disciplinary) Rules-2011 for their inefficiency shown throughout the process and inability to protect the loss to Government property and progress be reported to PAC within a month time.

141. As the case was subjudice in the Court of Law, therefore, the Para was kept pending till the decision of the Court with the direction to the Department to pursue the case regularly in the Court of Law through a responsible Officer.

DP No.6.4.15 LOSS DUE TO NON-RECOVERY OF RENEWAL FEE FROM CONTRACTORS – RS.6.17 MILLION.

AUDIT VERSION

142. 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.

143. During the financial year 2014-15, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that 178 contractors were registered with the Food Department, out of which 104 contractors deposited their registration renewal fee upto 2014-15 while the remaining (74) contractors did not deposited their renewal fee. Thus the Government sustained a loss of Rs.6.17 million due to non-recovery of renewal fee. In some cases the contractors failed to deposit the renewal fee for the last 7 years for which no strenuous efforts were made by the Department.

144. The loss occurred due to weak internal controls and non adherence to Rules.

145. The loss was pointed out in August 2015. The management replied that the carriage contractors were directed so many times to renew their registration and now, legal and other notices have been issued to these contractors.

146. Audit requested the Department repeatedly for holding of the DAC meeting however, DAC meeting was not convened till finalization of this report.

147. Audit recommends to take departmental action against the responsible(s) and make good the loss from the contractors.

DEPARTMENTAL VERSION

148. The Department explained that the carriage contractors were directed to renew their registrations. Now a final notice was issued to twenty (20) carriage contractors who have not renewed their registrations since last 4-5 years vide No.1981/AC-117/Reg dated 21-06-2019 and 64 numbers of registration of carriage contractor have been cancelled vide No.573/AC-117-Reg dated 03-02-2016. It was further mentioned here that tender forms were not issued to those carriage contractors who have not renewed their registration.

PAC RECOMMENDATION

149. In view of convincing reply and corrective action taken by the Department, the Para was recommended to be settled.

150. The Department was directed to make sure that those contractors who failed to renew their respective registrations may not be allowed to participate in the bidding process in future.

DP No.6.4.16 LOSS DUE TO NON-RECOVERY OF PENALTY FROM THE CONTRACTORS – RS.4.23 MILLION.

AUDIT VERSION

151. The Audit reported that according to Para 7.1 of the standard contract agreement executed with all carriage contractors, if the contractor does not lift the quantity specified in the work order/allocation letter within the stipulated time, the Director Food KP (contract operating officer) may impose a penalty of one per cent of the freight value per day of the quantity, which has not been transported. In case the transportation of remaining quantity is not resumed within twenty days of the last date, the agreement shall be cancelled and the remaining quantity will be transported at the risk and cost of the contractor.

152. During the financial year 2014-15, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that 1,00,000 m.tons of wheat was purchased from PASSCO and allocated to different DFCs, for lifting through various carriage contractors. The following DFCs reported that against the allocated quantity of 52,000 m.tons a quantity of 34,292.631 m.tons wheat was received while the balance was not received. Later on it was reported that further quantity of 14,408.514 m.tons received while a quantity of 3298.853 m.tons was not transported by the carriage contractors. No penalty was imposed for late supply and non supply of wheat which resulted into loss of Rs.4.23 million. The security deposit of Rs.7 million @ Rs.1 million against each contractor was also not forfeited.

| S# | Name of office | Quantity allocated | Quantity received | Quantity late received | Quantity not received |
|---|----------------|--------------------|-------------------|------------------------|-----------------------|
| 1. | DFC Kohat | 6,000 | 5,580.000 | 420.000 | 0 |
| 2. | DFC Charsadda | 10,000 | 6,987.069 | 3,012.931 | 0 |
| 3. | DFC Mardan | 16,000 | 10,350.540 | 5,649.458 | 0 |
| 4. | DFC Lower Dir | 5,000 | 3,716.027 | 1,283.973 | 0 |
| 5. | DFC Upper Dir | 5,000 | 1,822.718 | 3,177.282 | 1,430.000 |
| 6. | DFC Shangla | 5,000 | 3,131.147 | 1,868.853 | 1,868.853 |
| 7. | DFC Battagram | 5,000 | 2,705.130 | 2,294.870 | 0 |
| | | 52,000 | 34,292.631 | 17,707.367 | 3,298.853 |
| Approximate amount of fine = $17707.367 + 3298.367 = 21006.22$ @ Rs.4 per ton per KM for average distance of 252 km = 21.172 million x 1% x 20 days = 4.234 million | | | | | |

153. The loss was occurred due to weak internal controls.

154. The matter was reported in August 2015. The management replied that the statements received from the concerned DFCs and reconciliation statement with PASSCO reveals that all the stock allocated for all the Districts of KP has been received in the year 2014-15. The wheat stock for the above (07) Districts received in full and there was no discrepancy. Audit disagreed with the reply.

155. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

156. Audit recommends that contract clause should have been implemented for late/non-supply of wheat, investigate the matter for early recovery.

DEPARTMENTAL VERSION

157. The Department explained that according to reconciliation conducted by Food Department Khyber Pakhtunkhwa with PASSCO Punjab, the entire quantity of one (01) lac tons received at 15 destination centers in full including the share of centers given in advance Para i.e. Kohat, Charsadda, Mardan, Dir Lower, Dir Upper, Shangla and Battagram.

158. As far as imposition of penalty for late delivery beyond the given period, it was clarified that on the request of concerned carriage contractor, the stipulated period for lifting of wheat was extended in case of Kohat, Charsadda, Mardan, Dir Lower, Dir Upper and Battagram, whereas the allocation of PRC Shangla was revised on 17-12-2014 and share of un-lifted wheat was given to PRC Haripur and Mansehra revised allocations and orders for extension in grace period.

PAC OBSERVATION

159. The Committee observed that the Para relates to the financial year 2014-15 and extension was granted to the contractor vide Food Directorate letter No. 5926/FG-433/PASSCO/KC dated 06-11-2015, which clearly shows that undue favour was granted to the contractor.

PAC RECOMMENDATION

160. The Committee taken a lenient view recommended the Para to be settled with the direction to the Department to develop standard contract agreement duly vetted by Law and Finance Departments for transportation of wheat to protect the Government rights so that such lapses are not repeated in future.

DP No.6.4.17 LOSS DUE TO ENHANCEMENT IN RATES RS.3.53 MILLION.

AUDIT VERSION

161. 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.

162. During the financial year 2013-14, in the office of District Food Controller Dargai, it was noticed that the Director Food Khyber Pakhtunkhwa approved carriage rates for transportation of wheat from Punjab to Khyber Pakhtunkhwa in respect of M/s Muslim Khan @ Rs.3.394 per m.ton per km. The contractor transported the wheat during 2013-14 for which payment was made accordingly. However, the approved rates for 2013-14 were enhanced in 09/2014 retrospectively at belated stage vide Food Department No.SOF(Food Dept) 2-50/2214 dated 04.09.2014 without the concurrence of Finance Department though the prices of POL decreased several times during 2013-14. Due to this order there was a loss of Rs.3.53 million to Public exchequer in Malakand District only.

163. When pointed out in September 2015, the management stated that the office of Director Food has sent the enhancement in rate.

164. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

165. Audit recommend to investigate the matter, fix responsibility against the person(s) responsible and recover the loss.

DEPARTMENTAL VERSION

166. The Department explained that the effect of increase in POL rates was accorded by the competent authority as per clause 3.2 of the contract agreement vide letter No.SOF (Food deptt)2-50/2214 dated 04-09-2014 due to increase in prices of POL. Hence payment made as per approval of the competent authority.

PAC OBSERVATION

167. The Committee after examination of the minutes of the meeting of the Provincial Food Committee held on 23-07-2014 and note part submitted to the Office of Secretary Food observed that:-

1. Para-5 of the minutes provided that the Committee unanimously approved increase in the approved rate as per clause 3.2 of the contract agreement to

the carriage contractor mentioned in Table-A & B for the services on PR to PR basis.

2. Para-3 (II, III & IV) of the minutes provided that no increase was allowed to the carriage contractor mentioned in Table-C.
3. According to the note submitted by the office of Deputy Director Food to the office of Secretary Food Khyber Pakhtunkhwa dated 25-08-2014, it was clearly mentioned that rates were enhanced as per clause 3.2 of the contract agreement to twenty (20) Nos Carriage Contractors mentioned in Table-C including the name of Mr. Muslim Khan, Carriage Contractor at S/No.7.

PAC RECOMMENDATION

168. In view of the above observations, as the Department failed to clarify/justify its position during the meeting. The Committee therefore, directed the Department 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 a month.

DP No.6.4.18 LOSS DUE TO PURCHASE OF SUBSTANDARD EMPTY GUNNY BAGS –RS.1.04 MILLION.

AUDIT VERSION

169. 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 subordinates officers and to against waste and loss of public money and stores.

170. During the financial year 2013-14, the record of FG-13 of DFC D.I.Khan revealed that 13025 “A” class empty gunny bags were shown sealed by NAB in 6/2012 and remaining sealed till the date of audit i.e. 01/2015. Audit was of the view that these bags might be substandard due to which the same were sealed by the NAB authorities. However, no record of the same was produced. Due to negligence of the concerned staff the government sustained a loss of Rs.1.04 million.

171. The matter was reported in January, 2015. The management replied that these gunny bags were sealed by NAB authorities and action will be taken as and when directed by the concerned authorities.

172. In the DAC meeting held in July, 2015, the management furnished the previous reply. DAC decided that the case was subjudice and final decision of the Court be produced to audit.

173. As no progress reported so matter is placed before the PAC for appropriate action.

DEPARTMENTAL VERSION

174. The Department explained that during 2010-11 & 2013-14, a Para was raised by external audit on account of receiving of substandard Empty Gunny bags. The Godown was sealed by National Accountability Bureau (NAB) in which 13025 Empty Gunny bags were kept as case property. Audit realized that with the passage of time the Empty Gunny bags lost their value and huge loss was caused to Government.

175. The District Food Controller D.I.Khan reported that he had taken the matter with NAB Authorities time and again, but all in vain. After lapse of six years on the directions of NAB Authorities on 20-05-2016 the Godown was de-sealed and found that the empty gunny bags were turned down into ashes.

176. The Department started proceeding against the officials/officers responsible for the loss. The Department fixed responsibility on the then District Food Controller D.I.Khan by imposing minor penalty of stoppage of two increments without accumulative effect and Mr. Fakhar Zaman the then Food Grain Inspector with a minor penalty of stoppage of one increment without accumulative effect.

177. On the recommendation of the National Accountability Bureau (NAB), the Department has taken stern action by compulsorily retiring of then DFC D.I.Khan.

178. The Food Department moved a summary to Chief Minister Khyber Pakhtunkhwa for obtaining write-off sanction for 10467 Empty Gunny bags. The Finance Department referred the summary to Provincial Inspection Team (PIT) for investigation.

179. The PIT submitted its report on 31-07-2017 and recommended to recover a sum of Rs.11,81,724/- from the officers/officials concerned on equal shared basis.

180. In the meanwhile the then DFC lodged a case in Service Tribunal against the decision of the Departmental Committee on account of compulsory retirement. The Service Tribunal has set-aside the major penalty order and exonerated him from the charges. Moreover, another inquiry was conducted by Food Department comprising M/S Muhammad Shakeel Deputy Director, Food (F&I) and Zahoor Khan, Regional Audit Officer who clearly mentioned in the enquiry report that empty gunny bags were taken on record and has been stored in the Godown and all loss happened due to the prolong sealing of the Godowns. Therefore, the then DFC cannot be held responsible for the loss of recovery which cannot be made from the accused as recommended by PIT. Similarly Draft Para No.10.4.7 for the year 2013-14 is under active process in follow-up action & working paper as desired by PAC has already been sent to Assistant Secretary-PAC for placing before PAC. Moreover the department further explained that the case was subjudice in the Court of Law.

PAC RECOMMENDATION

181. As the case was subjudice in the Court of Law, therefore, the Para was kept pending till the decision of the court with the direction to the Department to pursue the case regularly in the Court through a responsible officer.

DP No.6.4.19 NON-RECOVERY OF OUTSTANDING AMOUNT OF SUBSIDY–RS.4157.18 MILLION.

AUDIT VERSION

182. 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.

183. During the financial year 2014-15, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that an amount of Rs.4157.18 million was outstanding against the Federal Government on account of subsidy on wheat released to the Flour Mills situated in FATA. The Federal Government paid only an amount of Rs.293 million

leaving a balance of Rs.3864.18 million. No strenuous efforts were made by the local office for early recovery.

184. Non-recovery of outstanding amount was due to non-observance of Rules and weak internal controls.

185. The matter was pointed out in August 2015. The management replied that Food Department started supply of wheat to FATA during 1990-91 and continued till 2010-11. The department is making full efforts to recover the outstanding amount against the Federal Government.

186. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

187. Audit recommends that matter be taken up at higher level to recover the outstanding subsidy.

DEPARTMENTAL VERSION

188. The Department explained that as per office record, the outstanding subsidy against FATA (Federal Government) in the financial year 2011-12 was Rs. 2465.981 million, out of which an amount of Rs.1648.547 million has been released by FATA Secretariat and credited into Food Account-II duly reconciled by Accountant General Khyber Pakhtunkhwa. Efforts are in progress to recover the balance amount.

PAC RECOMMENDATION

189. The PAC directed the Department to make every effort to recover the outstanding amount involved in the Para against the Federal Government duly verified by Audit. Para stands till complete recovery.

DP No.6.4.20 NON-RECOVERY OF SECURITY FROM CONTRACTORS- RS.27.73 MILLION.

AUDIT VERSION

190. The Audit reported that according to Clause-6 of the guidelines/ procedure and tender form for the transportation of indigenous wheat from Punjab to Khyber Pakhtunkhwa for 2014-15 and Clause-2 of the contract agreement executed with the contractors, on acceptance of rates, the successful bidders shall have to execute an

agreement and provide 10% bank guarantee/cash security of the freight value in favour of government.

191. During the financial year 2014-15, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that different carriage contractors were awarded contact for the carriage of indigenous wheat from Punjab to various Districts of Khyber Pakhtunkhwa. It was specifically mentioned in the guidelines and procedures attached with the Tender Form that the successful bidders will have to execute an agreement and provide 10% bank Guarantee/ Cash Security of the freight value within 7 days, failing which the earnest money shall stand forfeited in favour of government. It was observed that the contract agreements were executed by the contractors but 10% security was neither deposited in the shape of Bank Guarantee nor cash security was deposited with the Director Food. This indicates that clauses of the condition of tender form as well as contact agreement were violated and the contractors were given undue benefit of Rs.27.73 million in the shape of non deposit of security.

192. Loss occurred due to weak internal controls and non adherence to the Rules.

193. The irregularity was pointed out in August 2015. The management replied that the work order was issued to all concerned District Food Controllers and Storage & Enforcement Officer Peshawar/Azakhel and were directed to collect security @ Rs.10% of freight value as a cash security in the name of Director Food Khyber Pakhtunkhwa in shape of call deposit /TDR. The carriage contractors deposited the cash security. Reply was not satisfactory as no proof was provided.

194. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

195. Audit recommends to investigate the matter for fixing the responsibility.

DEPARTMENTAL VERSION

196. The Department explained that as per clause-2.1 of the contract agreement, the contractor shall produce security/bank Guarantee @ 10% of the freight

value as per work order on the name of Director Food Khyber Pakhtunkhwa, as token of a satisfactory fulfillment of the terms and conditions of the contract agreement.

197. An amount of Rs. 10,00,000/- was obtained from each carriage contractor before issuing work order a per detail given below:-

| S/No. | Name of CC | Call deposit No.& Date | Amount | Name of Bank |
|-------|--------------------------------|-------------------------------------|-------------|--|
| 1. | Ayaz & Brothers | CDR-No.-0101838 Dated 23-08-2014 | One million | NIB bank chowk yadgar branch Peshawar |
| 2. | Mohmand Carriage Co | SDR-No.0723468 Dated 23-08-2014 | One million | BOK GT Road Peshawar |
| 3. | Mohmand Carriage Co | SDR-0723467 Dated 23-08-2014 | One million | BOK GT Road Peshawar |
| 4. | Yousaf Enterprises | SD-2980232 Dated 23-08-2014 | One million | UBL Mardan Cantt: |
| 5. | Evergreen Trading Co | SDR-0723470 Dated 23-08-2014 | One million | BOK GT Road Peshawar |
| 6. | Evergreen Trading Co | SDR-0723471 Dated 23-08-2014 | One million | BOK GT Road Peshawar |
| 7. | Evergreen Trading Co | SDR-0723472 Dated 23-08-2014 | One million | BOK GT Road Peshawar |
| 8. | H.Mohammad Banoor Khan | CDR-539542 Dated 25-08-2014 | One million | MCB Dabgari Gate Peshawar |
| 9. | Muslin Khan | SD-2980237 Dated 20-08-2014 | One million | UBL Mardan Cantt: |
| 10. | Inam & Co | Ch:8649309 Dated 26-08-2014 | One million | UBL new Fruit Market Peshawar |
| 11. | Mir Goods Haripur | SDR-0782413 Dated 25-08-2014 | One million | BOK Havelian |
| 12. | Super Pakistan Hazara Goods | CH-5422958 Dated 25-08-2014 | One million | UBL Akbar Plaza Haripur |

| | | | | |
|-----|-------------------|---------------------------------|-------------|-------------------------------|
| 13. | Mir Goods Haripur | CDR-0000231 Dated 25-08-2014 | One million | Meezan Bank Havelian |
| 14. | Mir Goods Haripur | CDR-0000232 Dated 25-08-2014 | One million | Meezan Bank Havelian |
| 15. | Mir Goods Haripur | CDR-0000233 Dated 25-08-2014 | One million | Meezan Bank Havelian |
| 16. | Bilal & Co | CDR-539552 Dated 25-08-2014 | One million | MCB Dabghari Gate Peshawar |
| 17. | Bilal & Co | CDR-539551 Dated 25-08-2014 | One million | MCB Dabghari Gate Peshawar |
| 18. | Bilal & Co | CDR-539549 Dated 25-08-2014 | One million | MCB Dabghari Gate Peshawar |
| 19. | Bilal & Co | CDR-539553 Dated 25-08-2014 | One million | MCB Dabghari Gate Peshawar |
| 20. | Bilal & Co | CDR-539558 Dated 25-08-2014 | One million | MCB Dabghari Gate Peshawar |
| 21. | Bilal & Co | CDR-539550 Dated 25-08-2014 | One million | MCB Dabghari Gate Peshawar |

198. When the work order was issued to the contractors then all concerned DFCs & S&E offices were directed to collect security/Bank guarantee @ of 10% freight value as cash on the name of Director Food Khyber Pakhtunkhwa in shape call deposit/TDR vide Memo No.6426-27/AC-117/Security dated 29-10-2014. The carriage contractors deposited the cash security where necessary as per detail given below and they have done their transportation work in time and no loss occurred to Government exchequer.

| S/No. | Name of CC | Center | Call deposit No. & date | Amount |
|-------|-----------------|----------|------------------------------------|-------------|
| 1. | Ayaz & Brothers | Peshawar | CDR-No.0101838 Dated 23-08-2014 | 10,00,000/- |

| | | | | |
|---------------------|---------------------------|-----------|------------------------------------|--------------------|
| 2. | Ayaz & Brothers | Peshawar | SDR-No.0803546 Dated 22-11-2014 | 18,00,000/- |
| Total amount | | | | 28,00,000/- |
| 3. | Mohmand C.Contractors | Mardan | SDR-No.0723438 Dated 23-08-2014 | 10,00,000/- |
| 4. | Evergreen Trade Co | Mardan | SDR-No.0723470 Dated 23-08-2014 | 10,00,000/- |
| 5. | Evergreen Trade Co | Mardan | SDR-No.0803547 Dated 22-11-2014 | 12,00,000/- |
| Total amount | | | | 32,00,000/- |
| 6. | Yousaf Enterprises | Charsadda | SD-No.2980232 Dated 20-08-2014 | 10,00,000/- |
| 7. | Yousaf Enterprises | Mardan | SD-No.2980300 Dated 16-01-2015 | 13,00,000/- |
| Total amount | | | | 23,00,000/- |
| 8. | H.Mohammad Banoor Khan | Dir Upper | CDR-No.539542 Dated 25-08-2014 | 10,00,000/- |
| 9. | H.Mohammad Banoor Khan | Dir Upper | CDR-No.539553 Dated 25-08-2014 | 10,00,000/- |
| Total amount | | | | 20,00,000/- |
| 10. | Muslim Khan | Lower Dir | SD-No.2980237 Dated 20-08-2014 | 10,00,000/- |
| 11. | Muslim Khan | Lower Dir | SD-No.2980501 Dated 16-01-2015 | 7,50,000/- |
| Total amount | | | | 17,50,000/- |
| 12. | Mir Goods Transport | Mensehra | SDR-No.0000231 Dated 25-08-2014 | 10,00,000/- |
| 13. | Mir Goods Transport | Mansehra | SDR-No.0797143 | 12,00,000/- |

| | | | | |
|---------------------|----------------------|----------|---------------------------------|--------------------|
| | | | Dated 30-12-2014 | |
| Total amount | | | | 22,00,000/- |
| 14. | Mohmand Carriage Co | Azakheil | SDR-0723468 Dated 23-08-2014 | 10,00,000/- |
| 15. | Mohammad Carriage Co | Nowshera | SDR-0723467 Dated 23-08-2014 | 10,00,000/- |
| Total amount | | | | 20,00,000/- |

PAC RECOMMENDATION

199. As all the carriage contractors had deposited 10% security of freight value to the Government exchequer, therefore, the Para was recommended to be settled with the direction to the Department to devise proper mechanism to protect the Government rights by making in time recovery.

200. Due to shortage of time remaining Draft Paras No.6.4.21, 6.4.22, 6.4.23 and 6.4.24 for the year 2015-16 were deferred for next meeting to be convened shortly.

DP No.6.4.21 NON-RECOVERY ON ACCOUNT OF MISSING WHEAT–RS.11.34 MILLION.

AUDIT VERSION

201. The Audit reported that according to clause 6.2.1 of the contract agreement executed with contractor M/s Inam & Co for carriage of PASSCO wheat from Punjab, the contractor will arrange to deliver the wheat at the recipient station within the stipulated period. In case the truck loaded with wheat was lost while on way to its destination, the contractor will ensure its delivery within fifteen days of its loading failing which the contractor will make good the loss in kind within one month from the date of loading. In case the quantity is not delivered within one month, double than the landed cost will be recoverable from the contractor for which no excuse will be acceptable to the employer. According to the correspondence made by PASSCO with the Food Directorate, the authorized representative of Khyber Pakhtunkhwa will be responsible to check the weight, quality of wheat stock and bardana at the dispatching point before loading.

202. During the financial year 2013-14, in the office of Storage and Enforcement Officer Azakhel, it was noticed that 1525 bags of 152.763 m.tons indigenous wheat were shown transported through M/s Inam & Co from Khanewal in 2 trucks on 13-09-2013. The trucks were not received at the destination and were found missing till 25-12-2013 which were shown to have been received on 26-12-2013. However, the department failed to recover double cost plus carriage charges of Rs.11.34 million from the contractor by invoking the relevant clause of the contract agreement, instead 10% security of Rs.1.64 million was also released.

203. Similarly 1389.481 m.tons wheat costing Rs. 51.58 million was transported from Punjab through the same contractor upto 12-09-2013. However, as per letter No.640/S&EO/NRC/Azakhel dated 12-09-2013 by the local office, the transported wheat was found substandard mixed with sand etc of high moisture contents. Neither the wheat was replaced nor laboratory tests were carried out. No responsibility was fixed on the representatives of Food Department which were present at the loading points to check the quality of wheat.

204. Non-recovery was pointed out in December 2014. The management furnished no satisfactory reply.

205. The matter was discussed in the DAC meeting held in July, 2015. DAC directed that inquiry should be conducted by the Administration Department within 30 days to check that the penalty of Rs.546,302 was imposed according to the clause 6.2.1 of the contract agreement and result be shown to audit. No progress was intimated till finalization of this report.

206. Audit recommends to implement the decision of DAC and position may be explained before the PAC.

DEPARTMENTAL VERSION

207. The Department explained that M/s Inam & Co carriage contractor has delivered the missing quantity of two tracks weighing 152.763 m.tons on 26-12-2013 which was taken on the stock register (FG-III) accordingly. Moreover, as per clause-7.1 of the contract agreement the competent authority imposed penalty on 1396.471 m.tons

wheat received/dispatched after stipulated period which was recovered from the carriage contract in his transportation charges bills.

208. The Department further stated explained that some stones mixed in the wheat bags, were found during the receipt which were replaced by the carriage contractor and only Fair Average Quality (FAQ) wheat was accepted/received at the destination/station.

209. In view of the above fact, no substandard wheat was received at this center during the year 2013-14.

210. The Department further added that in light of DAC decision Administrative Department has constituted an inquiry team vide Notification No.SOF/6-2/2018/Vol-XXIIIIV/2499 dated 11-03-2019 and the inquiry team has furnished its report/recommendations vide Section Officer (General) letter No.SOG/FD/8-1/2016/2759 dated 12-04-2019.

211. The Secretary of the Department during the meeting explained clause-6.2.1 and 7.1 of the contract agreement as under:-

- i. Clause 6.2.1:- The Contractor will arrange to deliver the wheat at the recipient station within the stipulated period. In case the truck loaded with wheat is lost while on the way to it destination, the Contractor will ensure its delivery within fifteen days of its loading, failing which the contractor will make good the loss in kind within one month from the date of loading. In case, the quantity is not delivered within one month, double than the landed cost will be recoverable from the contractor for which no excuse will be acceptable to the Employer.
- ii. Clause. 7.1:- If the Contractor does not lift the quantity specified in the work order/allocation letter within the stipulated time, the Director Food Khyber Pakhtunkhwa (Contract Operating Officer) may impose a penalty of one percent of the freight value per day of the quantity, which has not been transported. In case the transportation of remaining quantity is not resumed within (20) days of the last date, the Agreement shall be cancelled

and the remaining quantity will be transported at the risk and cost of the Contractor.

212. He further explained that wheat was received on 26-12-2013 (59 days delayed after stipulated time) and extension for delayed supply was granted. The wheat in question was not found missing rather delayed lifting was occurred, therefore, clause-6.2.1 of the contract agreement raised by the Audit in the Draft Para was not applicable on late delivery of wheat to the destination station.

PAC OBSERVATION

213. The Committee observed that:-

- i. Some stones and sand mixed in the wheat bags, were found during the receipt at the destination/station which was not fair business made by Contractor with the Government and showed dishonesty on the part of the contractor.
- ii. The same Contractor late delivered the wheat to the destination station from Multan, Waharri, Khaniwall, Bahawal Naggar and Ali Pur repeatedly and the Department also penalized him time and again.

PAC RECOMMENDATION

214. The Committee taken a lenient view recommended, the Para to be settled with the direction to the Department to initiate proceeding for black listing of the contractor/firm for the future under intimation to PAC Cell.

215. The Committee further directed the Department to adopt corrective measures for transportation of wheat in stipulated time to the destination station in future.

DP No.6.4.22 NON-RECOVERY OF LONG OUTSTANDING DUES FOR ENHANCEMENT OF EX-GODOWN PRICE OF IMPORTED WHEAT – RS.1.49 MILLION.

AUDIT VERSION

216. The Audit reported that the District Food Controller Bannu vide its letters No.2874/DFC/BFM dated 22-12-2010, No.3124/DFC/ BFM-5A dated 20.09.2011 and No.928/DFC/BFM-5A dated 27-03-2014 under which price was enhanced by office of the Director Food.

217. During the financial year 2013-14, in the office of District Food Controller Bannu it was observed that imported wheat on the old rates were issued to Shahab Floor Mills despite the fact that Ex-Godown price was enhanced by the Director Food. Due to difference in rate Government sustained a loss of Rs.1.49 million. No efforts were made by the local authority for recovery of the said amount.

218. Audit held that recovery of amount was required to have been made which was not done.

219. Loss to the Government exchequer occurred due to weak internal controls.

220. Non-recovery was pointed out in December, 2014. The management furnished no satisfactory reply.

221. The matter was discussed in the DAC meeting held in July, 2015. DAC directed the Department to recover the amount. No further progress was intimated till finalization of this report.

222. Audit recommends to investigate the matter, fix responsibility and recover the amount.

DEPARTMENTAL VERSION

223. The Department explained that Rs.14,90,625/- has been recovered from Shahab Floor Mills and deposited into Government treasury vide challan No.2 dated 25-02-2019 as intimated by DFC Bannu vide its letter No.861/DFC/NSFM dated 25-10-2019.

PAC RECOMMENDATION

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

DP No.6.4.23 NON DEDUCTION OF CHARGES FOR REHABILITATION OF DISABLED PERSONS - RS.1.35 MILLION.

AUDIT VERSION

225. The Audit reported that according to Directorate of Social Welfare & Women Development letter No.DA/28/DSW/9851-72 dated 30-05-2011 endorsed by the Food Directorate its vide letter No. 3098-99/AO 117/disabled dated 08-02-2012, the

Provincial Government has decided to deduct Rs.2,000 per million from the Contractor/Firms bills who have completed business.

226. During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that a sum of Rs 675.69 million was received from the sale of wheat issued to Flour Mills. However the DPR charges amounting to Rs 1.35 million as required were not deducted from the payment made to the Flour Mills.

227. Non recovery occurred due to non adherence to the provisions of Rules and weak internal controls.

228. The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

229. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

230. Audit recommends to recover the amount from the person(s) at fault.

DEPARTMENTAL VERSION

231. The Department explained that Provincial Government provides wheat to the Flour Mills of Khyber Pakhtunkhwa at the subsidized rates to ensure availability of wheat Atta in the open market at reduced rates fixed by the Government for consumption of General Public. In case of extra recovery of DPR charges @ 2000/- per million from the Flour Mills against the sale proceed of subsidized wheat it would compel them to sell wheat Atta at higher rates than the Government fixed rate, which may lead to the law & orders situation and Atta crises in the Province. It was further explained that Mills Owners may prefer to purchase wheat from open market instead of Food Department, resultantly the stock of wheat lying unissued in their godown will become damaged due to prolong storage, bad weather conditions and infestation, however Storage & Enforcement Officer Peshawar was directed, to direct the concerned Flour Mills to deposit the DPR charges into Government Treasury.

232. The Department has already taken up the issue of DPR charges with Finance Department vide letter No.SOG/FD/6-2/2017/6362 dated 23-11-2017. Further information was sought by Finance Department vide letter No. BO(Res-III)/FD/2-2/2018-19/Vol-II dated 03-04-2019 and clarification/comments has been sent to Finance Department vide this office letter No.1608 dated 13-05-2019. As and when any progress received will be intimated to quarter concerned.

PAC OBSERVATION

233. The Committee observed that the Department failed to deduct the DPR charges amounting to Rs. 1.35 million from the Mills Owners as per Directorate of Social Welfare and Women Development Peshawar letter No.DAB/28/DSW/9851-72 dated 30-05-2011, which clearly shows inefficiency on the part of the Departmental officers/officials.

PAC RECOMMENDATION

234. After detailed discussion, the Committee directed the Department to make recovery of the amount from the concerned and get it verified by Audit within a month time.

235. Para stands till complete recovery and its verification by Audit. Progress be reported to PAC.

DP No.6.4.24 NON-DEDUCTION OF CHARGES FOR REHABILITATION OF DISABLED PERSONS – RS.3.51 MILLION.

AUDIT VERSION

236. The Audit reported that according to Directorate of Social Welfare & Women development vide its letter No.DAB/28/DSW/9851-72 dated 30-05-2011 and endorsed by the Food Directorate Peshawar its vide letter No.3098-99/AC-117/disable dated 08-03-2012 Provincial Government has decided to deduct Rs.2000 per million from the contractors/firms bills who have completed business.

237. During the financial year 2013-14, in the office of Director Food Peshawar, it was noticed that 880,000 empty jute bags were purchased and supplied by three suppliers in 2013-14 against the payment of Rs. 123.40 million but disabled persons

charges @ Rs. 2,000 per million amounting to Rs. 2.47 million were not recovered from their bills.

238. Similarly in DFC Kohat a sum of Rs. 487.90 million was received from the sale proceeds of wheat, the DPR charges of Rs. 9,75,806/- were not recovered from the contractors/Firms bills. Moreover, a sum of Rs. 33.63 million was paid to contractors on account of transportation charges of wheat from Punjab, however, Rs. 67,258/- were not deducted from their respective bills.

239. Lapse occurred due to weak internal controls.

240. When pointed out in January 2015, the management furnished no proper reply.

241. The matter was discussed in the DAC meeting held in July, 2015. DAC directed to recover Rs. 3.511 million within a period of one month under intimation to Audit. No further progress was intimated till finalization of this report.

242. Audit recommends to recover the amount from the concerned.

DEPARTMENTAL VERSION

243. The Department explained that Provincial Government provides wheat to the Flour Mills of Khyber Pakhtunkhwa at the subsidized rates to ensure availability of wheat Atta in the open market at reduced rates fixed by the Government for consumption of General Public. In case of extra recovery of DPR charges @ 2000/- per million from the Flour Mills against the sale proceed of subsidized wheat it would compel them to sell wheat Atta at higher rates than the Government fixed rate, which may lead to the law & orders situation and Atta crises in the Province. It was further explained that Mills owners may prefer to purchase wheat from open market instead of Food Department, resultantly the stock of wheat lying unissued in their godown will become damaged due to prolong storage, bad weather conditions and infestation, however District Food Controller Kohat was directed by the competent authority to direct the concerned Flour Mills to deposit the DPR charges into Government Treasury.

244. Moreover the suppliers has already been directed vide this office memo No.1238-40/AC-117/disable dated 27-02-2015 and subsequent letter to contract branch

vide No.1816/DP-6.4.24 dated 31-05-2019 to recover the DPR charges from the concerned dealer/jute mills and to deposit the amount of Rs. 2,000/- per million for the financial year 2013-14 on account of DPR fund.

PAC OBSERVATION

245. The Committee observed that the Department failed to deduct the DPR charges amounting to Rs. 3.51 million from the Suppliers as per Directorate of Social Welfare and Women Development Peshawar letter No.DAB/28/DSW/9851-72 dated 30-05-2011, which clearly shows inefficiency on the part of the Departmental officers/officials.

PAC RECOMMENDATION

246. After detailed discussion, the Committee directed the Department to make recovery of the amount from the concerned and get it verified by Audit within a month time.

247. Para stands till complete recovery and its verification by Audit. Progress be reported to PAC.

DP No.6.4.25 UNAUTHORIZED AND ILLEGAL LOANING AND REPAYMENT- RS. 1799.60 MILLION.

AUDIT VERSION

248. The Audit reported that the Director Food vide its letter dated 19-12-2014 requested the Chief Manager Bank of Khyber for grant of loan despite the fact that sufficient balance was available in Food Account-II.

249. During the financial year 2014-15, in the office of Director Food, Khyber Pakhtunkhwa, it was noticed that Chief Manager, Bank of Khyber was requested vide letter No.7139/AC-1304-PASSCO dated 19-12-2014 for payment of 1,799.60 million to the Director Food, Punjab which the Bank authorities paid the amount in question vide DD No.398727 dated 19-12-2014. It may be added that approval of the competent authority was not obtained for obtaining of such loan for payment to the Food Department Punjab. Furthermore, the Government of Khyber Pakhtunkhwa has allocated sufficient Budget for the purchase of wheat from PASSCO/Punjab. Therefore, payment

was required to have been made from the allocated Budget. Thus obtaining loan from the bank was unauthorized.

250. Unauthorized loaning and repayment occurred due to financial mismanagement, non adherence to the allocation of funds by the Finance Department and undue favor to the Bank authorities in the shape of payment of interest to the concerned Bank.

251. The irregularity was pointed out in August 2015. The management replied that wheat was purchased on emergent basis to meet the requirements after fulfillment of all codal formalities. Reply was not convincing because in the summary duly approved by Chief Minister Khyber Pakhtunkhwa as well as Finance Department it was clearly mentioned that upfront payment would be made from Food Account-II and then from loan from bank. Sufficient balance in Food Account-II was available therefore payment was required to have been made from Food Account-II.

252. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

253. Audit recommends to investigate the matter and fix responsibility.

DEPARTMENTAL VERSION

254. The Department explained that wheat was purchased from Punjab Food Department on reasonable rates and a special consideration as evident from letter No.SOF-1-3-1/2014 dated 07-08-2014. Therefore, in order to have an adequate stock of wheat in the godowns to meet the requirement, a quantity of 50,000/- m.tons indigenous wheat was purchased from Punjab Food Department making upfront payment of Rs. 1,799.600 million vide DD No.398727.208 dated 19-12-2014. Payment through Bank of Khyber was made after obtaining proper sanction from the Finance Department Khyber Pakhtunkhwa.

255. The Department further explained that wheat was purchased after approval of summary by the Chief Minister Khyber Pakhtunkhwa and accordingly contract agreement was executed.

PAC RECOMMENDATION

256. In view of plausible explanation of the Department that at the time of purchase of wheat insufficient balance was available in the Food Account-II, hence, loan was obtained from Bank of Khyber. The Committee recommended the Para to be settled subject to verification of relevant record in support of its reply by the Audit within a month.

DP No.6.4.26 UNAUTHORIZED LOAN AMOUNTING TO RS.801.28 MILLION.

AUDIT VERSION

257. The Audit reported that the Finance Department Government of Khyber Pakhtunkhwa vide its letter No.BOVII/FD/144/2014-15 dated 03.10.2014 has specifically issued instructions that payment on account of cost of 1,00,000 m.tons indigenous wheat from PASSCO will be paid from Food Account-II.

258. During the financial year 2014-15, Director Food Khyber Pakhtunkhwa obtained loan of Rs.801.28 million from the Bank of Khyber and paid to PASSCO vide DD No.397419 dated 23-10-2014 as advance payment for incidental charges of 1,00,000 m.tons wheat, despite the fact that cost of wheat worth Rs.3,000 million was paid from Food Account-II. It is added that the Government of Khyber Pakhtunkhwa has allocated sufficient funds in the Food Account-II for the payment of cost of wheat as well as incidental charges. Finance Department in the above mentioned letter has clearly instructed that payment of cost of wheat will be met out from Food Account-II. Therefore in the presence of sufficient budget and clear instructions of Finance Department, obtaining interest bearing loan from the Bank of Khyber for payment of incidental charges was unauthorized.

259. Unauthorized loan occurred due to financial mismanagement, non-observance of the instructions of Finance Department and undue favour to the Bank in the shape of payment of interest.

260. The unauthorized payment was pointed out in August 2015. The management replied that the availability of funds was insufficient for all the requirements i.e. cost of wheat and incidental charges in Food Account-II. The cost of wheat amounting to Rs. 3,000 million was met out through AC bills while the cost of incidental charges amounting to Rs.801.28 million was arranged from the Bank of Khyber. Due to insufficient amount in Food Account-II only Rs. 803.21 million was kept as balance for the usual expenditure of the Department. Loan was obtained on proper bidding and thus no unauthorized loan obtained.

261. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

262. Audit disagreed with the reply and recommends to investigate the matter and fix responsibility against the person(s) responsible for unauthorized loan.

DEPARTMENTAL VERSION

263. The Department explained that a quantity of 1,00,000 m.tons wheat was purchased from PASSCO for a total cost of Rs. 3801.278 million inclusive of incidental charges of Rs. 801.278 million for which proper sanction of Finance Department was obtained.

264. The above claim of PASSCO was entertained in two phases separately.

265. Firstly a sum of Rs. 3000 million under head cost of wheat was paid from Food Account-II by presenting FVC bills to the pre audit counter of AG KP under regular Budget provision 2014-15.

266. Secondly, the claim of incidental charges for a sum of Rs.801.275 million was paid through bank of Khyber for the reasons that sufficient balance was not available in Food Account-II at that time.

267. In light of DAC decision and on the advice of Finance Department, a case for Ex-post facto sanction for the expenditure on account of incidental charges Rs.801.275 million paid to PASSCO through Bank of Khyber during the financial year 2014-15, was moved to Chief Minister Khyber Pakhtunkhwa on the summary and the

Finance Department accord Ex-post facto sanction vide No. BOVII/FD/9-144/B-2016-17 dated 10-10-2016.

PAC RECOMMENDATION

268. In view of plausible explanation of the Department that at the time of purchase of wheat insufficient balance was available in the Food Account-II, therefore, loan was obtained from Bank of Khyber. The PAC endorsed the decision of Pre-PAC recommended the Para to be settled subject to verification of relevant record in support of its reply by the Audit within a month.

DP No.6.4.27 UNAUTHORIZED ISSUANCE OF WHEAT TO IRRELEVANT FLOUR MILLS –RS.66.84 MILLION.

AUDIT VERSION

269. The Audit reported that according to normal release of wheat quota policy circulated vide Director Food Khyber Pakhtunkhwa letter No.9844/FG-337/releases dated 26-12-2013, wheat quota of 142 m.tons was uniformly/proportionately be distributed amongst the functional Flour Mills of D.I.Khan District.

270. During the financial year 2013-14, District Food Controller D.I.Khan issued 3561 m.tons wheat costing Rs.66.84 million to Kajal Flour Mills Tank and Qadri Flour Mill without any authority. The issuance of wheat of these Flour Mills was unauthorized as these mills were situated in the Tank District, for which separate quota of 39 m.tons was allowed. The quota of D.I.Khan affected.

271. The lapse occurred due to extending undue benefit to the Flour Mills situated in Tank District.

272. The matter was reported to the management in January, 2015. The management replied that wheat had been issued to the said Flour Mills on the directives of Director Food Khyber Pakhtunkhwa.

273. In the DAC meeting held in July 2015, the Department repeated the previous reply. DAC directed to produce orders of the Director or Secretary Food who authorized the issuance of wheat quota to Tank. No progress was intimated till the finalization of this report.

274. Audit recommends the compliance of DAC decision.

DEPARTMENTAL VERSION

275. The Department explained that during tendering proceeding no, carriage contractor offered their rates for transportation of wheat from PASSCO to District Tank. Therefore, Director Food being a Controlling Officer of the Flour Mills allowed release of wheat to the Flour Mills of District Tank as per their authorized wheat quota from PRC D.I.Khan vide letter No.9836/FG-433/CM-Directives dated 24-12-2013 and No.1132/FG-433/CM-Directives dated 19-02-2014 and the transportation charges was burned by the Flour Mills itself, saved thereby the Department for extra transportation charges from D.I.Khan to PRC Tank & no loss sustained to Government exchequer.

PAC OBSERVATION

276. The Committee observed that despite clear cut direction from the PAC in its meeting held on 25th of November 2014 not to repeat such practice, but the Department failed to do so, which was clear violation of the decision of PAC and inefficiency on the part of the Department officers/officials.

PAC RECOMMENDATION

277. The Committee taking a lenient view recommended the Para to be settled with the direction to the Department that in case of supply of wheat from other than nearby PRC proper justification should be given in each case.

DP No.6.4.28 EXCESS PAYMENT TO FOOD DEPARTMENT GOVERNMENT OF PUNJAB-RS.11.40 MILLION.

AUDIT VERSION

278. The Audit reported that according to the calculations carried out by the local office vide its letter No 4942/AC-130.5 Punjab Food dated 03-09-2014 an amount of Rs. 1788.20 million as cost of 50,000 m.tons wheat was required to have been paid to Punjab Food Department.

279. During the financial year 2014-15, in the office of Director Food, Khyber Pakhtunkhwa, it was noticed that an amount of Rs. 894.10 million as cost of 25,000 m.tons wheat was calculated by the local office and sent to the Administrative Secretary

for obtaining sanction of the Finance Department for the advance payment. The Finance Department agreed to the advance payment however, it was observed that instead of Rs. 1,788.20 million an advance payment of Rs. 1,799.60 million was made for the purchase of 50,000 m.tons wheat. Thus an amount of Rs. 11.40 million was paid in excess of the required payment of Rs. 1788.20 million.

280. Audit held that payment was required to have been made according to the calculations made by the local office and approval accorded by the Finance Department, which was not considered.

281. Excess payment occurred due to non adherence to the approval of the Finance Department and Financial mismanagement on the part of local office.

282. The irregularity was pointed out in August 2015. The management replied that sanction was obtained from Finance Department accordingly and the calculations worked out by the audit party was incorrect and no excess payment of Rs.11.40 million has been made. The reply was not convincing because the Finance Department approved amount of Rs.5.70 million as 60% for 25,000 m.tons while PASSCO has claimed Rs. 22.80 million as 60% for 50,000 m.tons Rs. 11.40 million was claimed in excess of actual amount.

283. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

284. Audit recommends to investigate the matter and fix responsibility.

DEPARTMENTAL VERSION

285. The Department explained that the required advance for 50,000 m tons wheat @ 60% of 50kg capacity and 40% Jute Bags of 100 kg capacity was Rs.1799.600 million and not Rs. 1788.200 million. Detail is as under:-

| Quantity | Rates | Amount |
|--|--------------|------------------|
| 50,000 m ton | 35,000/- | 1,75,00,00,000/- |
| 2,00,000 empty gunny bags at the ratio of 40% | 134/- | 2,68,00,000/- |
| 6,00,000/- PP bags of 50kg capacity at the ratio | 38/- | 2,28,00,000/- |

| | | |
|--------------|--|-------------------------|
| 60% | | |
| Total | | 1,79,96,00,000/- |

286. On the request of Government of Khyber Pakhtunkhwa Food Department fifty thousand (50,000) m.tons indigenous wheat @ Rs.35,000/- per m tons plus with cost of empty gunny bag @ Rs. 990 per m ton was provided by the Government of Punjab Food Department as a special consideration as evident from the letter No.SOF-1-3-1/2014 dated 07-08-2014. It was to mention that Food Department Punjab hardly agreed to provide wheat @ Rs. 35,000/- on the intervention of Chief Minister Khyber Pakhtunkhwa after telephonic discussion with Chief Minister Government of Punjab. Further efforts were also made to purchase more wheat from Punjab Food Department as it was beneficial as compared to wheat cost of PASSCO, but Punjab Food Department was reluctant to provide more wheat on the same rate. However, in order to avoid unpleasant situation a quantity of 100000 m.tons was purchased from PASSCO while summary for 300000 m.tons was approved by Chief Minister however, due to surplus stock in the open market and slow lifting of wheat stored in the godowns by the Flour Mills, the remaining 200000 m tons wheat were not purchased.

PAC RECOMMENDATION

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

DP No.6.4.29 EXCESS PAYMENT DUE TO UNAUTHORIZED INCREASE IN THE RATES OF TRANSPORTATION-RS. 5.49 MILLION.

AUDIT VERSION

288. The Audit reported that according to clause 3.2 of the contract agreement executed with the contractor 50% effect of the increase or decrease, but not less than 10 %, in the prices of POL will be adjusted and according to Para 10(iv) of GFR Vol-I, public moneys should not be utilized for the benefit of particular person or section of community.

289. During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that an amount of Rs. 5.49 million was paid to M/s Hamayun & Co. carriage contractors on account of difference in the rates of

transportation already agreed at the time of execution of contract agreement. However it was noticed that after execution of contract agreement the prices of POL did not increase beyond permissible limit of 10%. Thus no change was admissible. Therefore increase was irregular and resulted into excess payment of Rs. 5.49 million.

290. Excess payment occurred due to undue favor to the contractor, violation of the clause-3.2 of contract agreement and weak internal controls.

291. The irregularity was pointed out in September, 2015. The management stated that reply will be furnished later on.

292. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

293. Audit recommends to investigate the matter, fix responsibility and recover the excess payment.

DEPARTMENTAL VERSION

294. The Department explained that an amount of Rs.5.487 million was paid as an affect of increase in transportation charges to M/s Hamayun & Co, Par Hoti Mardan, the approved carriage contractor for lifting of wheat from Punjab to S&EO Peshawar for the year 2013-14 duly approved by the Provincial Food Committee.

295. The POL rate gradually increased during the period 2013-14 and the increase in price of POL was considered by the Committee concerned after proper verification from different quarters and allowed enhanced rate of Rs. 3.4747 per ton per km with retrospective effect (2nd quarter) from 01-10-2013 to 31-12-2013 as per class 3.2 of the contract agreement.

296. The Department further added that the rate of POL showed the tendency of going down during 2015-16 so the transportation rates were also reduced accordingly.

297. The Department further explained that the said Audit Para was discussed in the DAC meeting held on 31-10-2017 & 01-11-2017 and after detail discussion & provision of relevant record i.e. rates of various filling stations showing increase in POL rates 2013-14 and order as per clause of the agreement duly approved by DFC produced

and examined by the members of the Committee. After thoroughly examination of record and discussion, the Para was recommended for settlement.

PAC OBSERVATION

298. The Committee after examination of the minutes of the meeting of the Provincial Food Committee held on 23-07-2014 and note part submitted to the Office of Secretary Food observed that:-

- i. Para-5 of the minutes provided that the Committee unanimously approved increase in the approved rate as per clause 3.2 of the contract agreement to the carriage contractor mentioned in Table-A & B for the services on PR to PR basis.
- ii. Para-3 (II, III & IV) of the minutes provided that no increase was allowed to the carriage contractor mentioned in Table-C.
- iii. According to the note submitted by the office of Deputy Director Food to the office of Secretary Food Khyber Pakhtunkhwa dated 25-08-2014, it was clearly mentioned that rates were enhanced as per clause 3.2 of the contract agreement to twenty (20) Nos Carriage Contractors mentioned in Table-C including the name of M/s Hamayun & Co, Carriage Contractor at S/No.1.

PAC RECOMMENDATON

299. As the Department failed to clarify/justify its position during the meeting, the Committee therefore, directed the Department 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 a month.

DP No. 6.4.30 EXCESS PAYMENT DUE TO UNAUTHORIZED INCREASE IN THE RATES OF TRANSPORTATION - RS.4.35 MILLION.

AUDIT VERSION

300. The Audit reported that according to clause 3.2 of the contract agreement executed with the contractor 50% effect of the increase or decrease, but not less than 10 %, in the prices of POL will be adjusted and according to Para 10(iv) of GFR Vol-I,

public moneys should not be utilized for the benefit of particular person or section of community.

301. During the financial year 2014-15, in the office of Storage & Enforcement Officer Azakhel Nowshera, it was noticed that an amount of Rs. 4.35 million was paid to two carriage contractors on account of difference in the rates of transportation already agreed at the time of execution of contract agreement and increases in the price of POL. However it was noticed that after execution of contract agreement, the prices of POL did not increase beyond permissible limit of 10%, therefore no change was admissible. Thus increase was irregular and resulted into excess payment of Rs. 4.35 million.

302. Excess payment occurred due to violation of the clause-3.2 of contract agreement, undue favor to the contractors and weak internal controls.

303. The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

304. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

305. Audit recommends to investigate the matter, fix responsibility and recover the excess payment.

DEPARTMENTAL VERSION

306. The Department explained that the rate of transportation charges for the year 2013-14, were enhanced after approval of competent authority vide letter No.SOF (Food Department) 2-50/2214 dated 04-09-2014 in accordance with the laid down procedure enumerated at S/No.3.2 of the contract agreement. Arrear claim under head of transportation charges for the year 2013-14, was paid accordingly to carriage contractor during 2014-15 and no loss sustained to Government.

PAC RECOMMENDATON

307. Being similar nature issue involved, the Para was, therefore, clubbed with Para 6.4.29 (2015-16) and the Department was directed 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 a month.

DP No.6.4.31 IMPROPER MAINTENANCE OF STORE AND STOCK ACCOUNT OF WHEAT- RS.2487.63 MILLION.

AUDIT VERSION

308. The Audit reported that according to Para-151 of the GFR Vol-1, the Head of the office or any other officer entrusted with stores of any kind should take special care for arranging for their safe custody, for keeping them in good and efficient condition and for protecting them from damage or deterioration. He should maintain suitable accounts and inventories in respect of the stores in his charge with a view to preventing losses through theft, accident, fraud or otherwise and to making it possible at any time to check the actual balances with the book balances and the payment to suppliers, etc.

309. During the financial year 2014-15, in the office of Storage & Enforcement Officer Azakhel Nowshera, it was noticed that there were two blocks having 23 stores wherein a quantity of 71896.958 m.tons wheat valuing Rs. 2,487.63 million (71,896.958 @ Rs. 34,600 per ton) was stored upto and on 10.09.2015. The stores No A-1, A-4, B-1 & B-2 were visited alongwith the concerned staff and it was observed that the record in the stores was not properly maintained as required under the provisions of the Rules. Two tags i.e. Tally cards and Stack cards were hanged on the wheat bags but were not properly filled even as printed on the tags. The following shortcomings were noticed.

- i. These tags only exhibit the details of total stacks and its lump sum quantity in each stack.
- ii. The actual position about the date of receipt, station of dispatch and the quality of the wheat was not mentioned.

310. Therefore it could not be ascertained that when and from where it was procured.

311. Audit held that the proper tags showing date of receipt, station of dispatch and quality of the wheat must be mentioned which in the instance cases were not seen. Therefore the issuance of the store could also not be managed on the basis of first in first out (FIFO) and the chances of the damage to the Government store and misappropriation cannot be ruled out.

312. Improper maintenance of store occurred due to non-adherence to the provisions of rules and procedure and weak internal controls.

313. The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

314. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

315. Audit recommends to investigate the matter and streamline, the system of store and stock taking in the department in such a transparent manner that the chances of the damage and misappropriation could be minimized.

DEPARTMENTAL VERSION

316. The Department explained that the account of store and stock of wheat was properly maintained by local office. The tally and stack cards have already been displayed/showing the factual position of wheat stored in the godown. The short comings observed by audit were noted for future guidance. However, DAC forum recommended that warning be issued to S&EO, NRC Azakhel which has been done vide this office No.1511/DP-6.4.31/2015-16 dated 03-05-2019.

PAC RECOMMENDATION

317. As corrective measures had been adopted by the Department duly endorsed by the Audit, the Para was therefore, recommended to be settled.

318. The Committee directed the Department to nominate a well conversant officer of the Department to check the record of all PRCs godowns of the whole Province as pointed out by the Audit in the Draft Para including the tally and stack cards showing the factual position of the wheat stores in the godowns and to submit its report to PAC within three (03) months.

DP No.6.4.32 UNJUSTIFIED EXPENDITURE ON PROCUREMENT OF WHEAT - RS.608.94 MILLION.

AUDIT VERSION

319. 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.

320. During the financial year 2013-14, in the office of District Food Controller Dargai, it was noticed that 18,736.696 m.tons wheat costing Rs. 608.94 million was procured from the businessmen of Punjab or agents of the Flour Mills of Khyber Pakhtunkhwa instead of local growers, except for few local growers, which was not a valid procurement process. As such, the local groweres were not encouraged/benefited to sell their fresh stock of wheat. It is added that the Bank of Khyber has claimed mark up of Rs. 51.72 million on Commodity Operation Finance(COF) limit of Rs.7,500 million and the share of markup of D.F.C. Dargai on its financing for the amount of Rs. 608.94 million comes to Rs.4.20 million $(5,17,21,355 \times 608.937/7500)$.

321. When pointed out in September 2015, the management stated that the procurement was made from the parties.

322. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

323. Audit recommends to investigate the matter, fix responsibility against the person(s) responsible.

DEPARTMENTAL VERSION

324. The Department explained that during the procurement of wheat 2015, the PRC Dargai has been allotted a target of 2,00,000.00 m tons for procurement of wheat from the Grower/Party vide Food Directorate Khyber Pakhtunkhwa, Peshawar Memo No.2171-72/FG-429 Proc dated 29-04-2015 against which DFC Dargai purchased 18736.696 m tons Fair Average Quality (FAQ) wheat from the Party/Grower after the approval of notified Committee. The major portion of District Malakand was hilly/non irrigated area and local production of wheat was not sufficient to fulfill the requirement of this District. The local Grower of this District retains their crop for self consumption rather to sell it to Government PRC under compulsion. In the best interest of the public wheat was purchased from the growers/parties of other districts/Punjab on fixed rate as

per Government policy of the Khyber Pakhtunkhwa Food Department resulted saving of huge amount as transportation charges.

PAC RECOMMENDATION

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

DP No.6.4.33 NON-CREDITING OF SUBSIDY AMOUNT IN FOOD ACCOUNT-II - RS. 293 MILLION.

AUDIT VERSION

326. 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.

327. During the financial year 2014-15, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that an aggregate amount of Rs. 293 million was released by the FATA Secretariat to be transferred from Federal Account-I to the Provincial Food Account-II. However, the said amount was not reflected in the Food Account-II upto June 2015.

328. The irregularity was pointed out in August 2015. The management replied that orders were issued by the Director Food and office Assistant regularly visited to AGPR Sub Office Peshawar to credit the amount as soon as possible. Audit held that the benefit of the subsidy so released by the Federal Govt. for the year 2014-15 to the Provincial Govt. could not be achieved.

329. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

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

DEPARTMENTAL VERSION

331 The Department explained that the observed amount of Rs. 29,30,00,000/- reconciled with AGPR on 28-07-2015. However, on the recommendations of DAC in it meeting held on 15/2, 23/2 & 24-02-2016 and on receiving vetted minutes from Director

General Audit on 3/2017, the Additional Accountant General AGPR sub office, Peshawar was requested vide this office letter No. 882/DP-6.4.33/2015-16 dated 14-03-2019 to fix the responsibility for abnormal delay in crediting of the subsidy into Provincial Account-II. Two reminders No.1510/DP-6.4.33/2015-16 dated 06-05-2019 and No.2621/DP-6.4.33/2015-16 dated 16-08-2019 but no response has been received as yet.

332. The Department explained that the said amounts now have been transferred from Federal Account-I and reflected in the Provincial Food Account-II.

PAC RECOMMENDATION

333. The explanation of the Department was found plausible duly endorsed by the Audit, hence the Para was recommended to be settled.

DP No.6.4.34 UNAUTHENTIC AND DOUBTFUL EXPENDITURE ON PROCUREMENT OF WHEAT-RS. 523.39 MILLION.

AUDIT VERSION

334. 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 the authority and the expenditure has been provided in the authorized grants and appropriation for the year.

335. During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that 16073.49 m.tons wheat was locally procured from different parties/growers and an amount of Rs.523.39 million was paid to them by issuing authorization to the Bank of Khyber for Cash payment. However the procurement process was not transparent because;

- i. The authenticated and signed bills of the suppliers/parties/growers were not available.
- ii. Verification of weight in some cases was obtained from the weigh bridge of the Punjab which shows that the wheat was not supplied by the local growers on one hand while on the other it was a un-authentic weight verification certificate.
- iii. The weight of the full and empty vehicles was carried out at the same time and station within the span of few seconds which was not possible.

- iv. In some cases verification of the weight was available but it was only from one Weight Bridge at Peshawar on ring road. The distance from the weight bridge to the food grain godown is almost 5 to 10 Km and if the unloading time is added it would take at least five hours. This could never be done in minutes in the instant cases were noticed.

336. Audit held that actually no weight of the wheat was carried out at any stage of procurement and the entire quantity was taken on FG-3 and other record without its actual weight. Therefore the procurement of wheat valuing Rs. 523.39 million was unauthentic and doubtful. Only the authorization certificates were available and issued to the consignees for presenting at the bank for receiving payments. The authorization certificates did not have the details of weight of wheat supplied by the parties. This made the procurement doubtful/unauthentic.

337. Doubtful and un-authentic procurement of wheat occurred due to non-adherence to the Rules and procedure and weak internal controls.

338. The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

339. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

340. Audit recommends to investigate the matter and streamline the system of procurement of wheat from the local growers/parties, its payment to the consignees, after getting proper documentary evidences for record and audit as required under the Rules.

DEPARTMENTAL VERSION

341. The Department explained that the local office purchased/procured 16073.490 m tons wheat from different local Parties/Growers at Government fixed rate of Rs. 1300 per 14 kg for the procurement drive 2014-15. An amount of Rs. 523.388 million was paid to them through the Bank of Khyber Peshawar as per laid down procedure and strictly in accordance with the instructions circulated vide letter No.2171-72/FG 429 procurement dated 29-04-2015.

- i. The payment was released through bills dully signed/countersigned by all concerned and the amount so paid to growers was reconciled with the

Bank of Khyber Peshawar Cantt, regularly on daily as well as on monthly basis and the photo copies of the reconciled statements were delivered to the audit party on spot.

- ii. The verification of dispatch/receipt weight was worked out on the basis of weighting of loaded and unloaded truck(s) at the destination centers and taken on stock register accordingly.
342. Audit Officer was apprised of the facts through the relevant papers/DRs of vehicle on record stock register as well as in the purchase bills.
343. However if not satisfied with their presentation, the original record as referred to in the Advance Para, will be produced for spot verification.
344. The Department further explained that observed quantity has already been released to the Flour Mills on Government fixed rates and sale proceed thereof deposited into Government Treasury duly reconciled by Treasury Office Peshawar.

PAC RECOMMENDATION

345. As corrective measures had been adopted by the Department, the Para was therefore recommended to be settled.

DP No.6.4.35 IRREGULAR AND UNAUTHORIZED UTILIZATION OF FACILITY OF LOAN - RS. 2482.13 MILLION.

AUDIT VERSION

346. 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 the authority and the expenditure has been provided for in the authorized grants and appropriation for the year.

347. During the financial year 2014-15 in the office of Storage & Enforcement Officer Azakhel Nowshera & Peshawar, it was noticed that Rs. 2,482.13 million was paid for local procurement of 57192.227 m.tons wheat from different parties/ growers by issuing authorization for Cash payment to the Bank of Khyber. The process of obtaining loan from Commercial Bank finalized by the Directorate of Food was not covered under

rules because their exist neither any approval of the legislature by issuing Act of Parliament nor any other legal authority of the Provincial legislature was available which authorized the Food Department as well as local office for obtaining loan. Furthermore, the loan so obtained was never made part of the Provincial Consolidated Fund despite the fact that re-payment of the loan was made from Food Account-II (Provincial Consolidated Fund). All the payments were authorized by the local office without presenting bills for pre-audit to the Accountant General/DAO. Therefore, audit held that the facility of the loan for the local procurement of 73265.717 m.tons wheat so utilized by the local office to the tune of Rs. 2,482.13 million was irregular and un-authorized.

348. Irregular and un-authorized utilization of the facility of the loan for procurement of wheat occurred due to non adherence to the constitutional provision, rules and procedure and weak internal controls.

349. The irregularity was pointed out in September 2015. The management stated that detailed reply will be furnished later on.

350. Audit requested to the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

351. Audit recommends to investigate the matter for streamlining the system regarding loaning, its incorporation in the Provincial Consolidated Fund and payment after proper pre-audit at the required level after proper coverage of the Act of the Parliament.

DEPARTMENTAL VERSION

352. The Department explained that procurement of wheat was a time bound activity and its payment through pre-audit counter of Accountant General Khyber Pakhtunkhwa may not yield positive results as the formers/cultivators do not wait for a long time. Therefore, payment was made on spot to local cultivator/growers through the Bank of Khyber to facilitate/encourage them as per Government policy in a transparent manner under Cash Credit Facilities (CCF) procedures, which is in vogue in all sister Provinces and PASSCO. The bidding process of obtaining loans from the Banks was

made in accordance with the prevailing Rules and repayment was processed on sealed authority through Accountant General Khyber Pakhtunkhwa.

353. Further added that similar nature Draft Para No. 9.4.5 for the year 2012-13 pertaining to Food Department discussed in the PAC meeting. After detail discussion the PAC referred the Para to Sub-Committee of PAC, the Sub-Committee of PAC examined the Draft Para in its meeting held on 05-05-2016 and directed the Food Department to hold meeting with Accountant General, Director General Audit and Finance Department, Khyber Pakhtunkhwa, jointly to evolve proper mechanism to avoid future complications.

354. On the recommendations of the Sub-Committee of PAC, Food Department arranged several meeting with all stock holders and framed a mechanism on 07-09-2016, it is worth to mention here that no loan has so far been obtained from commercial banks for the crop year 2017 & 2018 for procurement of wheat & utilized the balance available in Food Account-II.

PAC RECOMMENDATION

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

DP No.6.4.36 IRREGULAR PAYMENT OF CARRIAGE CHARGES DUE TO NON DEPOSIT OF CASH SECURITY -RS. 52.815 MILLION.

AUDIT VERSION

356. The Audit reported that according to clause 2.1 of the contract agreement done with the contractor, wherein the contractor was bound to produce security/bank guarantee @ of 10% of the freight value as per work order as a token of satisfactory fulfillment of the terms and conditions of the agreement. According to the Department letter dated 09.09.2014 issued by the S & E O Peshawar wherein the contractor was directed to deposit cash security of Rs. 3.00 million.

357. During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that rates of Rs. 3.2101 per ton per KM for the transportation of wheat offered by M/s Ayaz & Brothers was approved and the contractor was directed to deposit cash security of Rs. 30,00,000/- in light of clause 2.1 of the

contract agreement. However the contractor did not deposit the same amount, thus the contractual obligations were not fulfilled. Therefore the contractor was benefitted and the payment of Rs. 52.815 million so allowed to him as carriage charges was irregular and unauthorized.

358. Audit held that payment to the contractor was required to have been allowed after the payment of cash security of Rs. 3.00 million which was not deposited by the contractor.

359. The irregularity was pointed out in September 2015. The management stated that detailed reply will be furnished later on.

360. Audit requested the Department repeatedly for holding of the DAC meeting, however, DAC meeting was not convened till finalization of this report.

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

DEPARTMENTAL VERSION

362. The Department explained that in light of decision of DAC a warning issued to concerned DFC/S&EO to ensure deposit case security at prescribed rate as per agreement before payment to carriage contractor vide letter No.730/DP-6.4.36/2015-16 dated 04-03-2019.

PAC RECOMMENDATION

363. In view of the plausible explanation advanced by the Department, the Para was recommended to be settled with the direction to the Department to follow the Rules and Regulations of the Finance Department issued in this regard to protect the Government rights in future.

ELEMENTARY & SECONDARY EDUCATION

DEPARTMENT

OVERVIEW

Tow (02) Draft Paras, reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meeting held on 2nd November, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|-----------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Baber Saleem Swati, MPA | Member |
| 3. | Arbab Muhammad Waseem, MPA | Member |
| 4. | Mr. Fazal Shakoor Khan, MPA | Member |
| 5. | Mr. Jamshaid Khan, MPA | Member |

AUDIT DEPARTMENT

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

FINANCE DEPARTMENT

Mr. Musharaf Khan,
Additional Secretary.

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Shabbir Ahmad,
Deputy Secretary.

ELEMENTARY & SECONDARY EDUCATION DEPARTMENT

1. Mr. Nadeem Aslam Chaudhary,
Secretary.
2. Mr. Gohar Ali Khan,
Director.
3. Mr. Said Gul,
S.O. (Audit).
4. Mr. Manzoor Ahmad,
Secretary.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Amjad Ali,
Secretary, PAC.
 2. Mr. Ashtimand,
Deputy Secretary.
 3. Mr. Amjad Ali,
Assistant Secretary.
 4. 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.4.4.19 UNAUTHORIZED RETENTION OF PUBLIC MONEY - RS.6.55 MILLION.

AUDIT VERSION

3. The Audit reported that according to Paras 10 and 23 of GFR Vol-1, every public officer 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. 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 subordinates.

4. During the financial year 2012-13, in the office of Director Curriculum Abbottabad, the cash book of ADP scheme “Multilevel Integrated Teachers Supervision and In-service Training System” revealed that a sum of Rs.6.55 million was drawn vide cheque No.872143 dated 26-06-2013, just before closure of the project on 30-06-2013, and was retained as Demand Draft in favour of Government printing Press and Stationery Department. The project was closed on 30-06-2013 however, till date of audit i.e. March 2014 the money was retained un-authorizedly as evident from the cash book receipt side.

5. It is worth mentioning here that after lapse of 09 months i.e. after the closure of the scheme, the item banks were not printed and thus the objective of the scheme also not achieved. When pointed out in March 2014, the management stated that detailed reply would be given after consultation of record.

6. The matter was discussed in the DAC meeting held in July 2015. DAC decided that the amount of Rs.6.55 million was required to be kept in TDR to earn profit instead of demand draft. Finance Department may clarify the position of the case, Para stands for the PAC. Till the finalization of the report no clarification from the Department received.

7. Audit recommends to take action against the person(s) at fault besides recovery.

DEPARTMENTAL VERSION

8. The Department explained that despite the fact that this office repeatedly contacted in writing, telephonically & also paid personal visits for the completion of printing work, the Government Printing Press has not completed the task in time.

9. Therefore, the only option was to retain the amount in the shape of Demand Draft which was the only safe way to secure the amount.

10. After the completion of task the Demand Draft has been handed over to Government Printing Press with proper acknowledgement.

PAC RECOMMENDATION

11. The explanation of the Department being plausible was accepted, hence, the Para was recommendation to be settled.

DP No.4.4.24 WASTEFUL EXPENDITURE ON ACCOUNT OF PRINTING OF ITEM BANK - RS.26.20 MILLION.

AUDIT VERSION

12. The Audit reported that according to Paras 10 & 23 of GFR Vol-I, every Government officer is 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. 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.

13. During the financial year 2012-13, in the office of Directorate of Curriculum and Teacher Education the accounts record of ADP scheme “Multilevel Integrated Teachers Supervision and In-Service Training System” revealed that a sum of Rs.26.20 million was shown spent on the printing of item bank of grade-V (32,000 copies), grade-IV (24,000 copies) and grade III (24,000 copies). Out of the total printing cost a sum of Rs.19.65 million was drawn in advance vide cheque No.711999 dated 17-04-2013 and paid to the Government Printing Press Peshawar. As per PC-I of the scheme these items bank to be dispatched to 7,791 schools both male and female in the six districts i.e. Mardan, Nowshera, Swabi, Mansehra, Haripur and Abbottabad. The items bank as developed in the scheme was for training imparted to PSTs by the master trainers for further teaching to the students. The project closed on 30-06-2012 and further extended upto 30-06-2013 for completion of printing of these items bank and further dispatch to the schools of these six districts which have not been done till the date of audit i.e. March, 2014. The funds provided for the transportation of these items bank to

the schools were surrendered on the completion of the project time. The request of the local office for provision of funds for transportation was not entertained by Secretary E&S Department. Audit is of the view that if these items bank are now received in the office they will be dumped due to the reason that no fund for transportation available as already surrendered on the closure of the scheme. Thus the expenditure incurred was wasteful.

14. It is also worth mentioning that the Provincial Committee for the scheme approved action plan and thus only printing of item bank for Class-V was considered. However, the local office besides Class-V paid advance payment for printing of items bank for Class-III for 24,000 copies/327.50 and sustained a loss to Government for Rs.7.68 million due to deviation from the action plan of the Project Steering Committee.

15. The wasteful expenditure incurred because the project authorities did not efficiently managed the activities, resulting into non-achievement of objectives within the stipulated time.

16. The matter was reported to the management in March 2014, wherein they stated that detailed reply would be given after consultation of record.

17. In the DAC meeting held in July 2015, it was decided that Secretary Industries and Secretary of Printing Press to conduct inquiry regarding delay of printing in which 75% advance payment was received by the Printing Press Department. No inquiry report received till finalization of the report.

18. Audit recommends to follow the DAC decision in letter and spirit and explain its position before the PAC.

DEPARTMENTAL VERSION

19. The Department explained that in the light of decision taken in the DAC, the matter was taken up by the E&SE Department with Secretary Industries Department vide letter No.So(Audit)/3-38/14-15/Vol-22 dated 28-07-2015. Industries Department has further directed to the Controller of Government Printing Press to give detail report regarding failure to complete the printing order vide his letter No. F/A(IND)DAC/2-5/2015/Vol-IX dated 30-07-2015.

20. In response to the above said letter of the Industries Department, the controller of Government Printing Press submitted his reply to the Industries Department.

21. The Government Printing Press has carried out the printing work and completed the supply of remaining item bank (Books) which were received on 11-11-2015. The total items Bank (Books) were taken into stock and has further been distributed amongst the following DEOs (Male & Female):-

| S/No. | District | Number of Books |
|--------------|-----------------|------------------------|
| 1. | Mardan (M) | 7864 |
| | Mardan (F) | 5544 |
| 2. | Nowshera (M) | 4308 |
| | Nowsher (F) | 3292 |
| 3. | Swabi (M) | 5708 |
| | Swabi (F) | 4244 |
| 4. | A.Abad (M) | 10800 |
| | A.Abad (F) | 5328 |
| 5. | Mansehra (M) | 14018 |
| | Mansehra (F) | 6478 |
| 6. | Haripur (M) | 7492 |
| | Haripur (F) | 3448 |
| Total | | 78524 |

22. Acknowledgement of the same could be verified from the original record. The irregularity which was on the part of Government Printing Press has been rectified.

PAC RECOMENDATION

23. The explanation of the Department being plausible was accepted, hence, the Para was recommendation to be settled.

SOCIAL WELFARE DEPARTMENT

OVERVIEW

Two (02) Draft Paras, reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meeting held on 02nd November, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|-----------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Baber Saleem Swati, MPA | Member |
| 3. | Arbab Muhammad Waseem, MPA | Member |
| 4. | Mr. Fazal Shakoor Khan, MPA | Member |
| 5. | Mr. Jamshaid Khan, MPA | Member |

AUDIT DEPARTMENT

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

FINANCE DEPARTMENT

Mr. Musharaf Khan,
Additional Secretary.

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Shabbir Ahmad,
Deputy Secretary.

SOCIAL WELFARE DEPARTMENT

Mr. Manzoor Ahmad,
Secretary.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Amjad Ali,
Secretary, PAC.
 2. Mr. Ashtimand,
Deputy Secretary.
 3. Mr. Amjad Ali,
Assistant Secretary.
 4. 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.13.4.1 NON-RECOVERY OF UNDISTRIBUTED STIPEND ON ACCOUNT OF ZAKAT FUND – RS.4.89 MILLION.

AUDIT VERSION

3. The Audit reported that Rule 290 of CTR strictly prohibits incurrence of expenditure hastily during the month of June just to avoid lapse of funds.
4. During the financial year 2008-2011, in the office of Director Social Welfare Khyber Pakhtunkhwa, a huge amount was distributed among various districts on account of stipend and onward distribution among the post graduate students, but it was astonishing to note that after a lapse of considerable period some districts have not distributed the stipend fully and the funds amounting to Rs.4.17 million were neither returned to the Directorate nor deposited into Government Treasury. Similarly a sum of Rs.7,16,300/- was long outstanding against different Zakat Committees which were not disbursed. The lapse occurred due to weak internal controls. Non-recovery was pointed

out in June, 2012. The management replied that recovery would be made and showed to Audit.

5. In the DAC meeting held in May, 2014, the Department replied that amount will be deposited into Government Treasury. DAC directed to recover the full amount and deposit it in the Government Treasury within a week. No progress was intimated till finalization of the report.

DEPARTMENTAL VERSION

6. The Department explained that the amount of Rs. 4.17 million has been recovered and accordingly deposited in the Government kitty.

7. As far as the outstanding amount of Rs.7,16,300/- was concerned, an amount of Rs.45,000/- in respect of Mardan and Lower Dir Zakat Committees have been recovered. Efforts are being made to recover the remaining amount. The Secretary assured that the remaining amount of Rs.6,71,300/- will be recovered shortly and accordingly the same would be deposited into the Government kitty.

COMMITTEE RECOMMENDATION

8. In view of the explanation and the assurance given by the Secretary to Government of Khyber Pakhtunkhwa, Social Welfare Department, the Para was recommended to be settled subject to recovery of the remaining amount of Rs. 6,71,300/- and its verification by Audit within a month. Progress be reported to PAC.

DP No.13.4.2 UNAUTHORIZED PAYMENT ON FINANCIAL ASSISTANCE TO NEEDY PERSONS–RS.1.90 MILLION.

AUDIT VERSION

9. The Audit reported that according to Para 12 of GFR Vol-I, a controlling officer must see not only that the expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended upon object for which the money was provided.

10. During the financial years 2008-2011, in the office of Director Social Welfare Khyber Pakhtunkhwa, it was noticed that an amount of Rs.1.90 million was distributed among needy persons in cash from the budget of PCSW while there was no

provision of such activities in the said council and thus huge amount was un-authorizedly distributed.

11. The lapse occurred due to non-adherence to rules. Unauthorized payment was pointed out in June, 2012. The management stated that reply would be furnished later on.

12. In the DAC meeting held in May, 2014, the Department replied that the expenditure was incurred after observing all codal formalities. The amount was kept within the limit of authorized appropriation and the funds were expended in the best public interest. The provision of financial assistance to needy persons properly exists in the budget of PCSW. DAC did not agree with the reply of the Department and directed to recover unauthorized disbursed amount. No progress was intimated till finalization of the report.

DEPARTMENTAL VERSION

13. The Department explained that Section-3(2) of the Constitution of PCSW provides that “In case of doubt as to whether any matter falls within the scope of functions of the Council, the decision of the President shall be final”.

14. The funds have duly been approved by the Council as provide under Section-16(1) of the Constitution ibid. Hence, the expenditure has been made within purview of the Council.

COMMITTEE RECOMMENDATIONS

15. As the expenditure was made on account of purchase of medicine for needy/ Hepatitis patients as well as financial assistance/dowry to needy/poor women/widows and orphans with the approval of Minister for Social Welfare, hence, the Para was recommended to be settled.

LOCAL GOVERNMENT AND RURAL DEVELOPMENT

DEPARTMENT

OVERVIEW

Eight (08) Draft Paras, reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meeting held on 02nd November, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|-----------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Baber Saleem Swati, MPA | Member |
| 3. | Arbab Muhammad Waseem, MPA | Member |
| 4. | Mr. Fazal Shakoor Khan, MPA | Member |
| 5. | Mr. Jamshaid Khan, MPA | Member |

AUDIT DEPARTMENT

1. Mr. Zain-ul-Abidin,
Director.
2. Mr. Khalid Zaman,
Audit Officer.

- 3 Mr. Mahmood-ul-Hassan Saeed,
Assistant Audit Officer.

FINANCE DEPARTMENT

Mr. Musharaf Khan,
Additional Secretary.

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Shabbir Ahmad,
Deputy Secretary.

LOCAL GOVERNMENT DEPARTMENT.

1. Mr. Inayatullah Wasim,
Special Secretary.
2. Mr. Ijaz Afzal,
Ex-Project Director (PPMU).

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Amjad Ali,
Secretary, PAC.
 2. Mr. Ashtimand,
Deputy Secretary.
 3. Mr. Amjad Ali,
Assistant Secretary.
 4. 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.10.4.1 LOSS TO GOVT: DUE TO NON RECOVERY OF MOBILIZATION ADVANCE - RS.445.52 MILLION.

AUDIT VERSION

3. 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.
4. During the financial year 2012-13, in the office of Secretary Local Government Peshawar, it was noticed that record amounting to Rs. 934.22 million was not produced to Audit. The matter was discussed in the DAC meeting held on 10-09-

2015 wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed that the contract of work namely Clean Drinking Water for All was awarded to M/s Ideal Hydrotech System to install 1150 water filtration plants, in Khyber Pakhtunkhwa including Federal Administrative Tribal Area (FATA) and Frontier Northern Area (FANA), amounting to Rs.2.58 billion out of which the Khyber Pakhtunkhwa share was Rs.2.20 billion. Funds to the tune of Rs.871.24 million were released by the Finance Department to the Secretary Local Government out of which Rs.549.43 million were released to the contractor as mobilization advance for installation of water filtration plants in Khyber Pakhtunkhwa within 09 months. The commencement date of installation of these water filtration plants was 10-12-2007 and completion date was 10-09-2008, the progress report of Provincial Project Monitoring Unit (PPMU) shows that out of 930 plants only 230 plants were installed till the date of verification i.e. Dec, 2015. Moreover, on detailed scrutiny of record it was noticed that after adjusting 30% mobilization advance i.e. Rs.103.91 million from the contractor bills regarding 230 filtration plants, a huge amount of Rs.445.52 million was still outstanding against the contractor.

5. Audit recommends that Principal amount alongwith interest may be recovered immediately from the contractor and strict disciplinary action be initiated against the person(s) at fault.

DEPARTMENTAL VERSION

6. The Department explained that the contractor had been run away without completing the work, in order to recover the amount taken away by the contractor, the case has been referred to the FIA vide letter No.PO(LG)2-449/CDWA/2013, dated 30-06-2014 by the office of Secretary LG,E&RDD. The Department further explained that the NAB has also taken cognize of the issue and in November, 2018 NAB, Khyber Pakhtunkhwa Peshawar arrested both the defaulting contractors i.e. M/S Ideal Hydrotech System Pakistan Limited and M/S Ideal Hydrotech System due to non-satisfactory performance.

7. One of the partners Mr. Muhammad Ramzan Sheikh, Chief Executive Officer, M/S IHSPL has entered a Plea Bargain with NAB Khyber Pakhtunkhwa

Peshawar, however, the main contractor Mr. Abdul Moid Faruki was under trial in the Accountability Court Peshawar.

DP No.10.4.2 LOSS TO GOVT: DUE TO NON REALIZATION OF COMPOUND INTEREST ON MOBILIZATION ADVANCE-RS.392.19 MILLION.

AUDIT VERSION

8. The Audit reported that according to Finance Department notification No.SO/dev-2)2-15-2003-04/FD dated 28-06-2004 amount of mobilization advance should be 2% of the project cost of Rs. 3 million whichever is less.

9. During the financial year 2012-13, in the office of Secretary Local Government Peshawar, it was noticed that record amounting to Rs. 934.22 million was not produced to Audit. The matter was discussed in the DAC meeting held on 10-09-2015, wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed that the contract of work namely Clean Drinking Water for All was awarded to M/s Ideal Hydrotech System to install 1150 water filtration plants, in Khyber Pakhtunkhwa including FATA and FANA, amounting to Rs. 2.58 billion out of which the Khyber Pakhtunkhwa share was Rs.2.20 billion. Funds to the tune of Rs. 871.24 million were released by the Finance Department to the Secretary Local Government out of which Rs.549.43 million were released to the contractor as mobilization advance for installation of water filtration plants in Khyber Pakhtunkhwa within 09 months. The commencement date of installation of these water filtration plants was 10-12-2007 and completion date was 10-09-2008. The progress report of Provincial Project Monitoring Unit (PPMU) shows that out of 930 plants only 230 plants were installed till the date of verification i.e. Dec, 2015.

10. On detailed scrutiny of record it was noticed that Rs. 549.43 million was given to the contractor as mobilization advance @ 63% on contract cost. Furthermore, compound interest @ 8 % per annum was also not recovered from the M/s Ideal Hydrotech Systems which further put the Government Exchequer into a huge loss of Rs.392.19 million. The loss may be recovered from the person at fault besides appropriate action to be taken against the officer/officials concerned.

11. Audit recommends that Rs. 392.195 million may be recovered from the person(s) at fault besides disciplinary action against the officer/officials at fault.

DEPARTMENTAL VERSION

12. The Department explained that as per clause 33.1 of contract agreement the mobilization advance was given as interest free. The contract agreement was prepared by Federal Government through Ministry of Special Initiative with the support of NESPAK consultant and the agreement was accordingly endorsed by the Federal Government through his Secretary. Meanwhile the issue was presented before the Project Steering Committee meeting held on 17-06-2014 wherein it was decided that the FIA may be requested to recover the Government Money alongwith compound interest.

13. It is mention here that in November, 2018 NAB, Khyber Pakhtunkhwa Peshawar arrested both the defaulting contractors i.e. M/S Ideal Hydrotech System Pakistan Limited and M/S Ideal Hydrotech System due to non-satisfactory performance.

14. One of the partners Mr. Muhammad Ramzan Sheikh, Chief Executive Officer, M/S IHSPH has entered a Plea Bargain with NAB Khyber Pakhtunkhwa Peshawar, however, the main contractor Mr. Abdul Moid Faruki was under trial in the Accountability Court Peshawar.

DP No.10.4.3 LOSS DUE TO NON IMPOSITION OF PENALTY - RS.129 MILLION

AUDIT VERSION

15. The Audit reported that according to contract clause 27.1. The penalty of 0.1% of the contract value per day of the delayed plants but to a max limit of 5% of total contract price.

16. The accounts record of Secretary Local Government Peshawar for the financial year 2012-13 revealed that record amounting to Rs. 934.22 million was not produced to Audit. The matter was discussed in the DAC meeting held on 10-09-2015 wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed that the contract namely Clean Water Drinking for All was awarded to M/s Ideal Hydrotech System to install 1150 water filtration plants in Khyber Pakhtunkhwa including FATA and FANA amounting to Rs. 2.58 billion out of which the

Khyber Pakhtunkhwa share was Rs. 2.196 billion. Funds to the tune of Rs. 871.24 million were released by the Finance Department to the Secretary Local Government out of which Rs. 549.43 million was given to the contractor as mobilization advance for installation of 930 water filtration plants in Khyber Pakhtunkhwa within 09 months. The commencement date of installation of 930 water filtration plants was 10-12-2007 and completion date was 10-09-2008. The progress report of Provincial Project Monitoring Unit (PPMU) shows that only 230 plants were installed out of 930 till the date of verification i.e. Dec, 2015.

17. However, it was astonishing to note that after a lapse of more than 7 years only 230 plants were showed installed in the progress report of Provincial Project Monitoring Unit (PPMU) resultantly Rs.129 million as the penalty of delayed work as per contract agreement was not imposed. Moreover no action has been taken against the quarter concerned showed that undue favour/advantage was given to the contractor.

18. Audit recommends to conduct detailed inquiry, fix responsibility and take strict disciplinary action against the person (s) at fault besides recovery from the contractor.

DEPARTMENTAL VERSION

19. The Department explained that 5% performance guarantee was taken by the Federal Government from the contractor however, due to bad performance of the contractor the Bank of Punjab has been requested by the Department to encash the same in favour of Government of Khyber Pakhtunkhwa vide letter No. PO(LG)CDWA/Accounts/2013 dated 19-08-2013. Meanwhile, the contractor has approached the Civil Court at Lahore who has restrain the Bank of Punjab not to encash the Bank guarantee in favour of Government of Khyber Pakhtunkhwa till the decision by the Court. The Government of Khyber Pakhtunkhwa was regularly failing the case however, the final decision has not yet arrived.

DP No.10.4.4 EXPECTED LOSS TO GOVT: DUE TO NON PERFORMANCE OF WATER TESTS OF THE WATER FILTRATION PLANTS Rs. 212.35 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 2012-13, in the office of Secretary Local Government Peshawar, it was noticed that record amounting to Rs. 934.22 million was not produced to Audit. The matter was discussed in the DAC meeting held on 10-09-2015 wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed that the contract of work namely Clean Drinking Water for All was awarded to M/s Ideal Hydrotech System to install 1150 water filtration plants, in Khyber Pakhtunkhwa including FATA and FANA, amounting to Rs. 2.58 billion out of which the Khyber Pakhtunkhwa share was Rs.2.20 billion. Funds to the tune of Rs.871.24 million were released by the Finance Department to the Secretary Local Government out of which Rs.549.43 million were released to the contractor as mobilization advance for installation of water filtration plants in Khyber Pakhtunkhwa within 09 months. The commencement date of installation of these water filtration plants was 10-12-2007 and completion date was 10-09-2008. The progress report of Provincial Project Monitoring Unit (PPMU) shows that out of 930 plants only 230 plants were installed till the date of verification i.e. Dec, 2015.

22. On detailed scrutiny of the record it was observed that 230 Water Filtration Plants were showed installed in Khyber Pakhtunkhwa and after installation of filtration plants, various water tests were required to be performed as per contract agreement. Only 89 water test reports were available with the Provincial Project Monitoring Unit (PPMU), while the remaining water test reports were not available which showed that the said tests might have not been conducted and create doubts regarding the quality of the drinking water which was the core objective of the said project. The expenditure of Rs. 212.346 million incurred on the remaining 141 filtration plants raises the doubts that either the plants may not be installed or not functioning properly.

23. Audit recommends to conduct detailed inquiry regarding installation and functioning of these water filtration plants and progress be shown to PAC.

DEPARTMENTAL VERSION

24. The Department explained that all the filtration plants installed by the contractor were verified by the larger Committee constituted by the Project Steering Committee including representatives of NAB, M&E, P&D Department, PHED, TMA and CDWA staff. As far as the water quality testing was concerned the entire required post quality test has been conducted.

**DP No.10.4.5 UNAUTHORIZED ADVANCE PAYMENTS TO MIRAJ LIMITED-
Rs.888.00 MILLION.**

AUDIT VERSION

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

26. During the financial year 2012-13, in the office of Secretary Local Government Peshawar, the record amounting to Rs. 1,012.31 million was not produced to Audit. The matter was discussed in the DAC meeting held on 10-09-2015, wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed that a sum of Rs.888.00 million was drawn vide PLA's various Cheques shown paid to Miraj Ltd in advance during 2012-13 for the supply of sanitation vehicles but the vehicles were not supplied. The relevant auditable record was not shown to Audit till the date of verification of record. Furthermore, interest @ 8% on the advance amounting to Rs.124.31 million per annum was also not shown recovered from the contractor.

27. Audit is of the view that non production of vouchers and other auditable record was a serious irregularity on the part of local office, which needs investigation by the high ups for appropriate action under intimation to Audit.

AUDIT VERSION

33. The Audit reported that according to contract agreement clause 10.1 performance security shall be obtained for amount equal to the contract price.

34. During the financial year 2012-13, in the office of Secretary Local Government Peshawar, the record amounting to Rs. 934.22 million was not produced to Audit. The matter was discussed in the DAC meeting held on 10-09-2015 wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed that the contract of work namely Clean Drinking Water for All was awarded to M/s Ideal Hydrotech System to install 1150 water filtration plants, in Khyber Pakhtunkhwa including FATA and FANA, amounting to Rs. 2.58 billion out of which the Khyber Pakhtunkhwa share was Rs. 2.20 billion. Funds to the tune of Rs. 871.24 million were released by the Finance Department to the Secretary Local Government out of which Rs.549.43 million were released to the contractor as mobilization advance for installation of water filtration plants in Khyber Pakhtunkhwa within 09 months. The commencement date of installation of these water filtration plants was 10-12-2007 and completion date was 10-09-2008. The progress report of Provincial Project Monitoring Unit (PPMU) showed that out of 930 plants only 230 plants were installed till the date of verification i.e. Dec, 2015.

35. On scrutiny of record it was noticed that the Bank guarantee and performance security against the said amount of mobilization advance furnished by the contractor was fake/bogus as per the Bank of Punjab letter CB/LHR/2008/235 dated 05/09/2008, which makes the entire process of tendering/bidding was illegal/irregular and doubtful. Moreover when the Department came to know about the status of Bank guarantee in 2008 than it was not understandable how they make such huge payments (including the clearance of contractor's bills) in 2012. Furthermore, this was the responsibility of the Secretary/PD/Director/CPO before making any advance payment to Contractor or clearing the bills from the concerned Bank's/zonal head to verify guarantees but unfortunately that was not done. Keeping the fact in mind the dealing hands had given undue favour to the contractor which needs justification.

36. Audit recommended that appropriate action be taken against the contractor for production of fake Bank Guarantee and action should also be taken against the officers/officials at fault.

DEPARTMENTAL VERSION

37. The Department explained that as per clause 33.1 of contract agreement the mobilization advance was given as interest free. The contract agreement was prepared by Federal Government through Ministry of Special Initiative with the support of NESPAK consultant and the agreement was accordingly endorsed by the Federal Government through his Secretary. Meanwhile, the issue was presented before the Project Steering Committee meeting held on 17-06-2014, wherein it was decided that the FIA may be requested to recover the Government Money alongwith compound interest.

38. It is mention here that in November, 2018 NAB, Khyber Pakhtunkhwa Peshawar arrested both the defaulting Contractors i.e. M/S Ideal Hydrotech System Pakistan Limited and M/S Ideal Hydrotech System, due to non-satisfactory performance.

39. One of the partners Mr. Muhammad Ramzan Sheikh, Chief Executive Officer, M/S IHSPL has entered a Plea Bargain with NAB Khyber Pakhtunkhwa Peshawar, however, the main contractor Mr. Abdul Moid Faruki was under trial in the Accountability Court Peshawar.

DP No.10.4.7 IRREGULAR AWARD OF CONTRACT DUE TO NON DEPOSIT OF EARNEST MONEY AND CALL DEPOSIT - RS.60.56 MILLION.

AUDIT VERSION

40. The Audit reported that according to Para 89(e) of the CPWD code, security for due fulfilment of the contract should invariably be taken. This security may take in the form of a cash deposit, a deposit of interest bearing securities, a deduction of 10%.

41. During the financial year 2012-13, in the office of Secretary Local Government Peshawar, the record amounting to Rs. 934.22 million was not produced to Audit. The matter was discussed in the DAC meeting held on 10-09-2015 wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015

and observed that the contract of work namely Clean Drinking Water for All was awarded to M/s Ideal Hydrotech System to install 1150 water filtration plants, in Khyber Pakhtunkhwa including FATA and FANA, amounting to Rs. 2.58 billion out of which the Khyber Pakhtunkhwa share was Rs. 2.20 billion. Funds to the tune of Rs. 871.241 million were released by the Finance Department to the Secretary Local Government out of which Rs.549.43 million were released to the contractor as mobilization advance for installation of water filtration plants in Khyber Pakhtunkhwa within 09 months. The commencement date of installation of these water filtration plants was 10-12-2007 and completion date was 10-09-2008. The progress report of Provincial Project Monitoring Unit showed that out of 930 plants only 230 plants were installed till the date of verification i.e. Dec, 2015.

42. On detailed scrutiny of the contract agreement it was observed that Call deposit @ 2% as well as earnest money @ 8 % was not deposited/deducted from the contractor during acceptance of contract and from work done respectively. Furthermore, being employer it was the responsibility of Secretary Local Government and its supportive staff i-e PD/CPO/Director that the said amount would have been deducted from the contractor well in time but the same was not done which needs justification

43. Audit recommends to investigate the matter and justification be shown to the PAC.

DEPARTMENTAL VERSION

44. The Department explained that the Contractor has already provided a performance guarantee to the tune of 5% of the contract amount that was Rs. 129 million to the Federal Government therefore, no further security could be deducted from the Contractor bills in light of contract agreement.

DP No.10.4.8 NON-PRODUCTION OF AUDITABLE RECORD – RS.247.34 MILLION.

AUDIT VERSION

45. The Audit reported that according to Para 17 of GFR Vol-I read with Section 14 of the Auditor General's Ordinance 2001, no information nor any book or

other documents, to which the Auditor General has a statutory right of access, may be withheld from the Director General Audit.

46. During the financial year 2012-13, in the office of Secretary to Government of Khyber Pakhtunkhwa Local Government Department, record in support of expenditure of Rs.934.22 million was not produced for audit. The matter was discussed in the DAC meeting held on 10-09-2015. DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 but once again auditable record in support of expenditure of Rs.247.34 million, as per following detail, was not produced:-

(Rs.in million)

| S# | Cheque No. & date | | To whom paid | Amount |
|--------------|-------------------|------------|-------------------------------|---------------|
| 1 | 848889 | 19.10.2009 | Secretary Local Council Board | 100.00 |
| 2 | 848884 | 04.03.2009 | -do- | 50.00 |
| 3 | 848881 | 04.03.2009 | -do- | 37.94 |
| 4 | 848890 | 25.03.2010 | NUDP | 17.00 |
| 5 | 848891 | 18.01.2011 | -do- | 8.95 |
| 6 | Nil | 09.06.2011 | -do- | 8.95 |
| 7 | 848876 | 27.08.2007 | DCO Charsadda | 4.50 |
| 8 | 108309 | 27.02.2013 | Guide Light Business Solution | 20.00 |
| Total | | | | 247.34 |

47. Audit held that auditable record was required to have been produced to the Audit at the time of verification but was not produced. Non-production of vouchers and other auditable record occurred due to weak internal controls.

48. Audit recommends to conduct inquiry and fix responsibility against the person(s) responsible for non-production of record.

DEPARTMENTAL VERSION

49. The Department explained that Cheque at S.No.1 & 2 relates to Local Council Board. In respect of S.No.4, 5 & 6 the representative of this office was deputed to verify and collect bank account statement of Bank A/C No. 01-7316348-01 from Standard Chartered Bank Peshawar Cantt Branch, the Operation Manager of the said Bank replied that the aforementioned Bank Account maintained in SCB Pak Saudi Tower Islamabad Branch, this office sent a letter for verification of Cheques and Bank Statement for the period of 01-03-2010 to 30-06-2011, as and when the verification of

Cheques/Bank Statement received the Audit will be provided the requisite information for audit scrutiny. As well as Cheque at S.No.8 it relates to Chief Planning Officer, LGE&RDD.

PAC OBSERVATIONS

50. The Committee observed that:-
- i. All the Draft Paras pertained to a single Project "Clean Drinking Water for all".
 - ii. The expenditure was found irregular as administrative approval and technical sanction were not obtained.
 - iii. Bidding documents both for pre and post qualifications were not found available.
 - iv. The lowest rate was approved after evaluation of two participants against the provisions of Para 42 (B-III) of the Procurement Rules, 2004.
 - v. Quotation of the third contractor was not opened by Committee without recording any reason.
 - vi. Most of the auditable record was not provided to the Audit.
 - vii. During the meeting the Department was found neither fully prepared to respond to the queries raised by the Members nor could it provide documentary evidence in support of its contention.
 - viii. The working paper provided by the Department was not on proper format as neither comments of Audit and Finance Departments were obtained, nor it was signed by the Secretary and supporting documents were also not found attached.
 - ix. Due to non materialization of the Project, the objective to provide clean drinking water could not be achieved as such huge amount of public money was wasted.
 - x. In the whole of process, the Department acted as silent spectator.
 - xi. Various Planning, Financial and Legal issues were involved for which expert opinion was required.

PAC RECOMMENDATIONS

51. In view of the above, the Committee could not reach to a just and fair conclusion hence, a Sub-Committee comprising the following was constituted to thrash out the issues involved in Draft Paras No. 10.4.1, 10.4.2, 10.4.3, 10.4.4, 10.4.5, 10.4.6, 10.4.7 & 10.4.8:-

1. Mr. Muhammad Idrees, MPA Chairman
 2. Arbab Muhammad Waseem, MPA Member
52. The Department was directed to provide complete record since survey, feasibility reports and NAB decisions pertaining to all the Paras within two weeks positively.
53. The Committee will make appropriate recommendations after taking opinion of the experts and submit report within a month.

AGRICULTURE, LIVESTOCK, FISHERIES, DAIRY DEVELOPMENT AND COOPERATION DEPARTMENT

Eighteen (18) Draft Paras, reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meeting held on 03rd November, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

1. Mr. Muhammad Idrees, MPA Chairman
2. Mr. Baber Saleem Swati, MPA Member
3. Arbab Muhammad Waseem, MPA Member
4. Mr. Fazal Shakoor Khan, MPA Member

5. Mr. Jamshaid Khan, MPA

Member

AUDIT DEPARTMENT

1. Mr. Lal Muhammad Khattak,
Director General.
2. Mr. Zain-ul-Abidin,
Deputy Director.
3. Mr. Khalid Zaman,
Accounts Officer.

FINANCE DEPARTMENT

Mr. Musharaf Khan,
Additional Secretary.

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Shabbir Ahmad,
Deputy Secretary.

AGRICULTURE, LIVESTOCK, FISHERIES, DAIRY DEVELOPMENT AND COOPERATION DEPARTMENT

1. Mr. Janat Gul Afridi,
Special Secretary.
2. Mr. Sajid Nawaz,
Deputy Secretary.
3. Dr. Alam Zeb,
D.G L&DD (EXT:).
4. Dr. M. Abdul Rauf,
D.G Agri: Research, Tarnab.
5. Dr. Khisrao Kalim,
D.G (Fisheries).
6. Mr. Mustafa Kamal
D.G (R).
7. Mr. Tariq Jan,
Director A.R.I.
8. Dr. Malik Ayaz Wazir,
Director CB&DF, Harichand.
9. Mr. Akhtar Nawaz,
Director (AR).
10. Dr. Syed Asghar Ali,

- Director (AR).
11. Dr. Masood,
Director, CCRI, Nowshera.
 12. Engr. Nazeer Abbas,
Director.
 13. Mr. Muhammad Younus,
Senior Research Officer.
 14. Mr. Nur-ul-Haq,
Senior Research Officer.
 15. Dr. Muhammad Iqbal,
PRO (Maize), Agri: Research.
 16. Mr. Amir Hamza,
Deputy Director H/Q.
 17. Engr. Mansoor Ullah Khan,
Assistant Agricultural Engineer.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Nasrullah Khan Khattak,
Secretary.
 2. Mr. Amjad Ali,
Additional Secretary.
 3. Mr. Ashtimand,
Deputy Secretary.
 4. Mr. Haris Khan,
Assistant Secretary.
 5. 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:-

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

3. 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.

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 liters. 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. 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.

6. 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 advance Para No. 73 for the year 2014-15 was not discussed in the DAC meeting held on 15th to 18th March 2016 and directly referred to PAC by the Director General Audit Khyber Pakhtunkhwa, Peshawar. However the factual position of the case is as under:-

- i. Total strength of animals during 2014-15 at Cattle Breeding & Dairy Farm Harichand, was 463 heads including calves, heifers, bulls, dry & milking cows.
- ii. Total No. of milking cows and their month wise milk production was summarized which showed that 163288 liters of milk was

produced during 2014-15 out of which 44831-liters were fed to calves and 118457-liters were sold out at Rs.60/- per liter, the amount realized Rs.71,38,086/ has been deposited into Government Treasury.

8. The Audit team had estimated the milk production (12-14 liters daily from a single cow) without having technical knowledge regarding livestock production. The average milk production varies from breed to breed, season to season, stage of lactating and many other factors. Actual average production of different breed month wise during the year 2014-15 at Cattle Breeding & Dairy Farm Harichand was 163288 liters out of which 44831-liters were fed to calves and 118457-liters were sold.

9. As explained earlier to the Audit team, the Cattle Breeding & Dairy Farm Harichand is the pioneer to introduce the Friesian Breed in the Province established in 1982. The objective of the Farm was providing proven breeding bulls to the Semen Production Unit, which is supplying semen to the whole 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 to above, 7-Nos of Bulls were issued to the progressive farmers of the Province for breeding purpose.

10. 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.

PAC OBSERVATION

11. The Committee observed that:-
- i. There is huge difference between the figures of Audit and the Department.
 - ii. The DAC meeting was not held on this Para which creates doubt.
 - iii. Audit framed the Para on total number of animals which include male, female and calves etc.
 - v. There were no SOPs framed for per Cow per day production of milk.
 - vi. The period of top production of milk is from December to April.

vii. Detail of total production month was not submitted to the higher ups.

PAC RECOMMENDATIONS

12. In view of the above observations and huge difference between the figures reported by Audit and the Department, the Committee could not reach to a just and fair conclusion, hence, constituted a Sub-Committee comprising the following:-

1. Mr. Jamshaid Khan Mohmand, MPA. Chairman
2. Arbab Muhammad Waseem, MPA. Member

13. The Committee will examine the issue involved in detail and after calculating the exact figure and reasons for variations, submit its report within one month.

14. The Committee also recommended that disciplinary action may be taken after fixing responsibility against the persons (s) who failed to hold DAC meeting.

15. The record of per day production may be submitted to the Secretary on monthly basis.

DP No. 2.4.6 LOSS DUE TO INCREASE IN MORTALITY RATE OF ANIMALS Rs. 2.96 MILLION.

AUDIT VERSION

16. 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

17. 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.

18. 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.

19. 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.

20. 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

21. 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% |

22. However, the reason behind the elevated mortality percentage in the year 2012-13 was the outbreak of two unfortunate and incurable diseases (rabies and disease of unknown etiology) at the farm resulting collectively in death of 09 animals. Enough correspondences were made with the Potential National Research Intuition (National Veterinary Laboratory Islamabad, Veterinary Research Institute Peshawar and University of Agriculture Faisalabad) 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 inline with previous year.

23. 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. As the increase in the mortality rate during the year was not due to the negligence of the farm staff.

PAC OBSERVATION

24. The Committee observed that the Farm was left at the mercy of Farm Manager and nothing was reported to the higher ups. It was further observed that complete record of treatment of dead Cows was not available.

PAC RECOMMENDATIONS

25. As record was not available therefore, the Committee could not reach to a just and fair conclusion, hence, the Para was referred to the Sub-Committee already constituted on Draft Para No. 2.4.1 with the direction to the Department to provide complete record pertaining to the Para to PAC Cell within one week. Para stands.

DP No. 2.4.8 LOSS DUE TO NON-RECEIPT OF COST OF MILK ETC. – Rs.1.48 MILLION.

AUDIT VERSION

26. 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.

27. 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 liter inclusive of income tax. However, during 2011-12 the rate of milk was Rs. 43.77 per liter inclusive of income tax. Instead of increasing the rate of per liter milk, the rate was decreased which put the Government into a loss of Rs. 0.51 million.

28. Loss was pointed out in Oct, 2013. The management stated that detailed reply would be furnished later on.

29. 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

30. The Department explained that:-

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, 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.

PAC OBSERVATION

31. The Committee observed that the inquiry conducted was defective as in the DAC meeting, Dr. Ihsan was nominated but instead inquiry was conducted by a person who was also involved in the bidding process. It was further observed that during the meeting the Department came up with altogether different version.

PAC RECOMMENDATIONS

32. In view of the above observation, the Committee recommended that detailed/impartial inquiry may be conducted within a month by the Secretary Office and send to PAC Cell for placing before the Sub-Committee for decision, already constituted on Draft Para No.2.4.1.

DP No. 2.4.9 LOSS DUE TO NON-FORFEITURE OF SECURITY OF DEFAULTER CONTRACTORS - Rs. 1.10 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 2012-13, in the office of Director Cattle Breeding and Dairy Farm Harichand loss of Rs.1.10 million was sustained by Government due to less receipt of forfeitable security of Rs.1.00 million and refund of security received from a defaulter contractor amounting to Rs.1,00,000/-. Contract for sale of milk for the year 2012-13 was awarded to Mr. Mehtab Khan without receipt of any performance security and for the year 2013-14 to Mr. Asghar Ali without receipt of performance security of Rs.1.00 million. These two contractors failed to fulfill the conditions of contracts and could not complete the period of contracts as mentioned in letter No.1229 dated 20.09.2012 and 1644 dated 17-07-2013. A sum of Rs.5,00,000/- as 10% security of the estimated sale of milk of Rs.5.00 million for the year 2012-13 and Rs.6,00,000/- of estimated sale of milk of Rs.6.00 million for the year 2013-14 was required to have been received whereas only Rs.1,00,000/- was received from only one contractor i.e. Mr. Asghar Ali which was also not forfeited and refunded on 22-07-2013. Had security of Rs.1.10 million been received during execution of contract with these two defaulter contractors and Rs.1,00,000/- was not refunded to one contractor the government could have been saved from the loss of Rs.1.10 million. The loss may be investigated and recovered from these defaulter contractors besides taking necessary corrective action. Loss occurred due to weak internal controls.

35. Loss was pointed out in October, 2013, wherein the management stated that detailed reply would be furnished to Audit later on.

36. The matter was discussed in the DAC meeting held in August, 2014. DAC decided that detailed inquiry be conducted by Dr. Ehsan Epidemiologist Directorate of Livestock within one month. However, no inquiry report was produced till finalization of the report. Audit recommends to recover the loss from the concerned besides fixing responsibility.

DEPARTMENTAL VERSION

37. The Department explained that the contract for sale for farm milk for the year 2012-13 was awarded to Mehtab Khan, @ Rs.40/- per liter including income tax. The contractor was not ready to sign the contract agreement and depositing Rs. 1,00,000/- cash security, therefore, the supply milk was stopped to the contractor with effect from 6-09-2012 to avoid the bad experience of the last year and the Competent Authority was approached for the fixation of the sale price of milk. The Competent Authority approved the same rate i.e. Rs.40/- per liter including income tax from sale of milk at the farm gate, the milk for the year 2012-13 sold at the farm gate at the approved rate and no loss was sustained to Government.

38. The contract for the year 2013-14 was awarded to Mr. Asghar Ali. the supply of milk to the contractor was started through open tender with effect from 2-07-2013, but the contractor failed to deposit cost of milk on daily basis from the start for July 2013, therefore his contract was cancelled and call deposit was deposited into Government Treasury vide challans No.16 dated 6-09-2013. The contract of milk was awarded to the 2nd bidder for the year 2013-14 and the security @ Rs.1,00,000/- has been deposited in the National Bank of Pakistan, Charsadda, as per agreement.

PAC OBSERVATION

39. The Committee observed that earnest money was forfeited but the performance security of one lac was not obtained before issuing work order as per conditions of NIT.

PAC RECOMMENDATIONS

40. In view of the above observation, the Committee recommended that action leading to recovery of one lac rupees coupled with disciplinary action under E&D Rules may be initiated against the defaulters and progress be reported to PAC within a month. Para stands.

DIRECTOR CEREAL CROPS RESEARCH INSTITUTE PIRSABAK
NOWSHERA

DP No. 2.4.2 LOSS DUE TO LACK OF INTEREST IN SELLING HYBRID
MAIZE BABAR - Rs. 26.96 MILLION.

AUDIT VERSION

41. The Audit reported that according to Para 23 of GFR Vol-I, 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.

42. 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 Centres 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.

43. 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.

44. 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.

45. 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

46. The Department explained that hectic efforts have been made for marketing of this seed via print and electronic media. The packing of this seed was also made in an attractive pack as per demand of farming community compared to that of multinational packing.

47. Details of the efforts/steps made in this connection through DCCRI/PI alongwith the project staff with worthy DGAR are as follows:-

- i. The DCC asked the project staff vide his office memo No. 64-65/Acct:/DCC dated 21-01-2015 with subject “Early disposal of the Hybrid Maize Seed Babar”. The project staff then discussed the matter with DCCRI and on mutual consensus a meeting with Regional Director FSC&RD, Director Seed Agriculture Extension and seed dealers was arranged on 29-01-2015 by contacting them personally and/or telephonically and called them vide letter No. 70/DCC dated 23-01-2015 which was presided by DCCRI.
- ii. After this meeting it was requested by the DCC to worthy DGAR vide memo NO. 336/DCC dated 03-04-2015 for arranging a joint meeting under his chairmanship with Director General, Agriculture Extension and all directors of the research stations to devise an effective strategy for sale of this seed through Model Farm Services Centers (MFSC) and research stations of the province but no action had been taken by the worthy DGAR.
- iii. After 20 days the worthy DGAR was again requested by DCCRI vide memo No. 355/PI/DCC dated 21-04-2015 to take personnel interest to convene a joint meeting with the Director General, Extension and stations directors as early as possible for successful marketing and early disposal of Hybrid Maize Seed Babar. The same letter was returned with the handwritten remarks by the DGAR vide No. 4460/A-3/Tech/DGAR dated 24-04-2015 showed that worthy DGAR abstained from meeting with DG Ext: and directed the DCC to sit with the planning staff or directly get guidance and support of DG Ext. In this connection DCCRI alongwith the

project staff had a formal meeting with the Extension Department staff for marketing of this Hybrid Seed. Moreover, the DGAR has also mentioned in his letter No.9101-02/DGR/PA dated 31-08-2015 that “you also did not involve the Agriculture Extension” while in the above mentioned handwritten endorsement the worthy DGAR by himself had written that “You have already convened meeting with Director Seed and other staff of Agriculture Extension” one of which was a controversial statement.

- iv. Upon disappointment from DGAR after continuous efforts regarding subject matter, the project staff alongwith DCCRI personally requested to the Seed Dealers and a Group of Seed Dealers (GOSD) represented by Mr. Waqar Khan was convinced for marketing of this seed. In this connection two meetings were held under the chairmanship of DCCRI in his office on 30-04-2015 and 05-05-2015.
- v. On 7-05-2015 DCCRI had a telephonic conversation with DGAR about finalizing the Terms and Conditions with GOSD so that the sale may be started as early as possible. On 8-05-2015 DCCRI alongwith the project staff and GOSD representative had a meeting with DGAR in his office. The terms & conditions were discussed in full details, the DGAR then directed DCCRI to come to Secretariat on Monday 11-05-2015 to discuss the matter with the Honorable Secretary for approval. On 11-05-2015 when DCCRI alongwith the project staff went to the Secretariat as directed by DGAR. The DGAR met with DCCRI in PA to minister office, but refused to talk to the Secretary for the subject matter instead directed DCCRI to consult the DG Ext: and take him into confidence before making any final decision with GOSD regarding maize seed sale at your own.
- vi. As directed by the DGAR, DCCRI alongwith the project staff met with DG Ext: and Director Seed on the same day. The Director Seed commented that up till now the demand for Hybrid Maize Seed Babar was 4.018 ton and at the most Extension Department can go for sale of 10.00 ton only. Finally, the Director Seed concluded unanimously with the meeting members that sale through GOSD will be the preeminent option to dispose-off this huge quantity of Babar Hybrid Seed in the best interest of public service.
- vii. After several meeting with GOSD, finally the terms & conditions were settled under the supervision of DCC for the sale of Babar Hybrid Maize Seed through GOSD.
- viii. Unfortunately, that year the weather conditions were not suitable for maize planting due to hot and dry weather conditions for prolonged period at the time of sowing (June-July) coupled with the Ramadhan and by the end of July continuous monsoon rain spells further worsened the situation by not letting the field in vattar condition resulting in less plantation which affected the sale of not only the Babar but also of national and multinational maize seed. This statement can further be confirmed by the

seed dealers by checking and comparing the sale record of seed companies for the said season in comparison with the previous seasons.

The Department further explained that:-

- i. As pointed out by the Audit Team, the CCRI/technical team played its role for the disposal of Maize Seed through various sources including MFSC, and requested DGR for holding of joint meeting with D.G Extension however no positive outcome.
- ii. 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.
- iii. 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 dated October 31, 2017.

PAC OBSERVATION

48. The Committee observed that timely disposal of the seed was the job of the Agriculture Extension, whereas inquiry was conducted by the Department against the officer of the Agriculture Research and disciplinary action initiated but the accused was later on exonerated from the charges leveled by the Hon'ble Chief Minister. The said inquiry report was not found attached with the working paper.

PAC RECOMMENDATIONS

49. In view of the above observation, the Committee recommended to refer the Para to the Sub-Committee already constituted on DP No.2.4.1 with the direction to the Department to produce the inquiry report to the Sub-Committee for examination and decision.

DP No. 2.4.3 LOSS DUE TO NON AUCTION OF STOCK OF MAIZE-Rs.22.34 MILLION.

AUDIT VERSION

50. The Audit reported that according to Para 167 of GFR Vol-1, stores which are reported to be obsolete, surplus or unserviceable may be disposed off by sale or otherwise under the orders of the authority competent to sanction the writing off of a loss.

51. During the financial year 2014-15, in the office of Director Cereal Crops Research Institute Pirsabak Nowshera, it was noticed that a huge stock of “Maize Hybrid Seed Babar” was lying in the store of the CCRI since 2013-14 but not put to an open auction, resulting into blockage of Government revenue amounting to Rs. 22.34 million (139,657x 160=22,345,120). Non auction of 139657 kg Maize Seed well in time caused a huge loss as the same seeds are in worst condition and not fit for germination.

52. Matter was reported for detailed inquiry, for inflicting a loss to the public exchequer, against the responsible under intimation to Audit.

53. Loss occurred due to weak internal controls. When pointed out in September 2015, the management stated that the stock was not auctioned because at that time the sale of fresh seed was in progress, if this leftover seed were auctioned at that time then there was possibility that bid winner may sale this low germination seed to the farmers. Now the Competent Authority has been approached to obtain sanction for open auction. The Audit views regarding worst conditions and not fit for germination confirmed by the Department.

54. 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 taking appropriate action to avoid such lapse in future.

DEPARTMENTAL VERSION

55. The Department explained that:-

- i. The maize stock was not auctioned because at that time the sale of fresh maize hybrid seed was in progress if this leftover seed was auctioned at that time, there was a possibility that the bid winner may have sold this low germination seed to the farmers and this would have earned a bad name for a well reputed research institute and also farmers might be made reluctant to purchase the fresh seed on higher price than the old seed stock.

- ii. Moreover, to ensure the sale of fresh high-quality seed, the auction of leftover seed stock was delayed to save the government from further losses due to a risk of less-sale of new seed, therefore, sought sanction/approval for auction of the leftover seed as the maize planting season was over.
- iii. Furthermore, based on last years' experience of leftover seed auction, the grant of sanction for auction was delayed due to the reason that some of the seed dealers and officials of multinational companies spread this rumor "that due to inferior quality of Babar Seed, the Department has auctioned its Hybrid Seed as grain" to encourage the sale of their own high-priced multinational seed.
- iv. Soon after completion of planting season, the store keeper reported for auction of this seed as mixed grain. The Production Agronomist requested to DCCRI to approach the higher authority for granting sanction. The DCC approached to DGAR to accord sanction of this leftover seed in open auction. In response to DCC letter the DGAR asked the DCC to justify the reason of late submission of auction case as the seed was procured in 2013 and why not auctioned in the end of year 2013? The DCC then instructed the Maize Breeder and Production Agronomist to reply accordingly. In this connection they justified the matter that the said leftover (unsold) quantity was the part of seed produced during the year 2013-14 which was ready for planting during kharif 2014 season. At the end of kharif 2014 this seed was left from sale so it was stored for sale out in kharif 2015 season. During kharif 2015 season fresh seed of the year 2014-15 was also received and certified from FSC&RD and marketing of this seed was started. Meanwhile, samples from the same leftover seed were also collected by FSC&RD during June 2015 to test the germination percentage so that it could be sold out alongwith the fresh seed. But according to FSC&RD report this left-over seed was not up to the standard. Therefore, the request for auction was made in late kharif 2015 season so there was no need of auction this seed in the end of 2013 since at that time it was "seed" not "mixed grain" and this justification of late submission of auction of the same quantity was forwarded in original to DGAR. Even upon clear justification of the matter the DGAR intentionally delayed the case by asking for more solid reasons. The DCC again directed the deputed staff to clearly justify the matter with solid reasons. In this connection the project staff clearly justified the matter with solid reasons, which was forwarded in original to DGAR from DCCRI office. Meanwhile, entomologist of this institute requested to DCCRI for auction of leftover hybrid maize seed to avoid further infestation and losses to fresh produce of the farm, which was then reported to the DGAR by DCCRI. The same matter was repeatedly discussed verbally with the DGAR by the DCCRI time by time but no positive response had been received from the DGAR. The matter was then again requested by this directorate to DGAR stating that with the delaying of auction of leftover seed that has badly infested and losing its value day by day due to

prolonged and unscheduled load shedding of electricity during hot and humid summer season. Also, the fumigation of seed has huge expense which was a great burden on Government exchequer. The severe and uncontrollable infestation problem was again reported by the entomologist of this directorate which was forwarded to the worthy DGAR for granting sanction as early as possible so that to avoid extra expenses and further losses to Government property. But up to this date no sanction regarding the matter has been granted by the DGAR, therefore, this directorate may not be held responsible as this matter could not be resolved at the Directorate level since it was beyond the competency of the Directorate.

56. The Department further explained that as per FSC&RD report, the seed germination was below the seed standards i.e. >90% and after wards proper intimation for auction was carried out but again the decision was delayed from the Competent Authority. When the permission was accorded by the high ups, proper procedure for auction was started.

PAC OBSERVATION

57. The Committee observed that:-

1. There was lack of coordination between the Agriculture Research and Agriculture Extension wings.
2. Seed was required to be handed over to Agriculture Extension for selling to the farmers.
3. Defective Planning was observed for disposal of seed.
4. Available data of requirement and production of seed was unreliable.
5. The staff of Agriculture Extension was not present in the meeting despite the fact that the Administrative Secretary directed all the Director General Agriculture to be present in the meeting.
6. Due to lack of interest and negligence, colossal loss occurred. No heed was given to protect the government assets.
7. The Department did not play any administrative role and acted as silent spectator.

PAC RECOMMENDATIONS

58. In view of the above observations, the Committee recommended to hold a Special meeting to resolve the issue, Minister for Agriculture may also be invited to the meeting. The Department was directed to consult the Board of Revenue Department and

compile the record of the cultivated land of the whole Province and complete data of cultivated land be provided to PAC Cell. Para stands.

DP No. 2.4.4. LOSS DUE TO NON AUCTION OF OLD MACHINERY-Rs. 20.00 MILLION.

AUDIT VERSION

59. The Audit reported that according to Para 167 of GFR vol 1, stores which are reported to be obsolete, surplus or unserviceable may be disposed off by sale or otherwise under the orders of the authority competent to sanction the writing off of a loss.

60. During the financial year 2014-15, in the office of Director Cereal Crops Research Institute Pirsabak Nowshera, it was observed that precious agriculture machinery is lying in the open field, facing harsh weather which is deteriorating the valuable machinery. The combined harvester having a value of Rs.10.30 million lying useless, which can easily be repaired and utilized to generate income by lending to the farmers during harvesting season. Similarly another combined harvester gifted by Italian Government was also lying useless beside other valuable items including Corn Sheller, Fiat Tractor, Wheat drill, Seed dryer, Fertilizer spreader, Maize Planter, and wheat planter which will lose not only their value but also usability. Due to lying in open field and harsh weather all these valuable machines having worth of Rs. 20 million would be turned into scrape.

61. Audit held that weak internal control and mismanagement has put the fate of Government assets at risk which would inflict dual loss, one in shape of money and the other was that Khyber Pakhtunkhwa Agricultural Department would be deprived off valuable precious machines. When pointed out in September 2015, the management stated that detailed reply would be given later on.

62. 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 take appropriate action on priority and emergent basis to protect Government Machinery from further loss.

DEPARTMENTAL VERSION

63. The Department explained that the auction was conducted in August, 2017 after receiving sanction from the Higher Authority. Regarding Item No. 8, Combined Harvester was an outdated model and the repairing cost was too high as spare parts were not available. In case of any fault the local manufacturers were contacted for the respective parts and they have to repair locally which was some time not properly workable. The Combine harvester was put for auction and proposed Government bid was PKR. 10 lacs, but no bid was offered. Audit objection regarding Combined harvester gifted by Italian Government was operational and currently in practice on-station. Recently for the remaining machinery a Committee has been constituted for Physical Verification and declaration of unserviceable machinery for proper auction.

PAC RECOMMENDATIONS

64. The Committee recommended the Para to be settled subject to verification of record of auction by Audit.

DP No. 2.4.5 LOSS DUE TO UNNECESSARY PURCHASE OF MAIZE SEED - Rs.13.50 MILLION.

AUDIT VERSION

65. 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.

66. 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/-.

67. 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 ($\text{Rs. } 13,496,700 + \text{Rs. } 834,000 = 14,330,700$). The whole seed would be sold at very low prices declaring not good for sowing.

68. 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.

69. 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

70. 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 done. 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.

PAC RECOMMENDATIONS

71. The Para was referred to the Sub-Committee already constituted vide Draft Para No.2.4.1 for detail examination.

DP No. 2.4.17 ILLEGAL OCCUPATION OF GOVERNMENT LAND-Rs.5.00 MILLION.

AUDIT VERSION

72. 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.

73. During the financial year 2014-15, in the office of Director Cereal Crops Research Institute Pirsabak Nowshera, it was observed that chair lift over Kabul River, before the construction of bridge, was used for transportation purpose and a small lift and

drop point was within the premises of the CCRI Pirsabak. Now the chair lift is no more in use for transportation purpose but a local person has occupied the land of one Jarib worth Rs.5.00 million and built a room, wash room and store without getting the permission of the concerned authorities. Illegal occupation of such a valuable piece of land by Qabza Group is a threat that slowly and gradually they will grab the fertile land free of cost and this will inflict a heavy loss to Government exchequer.

74. Audit held that illegal occupation to be vacated through Local Administration and the illegal construction be demolished with the help of Law Enforcing Agencies without any delay to save the Government Assets being used for exploitation and claiming the ownership in future at the possession of land. The lapse was due to weak internal controls. When pointed out in September 2015, the management stated that detailed reply would be given later on. No progress was intimated till finalization of the report.

75. 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, fix responsibility against the person(s) at fault and illegal occupation to be vacated through administration.

DEPARTMENTAL VERSION

76. The Department explained that the marginally correspondence against the chair lift owner but the result was nil and requested the competent authorities to take legal action through law enforcing agencies for demolishing the illegal occupation. This illegal chair lift are here for the last 15 years and that was required that time but now the over bridge is there, there is no need of chair lift at Government land. Last year in the DAC meeting the same Para was discussed and SO (Litigation) was directed by the competent authority to tackle the case accordingly.

77. The Department further explained that the CCRI was located at the bank of Kabul River and the property of CCRI belongs to the Land Commission of Pakistan. The room was built just on the river bank and the CCRI had requested several times to the law enforcing agencies/Competent authority for legal action. Also, at the same time the CCRI staff through its own efforts disbanded the same room and it is not further in

use of any locals. Further to mention that Secretary Agriculture was kind enough to approach the SMBR for demarcation of CCRI's property which will soon be started.

PAC OBSERVATION

78. The Committee observed that the role of the Department was not seen in the whole scenario due to which the Government land was being occupied.

PAC RECOMMENDATIONS

79. The Committee recommended that:-

1. The Department should take up the issue at the higher level to vacate the possession of the land from the illegal occupants.
2. The Department should approach the SMBR to expedite the process of demarcation.
3. The Secretary of the Department should make personal efforts and take up the case with the Finance Department for approval of the funds for construction of boundary wall.

80. Para stands. Progress be reported to PAC.

DIRECTOR SUGAR CROPS RESEARCH INSTITUTE MARDAN

DP No. 2.4.7 LOSS DUE TO NON AUCTION OF TREES - Rs.1.63 MILLION.

AUDIT VERSION

81. 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.

82. During the financial year, 2014-15, in the office of Director Sugar Crops Research Institute Mardan, it was noticed that District Forest Officer Mardan vide letter No.677/DSC dated 4.10.2013 was requested for assessment of trees at market value for auction. DFO Mardan vide letter No.69 dated 27-12-2013 assessed and the following reserve rate was proposed.

| SNo | Species | Nos of logs | CFC | Proposed rates per cft (Rs.) | Amount (Rs) |
|-----|------------|-------------|----------|------------------------------|-------------|
| 1. | Eucalyptus | 262 | 7,041.54 | 120 | 8,44,920 |

| | | | | | |
|--------------|--------|-----|-----------|----|------------------|
| 2. | Poplar | 592 | 16,329.60 | 80 | 7,83,792 |
| Total | | | | | 16,28,712 |

83. The sanction for proper auction of trees were held in abeyance due to unknown reasons. The Government was deprived from sale proceeds due to negligence on the part of management to convey sanction well in time, resulting dilapidation of whole log of trees by bad weather and the valuable trees of worth Rs.1.63 million turned into scrape. Trees not auctioned till date of audit i.e. September, 2015. Thus Government sustained a loss of Rs.1.63 million. When pointed out in Sep, 2015, the management stated that detailed reply would be given later on.

84. 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.

DEPARTMENTAL VERSION

85 The Department explained that the Director Sugar Crops Research Institute, Mardan have no power/authority for auction of trees. Therefore, the case was put up to sanction authority but the case was not sanctioned. The trees inquisition in worse condition. It is once again requested that a Committee of high officials may be constituted for the auction/sale of trees.

86 During the meeting the Department informed that the NOC has been obtained from the Forest Department for auction of that trees and assured the Committee that auction will be made shortly.

PAC RECOMMENDATIONS

87. In view of the assurance given by the Department that the trees would be auctioned shortly. The Para was recommended to be settled subject to verification of record of the deposited amount in the Government kitty within a month. Progress be reported to PAC.

DP No. 2.4.11 DOUBTFULE EXPENDITURE ON DAILY PAID LABOURS - Rs.1.20 MILLION.

AUDIT VERSION

88. 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.

89. During the financial year 2012-13, the Director Sugar Crops Research Institute Mardan incurred an expenditure of Rs.1.20 million on daily wage labours. It was observed that no demand/requisition for labour was made from Incharge Farm Manager. No details of specific work done by the labours were shown to Audit. Thumb impressions affixed on the payment sheet were also of one and the same person.

90. The matter was pointed out in March, 2014, wherein it was replied that SCRI Mardan cultivated 70 acres land which was difficult to be controlled by the permanent staff and therefore, hired farm labours were engaged on daily basis.

91. In the DAC meeting held in December 2014, the Department produced questionable, over written and unattested daily work done reports of labours which were not accepted. DAC directed to fix responsibility and recover the amount within 30 days. No progress was intimated till finalization of the report.

92. Audit recommends that responsibility be fixed against the person(s) at fault and recover the amount.

DEPARTMENTAL VERSION

93. The Department explained that Sugar Crops Research Institute (SCRI), Mardan was composed 70 acres cultivated land therefore it was difficult to control the whole field by the permanent staff. Therefore we hired labours on daily wages. Each month we obtained sanction from the Director General for engagement of the labours on the demand of the farm Manager. The work done was attached with the muster roll of each month and from each and every labour thumb impression been taken at the time of payment.

PAC RECOMMENDATIONS

94. The Para was recommended to be settled subject to verification of muster roll in support of departments' contention.

DP No. 2.4.12 NON PRODUCTION OF AUDITABLE RECORD-Rs. 1.50 MILLION (APPROX).

AUDIT VERSION

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

96. During the financial year 2014-15, in the office of Director Sugar Crops Research Institute Mardan, it was noticed that the local office have 152 jarib cultivable land wherein different crops like sugarcane, beat root, wheat was sown and auctioned. Apart from that there were fruit orchards where from citric was obtained and auctioned. The auditable record of the above crops/produce was demanded but not produced which creates doubt that handsome approximate amount of Rs.1.50 million was obtained from the auction of the produce and misappropriated.

97. Audit held that record was required to have been produced which was withheld. Non production of record occurred due to weak internal controls. When pointed out in September, 2015, management stated that detailed reply will be given later on.

98. 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, fix responsibility against the person responsible apart from verification of complete record of auction.

DEPARTMENTAL VERSION

99. The Department explained that the amount of Rs.1.5 Million was not mentioned in the original/ 1st Audit Report of 2014-15. It was noted for your kind information that there were no any items auctioned of Rs.1.5 million since the establishment of this institute. The amount of wheat grain, sugarbeet, husk/firewood, and citrus received through auction given are as below:-

- | | | |
|------|--------------|------------|
| i. | Sour orange: | Rs. 92000 |
| ii. | Income Tax: | Rs. 9200 |
| iii. | Wheat grain: | Rs. 481800 |

- iv. Income tax: Rs. 48180
- v. Wheat bhoosa: Rs. 152000
- vi. Income Tax: Rs. 15200
- vii. Husk/firewood: Rs. 18300
- viii. Income tax: Rs. 1830

PAC RECOMMENDATIONS

100. The Committee recommended the Para to be settled subject to verification of relevant record by Audit. The Department was directed to produce record to Audit and take stern action against the officials who did not produce the requisite record to Audit at the time of audit.

DP No. 2.4.13 NON-ACCOUNTAL OF STORE ITEMS-Rs.3.25 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 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.

103. 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.

104. 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

105. 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 and entry made in the stock register and can be verified.

PAC RECOMMENDATIONS

106. The Para was referred to the Sub-Committee already constituted on Draft Para No. 2.4.1.

DIRECTOR GENERAL AGRICULTURE (EXTENSION) KHYBER PAKHTUNKHWA PESHAWAR

**DPNo.2.4.14 NON-SURRENDER OF UNUTILIZED AMOUNT – Rs. 23.22
MILLION.**

AUDIT VERSION

107. The Audit reported that according to PC-1 for procurement of wheat, seed and fertilizer for flood affected districts in Khyber Pakhtunkhwa, the payment shall be made to the farmers duly verified by the Agriculture and District Revenue Department.

108. 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 |

109. 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.

110. 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

111. The Department explained that the Director General Agriculture (Extension) Khyber Pakhtunkhwa Peshawar has placed the amount of Rs. 93.120 million in lump sum on the disposal of District Coordination Officer, Swat through cross cheque No. 6114796 dated 4-04-2011, for distribution among the enlisted beneficiaries according to the PC-1 @ Rs.2400/- per acre to farmer holding land less than 12.5 acres (for the total Nos. of beneficiaries 10,326 for having total average 38,800 acres). The preliminary list prepared by the Agriculture Extension staff Swat was sent to DCO, Swat for verification through Revenue staff i.e. DOR&E/DDORs. After verification the Nos. of beneficiaries

are increased from 10,326 to 22,964 with total affected area 30,767 acres, for which the total amount at the above rate becomes Rs.7,38,40,800, which were distributed by SDMs/Revenue staff amongst the flood affected farmers. The excess amount worth Rs.1,90,72,800/-, left unutilized amount was refunded to Director General Agriculture (Extension) Khyber Pakhtunkhwa, Peshawar through cross cheque No. 61183988 dated 24-05-2012 vide DCO, Swat No. 10322/DCO/AG-II, dated 30-05-2012. The District Coordination Officer Swat has been requested vide this office letter even No.708/EDO, dated 29-06-2012, and No. 897/EDO dated 23-03-2012 to District Officer Revenue & Estate/collector, Swat with copy to DGA(E) Khyber Pakhtunkhwa, Peshawar office as well as to District Coordination Officer Swat that the final distribution list of beneficiaries of flood affectee/acquaintance roll (APR) duly attested and stamped may be provided to this office for onward submission to the high ups.

112. The Deputy Commissioner Swat was requested that the balance amount of the mitigation package may be refund to the Director General Agriculture (Extension) Khyber Pakhtunkhwa, Peshawar to enable this office to forward the reply of the Advance Para for discussion in the PAC meeting to drop the Para. In response the Deputy Commissioner Swat requested all the Assistant Commissioners in District Swat to refund the balance amount of mitigation package lying pending with their jurisdiction immediately, so that the same may be refunded to the Director General Agriculture (Extension) Khyber Pakhtunkhwa, Peshawar to enable him to settle Para against the accounts DDA(E) Swat.

PAC RECOMMENDATIONS

113. The Committee noted with grave concern the absence of the Director General Agriculture Extension and directed the Department to take disciplinary action against him.

114. The Para was referred to the Sub-Committee already constituted on Draft Para No. 2.4.1.

SENIOR DIRECTOR AGRICULTURE RESEARCH INSTITUTE
TARNAB

DP No. 2.4.15 IRREGULAR PAYMENT ON ACCOUNT OF DPL CHARGES
Rs.17.26 MILLION.

AUDIT VERSION

115. The Audit reported that according to rule 28(2) of FTR Vol-I, a Government Officer supplied with funds for expenditure shall be responsible for such funds until an account of them has been rendered to the satisfaction of the Audit. He shall also be responsible for seeing that payments are made to persons entitled to receive them.

116. 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.

117. 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.

118. 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

119. 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 labourers per year. Out of this 179 laborers (33 Nos) were engaged on watch and ward of different points at the institute, while 146 Nos. labourers were engaged for performing the field, lath houses and laboratories activities of the ten Research programs.

120. 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

121. 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.

122. With the above stated factual position the expenditure worth of Rs.1,72,61,540/- incurred on DPL are justified.

PAC RECOMMENDATIONS

123. The Para was referred to the Sub-Committee already constituted on Draft Para No. 2.4.1.

AGRICULTURE ENGINEERING MARDAN

DP No. 2.4.10 DOUBTFUL DRAWL OF POL EXPENSES-Rs.13.59 MILLION.

AUDIT VERSION

124. 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.

125. During the financial year 2009-10, in the office of Agriculture Engineering Mardan, it was noticed that an amount of Rs.9.88 million was paid to the supplier of POL on the basis of doubtful and invalid blank receipts which were provided by the supplier duly stamped. The drawl of the amount on the blank bills of the supplier

create doubts that actually no expenditure on the purchase of POL was incurred but the amount was doubtfully drawn and misappropriated by the dealing hands.

126. Audit held that the POL expenses were required to have been drawn and paid on the basis of actual consumption of POL after obtaining authenticated bills of the supplier. However, the same was not done which shows that amount was misappropriated. Misappropriation was pointed out in February 2012. The management furnished no reply.

127. The matter was discussed in the DAC meeting held in January, 2013. DAC directed that an inquiry be conducted within fifteen days. In the enquiry report it was concluded that the Para was mere assumption with almost no ground reality. In light of inquiry report relevant record was got verified by Audit on 04-12-2015, wherein it was concluded that POL was issued without acknowledgement, in excess of requirement and shortage in issue of POL was also noticed besides shortage of duration of use of bulldozers as compared to consumption of POL. This state of affairs showed that the inquiry officer did not scrutinized the record in detail. The dealing hands misappropriated the Government Money. Audit recommends that the Department should recover the amount and justify the expenditure before the PAC.

DEPARTMENTAL VERSION

128. The Department explained that the Agricultural Engineering Wing of Agriculture, Livestock and Cooperation Department was maintaining a proper procedure for the receipt and issued of durable goods and consumable commodities. The store was taken on certified receipt voucher (CRV), then on stock and proper entry to this effect was made on the bill/bills of the suppliers duly signed and stamped. The bill/bills then submitted to the Accounts Officers for pre-audit.

129. All AC bills and invoices with CRVs of POL of office of the Agriculture Engineer Mardan for the fiscal year 2009-10 and 2010-11. Merely a bill without signature of the supplier, stock entries and signature of DDO does not have any worth to be

considered. Moreover the Audit party had not mentioned the source where the un-signed bill had taken from.

130. It is worth mentioning that the budget provided to the office of Agriculture Engineer Mardan by the Finance Department, Government of Khyber Pakhtunkhwa during the financial year 2010-11 was worth Rs. 6.000 million, whereas the Audit pointed out the loss worth Rs, 13.590 million on account of purchase of POL.

131. As per decision of the Departmental Accounts Committee meeting held in January 2013, an enquiry was conducted, keeping in view minutes details of receipt and issuance of POL and it was thoroughly scrutinized with the record by the enquiry officer. Moreover, a complete detail of receipt and issue/consumption hours work through bulldozers and other machinery of the Department for the purpose of development of Agriculture Land and generation of income/budget provided by the Finance Department.

132. The POL was purchased according to the requirement of the field activities by the bulldozers (earth moving machinery) and vehicles under the control of the concern Agricultural Engineer and subsequently issued to the said machinery for field work only. The concern officer of the Department realized 7150 dozer hours and income worth Rs. 6.090 million duly verified by the Accounts Officer.

PAC RECOMMENDATIONS

133. In view of the plausible explanation, the Para was recommended to be settled.

ASSISTANT AGRICULTURE ENGINEER SWAT

DP No. 2.4.16 IRREGULAR EXPENDITURE - Rs.9.14 MILLION.

AUDIT VERSION

134. The Audit reported that as per the instructions contained in PC-I the concerned Agriculture Engineer/Assistant Agriculture Engineer will invite/collect applications from land owners interested in leveling of their land/installation of privately

owned dug wells through wide publicity in the newspapers indicating the laid down criteria of the schemes.

135. During the financial year 2012-13, the Assistant Agriculture Engineer Swat incurred an expenditure of Rs.9.14 million on the following 2 ADP Schemes.

| Name of Scheme | ADP No | Expenditure (Rs.in million) |
|---|-----------------------|------------------------------------|
| Small Farmers Land Development in KPK | 539/902299 of 2009-10 | 2.84 |
| Installation of 500 Irrigation Dugwells in Water Scarc Areas of KPK | 542/80606 of 2008-09 | 6.30 |
| Total | | 9.14 |

136. Wide publicity was required to have been given to attract beneficiaries at large as per PC-I instructions, which was not done.

137. The expenditure is therefore, held irregular which is reported to higher ups for appropriate action. When pointed out in January 2014, the management furnished no reply.

138. The matter was discussed in the DAC meeting held in March 2015. DAC decided that the newspaper cuttings attached with the working paper do not serve the purpose. As already pointed out by Audit, wide publicity was required to be given to attract beneficiaries at large as per instructions of PC-I. The irregularity may be got regularized from Finance Department under intimation to Audit.

139. The record was verified on 03.12.2015. Scrutiny of the record revealed that expenditure incurred was not regularized from the Finance Department despite the DAC recommendation. Audit recommends that Department may explain its position before the PAC for non-regularization of irregular expenditure.

DEPARTMENTAL VERSION

140. The Department explained that wide publicity was done through News Paper by the Director Agricultural Engineering Khyber Pakhtunkhwa on Provincial level for evidence the newspapers cutting was shown to the Committee.

PAC RECOMMENDATIONS

141. In view of the plausible explanation, the Para was recommended to be settled.

DP No. 5.4.21 DOUBTFUL EXPENDITURE ON THE CONSTRUCTION OF FISH PONDS-Rs. 21.29 MILLION.

AUDIT VERSION

142. The Audit reported that revised PC-I for “promotion of farm fisheries in Khyber Pakhtunkhwa” was approved for a total cost of Rs.30.948 million by DDWP in its meeting held on 17-02-2014 under the project titled “fish farming will be established in district Charsadda, Peshawar, Nowshera and Swabi criteria for selection of fish farm will be: -

- i. All the sites for the establishment of fish ponds will be identified by respective Assistant Director.
- ii. Site having source of water channel, tube well, electricity.
- iii. Site having no dispute.
- iv. Site having accessibility.

143. During the financial year 2013-14, in the office of Director Fisheries Khyber Pakhtunkhwa, it was noticed that an expenditure of Rs.21.29 million was incurred on the construction of 29 fish ponds through On Farm Water Management Department. The record revealed that in all cases, contract agreements were executed after the completion of work, which shows that the agreements were just executed as a formality. In some cases sites of the ponds were changed without obtaining approval from the Competent Authority. Similarly, security deposits in all cases were not obtained from the farmers. This state of affairs indicates that the entire expenditure was doubtful.

144. Audit held that the expenditure was required to have been incurred on the works before completing the aforementioned formalities, which were not done in all cases. The lapse occurred due to mismanagement and lack of internal controls. Doubtful expenditure was pointed out in January, 2015. The management stated that detailed reply would be furnished later on.

145. In the DAC meeting held in December, 2015, the Department replied that initially feasible sites were selected by the Committee of fisheries Department with specific parameters, which were later on found in-appropriate by the joint team of both the Departments. DAC did not agree and decided to conduct inquiry and report may be submitted to Audit. No further progress was intimated till finalization of the report. Audit recommends to conduct inquiry and fix responsibility against the persons(s) of fault.

DEPARTMENTAL VERSION

146. The Department explained that initially the feasible sites as per parameters given in PC-I were selected by the Committee of Fisheries Department. The following parameters were considered:-

- i. All the sites for the establishment of fish ponds will be indentified by respective Assistant Director and then finalized by Fisheries Department Committee.
- ii. Every site will have source of water channel, tube well & electricity.
- iii. Every site will have no dispute.
- iv. Every site will have accessibility.

147. The finalized sites were conveyed to On Farm Water Management for construction of fish farms being Executing Department. Thereafter On Farm Water Management Engineer and Fisheries Department Officer jointly visited theese sites. Wherein certain sites were founds in-appropriate for fish farms construction due to following reasons:-

- i. The measurement taken by the On Farm Water Management Engineer on spot was found less than the required area.
- ii. Some sites were found/notice disputed being shamilat as informed by the local of the area.
- iii. One farmer earlier finalized namely Mr. Saddiq Shah expressed his unwillingness to construct fish farms.

148. In view of above grounds there were no option left except to substitute the sites with other feasible sites. Which was also dully recommended/finalized by the technical Committee, constituted for the purpose.

PAC RECOMMENDATIONS

149. In view of the recommendations of the inquiry Committee, the Para was recommended to be settled.

PUBLIC HEALTH ENGINEERING DEPARTMENT

OVERVIEW

Three (03) Draft Paras, reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meeting held on 04th November, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|-----------------------------|----------|
| 1. | Mr. Muhammad Idrees, MPA | Chairman |
| 2. | Mr. Baber Saleem Swati, MPA | Member |
| 3. | Arbab Muhammad Waseem, MPA | Member |
| 4. | Mr. Fazal Shakoor Khan, MPA | Member |

- | | | |
|----|----------------------------|--------|
| 5. | Mr. Jamshaid Khan, MPA | Member |
| 6. | Mr. Inayat Ullah Khan, MPA | Member |

AUDIT DEPARTMENT

1. Mr. Zain-ul-Abidin,
Deputy Director, Audit.
2. Mr. Khalid Zaman,
Accounts Officer.

FINANCE DEPARTMENT

Mr. Arshad Ali,
Deputy Secretary.

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Qaisar Khan,
Additional Secretary.

PUBLIC HEALTH ENGINEERING DEPARTMENT

1. Engr. Bahramand Khan.
Secretary.
2. Mr. Ikram Ullah Shah,
XEN PHE, Mansehra.
3. Mr. Iftikhar Ahmad,
XEN PHE, Battagram.
4. Mr. Sohail Alizai,
S.E PHE Mansehra.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Nasrullah Khan Khattak,
Secretary.
2. Mr. Amjad Ali,
Additional Secretary.
3. Mr. Ashtimand,
Deputy Secretary.
4. Mr. Haris Khan,
Assistant Secretary.
5. 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.12.4.1 IRREGULAR AND UN-AUTHORIZED APPOINTMENT OF C-IV INVOLVING PAY AND ALLOWANCES - Rs. 2.76 MILLION.

AUDIT VERSION

3. The Audit reported that according to the Establishment & Administration (Regulation Wing) Notification No. SOR-VI (E&AD) 1-3/2008, dated 3-11-2008, that the appointment in Basic Pay Scale-1 to 4 shall be made on the recommendations of the Departmental Selection Committee through the District Employment Exchange concerned.

4. During the financial year 2013-14, in the office of Executive Engineer Public Health Engineering Mansehra, it was noticed that 46 C-IV in different cadre i.e. Operator-Cum-Chowkidar, Valve-man, etc: in BPS-I involving pay and allowances worth Rs. 2.76 million (12,001 P.M x 5months x46) were enrolled during the period w.e.f. 02/2014 to 05/2014. The process of appointment was irregular and un-authorized on the following grounds:-

- i. no lifting of ban//relaxation could be obtained from the competent forum till date, in absence of which the appointments were irregular.
- ii. it was noticed that the Employment Exchange certificates were got obtained just before the appointment orders in almost all cases due to which the process of selection was doubtful.
- iii. few Nos of C-IV were enrolled who provided land for water supply schemes, while the remaining were enrolled irrespective of the local resident as per Government rules and procedure.

5. The lapse occurred due to extending undue favour to the official concerned. The irregularity was pointed out in September, 2014. The management furnished no reply.

6. In the DAC meeting held in November 2015 the Department replied that there was no ban on recruitment against vacant posts at that time. The DAC decided to stand the Para in the light of Establishment Department circular dated 13-11-2013. Audit recommends that the Department may explain its position before the PAC.

DEPARTMENTAL VERSION

7. The Department explained that during the financial year 2013-14, recruitment against the vacant posts were made on 21-01-2014 and at that time no ban on hiring the Class-IV (BPS-1) existed as per letter of Establishment & Administrative Department (regulation wing) Peshawar No. SO(O&M)/E&AD/3-15/2007 dated 13-11-2013.

- i. The appointment was made on the criteria fixed by Establishment & Administration (Regulation wing) Notification No. SOR.VI.(E&AD)1-3/2008 Dated 03-11-2008 that the person should be local resident of respective District and have a registration in the District Employment Exchange.
- ii. That recruitment was made by Departmental Selection Committee on the recommendation/certificate of Employment Exchange for each candidate and all the candidates were belonging to District Mansehra.

PAC OBSERVATION

8. The Committee observed that appointments of Class-IV were made in District Mansehra, as per Rule-10 Sub-rule (2) of the Khyber Pakhtunkhwa Province, Civil Servants (Appointment, Promotion and Transfer) Rules, 1989 and notification of the Provincial Government regarding ban relaxation on recruitment against the vacant posts.

9. The Committee also observed that as per policy of the Provincial Government the appointments to Class-IV posts are done through the District Employment Exchange concerned but still the appointees have problems in performing duties far away from their homes being low paid employees.

PAC RECOMMENDATIONS

10. In view of the above, the Committee recommended the Para to be settled with the direction that in future appointments of the Class-IV may be made from the concerned Union Council to facilitate the low paid employees.

DP No.12.4.2 WASTEFUL EXPENDITURE DUE TO NON-FUNCTIONING OF WATER SUPPLY SCHEMES - Rs. 86.94 MILLION.

AUDIT VERSION

11. The Audit reported that according to PC-I page-1, the objective of the construction of water supply schemes is to provide drinking water facilities to the Tehsil Allai District Battagram.

12. During the financial year 2013-14, in the office of XEN PHE Division Battagram, it was noticed that a sum of Rs. 86.94 million was shown incurred on the construction of Water Supply Schemes, but even after the lapse of reasonable time the Water Supply Schemes was not yet functional due to which the objectives of the Provincial Government to provide drinking water to the village Abadies of Tehsil Allai and District Battagram has badly suffered. Thus the whole expenditure of Rs. 86.94 million was wasteful. The lapse occurred due to weak internal controls and planning. The irregularity was pointed out in September, 2014. The management furnished no reply.

13. In the DAC meeting held in November 2015, the Department replied that the umbrella PC-I was not revised and hence all the running schemes were considered as final. DAC directed that Administrative Secretary may verify the actual position of these schemes regarding functioning or otherwise. No progress was intimated till finalization of the report. Audit recommends to conduct inquiry and ascertain the factual position besides fixing of responsibility and explain its position before the PAC.

DEPARTMENTAL VERSION

14. The Department explained that the same Para has already been discussed on the floor of PAC under the Chairmanship of Honorable Speaker of Khyber Pakhtunkhwa Provincial Assembly on dated 30-10-2019 with the following recommendations:-

“In view of Pre-PAC decision, the Para was recommended to be settled with the direction to the Department to initiate Departmental action against the concerned who did not implement the DAC decision in time”.

15. In light of recommendations of PAC, Superintending Engineer PHE Circle Abbottabad has been nominated as enquiry officer.

PAC RECOMMENDATIONS

16. The inquiry was conducted and the concerned person was found innocent, as the delay in conducting in time inquiry on the directive of DAC was beyond his control, hence, the Para was recommended to be settled.

DP No.12.4.3 WASTEFUL EXPENDITURE ON THE PURCHASE OF SUBSTANDARD MACHINERY-Rs. 5.68 MILLION.

AUDIT VERSION

17. The Audit reported that according to Para 23 of GFR Vol-1 & rule 635 of CTR, every Government officer will personally be held responsible for any loss sustained by Government through negligence or fraud on his part. All balances unclaimed for more than three complete account years shall at the close of June in each year be credited to Government.

18. During the financial year 2013-14, in the office of XEN PHE Mansehra, it was noticed that a sum of Rs. 5.68 million was lying in 5th deposit as 10% testing charges of various firms who supplied the pumping machinery, stabilizer and other equipment for Rs. 5.68 million for water supply schemes w.e.f 06/2009 to 06/2013. The amount of Rs. 5.68 million was still lying in the 5th deposit as on 30-6-2014, it means that the firm had either not supplied the said machinery or defective machinery was supplied due to which the said amount was not released to the firm. Thus the expenditure incurred on the scheme stands wasteful.

19. The lapse occurred due to weak internal controls. The irregularity was pointed out in September, 2014. The management furnished no reply.

20. In the DAC meeting held in November 2015, the Department replied that the machinery has been supplied and installed but most of the Schemes have not been energized by the PESCO due to which testing of schemes was awaited. DAC decided that as most of the schemes were not operational due to non-energizing by the PESCO so the position be explained before the PAC. Audit recommended to conduct inquiry, fix responsibility and take action against the person(s) at fault. The Department should also investigate about similar nature schemes in other divisions of the province.

DEPARTMENTAL VERSION

21. The Department explained that the same Para has already been discussed on the floor of PAC under Chairmanship of the Honorable Speaker of the Khyber Pakhtunkhwa Provincial Assembly on 30-10-2019 with the following recommendations:-

“After detailed deliberation, the Para was recommended to be settled with the direction to the Department to initiate Departmental Action against those who had not deposited the requisite 10% money in Government Kitty that had been retained from the contractor”.

PAC RECOMMENDATION

22. As the inquiry was conducted and the officials at fault were penalized and the amount in question had been deposited into the Government kitty, therefore, the Para was recommended to be settled.

HOME & TRIBAL AFFAIRS DEPARTMENT

OVERVIEW

Twenty One (21) Draft Paras, reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the present Public Accounts Committee in its meeting held on 04th & 05th November, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

1. Mr. Muhammad Idrees, MPA Chairman

2. Mr. Baber Saleem Swati, MPA Member
3. Arbab Muhammad Waseem, MPA Member
4. Mr. Fazal Shakoor Khan, MPA Member
5. Mr. Jamshaid Khan, MPA Member
6. Mr. Inayat Ullah Khan, MPA Member

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Qaisar Khan,
Additional Secretary.

FINANCE DEPARTMENT

1. Mr. Mushraf Khan,
Additional Secretary.
2. Mr. Arshad Ali,
Deputy Secretary.

AUDIT DEPARTMENT

1. Mr. Zain-ul-Abidin,
Deputy Director.
2. Mr. Khalid Zaman,
Accounts Officer.

HOME & TRIBAL AFFAIRS DEPARTMENT

1. Mr. Muhammad Asif,
Special Secretary.
2. Mr. Matloob ur Rehman
Additional I.G (Prison)
3. Mr. Muhammad Salim Marwat,
DIG (Finance)
4. Mr. Tariq Mahmood,
SSP Traffic.
5. Mr. Muhammad Ayaz,
SP Operation (Mardan).
6. Mr. Sabz Ali Khan,
Deputy Director Audit (Police).
7. Mr. Naveed Ali,
Budget Officer (Police).
8. Mr. Abdullah Jan,

- DSP (Logistic).
9. Mr. Saif Ali,
DSP (H/Q).
 10. Mr. Tahir Shah,
Pay Officer.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Nasrullah Khan Khattak,
Secretary.
 2. Mr. Amjad Ali,
Additional Secretary.
 3. Mr. Ashtimand,
Deputy Secretary.
 4. Mr. Haris Khan,
Assistant Secretary.
 5. 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 SUSPECTED LOSS DUE TO RETENTION OF OBSOLETE WEAPONS.

AUDIT VERSION

3. 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.
4. During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed from the monthly statement of the serviceable and unserviceable weapons and ammunitions that there were different kinds of obsolete weapons available on the list of weapons. Record showed that in Dec, 2010 local office has taken up case with the Administrative Department regarding guidance for the disposal of obsolete weapons. The record further showed that cabinet has constituted a Committee for the disposal of the Malkhana/Toshakhana but final action has not yet been taken. It may be added that all these weapons are foreign made and have value

worth million of rupees. Audit therefore is of the view that action for the preservation and safe custody of the valuable asset was required to be taken or for its disposal.

5. Furthermore, the valuable assets losing its value with the passage of time therefore an early action needs to be taken. Suspected loss due to retention of obsolete weapons worth million of rupees occurred due to weak internal controls. When pointed out in December 2015, it was stated by the management that correspondence regarding obsolete weapons is in progress with the Provincial Government and the decision of the Government would be implemented in letter and spirit.

6. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends that the concerned forum may be approached for early finalization of the case to safeguard public assets.

DEPARTMENTAL VERSION

7. The Department explained that the arms (obsolete weapon) was Government property. These were lying in the Districts/unit Kots of Khyber Pakhtunkhwa Police. The Government of Khyber Pakhtunkhwa constituted a Committee about the said weapons, the decision was still awaited.

PAC OBSERVATION

8. The Committee observed that Arms Act and Police Law have no provisions for the disposal of Arms.

9. The Committee constituted for the purpose has also been dissolved.

PAC RECOMMENDATIONS

10. In view of the above, the Committee recommended reconstituting of the Committee for proper disposal of the obsolete weapons. The name of Malik Qasim may be replaced by another advisor/member and to complete the assigned task till disposal of the obsolete weapons within three (03) months. Para stands. Progress be reported to PAC.

DP No. 8.4.6 LOSS DUE TO NON DEDUCTION OF DPR CHARGES Rs.1.83 MILLION.

AUDIT VERSION

11. The Audit reported that according to the Directorate of Social Welfare & Women Development Department Peshawar letter No.DAB/279 dated 09-05-2012 all the provincial Government Departments were directed to deduct DPR Fund for the rehabilitation of disabled person from the bills of the contractors/suppliers @ Rs.2,000 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.

12. During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that the payments worth Rs.706.92 million was made under various heads of accounts however, Disable Person Rehabilitation Fund (DPR) @ Rs.2,000 per one million under the provision of rules referred to above was not deducted from the bills of suppliers/firms and contractors. Thus Government sustained a loss of Rs.1.83 million.

13. Loss due to non deduction of DPR Fund occurred due to non observance of rules and procedures on the subject and weak internal controls. When pointed out in December, 2015, it was stated by the management that the contents of Para has been noted and proper deduction would be initiated onward. No progress intimated till finalization of the report. 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 recover the loss on priority.

DEPARTMENTAL VERSION

14. The Department explained that most of the purchases are made from Government organizations who observe 2% quota as per Rule-10, Sub-rule (5) of the Khyber Pakhtunkhwa Province, Civil Servants (Appointment, Promotion and Transfer) Rules, 1989 for disable persons, hence the notification regarding deduction of DPR charges issued by Social Welfare Department was not applicable.

15. The notification in question was neither addressed to Police Department nor authorized/circulated by the proper forum i.e. Finance Department Khyber Pakhtunkhwa.

16. The notification has been received now and in future whenever purchases will be made from private contractors, the DPR charges will be deducted.

PAC OBSERVATION

17. The Committee observed that most of the purchases were made from the Government organizations who observe 2% quota for disabled persons and also corrective measures have been adopted and deductions have been started.

PAC RECOMMENDATIONS

18. In view of the assurance given by the Department that DPR charges will be deducted in future, the Para was recommended to be settled.

DP No. 8.4.7 NON-RECOVERY OF OUTSTANDING GOVERNMENT DUES-Rs. 212.03 MILLION.

AUDIT VERSION

19. 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.

20. During the financial year 2013-14 & 2014-15, in the offices of the Inspector General Police, Khyber Pakhtunkhwa and District Police Officer, Nowshera, it was observed that the police guards/force were deployed in different offices for security purpose and payment of Rs.212.03 million was made on account of their salaries. This amount should have been reimbursed by the borrowing offices as the police guards performed duty in those offices.

21. However, the borrowing offices did not clear their pending liability and the amount remained unrecovered. The details are as under:-

(Rs. in million)

| S.No | Name of Office | Period | Amount |
|-------------|-----------------------|---------------|---------------|
| | | | |

| | | | |
|--------------|--------------------------------------|---------|---------------|
| 1. | I.G.P Khyber Pakhtunkhwa Peshawar | 2013-14 | 101.32 |
| 2. | D.P.O Nowshera | 2013-14 | 1.49 |
| 3. | D.P.O Nowshera | 2014-15 | 109.22 |
| Total | | | 212.03 |

22. The matter was pointed out in August & November, 2014 and November, 2015. The management stated that detailed reply would be furnished later on.

23. The cases at Sr. No. 1 & 2 were discussed in the DAC meeting held in January, 2015, wherein the DAC directed to recover the full amount. In case of No. 3, 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 recover the outstanding Government dues and work out the outstanding amount against the borrowing offices throughout the Province.

DEPARTMENTAL VERSION

24. The Department explained that the Police receipts U/H C02636- Police supplied to Private Bodies during the year 2013-14 of Rs.13,82,10,068/- was excess than Rs.7,52,02,068 from the targeted estimate of Rs.6,30,08,000/-, and Police receipt under relevant head in the year 2014-15, was Rs.12,77,74,526. It was further clarified that the year 2014-15, in compliance with the approval of the Chief Minister, Finance Department was agreed to the creation of 6000 supernumerary posts of different ranks on contract for provision of police guard on advance payment basis to Federal Government Department, Private Companies, as well as to individuals subject to conditions, which was still implemented.

25. As regard the deployment of Police Guards to borrowing offices, the police force was supplied to the Judges, DCOs, MPAs and various Government Organizations performed the security duty in accordance with the Police Rules, which was responsibility of the Police Force.

26. However, there was some outstanding dues against Federal Government Departments since long upto the year 2019-20. Efforts were being made for the recovery.

The amount was reconciled, meetings held and case moved to Government adjuster for at source deduction.

PAC OBSERVATION

27. The Committee observed that corrective measures have been adopted now and agreements have been signed and advance payments are being received in lieu of providing services of Police personnel to various organizations and that services are not provided to the private persons.

PAC RECOMMENDATIONS

28. The Committee directed the Police Department to provide complete detail of outstanding amount against the Federal Government entities within one week. It was decided to convene a Special meeting of the PAC to discuss the subject issue and invite all concerned organizations of Federal Government to the meeting. Para stands.

DP No. 8.4.8 NON RECOVERY OF ADVANCE PAYMENT MADE WITHOUT CONTRACT-Rs. 46.50 MILLION.

AUDIT VERSION

29. The Audit reported that according to Paras 10 (i), 11 and 12 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 and that 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.

30. During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that advance payment of Rs.46.50 million was made to POF WIL vide cheque No.1219398 dated 24-06-2015 for the supply of bandolier and sling etc. During checking the stock register and actual delivery of the said item it was found that even a single quantity was not supplied upto 28.11.2015 (the date of Audit) by the POF Authorities despite the fact that advance payment was made in June 2015.

31. Neither Contract Agreement as required under the rules, was executed with the supplier/ POF and terms and conditions of supply could also not be settled, nor any action towards recovery of advance payment was initiated despite lapse of six months over the advance payment made.

32. Audit held that payment was required to have been made after proper execution of Contract Agreement, settlement of the terms and conditions of supply which was not done.

33. Non recovery of advance payment and payment without contract Agreement occurred due to violation of rules and weak internal controls. When pointed out in December 2015, it was stated by the management that detailed reply would be furnished after consulting the record. The signing of contract agreement was in process which would be furnished in due course of time. It is pertinent to mention that there was no laxity on the part of this office.

34. 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 take appropriate action as required under the rules and efforts be expedited for early supply of items.

DEPARTMENTAL VERSION

35. The Department explained that all the purchases were made in the past from POF WAH since long without contract agreement. The supply of all the items have been completed POF being a Government Organization, no penalty can be imposed.

PAC RECOMMENDATIONS

36. The Committee recommended the Para to be settled as all the Arms have been supplied and Audit has verified.

37. The Committee directed the Department that in future proper agreements may be signed and penal clause may be included in the agreement. Agreements may also be conveyed to the Ministry of Interior.

DP No. 8.4.11 NON-RECOVERY OF PENALTY-Rs. 6.23 MILLION.

AUDIT VERSION

38. The Audit reported that according to Contract Agreement and Supply Orders, all articles should be supplied in stipulated period of time to centralized Godown CPO at Police Line Peshawar. Audit recommends to recover the loss on priority.

39. During the financial year 2013-14, in the office of Inspector General of Police Khyber Pakhtunkhwa Peshawar, it came to notice that Rs.208.49 million was drawn from the Government account and shown incurred on the purchase of different items. It was however observed that the items purchased were not fully supplied within the stipulated period of time to the centralized Godown Police Line Peshawar as per contract agreement. Therefore, 2% Penalty amounting to Rs.4.17 million was required to have been imposed which was not done.

40. Audit held that non-recovery of penalty was due to weak internal controls. Non-recovery of penalty was pointed out in November, 2014. The management furnished no reply.

41. In the DAC meeting held in January 2015, the Department replied that some deliveries received and the supplier applied for extension. The position was verified and it was found that the delayed supply was made but penalty of Rs.6.23 million not recovered from defaulters. DAC directed to recover the penalty. No progress was intimated till finalization of the report. Audit recommends to implement the directives of DAC decision.

DEPARTMENTAL VERSION

42. The Department explained that supply order for the purchase of 32018-pair Ankle Boot and 11497-pair DMS Boot were issued to M/S Baraka World Wide Lahore on 17-06-2014. According to contract agreement 90-days was fixed for the supply of the above items. The firm did not complete the supply within stipulated period. The issue was discussed in the purchase Committee meeting held on 06-03-2015. The

Committee imposed 2% penalty to the tune of Rs. 37,89,765/- as per NWFP Rules 33-3 (a), which was deposited in the Government Treasury.

PAC RECOMMENDATIONS

43. In view of the plausible explanation of the Department, the Para was recommended to be settled.

DP No. 8.4.15 NON-SUPPLY OF ARMS & AMMUNITION AGAINST ADVANCE PAYMENT-Rs.239.55 MILLION.

AUDIT VERSION

44. The Audit reported that according to Para 10 (i) and 11 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 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.

45. During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that advance payment of Rs. 239.55 million was made to POF WIL for the supply of arms and ammunitions. During checking of the stock register and actual delivery of the said items it was found that arms and ammunitions valuing Rs. 242.57 million were not supplied upto 28-11-2015 (the date of Audit) by the POF Authorities despite the fact that advance payment was made in January 2015. Furthermore, neither contract agreement as required under the rules was executed with the supplier/POF and terms and conditions of supply could also not be settled, nor any action towards recovery of advance payment was initiated despite lapse of eleven months over the advance payment made. Similarly NOC of the Ministry of Defense Government of Pakistan in favour of POF as required was also not obtained. Therefore, payment was unauthorized.

46. Audit held that payment was required to have been made after proper execution of contract agreement, settlement of the terms and conditions of supply and NOC from the MOD which was not available.

47. Non supply of arms & ammunition against the advance payment and payment without contract agreement & NOC occurred due to violation of rules and financial mismanagement. When pointed out in December 2015, the management stated that detailed reply would be furnished after consulting the record.

48. 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 expedite efforts for supply of arms & ammunition.

DEPARTMENTAL VERSION

49. The Department explained that since long the purchase were made from the Government Organization (POF /WAH) through pre-receipted bills. As per guidelines of Federal Government Vide file No 1/412013-CAF(C) dated 24-01-2014, Later on due to Audit observation the contract agreement for the purchase of items from Government Organization were signed between the parties till date.

50. The first Batch of the supply was defective and consequently returned with the observation for testing the items through ITD. The items were tested and declared passed. Owing to aforementioned reasons the supply of the said items could not completed in due time. All the supply were completed, tested and distributed amongst the Districts/units the relevant documents were available for ready reference.

51. The Federal Government declared POF /WAH the sole manufacture for the supply of arms/ammunition to CAFs/LESs.

PAC RECOMMENDATIONS

52. The Committee recommended the Para to be settled, subject to the verification by Audit that the items were tested and declared passed.

DP No.8.4.16 NON-SUPPLY OF UNIFORM BY POF-RS.125.50 MILLION

AUDIT VERSION

53. The Audit reported that according to Para 23 of the GFR Vol-I, 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.

54. During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that an aggregate amount of Rs.247.05 million was paid to POF Wah on account of supply of uniform articles. The position of the delivery was verified and it was found that during the period from 07-04-2015 to 22-09-2015 a quantity of 49721 single cellular black shirts instead of pairs and trousers drill khaki were provided and taken on stock that too were not issued upto the date of Audit i.e. 28-11-2015. The remaining quantity of 50834 pairs of shirts and 50834 pairs of trousers drill khaki and the quantity of 930 blue shirts and 930 blue trousers costing Rs.125.50 million were not supplied.

55. Audit held that the quantity of uniform was required to have been collected from the POF in accordance with payment made to them or the advance payment so made in anticipation of supply received from them but both the actions were not taken.

56. Loss occurred due to weak internal controls. Non-supply of uniform was pointed out in December, 2015. The management replied that the POF is a Government owned organization working under the MODP. The supply was in progress and the supplied store has properly been taken on stock and further distributed to district units as per their requirements. Reply not convincing.

57. 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 appropriate action to safeguard public money.

DEPARTMENTAL VERSION

58. The Department explained that the purchase of uniform items were made from POF WAH Government owned organization working under the MODP. The supply of all stitched uniform were completed and distributed amongst the districts/units of Khyber Pakhtunkhwa Police as per their requirement.

PAC RECOMMENDATIONS

59. The Committee recommended the Para to be settled, subject to verification of the proof of supply made and its disbursement.

DP No. 8.4.17 UNJUSTIFIED ISSUANCE OF ARMS AND AMMUNITIONS- Rs.6.29 MILLION.

AUDIT VERSION

60. The Audit reported that according to Para 151 of GFR Vol-I, the head of office should take special care for safe custody of store, keeping them in good condition and protecting it from any loss, damages or deterioration.

61. During the financial year 2013-14, the stock registers of centralized KOT of Inspector General of Police Khyber Pakhtunkhwa, Peshawar Office, revealed that 213 SMGs Rifles alongwith ammunitions were issued to DIG Hazara for the use of ERRA Authorities in 2009-10. DIG Hazara has already remitted Rs.6.29 million to CPO for the purchase of 213 SMGs Rifle with ammunitions but where about of the purchases as well as remitted amount was not known to Audit. The subject amount plus interest required to be deposited into Government treasury alongwith inquiry to be conducted to fix responsibility against the person(s) at fault.

62. Audit held that issuance of arms & ammunitions was due to weak internal controls. When pointed out in November 2014, the management stated that detailed reply would be given later on.

63. In the DAC meeting held in January, 2015, the Department replied that DIG Hazara remitted Rs.6.28 million with the request to issue 213 SMG alongwith ammunitions from the available stock of CPO which shall later on be replenished out of the above mentioned amount received from ERRA fund for the purchase of arms and ammunition. The store was released to DIG Hazara and order was placed to M/S Norinco China for the supply of requisite store. The firm supplied the store which is pending for

inspection by Technical Committee. The relevant record has been taken away by NAB. As and when the case is finalized, the inspection would be carried out. No progress reported till finalization of the report. Audit recommends that Department should accelerate efforts for early finalization of the case, as where about of funds and ammunition not known to Audit.

DEPARTMENTAL VERSION

64. The Department explained that RPO Hazara remitted cross cheque amounting to Rs. 62,88,978/- with the request that 213 Nos. SMG alongwith ammunition may be issued from the available stock of CPO, to be replenished out against the above mentioned amount later on the store was issued to RPO Hazara accordingly and supply order was issued to the approved firm i.e M/S NORINCO, China.

65. The firm supplied the store and after inspection the SMGs were rejected on technical ground, while the ammunition were accepted. The amount of SMGs Rs,49,11,800/- have been deposited into Government Treasury, while the remaining amount of ammunition Rs.13,77,178/- payable to the firm has been with held as the case was subjudice due to NAB enquiry and fate of the payment to the firm would be decided in light of the judgment August Court.

PAC RECOMMENDATIONS

66. The Committee recommended the Para to be settled subject to depositing of the remaining amount of Rs.13,77,178/- into Government Kitty and verification by Audit.

DP No.8.4.18 WASTEFUL EXPENDITURE ON SUPPLY OF OLD AMMUNITIONS - Rs. 26.93 MILLION.

AUDIT VERSION

67. 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.

68. During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that advance payment of Rs.239.55 million was made to POF WAH for the supply of arms and ammunitions. The above payment includes an amount of Rs. 26.93 million paid for the supply of 600,000 ammunitions 7.62x51 mm CTN @ of 35.902 + 19% Sales Tax which was delivered to the CPO KOT on 08-05-2015. The report of the KOT incharge shows that all the cartridge/ ammunitions were supplied from old stock having lot No. 9 and 10 and uptill the date of verification i.e. 28-11-2015 not a single quantity of cartridge was issued. This was due to the reason that the relevant SMG-III Gun for which the ammunition was purchased was yet to be delivered by the POF authorities, therefore, the supply and dumping of ammunition valuing Rs.26.93 million, that too pertains to old lots of manufacturing, resulted into wastage of the public money.

69. Audit held that in light of the remarks of the CPO incharge the ammunitions in question were required to have been returned to POF either for replacement or recovery of cost thereof being old ammunition which was not done.

70. Wasteful expenditure on supply of old ammunition of Rs.26.93 million occurred due to weak internal controls. The matter pointed out in December 2015. The management stated that the storage period of Arms is fifteen (15) years, therefore, there is no likelihood of the Arms, not being effective for use. So far the matter relates to the supply of SMG, the first batch of SMGs was rejected on technical grounds and further supply is in the pipeline.

71. 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, fix responsibility and take appropriate measures to safeguard Government interest.

DEPARTMENTAL VERSION

72. The Department explained that supply order of 2250 Nos. G3S along with 600000 ammunitions were issued to POF WAH Cantt, ammunitions of G3S was received

inspected and found correct while supply of G3S guns was delayed due to ITD certification, for this purpose a chain of correspondence was made with the inspectorate of Armaments GHQ for test/trial.

73. After conducting test/trial from ITD, all the G3S guns (2250 Nos.) have been received and distributed amongst the field units. Hence the reason of keeping the ammunitions in Centralize Kot for some time is delay in the supply of G3S guns due to ITD Inspection. Supply Order, Inspection report reason of late supply and distribution letters are available for ready reference.

PAC RECOMMENDATIONS

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

DP No. 8.4.19 EXCESS PAYMENT OVER THE ACTUAL DEMAND OF ARMS AND AMMUNITIONS-Rs.101.23 MILLION.

AUDIT VERSION

75. 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.

76. During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that the local office has made requisition for certain quantity of arms and ammunitions to POF Wah Cantt vide their letter dated 17-09-2014. In response the POF authorities, vide their letter dated 28.11.2014 has furnished pre-receipted bill for the enhanced quality as compared to quantities requisitioned and advance payment of Rs.239.55 million paid vide Cheque No. 4051680 dated 08-01-2015 by the Police Department. The pre-receipted bill for enhanced quantity was not examined in the light of demand previously placed which resulted in excess payment of Rs. 101.23 million for the enhanced quantity over the demand and the unauthorized payment was made.

77. Audit held that pre-receipted bill of the enhanced quantity furnished by POF authorities was required to have been examined and restricted to the demanded

quantity which was not done. Excess payment for the enhanced quantity over the actual demand of arms and ammunitions occurred due to weak financial management and weak internal controls. When pointed out in December 2015 it was stated by the management that all the codal formalities have been completed for enhancement of quantity of the store. The purchase was made according to requirements and availability of funds. Reply was not convincing.

78. 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 for fixing the responsibility.

DEPARTMENTAL VERSION

79. The Department explained that the actual demand of arms & ammunition was more than the quantity demanded in letter under reference, but keeping in view the high rates reported by POF WAH, we requisitioned less quantity according to the allotted budget.

80. Later on, the request of Police Department the POF WAH reduced the rates. Therefore Police Department revised its demand by increasing the quantity accordingly.

PAC RECOMMENDATIONS

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

DP No. 8.4.21 DOUBTFUL PAYMENT ON ACCOUNT OF PURCHASE OF ARMS & AMMUNITIONS-Rs. 103.40 MILLION.

AUDIT VERSION

82. 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.

83. During the financial year 2013-14, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that Rs.208.49 million was drawn and shown

incurred on the purchase of arms & ammunitions. These items were neither shown received nor taken on the stock register till the date of Audit. Thus the expenditure of Rs.208.49 million was doubtful.

84. Doubtful payment occurred due to weak internal controls. The matter was reported in Nov, 2014. The management stated that reply would be furnished after consulting the record.

85. In the DAC meeting held in January, 2015, the Department replied that some of the quantities were outstanding against the supplier. DAC decided that Para will stand till complete supply as per terms & conditions of agreement. The position of delivery was verified on 12-01-2016 and found that 41 smoke grenades of Rs. 354,978 less supplied and 1062 G-3 with accessories supplied were found defective by IGP and returned and 13,800 rounds costing Rs. 0.45 million returned. Income tax of Rs. 95.94 million and stamp duty costing Rs. 6.65 million also recoverable. Thus full delivery was not made and the delivered items were declared defective and returned to supplier, balance supply was not made. Audit recommends to investigate the matter, fix responsibility and recover the amount.

DEPARTMENTAL VERSION

86. The Department explained that as for 1062 G3 were received and found defective during test/trail. The store returned to the POF WAH for rectification. After rectification alongwith ITD certificate the store were send to the test/trial Committee and found correct/passed and distributed among the Districts/units. 15000 rounds brought by POF WAH authority for firing in test/trail free of cost. 1200 were used in firing and the remaining 13800 were returned to POF WAH.

87. It was submitted that 1000 Smoke Grenades were purchased from the DESTO authority. 900 Smoke Grenades received in the first batch. 59 Nos of Smoke Grenades received later on. The remaining 41 Smoke Grenades were deducted in less payment/due to increase of rate of per Smoke Grenade.

PAC RECOMMENDATIONS

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

DP No. 8.4.2 LOSS DUE TO NON-OBSERVANCE OF CODAL FORMALITIES IN AUCTION OF MALKHANA-Rs. 21.85 MILLION.

AUDIT VERSION

89. The Audit reported that according to Paras 11 and 12 of GFR Vol-I, each head of the 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 the subordinate disbursing officers.

90. During the financial year 2014-15, in the office of Secretary to Government of Khyber Pakhtunkhwa Home & Tribal Affairs Department, it was noticed that Malkhana was auctioned in Aug 2013 and 21,851 various weapons were sold. A Committee for price fixing was constituted under the Chairmanship of Special Secretary Home. The average market rate of these weapons was not less than Rs. 6,000 per weapon but astonishingly to notice that Committee fixed a very nominal price of Rs. 530 per weapon which put the Government into a loss of Rs. 21.85 million.

91. The loss occurred due to weak financial management. Loss was pointed out in August, 2015. The management replied that the weapons were sold to frontier corps, police and Government Servants. The matter was reported to the higher ups to ascertain the reasons of deterioration of valuable arms confiscated by Police and recover the confiscated arms from Districts Administration. Recovery of loss be made from the responsible(s).

92. Audit requested the Department repeatedly for holding the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends to investigate the matter and recover the loss besides devising a policy for the disposal of confiscated weapons and to save these weapons from deterioration.

DEPARTMENTAL VERSION

93. The Department explained that on the directives of Chief Minister Khyber Pakhtunkhwa, the District Malkhana Peshawar was shifted to Home Department for

disposal which included obsolete rusted weapons as mentioned in summary. The Malkhana was categorized by the armourer of Police Department alongwith Incharge Malkhana DC Peshawar. Detail of categorization is as under: -

- i. Scraped/rusted debris of weapons which included only broken butts and barrels.
- ii. Unserviceable local made Shotguns / 303 Rifles/ 7MM /8MM.
- iii. Restricted/ Prohibited bore.

94. The scraped/rusted debris of weapons were auctioned as lot through open auction on Rs.3.150 million by Committee comprising representatives of Finance and Law Department. The unserviceable weapons were auctioned on lot basis viz Rs.3.9 million by Committee. The Restricted / Prohibited Bore weapons were handed over to Police Department for official duty.

95. A minimum number of leftover weapons (307 numbers) from category No. 2 was sold @ Rs.530/ per weapon to the Government Servants (87 numbers) and Frontier Constabulary (220 numbers), upon the approval of Price Fixing Committee. A number of stenguns were still lying in Malkhana.

96. As for as market price of weapon was concerned, it was unclear as to what basis has been used for assessing the price @ Rs.6000 as the weapon lying in Malkhana were only scrapped, rusted debris and unserviceable which were lying in Malkhana for nearly 40 years, which are now extinct in the market. Secondly, the prices fixed and auction held were through notified Committee comprising representatives of Finance, Law Departments, DIG Special Branch and DC Office etc. Furthermore, to ascertain factual position, DAC was convened in October 2016 and the Director General Audit, Khyber Pakhtunkhwa was requested to depute an officer for verification of the relevant record and condition of the weapon on ground which was still pending. Furthermore, the then successful bidder has given an application wherein he has requested to sell back all the weapons to Home Department on a price nearly half of the auction as the weapons were worthless.

97. In compliance of DAC Decisions the DG Audit has repeatedly been requested to depute an officer to fix a date for verification of the relevant record but the response was still awaited.

PAC OBSERVATION

98. The Committee observed that Audit had no documentary proof in support of its contention regarding rate of weapons i.e. Rs. 6000/- per weapon.

PAC RECOMMENDATIONS

99. The explanation of the Department duly endorsed by the Audit that the amount deposited has been verified from SAP System was accepted, the Para was therefore, recommended to be settled.

DP No. 8.4.3 LOSS DUE TO NON-FORFEITURE OF SECURITY-Rs. 13 MILLION.

AUDIT VERSION

100. The Audit reported that according to clause 3 of the purchase Committee of Government MCC, can blacklist or forfeit call deposit of the manufacturer/importer under “the procurements of goods works, services & consulting services ordinance 2002 and rules framed there under, for non-supply, short supply, substitute supply in contravention of the Drug Act, 1976 shall be treated according to the Drug Act 1976 and rules framed there under or according to Government instruction in the matter.

101. During the financial year 2011-12, in the Central Prison D.I.Khan it was revealed that 13 suppliers/manufacturers failed to supply medicines to the Central prison D.I.Khan despite the fact that medicines were requisitioned from them. Jail authorities reported the facts to the higher authorities for black listing the firms and forfeiture of their securities amounting to Rs.13 million. No fruitful result of the correspondence was found to have arrived resulting in loss of Rs.13 million to public exchequer.

102. When pointed out the management stated that reply would be furnished later on. In the DAC meeting held in July, 2014, the Department replied that the non supply of medicines was conveyed as complaint to the Director General Health Services Khyber Pakhtunkhwa to take stern action against the defaulting manufacturers but no

action has been reported by the D.G Health. DAC directed that the black listing of firms and forfeiture of the security deposited of the suppliers be pursued with quarter concerned. No further action was reported till finalization of the report. Audit recommends that progress of the black listing of firms and forfeiture of security deposit may be explained before PAC.

DEPARTMENTAL VERSION

103. The Department explained that Superintendent Central Prison D.I.Khan has made complaint to Inspector General of Prisons Khyber Pakhtunkhwa, Peshawar against thirteen (13) firms for non supply of medicines to Jail Hospital. The matter was referred to the Director General Health Services Khyber Pakhtunkhwa for taking legal action against the firms/manufacturer. Moreover, this office made considerable correspondence with the D.G Health Services Khyber Pakhtunkhwa, Peshawar for blacklisting of firms/manufacturer, but response has not yet been received from him. Moreover, one of the registered firm with Health Department regretted to supply the indented medicines to Central Prison Peshawar on the ground that they are not bound to supply medicines to jails as they are not affiliated with DG Health, therefore, Jail Department could not take direct action against the firm. Since the Jail Department has already fulfilled its obligations, no transaction was undertaken between both parties and no loss was sustained to state.

PAC RECOMMENDATIONS

104. Proper agreements were not executed with the suppliers and no payment was made to the suppliers, therefore, the Committee recommended the Para to be settled with the direction to the Department to adopt proper mechanism and streamline procurement procedure in future.

105. The Committee further directed the Department to make affiliation with the Director General Health Services for inclusion in the MCC list to extend the rates of medicines to the Hospitals of Prisons otherwise they should make their own procurement procedure under intimation to PAC.

DP No. 8.4.4 LOSS DUE TO NON-PROCUREMENT OF WHEAT IN TIME-Rs. 2.06 MILLION.

AUDIT VERSION

106. 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.

107. During the financial year 2013-14, in the office of Superintendent Central Jail Haripur, it was noticed that yearly wheat requirement was 4,000 bags of 100 kg. Local office purchased only 375 bags of 100 kg @ Rs.2,932 per bag from DFC Haripur, whereas the remaining 3,625 bags were purchased @ Rs.3,500 per bag later on. Thus the Government sustained a loss of Rs.2.06 million. Sufficient funds and storage capacity was available with the Jail Superintendent but due to weak financial management the Government was put to the said loss.

108. When pointed out in May 2015, the management stated that detail reply would be given later on.

109. 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 fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

110. The Department explained that according to the quota the Food Department enhanced quota of wheat supply from 375 bags per month to 400 bags per month to the Superintendent Jail Haripur for the consumption of the prisoners. However, it is submitted that the wheat was purchased according to need/population of prisoners confined in Jail. Besides, there was no godwon/space where such large quantity could be dumped. It was feared that it could be destroyed by termite and other insects being perishable food item. Therefore, purchase of wheat for the whole year at one stroke was not possible.

PAC RECOMMENDATIONS

111. In view of the reply of the Department, the Committee recommended the Para to be settled.

**DP No. 8.4.5 LOSS DUE TO NON ACCOUNTAL OF MOBILE OIL COSTING
Rs.1.80 MILLION.**

AUDIT VERSION

112. 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.

113. During the financial year 2012-13, Capital City Police Officer Peshawar incurred an expenditure of Rs.5.13 million on the purchase of mobile oil. It was noticed that purchase was made on higher rates than actual rates affixed on empty gallons and was also not taken on stock.

114. The Audit observation was communicated to the management in August, 2013. No reply was furnished by the management. In the DAC meeting held in August, 2014, the management replied that the rates quoted by Audit were incorrect and empty gallons would be shown to Audit. DAC did not agree and marked the Para for verification from Audit.

115. Verification of Mobile Oil stock was carried out on 12-01-2016 and it was revealed that:

- i. 4000 liters mobile oil costing Rs.1.34 million was not taken on stock as evident from monthly summaries. It seems that mobile oil or its cost had been misappropriated by the MTO.
- ii. Loss amounting to Rs.0.46 million was sustained by Government due to allowing excessive rate of mobile oil.
- iii. Contract agreement was required to have been executed at the beginning of the financial year for the whole year which was not done and loss was sustained due to allowing different rates of mobile oil.

116. Thus the Government sustained a loss of Rs.1.87 million. Audit recommends to conduct detailed investigation in similar nature cases, fix responsibility and recover the loss from the person(s) at fault.

DEPARTMENTAL VERSION

117. The Department explained that Mobil Oil was purchased from city filling station Peshawar who provides POL to this unit on monthly basis. During the financial year 2012-13 on economical price and entered in the relevant stock register. The Mobil Oil issued to Government vehicles, thumb impression and signatures have been recorded in the stock register was available and can be verified.

PAC OBSERVATION

118. The Committee observed that weak Para was framed. The meeting of DAC was not held seriously due to which petty nature issues were reported.

PAC RECOMMENDATIONS

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

DP No. 8.4.9 NON-RECOVERY OF OUTSTANDING DUES AGAINST FEDERAL GOVERNMENT DEPARTMENTS-Rs.19.00 MILLION.

AUDIT VERSION

120. 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.

121. During the financial year 2011-12, in the office of DPO D.I.Khan, it was noticed that a sum of Rs.19.00 million was outstanding against various Federal Government Departments. No efforts seems to have been made for its early recovery.

122. Non-recovery was due to weak internal controls. Matter was reported to the management in October, 2012, wherein it was stated that reply would be furnished after consultation of record.

123. In the DAC meeting held in February, 2015, it was replied that correspondence regarding recovery of outstanding dues was under process. As and when the outstanding amount received, Audit would be informed. DAC decided that Para stand till recovery of the outstanding dues. Audit recommends to investigate that throughout

province how much is outstanding if in one district Rs.19.00 million is recoverable. Strenuous efforts should be made for early recovery.

DEPARTMENTAL VERSION

124. The Department explained that in this regard several reminders were issued to the concerned Federal Government Department i.e. Station Manager Pakistan Broad Casting Corporation D.I. Khan, Manager National Bank of Pakistan D.I.Khan and General Manager PTCL D.I.Khan but no fruitful result could be achieved so far.

125. Being Federal Government Department, this Department cannot taking any action against these Departments.

PAC OBSERVATIONS

126. As similar nature issues were involved in the Para therefore, the Committee clubbed the same Para with DP No. 8.4.7 to be discussed in special meeting.

PAC RECOMMENDATIONS

127. The Committee directed the Police Department to provide complete detail of outstanding amount against the Federal Government entities within one week. It was decided to convene a Special meeting of the PAC to discuss the subject issue and invite all concerned organizations of Federal Government to the meeting. Para stands.

DP No. 8.4.10 NON-RECOVERY FROM THE DEFAULTERS-Rs. 4.86 MILLION

AUDIT VERSION

128. The Audit reported that according to Paras 23 & 26 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. 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.

129. During the financial year 2014-15, in the office of DPO Abbottabad, it was noticed that 15105 challan/tickets valuing Rs.4.86 million were issued to various defaulters in connection with certain traffic offences but the outstanding amount was not

realized from them. Therefore, the amount remained outstanding/unrecovered despite the fact that relevant documents like driving license of offender, CNIC and registration of the vehicles were lying in the custody of local office. Neither the offenders deposited the fine nor they were contacted by local staff rather no strenuous efforts for the recovery of outstanding amount was made.

130. Audit held that the Department has a technology based computerized system of issuance of tickets and realization of amount therefore, efforts at Provincial level needed for the early recovery of the amount from offenders which were not made.

131. Non-recovery occurred due to weak internal controls. The matter was reported to the management in September, 2015. It was stated by the management that reply would be submitted in due course of time. No reply submitted till finalization of the report.

132. 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 recover the amount from the defaulters and devise a procedure for timely recovery of fines.

DEPARTMENTAL VERSION

133. The Department explained that appropriate/legal measures for recovery of amount with regard to 15105 numbers of tickets/challan valuing Rs.4.864 million has already been taken in accordance with law. Lists of the pending documents of the vehicles have been prepared and distributed to all ticketing officers so as to got held of the concerned vehicles. Necessary advertisement has been made through FM Radio, Abbottabad informing the defaulters to pay their fines with in the period of 07 days and get their documents back. Similarly advertisement has also been made in local daily news papers with the same directions. Consequently due to the above mentioned efforts an amount of one million approx: has collected by the traffic staff.

134. Besides above a number of complaints U/S 116-A of Motor Vehicle Ordinance, 1965 had also been filed before the Court of Senior Civil Judge/Traffic Magistrate, Abbottabad, some of which were under proceeding while remaining

complaints were in pipelines. However, the Traffic Police, Abbottabad was making strenuous efforts towards complete recovery at their earliest possible by using all the legal measures in order to achieve the target.

135. During the meeting SSP Traffic told the Committee that Rs. 3.741 million out of Rs.4.868 million was recovered and deposited into Government Kitty and Rs.1.14 million is still outstanding against the defaulters.

PAC RECOMMENDATIONS

136. The Committee directed the Police Department to approach the Offices of the concerned ETOs, where the vehicles are registered for making recovery within a month under intimation to PAC and the amount already recovered may be got verified by Audit. Para stands till complete recovery of the balance amount. Progress be reported to PAC.

DP No. 8.4.12 UNAUTHENTIC RECEIPTS ON ACCOUNT OF ARMS REGISTRATION CHARGES - Rs.369.14 MILLION.

AUDIT VERSION

137. 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.

138. During the financial year 2014-15, in the office of Secretary to Government of Khyber Pakhtunkhwa Home Department, it was noticed that total receipts on account of Arms registration collection was realized as Rs. 369.14 million for the whole Province. Audit held these receipts as unauthentic on the following grounds:-

- i. There was no record at the Head Office regarding number of licenses issued in each District and number of licenses renewed, cartridge change and conversion with regard to collection of receipts.
- ii. A detail statement showing the sub receipt head District wise to be maintained in support of the receipt realized which should be reconciled on monthly basis.
- iii. No reconciled statement was produced to Audit to authenticate the receipts realized.
- iv. In the Head office there was no mechanism to cross check the receipts realized and total licenses issued by District Office.

139. The lapse occurred due to weak internal controls. The matter was pointed out in August, 2015. The management replied that Audit observation noted and proper mechanism for checking of the Districts would be adopted.

140. 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, take appropriate action against the person(s) at fault and streamline the mechanism.

DEPARTMENTAL VERSION

141. The Department explained that the arms receipts for the financial year 2014-15 of Rs.369.14 million were realized. Para wise details are as under: -

- i. Under the arms policy 2012 and Rules 2014, the District Administration was empowered to issue arms licenses within their respective districts. So being license issuing authority they were liable to maintain the receipt record and to present authenticated record to the Audit to be carried out at District level. Renewal fee of the licenses was deposited in the relevant head of account in National Bank of Pakistan. The record regarding licenses issued in the District, renewal, cartridge increase, change of bore and conversion into all Pakistan are available in the head office.
- ii. The statement showing the District wise receipt was duly verified by the DAO concerned district.
- iii. Reconciliation statement of the arms receipts worth Rs. 369.14 million, already produced before the Audit.
- iv. Proper receipt register was maintained and have been presented alongwith counter part of the receipt Challan to the Audit party during inspection of Audit. However, it can be produced at any time to the Audit party.

142. Moreover, the reconciliation of the figures received from the Districts are regularly carried out with Accountant General is a sort of cross checking which clarifies the position.

PAC RECOMMENDATIONS

143. In view of the reply of the Department, the Committee recommended the Para to be settled, subject to verification of record by Audit.

DP No.8.4.13 UNAUTHENTIC ISSUE OF STATIONERY ITEMS - Rs.1.39 MILLION.

AUDIT VERSION

144. The Audit reported that according to Para 149 of GFR Vol-I, the officer in charge of the store should see that an indent in the prescribed form has been made by a properly authorized person, examine it carefully with reference to the orders for the issue of store and sign it and a written acknowledge should be obtained for authentication.

145. During the financial year 2012-13, DIG Traffic Peshawar incurred an expenditure of Rs.1.39 million on the purchase of stationery. The requisite stationery was shown issued to District Police Officers in Khyber Pakhtunkhwa. Neither Challan under which the stationery issued to District Police Officers nor acknowledgment in token of receipt of stationery by the respective DPOs were found available on record. Moreover, stationery budget to all the DPOs have been provided according to their need and requirements, as such there was no justification for issuance of stationery to them from the main office. The issuance of stationery costing Rs.1.388 million was held unauthentic.

146. The matter was reported in Feb, 2014 wherein Department furnished no reply. In the DAC meeting held in July 2014, the Department replied that demands were received from various DPOs. DAC decided that record be verified from Audit. Audit Officer was deputed to verify the record. It was reported that there was no order of the Competent Authority for centralized purchase nor there was any acknowledgement of any DPO out of 22. Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) at fault.

DEPARTMENTAL VERSION

147. The Department explained that all the DPOs and SSP Traffic Peshawar exercise Powers of MLA of their concerned computerized Districts, as provided in the Motor Vehicle Rules. In the instant case, stationary has been procured, for the traffic related works, keeping in view the demands of MLAs, as Driving License has been in the

all the Districts of Khyber Pakhtunkhwa and there was a dire need of stationary articles. Store Accountal in the stock register has been properly been made as well as properly issued to the Authorized Representative of MLAs after obtaining proper signature's as token of receipt. So for the matter relates to the funds allotted to DPOs under head stationary, it was clarified that the same was issued for the office of DPOs for the routine work, while the store referred in the Para, pertains to the store, required to MLAs not the DPOs, therefore, issued from the office of DIG Traffic i.e. Traffic HQr of Khyber Pakhtunkhwa.

PAC RECOMMENDATIONS

148. In view of the reply of the Department, the Para was recommended to be settled subject to verification of acknowledgement receipts of DPOs by Audit.

DP No. 8.4.14 IRREGULAR/UN-AUTHORIZED TRANSFER OF GOVERNMENT MONEY, RECEIVED FROM SALE OF DRY BREAD, TO IG PRISONS-Rs.2.22 MILLION.

AUDIT VERSION

149. The Audit reported that according to Para 26 of GFR Vol-I, it is the duty of controlling officer to see that all sum due to Government are regularly and promptly assessed, realized & duly credited in Public Account. He is further responsible to reconcile the figures with the treasury, see that the amount reported as collected has been duly credited in the public account.

150. During the financial year 2014-15, in the office of Central Prison Peshawar, it was noticed that dry bread was sold for Rs.3.33 millions, where 2/3rd was sent to Inspector General Prisons and 1/3rd was retained. An amount of Rs. 9,14,170/-, out of 1/3rd share, was spent on contingencies, and the balance amount of Rs.1,97,624/- as kept in bank account No.1364-0 at National Bank Pakistan. This resulted into loss to public exchequer due to non-deposit of the sale proceeds from dry bread into Government Treasury. Audit has the following observations:-

- i. The receipts of dry bread were required to be deposited into Government Treasury, instead of its distribution and incurring expenditure from it.

- ii. The account of 2/3rd amount, valuing Rs.2.22 million sent to IG Prisons, was not produced to Audit.
- iii. Month wise receipts of dry bread was reflected in the register, but its weight was not mentioned anywhere, as to compare the rate of auction with open market.
- iv. Reason for such mismanagement due to which such huge quantity of bread was not utilized and turned into dry bread.

151. The non-deposit of receipts into Government Treasury was due to weak internal controls. The matter was pointed out in August, 2015. The Department furnished no reply.

152. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends that the sale proceeds from dry bread should be deposited into Government Treasury.

DEPARTMENTAL VERSION

153. The Department explained that:-

- i. Sale proceeds of dry bread constituted part of special welfare fund, in the light of the SOP, the Superintendent Jail was required to remit 2/3rd share of sale proceed of Dry Bread to Inspector General of Prisons whereas 1/3rd share was retained for the Welfare of the prisoners and to maintain prison buildings etc.
- ii. Record of the amount sent to I.G Prisons was properly maintained and was shown to Audit.
- iii. In the light of orders of I.G. Prisons vide his letter No.24452-73/WE dated 04-09-2015 the income of dry bread was now regularly deposited into Government Treasury and the observations of the Audit party has been complied.

PAC RECOMMENDATIONS

154. Due to plausible explanation of the Department, the Committee recommended the Para to be settled.

DP No. 8.4.20 UNNECESSARY RETENTION OF VALUABLE ARMS-Rs.12.26 MILLION.

AUDIT VERSION

155. 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.

156. During the financial year 2014-15, in the office of District Police Officer Mardan, it was noticed that China 7.62 bore and rifle 303 mark 2/4 in huge quantity lying dumped in a room since long. Detail as below:-

| Detail | Quantity | Approximate rate (Rs) | Amount (Rs.in million) |
|--------------------|-----------------|------------------------------|-------------------------------|
| China 7.62 bore | 04 | 10,000 | 3.04 |
| Rifle 303 mark 2/4 | 22 | 10,000 | 9.22 |
| Total | | | 12.26 |

157. The local office had dumped these valuable arms in a room and there is every possibility of deterioration in value. It was required to either auction these arms or bring it in use to safeguard the public assets.

158. The lapse occurred due to weak internal controls. The matter was pointed out in Oct, 2015. The management stated that detailed reply would be given after consultation of record. No progress has been shown.

159. 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 take appropriate action to safeguard the public assets.

DEPARTMENTAL VERSION

160. The Department explained that arms (obsolete weapon) were Government Property. These were lying in the Districts/unit KOTs of Khyber Pakhtunkhwa Police. The Government of Khyber Pakhtunkhwa constituted a Committee about the said weapons, the decision was still awaited.

PAC RECOMMENDATIONS

161. As similar nature issues were involved in the Para therefore, the Committee clubbed the same Para with DP No. 8.4.1 wherein, the Committee recommended reconstituting of the Committee for proper disposal of the obsolete weapons. The name of Malik Qasim may be replaced by another advisor/member and to complete the assigned task till disposal of the obsolete weapons within three (03) months. Para stands. Progress be reported to PAC.

HOUSING DEPARTMENT

OVERVIEW

Eleven (11) Draft Paras as reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meetings held on 19th November, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

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

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

Mr. Qaisar Khan,
Additional Secretary.

FINANCE DEPARTMENT

Mr. Shahrukh Ali,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Lal Muhammad,
Director General.
2. Mrs. Zubda Mubashar,
Deputy Director.
3. Mr. Khalid Zaman,
Audit Officer.
4. Mehmood-ul-Hassan Saeed,
Assistant Audit Officer.

HOUSING DEPARTMENT

1. Syed Muhammad Ali Shah,
Secretary.
2. Mr. Imran Khan,
Director General.
3. Mr. Amir Zeb,
Deputy Director.

4. Adil Said,
Assistant Director.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Nasrullah Khan Khattak,
Secretary.
2. Mr. Amjad Ali,
Additional 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:-

DP No.11.4.1 LOSS DUE TO NON-RECOVERY OF COMPENSATION FOR DELAY IN COMPLETION OF WORK RS.26.47 MILLION.

AUDIT VERSION

3. The Audit reported that according to Clause 2 of the condition of the contract agreement, the contractor shall pay as compensation an amount equal to 1% or such smaller amount as the D.G PHA may decide on the amount of the estimated cost of the whole work as shown in the tender for every day that the work remains un-commenced or unfinished after the specified date, provided that the entire amount of compensation to be paid under the provision of this clause shall not exceed 10% of the estimated cost of the work as shown in the tender.

4. During the financial years 2011-2013, in the office of Director General, Provincial Housing Authority, Peshawar, it was noticed that different contractors were awarded works at various locations of the housing schemes at Mulazai, Nasapa and Jarma Kohat within the specific period of completion, however the contractors failed to abide by the said condition. They delayed the works abnormally although repeated extensions in time for completion of the works were allowed to them but they failed to complete it. Neither penalty in light of the relevant clause of the contract agreement was imposed nor was compensation for delay in completion of work amounting to Rs.26.47 million recovered from them.

5. Audit held that non recovery of compensation was due to undue favour to the contractor and financial mismanagement on the part of local office. The loss was pointed out in January 2014. The management stated that the contractor was informed time and again to complete the work. Final notices will be issued in case of failure. The security will be forfeited and intimated to audit. No progress was intimated till finalization of this report.

6. In the DAC meeting held in Oct 2014, the representatives of the PHA were not fully prepared therefore; the Chairman of DAC directed them to come up with revised working papers and replies. No further progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

7. The Department explained that time extension has been granted by the competent authority under clause 5 of the contract agreement. Keeping in view the site condition and reason for delay. Initially delay was due to the following reasons:-

Nasapa Project:

8. Nasapa project was delayed due to illegal occupation by the Police personal and the Flood affectees, who were stationed at the project during the heavy flood in 2010. The Department explained that for vacation of the Police Post within the premises of Nasapa Flats, the Capital Police Officer was asked time and again moreover a series of meetings were also held with the Competent Authority but the vacation of the Police post took time. Therefore, delay occurred in completion of Nasapa Project. The Department further explained that delay in completion of project was not on the part of Contractors therefore, the compensation for delay of work was not recovered from them, the project was completed during 2014-15 within the approved cost.

Mulazai project:

9. The Department explained that there were two main reasons for the delay in completion of the project i.e water logging and litigation. The Department further explained that after the feasibility study before the execution of work on the road side the soil classification test was carried out wherein it was found that there was issue of water

logging on the side selected for construction of the road, so the design was changed accordingly. Hence after two years delay the project was completed during 2015-16.

Jerma Project:-

10. The Department explained that basically it was Federal Government Project (Housing Scheme) on the Government land which was later on handed over to Housing Department for completion of balance work. In 2016 the Government has decided to mutate the Government land in the name of dweller/occupant. In view of the Government decision most of the occupant of the land/plot approached the Court of Law for mutation of the land in their name. The Department has vigorously pursuing the cases in the Court of Law, in some cases the Court has made decision in the favour of Department while the rest of the cases were still under trial due to which the said Project suffered badly.

COMMITTEE RECOMMENDATIONS

The Committee after detailed discussion decided as follows:-

- i. The explanation of the Department regarding Nasapa Project was found satisfactory, hence portion of the Para regarding Nasapa Project was recommended to be settled.
- ii. The portion pertaining to Mulazai Project was recommended to be settled subject to physical verification of work by the PAC Cell, in order to ascertain that the change in the design was obligatory or otherwise.
- iii. The portion regarding Jerma Project was kept pending till the Court decision, with the direction to the Department to pursue the case in the Court of Law and progress be reported to PAC Cell.

DP No.11.4.2 LOSS DUE TO WASTEFUL EXPENDITURE ON MEGA CITY-RS. 20.97 MILLION.

AUDIT VERSION

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

12. During the financial year 2012-13, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that payment of Rs.20.97 million

was allowed to M/s Shah's Consultant on account of carrying out different activities in the Mega City Project. The record showed that neither any progress towards the launching of Mega City housing scheme had been initiated even though huge expenditure of Rs.20.97 million has since been incurred on its feasibility etc and a time of more than 18 months also elapsed but the physical work was not done on the ground. Therefore the expenditure of Rs.20.97 million seems to have been wasted and was loss to the public exchequer.

13. Audit held that wasteful expenditure was incurred due to financial indiscipline. The loss was pointed out in January 2014. The management stated that a detailed reply would be given later on.

14. In the DAC meeting held in Oct, 2014, Representatives of the PHA were not fully prepared, therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

15. The Department explained that the scheme "feasibility study of 5400 Kanal land" was initiated under the direction of Chief Minister Khyber Pakhtunkhwa on 13-08-2012. Agreement was signed with Frontier Work Organization (FWO) for the execution of the project as CPEC City, Land acquisition was in process and Rs. 4.00 Billion were disbursed among the land owners of Muazas i.e Missery Banda, Mughher Ki, Ali Muhammad and Mishak. For remaining 40000 Kanal land Section-4 and Section-17 have been issued and its award was still awaited. Hence no wasteful expenditure had been incurred by the Department.

COMMITTEE RECOMMENDATIONS

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

DP No.11.4.3 LOSS DUE TO UNAUTHENTIC PAYMENT AND DISCONTINUING WORK-RS. 10.17 MILLION.

AUDIT VERSION

17. 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.

18. During the financial year 2012-13, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that Housing scheme at Jarma Kohat on the Government land was launched by the local office. The construction of 30 feet wide road and sewerage system was awarded to M/s Sirajul Haq & Brothers with the tendered cost of Rs. 90.31 million and completion period of 12 months. The record showed that the contractor had executed only one item of each work and payment of Rs.10.17 million was allowed. No detailed entries of the work done were found recorded by the engineer concerned except lump sum entries in the MB. The payment in absence of the detailed record entries was thus unauthentic. Furthermore, the work was shown to have been stopped since long due to certain litigation problems, before starting the work on the scheme were required to have been resolved. Non finalization of litigation problems and payment for earth work only resulting into loss of Rs. 10.17 million.

19. Audit held that loss occurred due to the negligence of the staff. Unauthentic payment was pointed out in Jan, 2014. The management stated that after the commencement of work, the court stay order was imposed on all developmental activities.

20. In the DAC meeting held in Oct, 2014, the representatives of the PHA were not fully prepared therefore; the chairman of DAC directed them to come up with revised working papers and replies. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

21. The Department explained that being state land a piece of land measuring 300 kanal was mutated in the name of PHA. Later on, various people went to the court of law and caused delay in-completion of project. The Department further explained, that payment was made on detail measurement and cross-section as per work done at site. Proper record entry was made in the MB as per approved geometric design. Moreover,

the earth work was executed as per detail of geometric design based on X-sections. It is pertinent to mention that lying of sub-base WBM & DST has been done. Therefore the road work is safe.

COMMITTEE OBSERVATION

22. The Committee observed that:-
- i. The relevant record was not produced to the Audit for detailed verification as per DAC and Pre-PAC directive.
 - ii. The decision made by the DAC, on the approval of the Principal Accounting Officer of the Department was neither materialized nor pursued which is against the spirit of accountability and make the whole process of DAC a futile exercise.

COMMITTEE RECOMMENDATIONS

23. In view of the above the Committee directed the Department to provide all the relevant record/ documents i.e. Earth Materials (Lab Tests) and MB to Audit for verification and also take action against the person who had not provided the requisite record to Audit as per DAC and Pre-PAC recommendations under intimation to PAC Cell. Para stands. Progress be reported to PAC Cell.

DP No.11.4.4 LOSS DUE TO NON RECOVERY OF INTEREST ON MOBILIZATION ADVANCE- RS.1.83 MILLION.

AUDIT VERSION

24. The Audit reported that according to the Finance Department letter No.SO(DEV-II)12-15/2003-04/FD dated 28.06.2004, a grant of mobilization advance should be determined by the Administrative Secretaries, keeping in view the requirements of the project and site. Moreover 8% interest in advance be recovered from the contractor.

25. During the financial year 2012-13, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that M/s Kasteer was allowed an interest free Mobilization Advance of Rs.45.78 million in violation of the instructions of Finance Department issued vide their letter referred to above. Allowing interest free Mobilization Advance to the contractor was unauthorized, the undue extension of benefit and resulted into loss of Rs. 3.204 million due to non recovery of 8% interest from the contractor. (Rs.45,778,000 x 8 % = Rs. 3.662/2 for 6 months = Rs. 1.83 million).

26. Audit held that the violation of Finance Department orders caused loss to the Government. Loss was pointed out in Jan, 2014. The management stated that a detailed reply would be given later on.

27. In the DAC meeting held in October, 2014, the representatives of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with the revised working papers and replies. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

28. The Department explained that contractor was entitled to interest free mobilization advance as per clause-60.12 of the contract agreement. The Audit was requested to verify the contract agreement and instruction issued by the Provincial Government vide Notification No.KPPRA/M&E/1-2/2014-15 dated 15-06-2015, but all went in vein. The Department further explained that they have followed the instruction of Pakistan Engineering Council and had not made any sort of irregularity/violation in the instant case.

COMMITTEE OBSERVATION

29. The relevant letter of the Finance Department upon which the Para was based/framed, was not produced to the Committee.

COMMITTEE RECOMMENDATIONS

30. As Audit was not able to prove its contention with documentary evidence hence the Committee recommended the Para to be settled with the direction to Audit that in future all the requisite documents upon which the Para was framed/based must be provided to the Committee during the meetings.

DP No. 11.4.5 LOSS DUE TO ALLOWING PREMIUM ON THE NON SCHEDULE ITEMS -RS. 1.11 MILLION.

AUDIT VERSION

31. The Audit reported that according to Finance Department Notification No.BO1/FD/1-7/2010-11/CSR dated 29.03.2011, 20% premium over the CSR 2009 was allowed w.e.f 1st April, 2011 onward applicable on all developmental / non developmental works which are to be tendered after that date. 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.

32. During the financial year 2010-2013, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that different works were awarded to various contractors in the completion of balance work at the Nasapa Housing Scheme wherein the contractors were allowed premium on the non-schedule items. Premium on the market rate is not allowed, as the Finance Department allowed premium only on the CSR items. The premium so allowed on the Non CSR items put the public exchequer into a loss of Rs. 1.11 million.

33. Audit held that loss occurred due to extending undue favour to the contractor, financial mismanagement and violation of rules. Loss was pointed out in Jan, 2014. The management stated that detailed reply would be given later on.

34. The matter was discussed in the DAC meeting held in Oct, 2014. The representatives of PHA were not fully prepared; therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

35. The Department explained that the Tender/BOQ was based on the Scheduled & Non Scheduled items, the contractors offered their rates during competition, which were compared with the market rates and duly approved by competent authority i.e DG PHA as per delegation of power acceptance of tender i.e 10% above the Administrative approval cost. Moreover, the same rate has also been approved by PDWP in revised PC-I.

COMMITTEE RECOMMENDATIONS

36. After detailed discussion the Para was recommended to be settled, subject to verification of the tender document (BOQ). Progress be reported to PAC within a month.

DP No.11.4.6 UNAUTHORIZED AND DOUBTFUL ADVANCE PAYMENT TO KPHA-RS. 2.41 MILLION.

AUDIT VERSION

37. The Audit reported that according to Para 12 of the GFR Vol-1, a controlling officer must see not only that the total expenditure is kept within the authorized appropriation but also that funds allotted to the spending units are expended in the public interest and upon the object for which the money was provided.

38. During the financial year 2011-2013, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that an amount of Rs.2.41 million was drawn and shown paid to Pakhtunkhwa Highways Authority for laying pipeline along with road for the housing scheme at Nasapa Charsadda road Peshawar on the basis of a demand note submitted by the KPHA authority which includes the following items.

| | | |
|------|----------------------------|---------------|
| i. | Restoration charges | Rs. 15,25,713 |
| ii. | Departmental Charges | Rs. 6,86,287 |
| iii. | Lease money for five years | Rs. 2,00,000 |

39. It may be added that the detail of work carried out or to be carried out has not been provided and detail estimates thereof also not submitted for approval therefore, the payment was made without any work done or to be done. Similarly the legal provision of the departmental charges and lease money worth Rs. 8,86,287/- so demanded by KPHA and paid by PHA was also not provided thus the entire payment of Rs.2.41 million was unauthorized and doubtful.

40. Audit held that unauthorized and doubtful expenditure was due to financial indiscipline and violation of rules/orders. When pointed out in January 2014, the management stated that detailed reply would be given later on.

41. In the DAC meeting held in Oct, 2014, the representative of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

42. The Department explained that payment was made to Pakhtunkhwa Highways Authority as per demand amounting to Rs. 2.412 million and the physical work carried out i.e. (rectification of Asphalt work).

COMMITTEE RECOMMENDATIONS

43. After plausible explanation advanced by the Department the Committee recommended the Para to be settled.

DP No.11.4.7 IRREGULAR AWARD OF CONTRACT WORTH RS. 974 MILLION.

AUDIT VERSION

44. The Audit reported that according to condition (v) & (ix) of the NIT dated 28-11-2012 the prequalified bidders have to furnish 2% call deposit with the bid documents and that 10% security including 2 % earnest money will be deducted from the bidder.

45. During the financial year 2011-2013, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that the construction of flats and houses at civil quarters was awarded to M/s Kasteer, although at the time of award of contract the contractor has not submitted the earnest money in the shape of call deposit as required under the condition no (v) of the NIT. The contractor has submitted Bank guarantee of the amount equal to the earnest money in violation of the condition of the NIT which made the bid as void. Therefore the award of a contract worth Rs. 974 million was irregular.

46. Moreover the contractor was submitted Bank guarantee which was not retained till the completion of work and was released to the contractor which according to the rules was required to have been retained till the completion of work. Similarly 8% security from running bills of the contractor was deducted instead of 10 % as required, because 2% earnest money was not available as was released, which put the authority into a loss of Rs. 3.249 million (Rs.162.436 million paid up to 6/2013 x 2% = 3.249 million) which was required to have been deducted from the running bills of the contractor.

47. Audit held that the irregularities occurred due to extending undue benefits to the bidder and violation of condition of the NIT. The irregularity was pointed out in January 2014. The management replied that overall the process was done as per bidding documents. The reply was not convincing.

48. In the DAC meeting held in Oct 2014, the authority furnished the previous reply. DAC did not agree and directed to conduct an inquiry. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

49. The Department explained that as per clause IB-15 (Bid Security) of Contract document the earnest money can be submitted in shape of Call deposit or Bank guarantee. The 2% earnest money was released upon the production of performance Bond from AA Rating Company and the release was made in light of bidding document clause-15.5. Retention money @ 8% up to the limits of 5% has been taken as per contract agreement.

50. The Department further explained that the security at the rate of 5% of the tender cast was retained from the Contractor as per Pakistan Engineering Council instruction; moreover the clause regarding the retention of security money @ 5% was also provided in Notice Inviting Tender (NIT). However, the Secretary Housing Department admitted that there was some procedural lapse on the Part of Department which will be rectified in future.

COMMITTEE RECOMMENDATIONS

51. The Para was recommended to be settled with the direction to Secretary, Housing Department to conduct an inquiry into the matter of procedural lapses and fix responsibility against the person(s) at fault and also take disciplinary action under Efficiency & Discipline Rules, 2011. Progress be reported to PAC Cell within one month.

DP No.11.4.8 IRREGULAR AND UNAUTHORIZED INVESTMENT OF FUNDS RS. 40 MILLION.

AUDIT VERSION

52. The Audit reported that according to Accountant General Khyber Pakhtunkhwa instructions contained in letter No.T-15(71)/PLA/PHA/457-64 dated 29.12.2009 granting NOC for PLA “funds authorized by the Finance Department and Accountant General for the PLA shall not be transferred to current or saving account and

it shall not be permissible to draw the whole amount or part thereof and place it in a separate account at the treasury or a commercial bank”.

53. During the financial year 2012-13, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that an amount of Rs.40 million was drawn from the Salary Account No. 0010005838010015 of the PHA staff opened and maintained in the Allied Bank Limited vide Cheque No. 15987558 dated 24.04.2013 and invested in the Al Baraka Bank for one year at the markup rate of Rs. 9.50% per annum. The investment was irregular and unauthorized due to the following reasons.

- i. NOC for PLA authorized by the Finance Department and AG, violated by the authority.
- ii. The salary funds so drawn and invested did not meant for the investment.
- iii. Proper investment policy duly approved from the competent forum was not available.
- iv. Approval of the competent authority not available.
- v. Neither open tender system as required under the rules was adopted nor open competition amongst the bank for obtaining competitive and more favorable rates of mark-up/ profit was made.

54. Audit held that irregular and unauthorized investment of funds was due to financial mismanagement. The irregularity was pointed out in January 2014. The management stated that PHA has its own investment committee, who recommend rates to competent authority for investment.

55. In the DAC meeting held in Oct 2014, the representatives of the PHA were not fully prepared therefore; the Chairman of DAC directed them to come up with revised working papers and replies. No further progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

56. The Department advanced Para wise reply to the Audit observations, as under:-

- i. NOC for PLA was authorized by the Finance Department and Accountant General Office. However, the said investment was not related to PLA account.

- ii. Only the accumulated profit earned from various investments has been invested out of establishment account instead of salary account as per PHA Act 2005 Para 23 (4).
- iii. Proper investment Policy was approved from the competent forum which has been duly notified in the Government gazette.
- iv. Proper competition has been made amongst the various Banks /Financial Institutions to get maximum rate of return, keeping in view the instructions of Finance division (Budget Wing vide No. F4 (1) 2002-BR-ii.
- v. Approval of the competent authority was available.

COMMITTEE RECOMMENDATIONS

57. After detailed discussion the Committee recommended the Para to be settled subject to verification/confirmation of the Notification of investment Committee and its minutes by PAC Cell within a month positively.

DP No.11.4.9 EXCESS PAYMENT ON THE DE-NOTIFIED LAND OF MUSAZAI HOUSING SCHEME-RS.863.21 MILLION.

AUDIT VERSION

58. The Audit reported that according to Para 12 of GFR Vol-I, a controlling officer must see that total expenditure is kept within the limit of authorized appropriation and that funds allotted to spending units are expended in the public interest and upon the object for which the money was provided.

59 During the financial years 2011-2013, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that 9,122 Kanal land was acquired through private negotiation @ Rs.1,17,000/- per Kanal for the Musazai Housing Scheme and an amount of Rs. 863.21 million was drawn by the Land Acquisition Collector and shown paid to different land owners of the scheme.

60. It was added that the area for which the above payment was made, objected by the planning wing of PHA that the shape of the land was not correct and later on some area was de-notified and revised section-IV was issued for 5,943 kanal. Therefore the Land measuring 3,178 Kanal was excluded which was not required for the said Housing Scheme as such the payment of Rs. 863.206 million so made for the acquisition of that land was to be recovered. This resulted into an excess payment of

Rs.863.21 million to the owners whose land was de-notified. The main reason behind the above payment was hurry in payment and non observance of rules. When pointed out in January 2014, the management stated that detailed reply would be given later on.

61 In the DAC meeting held in Jan, 2014, the representatives of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

62. The Department explained that the total payment of Rs 86,20,06,450/- was made by the PHA, detailed reply of the audit observation was as under:-

63. Payment of Rs. 175.00 million was made to Muhammad Asif Khan out of total amount. The PHA purchased a piece of land measuring 152 kanal and 13-1/2 marla, hence the payment of Rs. 17.862 million stand justified, and due to de-notification of land for 1343 kanal and 1 marla the balance of Rs. 157.200 million recoverable from Muhammad Asif Khan was recovered by PHA from Muhammad Asif.

64. A piece of Land measuring 393 kanal 12-1/2 marla was purchased by PHA with a total cost of Rs. 46.054 million, thus leaving the balance amount of Rs. 20.852 million recoverable against Mr. Sher Khan, which has been recovered.

65. A total payment of Rs. 620.00 million was made to Mr. Fawad Ihsan for 5300 kanal. Out of 5300 kanal a piece of land measuring 513 kanal and 13 marla was de-notified with a total cost of Rs. 60.097 which is recoverable from Fawad Ihsan. Recovery notice was issued by PHA, but Mr. Fawad Ihsan got a stay order from Peshawar High Court.

COMMITTEE RECOMMENDATIONS

66. After detailed discussion and plausible explanation advanced by the Department, the Committee recommended the Para to be settled subject to verification of the re-deposited/adjusted amount by Audit within a month. Progress be reported to PAC Cell.

DP No11.4.10 UNAUTHENTIC PAYMENT OF SHAMILAT LAND RS. 140.50 MILLION.

AUDIT VERSION

67. The Audit reported that according to Para-12 of GFR Vol-I, a controlling officer must see that total expenditure is kept within the limit of authorized appropriation and that funds allotted to spending units are expended in the public interest and upon the object for which the money was provided.

68. During the financial year 2011-2013, in the office of Director General, Provincial Housing Authority Peshawar, it was noticed that 8,905 kanal and 10 Marla land was acquired through private negotiation for the Jalozai Housing Schemes and payments were made accordingly. However, it was noticed from the payment record that out of total acquired land 1,470 kanal and 8 Marlas land was consisting of Shamilat land for which payment was also made. It may be added that the ownership of the Shamilat land could not be determined as legal due to the reason that there is more than one owner, therefore, payment of the Shamilat land made to other than owner amounting to Rs.140.50 million could not be termed as authentic payment.

69. Main reason behind the unauthentic payment was undue favour to the recipients and non observance of rules on the subject. The unauthentic payment was pointed out in January, 2014. The management stated that detailed reply would be given later on.

70. In the DAC meeting held in Oct, 2014, the representative of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No progress was intimated till finalization of this report.

DEPARTMENTAL VERSION

71. The Department explained that the payment of Rs. 140.505 million for 1470 kanal & 08 marla was correct. The payment of 1470 kanal and 8 marlas was made to Land owner on Shamilat Kandi Tange Khel/Kandi Taga Khel (bemisal malkiat Malikan Mahaze) under which payment has been made on the basis of possession of the land. Moreover, Peshawar Engineering University as well as SDA also acquired land in said Mouza on the basis of the payment made on possession to the land owner.

72. It is pertinent to mention here that no Court case as well as a single complaint has not been received till date regarding payment of Shamilat land.

73. The Department further explained that the issue involved in subject Para was also under consideration of the NAB authority, who had also made some recovery.

COMMITTEE RECOMMENDATIONS

74. In view of the explanation advanced by the Department, the Committee directed the Department to pursue the case vigorously in the NAB/Court of Law. Para Stands, till the decision of NAB/Court of Law. Progress be reported to PAC Cell.

DP No11.4.11 NON PRODUCTION OF RECORD OF ACQUISITION OF LAND AND PAYMENT - RS. 600 MILLION.

AUDIT VERSION

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

76. During the financial year 2012-13, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that an amount of Rs. 600 million was drawn from the Assignment Account of the PHA vide Cheque No. 107928 dated 29.05.2012 and shown paid to the Land Acquisition Collector of the PHA on account of payment to land owners of the Nathiagali Housing Scheme. The relevant record of the acquisition of land and payment to the owners, as per following details, was demanded but not produced and it was stated that the relevant record was taken away by the NAB for their investigation which has not yet been returned. Therefore the record remained unaudited.

- i. Cash Book of receipt and expenditure.
- ii. Slip of deposit in Bank account.
- iii. Approval for the opening of Bank Account.
- iv. Statement of Bank accounts.
- v. Details of the payments made from the said account.

- vi. Counterfoils of used Cheque Books.
- vii. Total area of the land acquired.
- viii. Sketch of the PC-1 showing location of the land.
- ix. Acquisition of land.
- x. Detail of the total number of the owners.
- xi. Detail of the total payment made to the owners.
- xii. Commitments between the owners and the Department.
- xiii. Any other record.

77. Audit held that non production of record was due to weak internal control system because the copies of the relevant record were required to have been retained. Non-production of record was pointed out in January 2014. The management stated that the detailed reply would be given later on

78. In the DAC meeting held in Oct 2014, the representatives of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No further progress was intimated till finalization of this report.

79. Audit recommends to show to PAC the latest status of NAB investigation and the action taken by the authority.

DEPARTMENTAL VERSION

80. The Department explained that it was brought in to the notice of Audit party that the NAB authority had taken complete record of Nathia Gali Housing Scheme and an inquiry was in process with a full swing so they were unable to reply.

COMMITTEE OBSERVATIONS

81. The Committee observed that in such a like cases. The Departments were time and again directed to retain the attested copy of the record when the NAB Authority or Provincial Inspection team take possession of the record for conducting inquiry, but the Department miserably failed to comply with the directives/instructions of PAC. The

Committee further observed that the detail audit in respect of subject Para has not been conducted due to the non availability of requisite record.

COMMITTEE RECOMMENDATIONS

82 In view of the above Committee directed the Department to approach the NAB Authority in order to obtain the attested copies of the original record involved in draft Para, and provide the same to the Audit for conducting detail audit. Para Stands. Progress be reported to PAC Cell within a month.

IRRIGATION DEPARTMENT

OVERVIEW

Twenty Three (23) Draft Paras, reflected in the Auditor General's Report for the year 2015-16 against the Department, were examined by the Public Accounts Committee in its meeting held on 25th & 26th November, 2020. The following were present:-

PUBLIC ACCOUNTS COMMITTEE

- | | | |
|----|---|---|
| 1. | Mr. Muhammad Idrees Khan, MPA | Acting Chairman 1 st sitting |
| 2. | Arbab Muhammad Waseem Khan, MPA | Acting Chairman 2 nd sitting |
| 3. | Mr. Inayatullah Khan, MPA | Member |
| 4. | Mr. Aghaz Ikramullah Khan Gandapur, MPA | Member |
| 5. | Mr. Fazle-e-Shakoor Khan, MPA | Member |
| 6. | Mr. Ahmad Kundi, MPA | Member |

LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT

1. Mr. Izaz Ullah,
Deputy Secretary.
2. Mr. Pir Muhammad,
Deputy Secretary.

FINANCE DEPARTMENT

Mr. Shahrukh Ali,
Additional Secretary.

AUDIT DEPARTMENT

1. Mr. Lal Muhammad,
Director General.
2. Mr. Muhammad Qayyum,
Director.

3. Mrs. Zubda Mubashar,
Deputy Director.
4. Mr. Zain-ul-Abidin,
Deputy Director.
5. Mr. Khalid Zaman,
Audit Officer.
6. Mr. Shams-ul-Haq,
Audit Officer.

IRRIGATION DEPARTMENT

1. Mr. Wasil Khan,
Additional Secretary.
2. Sahibzada Shabir,
Chief Engineer.
3. Mr. Nasir Ghafoor Khan,
Chief Engineer (North).
4. Mr. Roohul Mohsin,
Superintending Engineer Swabi.
5. Mr. Tariq Ali Khan,
XEN, Swabi.
6. Mr. Muhammad Tahir,
XEN Flood, D.I.Khan.
7. Mr. Sami Ullah Kundi,
XCN, Peshawar.
8. Mr. Suleman Daud,
XCN, CRBC.
9. Mr. Javed Khattak,
XEN, Warsak.
10. Taimoor Zahaid,
XEN, Hazara.

PROVINCIAL ASSEMBLY SECRETARIAT

1. Mr. Amjad Ali,
Additional 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. 9.4.1 EMBEZZLEMENT IN ABIANA - Rs.2.01 MILLION.

AUDIT VERSION

3. 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.

4. During the financial year 2014-15, in the office of Peshawar Canal Division, Mr. Abdul Hakim Patwari collected Rs.2.01 million on account of Abiana from the farmers. In spite of repeated directions he did not deposit the same. Beside 18 fard baches were also missing hence recovery of Abiana and its deposit in Government treasury could not be ascertained.

5. Audit held that due to weak internal controls the Government revenue was embezzled which needs immediate recovery besides re-visiting the present mechanisms of Abiana collection to avoid such like embezzlements in future. Audit held that proper mechanism for monitoring of recovery did not exist in the Department. When pointed out in August 2015, the management replied that the accused Patwari was in Judicial Lock Up and the case is under investigation of Anti Corruption Department. Actual position of the case shall be ascertained on completion of the case. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report.

6. Audit recommends to investigate the matter, fix responsibility, recover the amount from the person(s) concerned beside evolving mechanism to avoid such type of cases in future.

DEPARTMENTAL VERSION

7. The Department explained that in contrary to the Audit contention, it was the effective internal control that the amount of Rs. 20,07,268/- had been determined as recovered amount of Abiana, collected from the water users by the accused Mr. Abdul

Hakeem, Patwari. As per decision of the DAC as well Pre-PAC inquiry has been conducted and as per decision in the inquiry report, an amount of Rs. 17,98,511/- has been worked out to be recovered from the Partwari. Accordingly the Competent Authority implemented the decision of the inquiry officer and started recovery of Rs. 7000/-per month, with effect from 01/03/2020.

PAC OBSERVATION

8. The Committee observed that the process of recovery of Rs. 17,98,511/- from the concerned Patwari will take too much time by deducting 7000/- per month from his salary.

PAC RECOMMENDATIONS

9. In view of the above, the Committee recommended to affect complete recovery from the concerned Patwari and its verification by Audit within two (02) years. The Department was further directed to streamline and strengthen its monitoring system to avoid such leakages in future. Para stands till complete recovery and its verification by Audit.

DP No. 9.4.2 MISAPPROPRIATION DUE TO DOUBTFUL PAYMENT TO CONTRACTOR WITHOUT WORK DONE-Rs. 30 MILLION.

AUDIT VERSION

10. The Audit reported that according to Para 209 of the CPWA Code, all payments of the work done are based on the quantities of the work recorded in the Measurement Book. It is incumbent upon the person taking the measurement to record the quantities clearly and accurately. He will also work out and record in the MB the figure for the contents of the area.

11. During the financial year 2014-15, in the office of Executive Engineer Flood Irrigation Division D.I.Khan, it was noticed that “Improvement and Extension of Guide Bund for protection of area between Guide Bund upto Spur No.1 of Dera Darya Khan Bridge” was awarded to M/s Khyber Grace Pvt Ltd with the estimated and tender cost of Rs. 578.67 million and Rs. 599.21 million respectively. The contractor

commenced the work on 01-01-2015 and Rs.30 million was paid vide Vr. No. 2/S-2 dated 14-05-2015 against the total work done of Rs.33.51 million recorded on the body of the bill and Rs. 45.14 million recorded in the verified IPC as well as in MB No 102. It was however observed that as per MB contractor has constructed two channels but during visit nothing was found available on site, except a few trolley stone lying scattered in between the road side and bank of river Indus. (That too was not seems to be the newly carried). It may be added that the payment so shown to have been made was not a genuine transaction and amount of Rs. 30 million was paid without any work done, and seems to have been misappropriated by the dealing hands.

12. On verification of the correspondence file and other relevant record it was found that soon after the commencement of work rather before the start of work the local office felt that there are certain discrepancies in the design and alignment of the work site which requires to be looked into resultantly the IRI Nandi Pur Punjab was contacted who made visits and suggested change in the alignment. The PC-I was under revision, however revised PC-I was not available. The payment so made seems to have been misappropriated as the scheme shown to have been abandoned since then with the orders of the Competent Authority. Misappropriation due to doubtful drawl and payment to contractor without work done occurred due to financial indiscipline, weak internal controls and non observance of rules and procedures. Misappropriation was pointed out in November 2015, wherein it was stated by the management that final reply will be furnished after verification of the relevant record.

13. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends that a high level inquiry Committee be constituted to investigate the matter, fix responsibility against the person(s) at fault for recovery of amount. The work was started in hasty manner without going into detail survey of the scheme from experts like IRI Nandi Pur. The scheme was reportedly based on the survey of M/s NESPAK which resulted in such huge wastage of money and misappropriation of public resources.

DEPARTMENTAL VERSION

14. The Department explained that:-

- i. The observation of Audit was based on presumption and intermingled irrelevant data to materialize the Para. Site visit mentioned by Audit was not on record, neither accompanied by concerned Officer/Official of Flood Division. Stone so referred has no relevancy, neither such stone was on record of any transaction and no payment has been made for the same.
- ii. The site visit referred by Audit may be limited to river side tour as the actual site of work was about 2-3 KM inside river and could not be accessible during ordinary river side walk by Audit, totally unknown to river enroots and not accompanied by any supervisory staff of either Consultants/Irrigation Department.
- iii. Such types of works in river/natural stream are preliminary work, comprising of temporary diversion works i/c channelization and erection Guide Bund are commenced prior to execution of main activity so as to provide working space for main activity for its actual execution on site.
- iv. Soon after commencement of preliminary work, I.R.I Nandipur was contacted. The experts visited all such works and concluded a report. Later on due to continue erosion of right side bank, high office remains engaged in deciding the alignment and ultimately revision of PC-I was decided. "According to TORs Page No.32-35 of Consultancy Agreement revision of PC-I was the responsibility of NESPAK as "Engineer" of the Project. Most recently, it was unanimously decided that a fresh model study will be conducted and as the basis of that model study revised PC-I will be prepared and work will be resumed accordingly. Under ADP 2016-17 & 2017-18, scheme is reflected as ongoing for fresh model study, a new scheme with ADP No.1355(130668) "Improvement/Extension of Guide Bund for protection of area between Guide Bund upto Spur No.1 Dera Darya Khan Bridge" has been reflected. The revised PC-I has been submitted for the purpose.
- v. On other hand, payment of Rs.30.00 (M) was made in accordance with codal formalities. The items paid were part of the PC-I, approved tender rates, technical sanction and IPC verified by NESPAK who were the "Engineer" of the scheme as per consultancy agreement. The site was inspected by Superintending Engineer (Headquarter) alongwith General Manager NESPAK and Nandi Pur experts. The inspection report and pictures were on record. IPC submitted by Contractor in January 2015, was verified by NESPAK in May 2015 after unanimous decision of the higher formation and NESPAK. Minutes of the meeting held under chairmanship of the Secretary Irrigation and Chief Engineer Irrigation Department were on record. Authorization of payment was also on record dated 14-05-2015.

- vi. Technical sanction was also granted vide Chief Engineer Irrigation Department No.2215/C3/Flood dated 09-04-2015 amounting to Rs.637.333(M). The work was properly executed and supervised by Consultants. The payment has been made after fulfillment of all codal formalities.
- vii. As explained above, there was no misappropriation rather payment so far made was in accordance with procedure.

PAC RECOMMENDATIONS

15. The Committee recommended the Para to be settled as the Department assured the Committee that the payment was made on actual work done after full-filling codal formalities.

DP No. 9.4.3 MISAPPROPRIATION DUE TO NON UTILIZATION OF DUMPED STONE-Rs. 23.07 MILLION.

AUDIT VERSION

16. The Audit reported that according to Paras 105, 106, 247 & 248 of the CPWA code regarding material at site account, all material received should be examined and counted and should be entered in MB. In all cases material issued to a work should as soon as received be brought to account and when material, are issued their cost treated as final charge or debited to suspense head material in account of work.

17. During the financial years 2013-15, in the office of Executive Engineer Flood Irrigation Division D.I.Khan, it was noticed that an amount of Rs.23.07 million was paid to various contractors for dumping of stone in different vicinities of the river Indus. It was a routine activity of the Department to procure and dump huge quantity of stones every year for throwing it into Indus River. However, the said quantities were neither taken on the material at site account nor the said accounts prepared. Therefore it could not be ascertained as to whether quantity procured was subsequently utilized or otherwise. It was therefore apprehended that the quantity was not utilized because of non availability of the requisite material at site account and the same or value thereof amounting to Rs.23.07 million seems to have been misappropriated by the dealing hands.

18. Audit held that the procured quantity of stone dumped at river bank was required to have been properly taken in the relevant material at site account for future

disposal but nothing in this regard has been done. Misappropriation of public money occurred due to non adherence to the provision of rules and weak internal controls.

19. When pointed out in November 2015, it was stated by the management that final reply will be furnished after verification of relevant record.

20. 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, fix responsibility and bring amicable and once for all solution of the issue.

DEPARTMENTAL VERSION

21. The Department explained that different spurs ,Guide bund and flood protection bunds was constructed on Right side of river Indus in order to safeguard Village Abadies, Agricultural land and D.I.Khan City etc: These structure was designed on basis of flexible apron made up of stone which was launched during flood season depending of river, morphology and discharge emergency flood fighting in flood season and restoration work in lean season was carried out as and when required according to actual site X-Section, approved PC-I and technical sanction and actual work done on site. The same procedure was adopted in the mentioned Spurs and Guide Bund.

22. Material at site account has no concern with that quantity of stone which was utilized by direct dumping into the river for restoration of apron as per design X-Section area and was considered as complete item as also mentioned and specified/explained in CSR-2008 chapter -19 at serial No.(4). As no stacking of stone at site has been made therefore there was no need of material at site account. Since no misappropriation was made and quantity so dumped was utilized.

PAC RECOMMENDATIONS

23. In view of the reply of the Department the Para was recommended to be settled subject to verification of approved PC-I, Technical Sanction (TS), Measurement Book (MB) and X-Section by Audit within a month time.

DP No. 9.4.4 LOSS DUE TO DUMPING OF STONE WITHOUT PROPER UTILIZATION-Rs.156.19 MILLION.

AUDIT VERSION

24. 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.

25. During the financial year 2013-14, in the office of XEN Flood Irrigation Division D.I.Khan, it was noticed that local office used to procure and dump huge quantity of stones every year for throwing into Indus River during flood season with the contention to protect local Abadies, Spurs and Guide Bund from destruction. The review of the monthly accounts from June 2009 to June 2015 (only six years) shows that stones valuing Rs.156.19 million was procured through various contractors, dumped on the river banks for further use. This state of affairs clearly depicts that the quantity would be 10 times more than shown in the statement because these pertains to one month per year based information. The recurring expenditure on yearly basis termed as recurring loss to the public exchequer on one hand while on the other it is not the final solution because during flood 2010 damages were again occurred.

26. Audit held that the procurement and use of stone is just the wastage of public resources and cannot be termed as the only solution to protect the locals from the flood. There might be more scientific systems and procedures and by adopting the same once for all the issue can be resolved. The issue was pointed out in November 2015. It was stated by the management that final reply would be furnished after verification of the relevant record.

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 that the matter needs to be looked into for amicable solution of the issue.

DEPARTMENTAL VERSION

28. The Department explained that:-

- i. River Indus enters D.I.Khan at Chashma Barrage and leaves at Rammak boundary Punjab 165 KM reach of sandy clay in a meandering way. Irrigation Department has constructed 45-Nos. Spurs /Guide Bund long right side of river Indus. According to river behavior, discharge pattern and silt load the unprecedented

flood of 2010 was safely passed in this reach not making even single casualty. Minor damages to these structures were occurred which was restored accordingly. Therefore looking into the utility of these structures which was saving the whole District from flood havoc. The expenditure on the structure was meager.

- ii. The stone dumping was needed either in flood season for emergency flood fighting or restoration of apron using lean period are carried out after proper approval of PC-I, technical sanction and work was done accordingly as per site requirement. The same procedure was adopted and can be verified.
- iii. Audit calculation of loss of Rs.156.187 (M) was based on presumption. All the works enlisted in Para stands administratively approved through PC-I. Accordingly technical sanction were obtained. The work was accordingly executed and paid.
- iv. Moreover, list contains new and repair works, thus intermingling the facts and figures for the sake of materializing Para.
- v. Repair/Restoration of any flood structure are never meant that in next floods these will not be damaged. Looking to flood behavior these were annually repaired.
- vi. There was no scientific system and procedure by adopting which the issue could be resolved, because river Indus has a scour depth of 100 ft. at this reach and could be controlled by the procedure so adopted.

PAC RECOMMENDATIONS

29. Due to plausible explanation advanced by the Department the Para was recommended to be settled.

DP No. 9.4.5 LOSS DUE TO CONSOLIDATION OF TWO ITEMS FROM CSR 2012- Rs. 80.90 MILLION.

AUDIT VERSION

30. 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.

31. During the financial year 2013-14, in the office of Executive Engineer, Peshawar Canal Irrigation Division Peshawar, it was noticed that Improvement and restoration of Bara River and revamping of Budni Nullah was awarded to different contractors. In the BOQ of the scheme as well as TS an item of work @ Rs. 151.08 pm³

on the basis of combination of two items of CSR 2012 was provided and accordingly paid, as per following details: -

| S.No. | CSR No. | Particular | Rate (Rs) |
|--------------|---------|--|------------------------------|
| 1. | 3-10-a | Earth excavation in irrigation channels/drains & disposal up to 25 m & dressing in ordinary soil | 105.10 pm ³ |
| 2. | 3-28 | Extra for wet earth work | 45.98 pm ³ |
| Total | | | 151.08 pm³ |

32. It may be added that the item at S. No. 1 was a complete and composite item of work provided in the CSR 2012 and fully covers the entire item of work of earth excavation duly dressed. The inclusion of an irrelevant item “extra for wet earth work” after dressing was neither relevant nor required at site because after carrying out the dressing in dry channel/ drains the adding of extra for wet was not possible. This clearly indicates that the inclusion and combination of an irrelevant rate of Rs. 45.98 pm³ meant extra for the wet earth work in the already completed rate of Rs. 105.10 Pm³ which was undue favour to the contractor and the Government was put to sustain a loss of Rs.80.90 million.

33. Loss occurred due to undue favour to the contractor and violation of provisions of CSR 2012. Loss was pointed out in Aug, 2014. The management stated that detailed reply would be submitted after consulting the record.

34. 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, fix responsibility and recover loss from the person(s) at fault.

DEPARTMENTAL VERSION

35. The Department explained that it was an established fact that the Budni Nullah was the main drainage surplus carrier to the rain/flood water and domestic as well

as commercial effluent of the north-west of Peshawar urban as well as sub-urban localities. Thus, its status remains perennial. The scope of the project where includes widening, also involves bed clearance, which is in flowing water and wet. Owing to the obvious reasons, the excavation item of work has duly been approved in the PC-1, BOQ and Technical Sanction.

36. By its name i.e., Bara River, it would be recognized that the channel was a perennial waterway and round the year, drainage surplus flows were carried by it. The instant project was conceived due to the river in area constriction due to encroachments and sedimentation, which had constricted the cross-sectional area, thus, unable to accommodate the flood flows. It merits mentioned here that during the monsoon season, the flood flows often overwhelmed the banks, causing inundation, erosion, damages to standing crops, public/private infrastructure.

37. Since, the planned restoration of the cross-sectional area of the river involved excavation mostly in the wet inner sections of the river, therefore, amalgamating the observed CSR items was essential. It was pertinent to mention here that the later observed item of work “Extra for wet work” has been incorporated in the CSR for such like requirement.

PAC OBSERVATION

38. The Committee observed that similar nature Draft Para No.13.4.4 for the year 2012-13 was referred to Inter Departmental Committee (IDC) and its report was required to be submitted to PAC within a month time but the same had not been received after the lapse of five (05) years.

39. If the report in question would have been finalized in time the current Draft Para would not have been framed.

PAC RECOMMENDATIONS

40. After detailed discussion the Committee constituted a Sub-Committee comprising the following to look into the issue(s) involved in the Paras and to resolve it once for all.

1. Mr. Muhammad Idrees Khan, MPA Chairman
2. Mr. Ahmad Kundi, MPA Member

41. The Sub-Committee will submit its report to PAC within a month time.

DP No. 9.4.6 LOSS DUE TO NON DEDUCTION OF VOID FROM EARTH WORK-Rs. 17.07 MILLION.

AUDIT VERSION

42. The Audit reported that according to clause 20 (b) of the contract agreement measurement of the earth work shall be solid measured of the borrow pits from which the material have been taken out and not resultant spill in which case no deduction shall be made. The measurement will be converted into solid measuring in accordance with following:-

1. Loose measurement = 0.50 to 0.60
2. Packed measurement = 0.67 to 0.89
3. Solid measurement = 1.00

43. During the financial year 2014-15, in the office of Executive Engineer Flood Irrigation Division D.I.Khan, it was noticed that various contractors were paid including payments on account of borrow pit excavation undressed lead upto 50 meter, extra for wet earth work and supply and dumping/stacking of stones at site. However, the deduction of voids was not made, despite the facts that in certain cases voids from the earth work was deducted and converted into solid. Non-deduction of voids resulted into loss of Rs.17.07 million to the public exchequer.

44. Audit held that quantities of work done were required to have been measured and allowed after applying multiplication factor for converting loose measurement into solid as required under the provision of rules and standard contract agreement of the Department which was not done. Lapse occurred due to non adherence to provision of rules and standard contract agreement of the Department. When pointed out in November 2015, it was stated by the management that final reply would be furnished after verification of the relevant record.

45. 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, fix responsibility and recover the loss from the person(s) concerned.

DEPARTMENTAL VERSION

46. The Department explained that the earth work has been converted into solid measurement which was clear from Measurement Book No.97 at Page No.14, 15, 25, 36, 60, 70, 82. 10% deduction already made by multiplying the earth work by 0.9.

PAC RECOMMENDATIONS

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

DP No. 9.4.7 LOSS DUE TO TWICE PAYMENT OF SILT CLEARANCE-Rs. 15.26 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 subordinates.

49. During the financial year 2013-14, in the office of Executive Engineer, Peshawar Canal Irrigation Division Peshawar, it was noticed that an amount of Rs.15.26 million was paid to contractors on account of silt clearance of the different RDs of Hazar Khani and Kabul River Canal in the KRC Sub Division of the local office. The record showed that tender was floated for the said work in Dec 2013.

50. Similar nature work was carried out in the same Sub Division on the basis of tender floated in the month of June 2013 for the same year 2013-14. The contractors executed agreement and started work in the same canals and they were accordingly paid @ 43% below. This indicates that in KRC Sub Division one work in the same RDs was carried out twice which resulted into loss of Rs.15.26 million. The record further revealed that in the first instance only excavation of silt was paid while in the second instance excavation alongwith transportation was paid. Audit held that in the first

instance the lower rate of the contractor was ignored due to extending favour to the contractor.

51. Loss occurred as the contractor quoted unreasonably lower rate and the local office extended undue favour to them. When pointed out in Aug, 2014, the management stated that detailed reply would be submitted after consulting the record.

52. 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, fix responsibility apart from recovery of the loss from the person(s) concerned.

DEPARTMENTAL VERSION

53. The Department explained that the observed four (04) number sub-works of the annual work plan, relating to the silt clearance of various canals, had been tendered separately as the estimated amount surpassed the work/amount limits of the AM&R contract. Similarly, the sub-works within the competence and amount of the AM&R contract were directed to be carried out through the already approved AM&R contractor(s). As, both the contracts/tenders were floated/received/approved, in two different time period and that the bidders, being at liberty to offer bids, cannot be compared for any financial implications.

54. Likewise, in the context of the silt clearance and its transportation, it was explicated that in order to economize the annual silt clearance, only the silt quantum exhumed within the canals urban stretches was allowed to be disposed off to a pre-ordained location outside the city/municipal limits. Similarly, the silt quantity excavated in the rural reaches was laid on the outer slopes of the canal. Moreover, this office has already requested the Director General Audit Department Khyber Pakhtunkhwa to depute an Audit officer for verification of record but no response has been received till date while all the original record was kept ready for verification.

PAC RECOMMENDATIONS

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

DP No. 9.4.8 LOSS DUE TO NON DEDUCTION OF INCOME TAX FROM THE CONTRACTORS-Rs. 15 MILLION.

AUDIT VERSION

56. The Audit reported that according to Income Tax Ordinance 1979 and Deputy Commissioner (IR) withholding zone Unit-II Regional Tax Office Peshawar Notification No. WHU-II/RTO/2014/28 dated 18-07-2014, Income Tax @ Rs. 7.5 % is recoverable from the contractor bills.

57. During the financial year 2014-15, in the office of Executive Engineer CRBC Irrigation Division D.I.Khan, it was noticed that an amount of Rs.400 million was paid to the Superintending Engineer/Project Director CRBC WAPDA D.I.Khan vide cheque No.A588129 dated 24-06-2015 on account of clearance of outstanding liabilities in lieu of O&M for the period from 10/2003 to 06/2015. The list provided by the quarter concerned was examined and it was found that it included payment to contractors on account of work done in different Canals, Disty and Minors etc. However income tax at the prescribed rate of Rs.7.5% amounting to Rs. 15 million (on 50 % amount) was not deducted from the bills of the contractors resulted into loss the stated extent. Non deduction of Income Tax occurred due to non adherence to the provision of rules and weak internal controls. Non-deduction of income tax was pointed out in October, 2015. The management stated that final reply would be furnished after consulting the relevant record.

58. 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, fix responsibility against the person(s) at fault and recover the income tax amount.

DEPARTMENTAL VERSION

59. The Department explained that since the amount of Rs.400.00 Million has been deposited to WAPDA against the incurred liabilities of WAPDA regarding O&M of CRBC (Main Canal) in pursuance to the O&M Cost Sharing agreement 2002. WAPDA has made payment to the Contractors against work done and accordingly the income tax

and other taxes have been deducted by WAPDA in each payment bill and had been reimbursed to the Government. Which has also been duly certified by the Superintending Engineer/P.D WAPDA CRBC Project D.I.Khan. Hence the deduction of taxes twice for the same amount was unjustified.

PAC RECOMMENDATIONS

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

DP No. 9.4.9 LOSS DUE TO NON RECOVERY OF COMPENSATION FOR DELAY-Rs. 6.04 MILLION.

AUDIT VERSION

61. The Audit reported that according to clause 2 of the contract agreement executed, the contractor shall pay compensation equal to 1 % of the estimated cost of the whole work as shown by the tender for every day that the work remained incomplete or unfinished.

62. During the financial year 2014-15, in the office of Executive Engineer Paharpur Irrigation Division D.I.Khan, it was noticed that “Modification and Improvement of Disty No. 2 from RD 3100-10500” was awarded to M/s Mushtari Shah with estimated tendered cost of Rs. 16.551 million with the completion period upto 30-06-2014. The contractor started the work on 10-01-2013 and was required to complete the work by target date of 30-06-2014, however the contractor failed to complete it in time. Payment of Rs.16.97 million was allowed upto 10th running bill vide Vr. No. 37 dated 23-06-2015 while in the progress report it was shown to have been finalized in June 2015 with the delay of one complete financial year. The contractor applied for extension on the plea that due to closure nature work which was incomplete by WAPDA CRBC the same work cannot be completed within stipulated time and extension was granted. Audit held that the work delayed by the contractor because of major portion of the work was carried out by the contractor in 2014-15 after the expiry of original time. In fact payment to WAPDA for carrying out work was also made during 2014-15, thus it can clearly be understood that the delay was on the part of contractor and that the grant of extension was irregular.

63. Audit held that the contractor was at fault and penalty @ 1% of the estimated cost for 365 days delay amounting to Rs.6.04 million ($\text{Rs.}16,550,600 \times 1\% = 16,550 \times 365 = 6,040,750$) was required to have been imposed and recovered which was not done. This resulted into loss of Rs.6.04 million to the public exchequer. Loss occurred due to non observance of rules, conditions of contract, and weak internal controls. Loss was pointed out in October, 2015. The management stated that detailed reply would be furnished after scrutiny and re-verification of record/data.

64. 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, fix responsibility and recover the amount from the concerned.

DEPARTMENTAL VERSION

65. The Department explained that the Chief Engineer who was the Head of the Department to granted extension in time for one year to Contractor vide his office No.3018/ C-3/Paharpur dated 15/05/2015 to complete the in hand work. The Chief Engineer was a competent authority to grant extension in time limit to Contractor recommended by the field staff. No irregularity has been occurred. During the meeting the Department further explained that due to non completion of work in one closure year it was stiffed to another closure year.

PAC RECOMMENDATIONS

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

DP No. 9.4.10 LOSS DUE TO ALLOWING LOOSE MEASUREMENT WITH LESS RECOVERY-Rs. 5.97 MILLION.

AUDIT VERSION

67. The Audit reported that according to clause 20 (b) of the contract agreement, measurement of the earth work shall be solid measured of the borrow pits from which the material have been taken out and not resultant spill in which case no

deduction shall be made. The measurement will be converted into solid measuring in accordance with following;

1. Loose measurement = 0.50 to 0.60
2. Packed measurement = 0.67 to 0.89
3. Solid measurement = 1.00

68. During the financial year 2014-15, in the office of Executive Engineer CRBC Irrigation Division D.I.Khan, it was noticed that Package-I & II of the Repair plugging of critical damaged section of Flood Carrier Channels (FCC) in D.I.Khan was awarded to Syed Mohsin Shah and Brothers Construction and were allowed payment vide Vr. No. 51 & 54 dated 26-06-2015. On detailed checking of MB No. 425 & 431 it was noticed that loose measurement of earth work was recorded and 0.90% deduction for compaction was deducted from the total measurement. It may be added that in the rate of the item of work compaction through animal roller was provided which could not be termed as solid measurement. According to the standard contract agreement as referred to above in case of loose measurement deduction factor @ 0.50 to 0.60 was required. If it was taken as only factor of 0.60 even than the contractors were allowed excess payment of Rs.5.97 million.

69. The lapse occurred due to non adherence to the rules of measurement of the work done and weak internal controls. Loss was pointed out in November 2015. The management stated that final reply would be furnished after verification of the relevant record.

70. 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, fix responsibility and recover the amount from concerned.

DEPARTMENTAL VERSION

71. The Department explained that in PWD Works Departments 0.9 factor (10% deduction) was applied to solid measurement of compacted earth as shrinkage factor. As evident from MB, the earthwork has been done to specified section and properly leveled, watered and dressed and compacted which cannot be termed as

loose measurement. Hence as per procedure 10 % deduction has rightly been made and depicted vide Page 188 of MB No.425 and Page 176 of MB No.431 which has also been admitted by Audit.

PAC RECOMMENDATIONS

72. In view of plausible explanation of the Department, the Para was recommended to be settled.

DP No. 9.4.11 LOSS DUE TO NON-RECOVERY OF COST OF AVAILABLE MATERIAL FROM CONTRACTOR-Rs. 2.26 MILLION.

AUDIT VERSION

73. 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 his subordinates.

74. During the financial year 2014-15, in the office of Executive Engineer Flood Irrigation Division D.I.Khan, it was noticed that an amount of Rs.42.26 million was paid to M/s Haji Aurang Zeb Khan contractor vide Vr. No. 33/S-1 dated 25-06-2015 on account of work done in the construction and improvement of Guide Bund Road District D.I.Khan. On detail verification of record it was found that the contractor was paid for the following item of works:-

- i. Dismantling bricks work for a quantity of 2010.53 cft @ Rs.20 pcft = 40211.
- ii. Excavation in foundation for a quantity of 103051.26 cft @ Rs.4 pcft=412205.

75. Audit held that both the bricks available from dismantling and excavated earth in foundation were required to have been re-used in the newly constructed wall and filling embankment of road which was not used. The non-use of material resulted into loss to the public exchequer as per following detail:-

- i. bricks work for a quantity of 2010.53 cft @ Rs.203 pcft = 4,08,138

- ii. filling material for a quantity of 103051.26 cft @ Rs.18 pcft =
18,54,923

Total Rs. 22,63,060

76. Loss occurred due to non recovery from contractor and weak internal controls. When pointed out in November 2015, it was stated by the management that final reply would be furnished after verification of the relevant record.

77. 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, fix responsibility and recover the amount from person(s) at fault.

DEPARTMENTAL VERSION

78. The Department explained that the bricks which were obtained from dismantling were just brick ballast or broken bricks, which were not fit for construction of wall same of the material including bricks were taken away by the parent Department as the old boundary wall was owned by them the Department also shown documents evidence in this regard hence, were not deducted. However, the excavated material from foundation has been used in filling of embankment.

PAC RECOMMENDATIONS

79. In view of plausible explanation of the Department duly supported by documentary evidence, the Para was recommended to be settled.

DP No. 9.4.12 UNAUTHORIZED PAYMENT WITHOUT ADMINISTRATIVE APPROVAL-Rs. 400 MILLION.

AUDIT VERSION

80. The Audit reported that according to Para 54 of CPWD Code read with SNo.6 of the second schedule, powers common to all Departments of Delegation of Powers Rules 2001, for every work it was necessary to obtain the concurrence of the competent authority of the Administrative Department requiring the work and that the Administrative Department with the departmental development working party has been empowered to grant administrative approval upto Rs.20.00 million.

81. During the financial year 2014-15, in the office of Executive Engineer CRBC Irrigation Division D.I.Khan, it was noticed that an amount of Rs.400 million was paid to the Superintending Engineer/Project Director CRBC WAPDA D.I.Khan vide cheque No. A588129 dated 24-06-2015 on account of clearance of outstanding liabilities in lieu of O&M for the period from 10/2003 to 06/2015. However the record showed that neither PC-1 of the scheme was approved nor Administrative Approval of the competent forum as required under the rules, was found to have been obtained. Thus the payment of Rs. 400 million so made to the Superintending Engineer/Project Director CRBC WAPDA D.I.Khan was unauthorized.

82. Audit held that payment was required to have been allowed after completing all codal requirements which in the instant case has not been completed. Unauthorized payment without Administrative Approval occurred due to non adherence to the provision of rules and weak internal controls. Unauthorized payment was pointed out in October, 2015. The management stated that final reply would be furnished after checking the relevant record.

83. 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 fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

84. The Department explained that the executive summary for the release of Rs. 400.00 million to WAPDA had been approved by the Chief Minister of the Province. The matter of the Administrative approval of PC-I for the said work was discussed in the DDWP meeting held on 30-08-2016 wherein it was decided that after approval of the Summary for a specific Project/work by the Chief Executive of the Province i.e Chief Minister, the separate approval of PC-I for that work was not required and it was decided to put the PC-1 in shelf.

PAC RECOMMENDATIONS

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

DP No. 9.4.13 UNAUTHORIZED ADVANCE PAYMENT WITHOUT ACTUAL WORK DONE-Rs. 108.83 MILLION.

AUDIT VERSION

86. The Audit reported that according to Para 228 of CPWA Code, advances to contractors are as a rule prohibited, and every endeavor should be made to maintain a system under which no payments are made except for work actually done. Exceptions are, however, permitted in cases in which a contractor, whose contract is for finished work, requires an advance on the security of materials brought to site.

87. During the financial year 2014-15, in the office of Executive Engineer CRBC Irrigation Division D.I.Khan, it was noticed that an amount of Rs. 400 million was paid to the Superintending Engineer/ Project Director CRBC WAPDA D.I.Khan vide cheque No. A588129 dated 24-06-2015. The amount includes Rs.291.17 million paid as outstanding liabilities while Rs. 108.833 million as advance without actual work done. Payment was made after obtaining approval of the Chief Minister Khyber Pakhtunkhwa through a summary where in it was clearly mentioned in Para 7 (i) that approval of Rs.400 million under O&M allocation was accorded to clear the incurred liabilities of WAPDA on CRB main canal since 2001-02 to 30-06-2015. Therefore the advance payment without work done was not covered under the rules and termed as unauthorized payment to the stated extent.

88. Audit held that advance payment was required to have been allowed after obtaining the proper approval of the competent forum which in the instant case was not obtained.

89. Unauthorized advance payment occurred due to non adherence to the provision of rules and weak internal controls. Unauthorized payment was pointed out in October, 2015. The management stated that final reply would be furnished after checking the relevant record.

90. 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 fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

91. The Department explained that the Audit party has misinterpreted the Para 7 (i) of the approved summary by the Chief Minister Khyber Pakhtunkhwa, which was reproduced as under. -

“Para-7. In order to facilitate this Department to clear the accumulated liabilities of WAPDA and also to cater for future O&M contribution of the Khyber Pakhtunkhwa Province, the following is proposed:-

- i. Approval of Rs.400 (M) under O&M allocation of Irrigation Department over and above its existing allocation for current financial year 2014-15 to clear the Khyber Pakhtunkhwa share of incurred liabilities of WAPDA on CRB Main Canal since 2001-02 to 31-10-2014 and subsequent contribution till 30-06-2015.

92. It was clearly indicated that Rs.400 (M) includes the clearance for liabilities of WAPDA for the period from 2001-02 to 31-10-2014 and to cater for future contribution of Khyber Pakhtunkhwa Province.

PAC OBSERVATION

93. The Committee observed that the WAPDA shall work out the O&M costs of CRBC to be borne by each Province and the O&M cost of the CRBC in Punjab. WAPDA will submit O&M cost estimates and plans to the Provinces for approval well in time. Details of O&M cost estimate should be prepared on yardstick approved by the Province.

PAC RECOMMENDATIONS

94. As the amount involved in the Para was already approved by the Chief Minister of Khyber Pakhtunkhwa through summary the Para was therefore recommended to be settled with the direction to the Department to proceed strictly as per contract agreement executed for sharing O&M costs for CRBC.

DP No. 9.4.14 UNAUTHORIZED EXCESS OVER THE BID COST-Rs. 10.25 MILLION.

AUDIT VERSION

95. The Audit reported that according to letter No.4717-18/IB/WC/426 dated 12-12-2012 issued by the Chief Engineer Irrigation Khyber Pakhtunkhwa, no excess over

and above the approved aggregating amount of Rs.19.17 million may be incurred. The premium may not be utilized and the saving may be surrendered.

96. During the financial year 2013-14, in the office of Executive Engineer, Peshawar Canal Irrigation Division Peshawar, it was noticed that “construction of Canal Petrol road along augmentation channel of Chilla Nullah from GT road to Aman kot” was put to tender with the estimated cost of Rs. 27.78 million. The contract was awarded to Haji Khan Rahim Government contractor @ 31 % below the CSR 2012 vide work order dated 18.12.2013 having bid cost of Rs.19.17 million duly approved by the competent authority. The record showed that the contractor executed work valuing Rs.42.64 million and was paid Rs.29.42 million @ 31.5% below, meaning thereby that the contractor was allowed a payment of Rs.10.25 million in excess of the bid cost despite the fact that it was clearly mentioned in the letter of approval by the Chief Engineer that no excess over the approved bid cost be allowed and the premium may not be utilized and the saving may be surrendered. Therefore the payment in excess of the bid cost amounting to Rs.10.25 million was unauthorized and termed as excess payment to the stated extent.

97. Audit held that the payment required to have been restricted to the bid cost which was not done and the contractor was allowed excess payment. Unauthorized excess payment occurred due to non adherence to the directives of the high ups. When pointed out in August, 2014, the management stated that detailed reply would be submitted after consulting the record.

98. 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, fix responsibility and recover the unauthorized excess payment allowed to the contractor.

DEPARTMENTAL VERSION

99. The Department explained that during the execution of the scheme it transpired that the scope of work was much higher than the initial estimation. In this regard, the detailed estimate based on in-depth investigations was prepared, which was technically sanctioned by the competent authority to a cost of Rs. 29.424 million vide Chief Engineer (South) Irrigation Department, Peshawar, letter No.7443-44/ IB/WC,

dated 09-05-2013, wherein, the excess quantities than the BOQ have been covered. Since, the approved contractor consented to the enhanced scope with the same premium (31% below) therefore, execution of the additional scope of work was much more economical.

100. Moreover, this office has already requested the Director General Audit Department Khyber Pakhtunkhwa Peshawar vide this office letter No. 2529/25-A (i), dated 31-08-2018 & No. 3405/25-A (i), dated 23-11-2018 and No. 1970/25-A dated 28/11/2019 to depute an Audit officer for verification of record but no response has been received till date while all the original record was kept ready for verification.

PAC OBSERVATION

101. The Committee observed that work was enhanced abnormally which clearly shows poor planning on part of the Department.

PAC RECOMMENDATIONS

102. In view of the explanation of the Department the Para was recommended to be settled subject to verification of original & revised Technical Sanction (T.S), relevant Rules on the subject and letter of the Chief Engineer on which the Audit Para was based.

DP No. 9.4.15 UN-AUTHORIZED PAYMENT TO CONTRACTOR-Rs. 5.18 MILLION.

AUDIT VERSION

103. The Audit reported that according to Paras 209 and 221 of the CPWA Code all payments of the work done are based on the quantities of the work recorded in the Measurement Book. It was incumbent upon the person taking the measurement to record the quantities clearly and accurately. He would 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 MB and see that all the rates are correctly entered and that all calculations, have been checked arithmetically.

104. During the financial year 2014-15, in the office of Executive Engineer Flood Irrigation Division D.I.Khan for the financial year 2014-15 it was noticed that M/S Haji Pasham Khan and Co. was paid an amount of Rs.69.40 million vide voucher No.27/S-1 dated 25-06-2015. The amount includes Rs.5.18 million allowed for Borrow

pit excavation undressed lead upto 50 meter for a quantity of 630939.70 cft @ Rs.8.22 per cft. On further verification of MB and PC-1 of the scheme, it was found that on page No.65 to 69 of MB No.101, the item of work was shown to have been carried out over main Spur and its channelization. However, the PC-1 of the scheme did not have any provision for the said items over main Spur or its channelization. Therefore the item of work so shown to have been carried over main Spur and its channelization was unauthorized as not covered in the PC-1. Similarly, the payment of Rs. 5.18 million so paid to the contractor was unauthorized.

105. Audit held that quantities of work done were required to have been according to the PC-1 duly approved by the competent forum which was not done. Lapse occurred due to non adherence to provision of PC-1. Unauthorized payment was pointed out in November 2015. It was stated by the management that final reply would be furnished after verification of the relevant record.

106. 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, fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

107. The Department explained that presumption of Audit was not valid as work component was included in the PC-I as well as in the detail cost estimate duly sanctioned by competent authority. According to the consultancy agreement, Consultants NESPAK was the “Engineer” of the work. The work executed by the Contractor was submitted to NESPAK Consultants for verification in capacity of “Engineer” and after verification, same was only recorded in measurement book and payment was released through voucher. Each every X-Section was verified by the “NESPAK” in capacity of “Engineer” and as per TORs, Department released the amount in accordance with verified IPC which was according to technical sanction. Such preliminary temporary works were pre-requisite for execution of the main activity Spur in this case. These preliminary works include channelization/development of creek and erection of earthen bunds to divert the flow away from activity and to provide working space.

PAC RECOMMENDATIONS

108. The explanation advanced by the Department being plausible and duly endorsed by Audit was accepted and the Para was recommended to be settled.

DP No. 9.4.16 IRREGULAR PAYMENT WITHOUT OBTAINING DETAIL ACCOUNTS -Rs. 150 MILLION.

AUDIT VERSION

109. 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.

110. During the financial year 2014-15, the accounts record of Executive Engineer Paharpur Irrigation Division D.I.Khan revealed that an amount of Rs. 150 million was paid to Addl: Superintendent-1 (O & M) CRBC Project WAPDA, D.I.Khan on account of rectification work of the head regulator gates of link feeder No. 4 and Disty No. 2 to be carried out by the CRBC WAPDA authorities. The record showed that neither Technically Sanctioned Estimate of the work were available with the demand nor detailed account in the shape of paid vouchers was provided by the quarter concerned. In absence of the same the authenticity of the expenditure could not be ascertained. Thus the expenditure was irregular and unauthentic.

111. Audit held that payment was required to have been allowed after obtaining the detailed Technically Sanctioned Estimate of the work from quarter concerned followed by the detailed disbursed account of the payment. Both the activities were not fulfilled therefore the payment was irregular and unauthentic.

112. Lapse occurred due to non adherence to the rules on the subject and weak internal control. The irregular payment was pointed out in October, 2105. The management stated that detailed reply would be furnished after scrutiny and re-verification of record.

113. 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, fix responsibility and initiate appropriate action against the person at fault.

DEPARTMENTAL VERSION

114. The Department explained that the CRBC WAPDA was a separate organization and they were responsible to implement the project on their own procedure, relating to main C.R.B.C. Canal and its allied structure. The Department deposited funds in their account and they utilized funds under agreements O&M cost sharing formula in 2003 between WAPDA, Government of Khyber Pakhtunkhwa and Government of Punjab.

115. During the meeting the Department further explained that the amount involved in the Para was Rs.15 million and not Rs.150 million.

116. Moreover, the work was performed at the head regulators gates of link Feeder-4 and Disty No.2 by WAPDA authorities. Head regulators at both places were required to be re-modeled through WAPDA therefore the payment was made.

PAC RECOMMENDATIONS

117. In view of convincing reply of the Department, the Para was recommended to be settled.

DP No. 9.4.17 IRREGULAR AND DOUBTFUL PAYMENT ON PRESUMPTIVE MEASUREMENT OF WORK DONE-Rs. 25.18 MILLION.

AUDIT VERSION

118. The Audit reported that according to Paras 209 and 221 of the CPWA code all payments of the work done are based on the quantities of the work recorded in the measurement book. It 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 MB and see that all the rates are correctly entered and that all calculations, have been checked arithmetically.

119. During the financial years 2013-2015, in the office of Executive Engineer Flood Irrigation Division D.I.Khan, it was noticed that an amount of Rs. 44.77 million was paid to M/s Haji Pasham Khan contractor against the total work done of Rs. 69.398 million up to 4th running bill allowed vide Vr. No. 27/ S-1 dated 25-06-2015 for the work

“Extension and improvement of spur No. 18 on the right side of the Indus river in district D.I.Khan” under ADP-1127. The detail verification of page 94 to 100 of MB 101 it was found that the amount of Rs. 25.18 million so included in the measurement sheet since previous was not the actual work done of the contractor but quantity of work done was shown taken as per IPC 2. It clearly means that these quantities were taken presumptively from the IPC 2 of the contractor verified by the consultant and actual measurement of the work done has not been taken/recorded in MB by the concerned Sub Engineer. The payment of Rs.25.18 million on presumptive measurement thus was allowed and was held irregular and doubtful. Audit held that quantities of work done were required to be taken on spot in the MB which was not done.

120. Lapse occurred due to non adherence to rules on the subject and weak internal controls. When pointed out in November 2015, it was stated by the management that final reply will be furnished after verification of relevant record.

121. 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, fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

122. The Department explained that:-

- i. Presumption of Audit was not valid as audit seems conferred with in hand execution through Consultant (NESPAK) as “Engineer” of the project and stereotype execution under supervision of the Department as “Engineer”.
- ii. According to procedure “NESPAK” Consultants are the Engineer of the project as per consultancy agreement and its scope of TORs are very clear.
- iii. IPC submitted by contractor on the basis of actual work done was checked and verified by the Consultants (NESPAK) as “Engineer” and then same IPC is passed to the department for release of payment of Consultancy agreement. MB No.101 exactly reflect the same and brought forward the quantities already verified under IPC #2 but was a fact that these IPCs are based on actual measurement of the work done and field formation of Executive Engineer Flood Division/remain fully associated with these verification.

PAC RECOMMENDATIONS

123. The Para was recommended to be settled subject to verification of Measurement Book & Final Payment Certificate by Audit within a month time.

DP No. 9.4.18 IRREGULAR AND WASTEFUL PAYMENT TO CONSULTANT- Rs.13.43 MILLION.

AUDIT VERSION

124. The Audit reported that according to Appendix A&B of the Contract Agreement executed with Consultant M/s NESPAK have the responsibility to carry out Survey, Prepare Design, PC-1, Construction Design, Periodic review, Supervise the construction activities and check all structural component and general lay out of the project including recommendation regarding source of appropriate construction material, coordinate between contractor and employer to monitor all tests of material to provide technical assistance, to certify interims payment bills of contractor etc and to provide indemnity bond to the effect that firm will be responsible for defect and design or quality of work supervised by the firm.

125. During the financial year 2014-15, in the office of Executive Engineer Flood Irrigation Division D.I.Khan, it was noticed that Consultancy and Supervision of four construction work at D.I.Khan and one at Kohat was awarded to M/s NESPAK including the project "Improvement and Extension of Guide Bund for protection of area between Guide Bund upto Spur No.1 of Dera Darya Khan Bridge" for which Rs.13.43 million was paid. The consultant verified an IPC of the said work of the contractor and the contractor was paid Rs.30 million but the work was declared not upto the mark by the Nandi Pur authorities due to weak Supervisory and Engineering controls. It may be added that the payment so made was for transaction without any field activity by the consultant.

126. Audit held that the Consultant has neither performed his contractual obligations nor performed his professional duty thus he was deserved not to pay any remuneration at all. The payment of Rs.13.43 million so allowed to the Consultant was irregular and wastage of public resources. Wasteful expenditure was pointed out in November 2015, where in it was stated by the management that final reply would be furnished after verification of the relevant record.

127. Audit requested the Department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of the report. Audit recommends that a high level inquiry committee be constituted to investigate the matter for fixing responsibility.

DEPARTMENTAL VERSION

128. The Department explained that Audit observations are totally based on presumptions as:-

- a) Consultancy agreement clearly declares “Consultants” as Engineer according to scope of work and TOR’s.
- b) Consultancy agreement was for following works:-
 - i. Construction/Improvement of Guide Bund Road District D.I.Khan.
 - ii. Extension & Improvement of Spur No.18 on R/B of Indus River District D.I.Khan.
 - iii. Construction of Mole Head Guide Bund RD-0, D.I.Khan “Scheme New” Name (Improvement/Extension of Guide Bund for Protection of Area between Guide Bund upto Spur No.1 Dera Darya Khan Bridge).
 - iv. Metalling of Road along Disty No.20, CRBC, D.I.Khan.
 - v. Construction of New Minor from Irrigation Channel of Chanda Fateh Khan Dam Kohat.
- c) Payment to Consultants was made on the basis of invoice in light of agreement and was accordingly paid.
- d) As for as Audit observation about authenticity of work that Consultants verified through IPC of Rs.30.00 (M), it was stated that Audit was totally wrong and disfigured the facts without any verification of record as:-
 - i. There was no declaration of Nandipur authorities who claimed work that it was not up to mark.
 - ii. Work portion executed was only of temporary diversion nature comprises of development of creek and erection of bund as per PC-I and recommendation of Nandipur Model Study as per its tour note.
 - iii. Same work was executed under the supervision of Consultants (NESPAK) as per consultancy agreement.
 - iv. Payment of IPC amounting to Rs.30 (M) was made after series of high level meeting at the level of Secretary Irrigation department

Khyber Pakhtunkhwa and Chief Engineer Irrigation Department on 22-04-2015. A field visit of Superintending Engineer (Headquarter) was also conducted during work execution on 29-04-2015 and report is annexed along minutes of these above cited meeting.

- v. Accordingly payment for Rs.30.00 (M) was made after verification of IPC from NESPAK and obtaining authorization of the Chief Engineer Irrigation Department.

129. From the foregoing, it was clear that no irregular and wasteful expenditure has been made and Para was based only on presumption.

130. The Department further explained that two (02) inquiries by the Department and Provincial Inspection Team (PIT) had been conducted into the issue and recommendations of both inquiries were that the loss was not due the consultant.

PAC RECOMMENDATIONS

131. After detail discussion the Para was referred to a Sub-Committee already constituted vide Draft Para No. 9.4.5 for resolving the issue of defective Consultancy once for all.

- i. The Sub-Committee will also examine both the inquiries conducted by PIT and The Department and.
- ii. The agreement executed with the consultant to make it according to the rules and regulation and to include penal clause in the agreement, which would be a role model agreement for the future.

DP No. 9.4.19 IRREGULAR AND UNAUTHENTIC EXPENDITURE ON PURCHASE OF MACHINERY-Rs. 2.87 MILLION.

AUDIT VERSION

132. The Audit reported that according to Para 209 of the CPWA 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.

133. During the financial year 2013-14, the accounts record of Executive Engineer Paharpur Irrigation Division D.I.Khan, revealed that suppliers were allowed payments of Rs.2.87 million for “Supply and installation of pumping machinery” for

Tube Wells. However neither the installation of machinery was shown nor stock register was available from where it could be ascertained that the supplied pumping machinery was installed and functioning. Therefore the expenditure was irregular and unauthentic. Furthermore, the paid bills of the supplier were also not available therefore it could not be ascertained that the machinery in question was installed or otherwise. Neither PC-IV was available nor any proof provided to audit. The Expenditure was thus irregular and unauthentic.

134. Audit held that payment was required to have been made after proper installation of machinery which was not done. The lapse occurred due to non adherence to the provisions/rules on the subject, and weak internal controls. The irregularity was pointed out in October, 2015. The management replied that detailed reply will be furnished after scrutiny and re-verification of record/data.

135. 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, fix responsibility against the person(s) at fault.

DEPARTMENTAL VERSION

136. The Department explained that the Feasibility and Drilling Bore was completed and ready for installation of pumping machinery, riser pipe, TOP pipe delivery pipes, sluice valve, non-return valves gas kit, nuts bolts clamps etc. which was installed directly to operate the Tube Well. No need to take on stock register.

PAC RECOMMENDATIONS

137. Due to plausible explanation by the Department, the Para was recommended to be settled subject to verification of Measurement Book.

DP No. 9.4.20 UNAUTHENTIC PAYMENT TO THE PESCO AS ARREAR-Rs. 53.73 MILLION.

AUDIT VERSION

138. 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.

139. During the financial year 2013-14, in the office of Executive Engineer Warsak Canal Irrigation Division Peshawar, it was noticed that an amount of Rs.53.73 million was paid to the PESCO authorities on account of arrear of electricity charges of the pump house at Jamrud despite the fact that the dues were regularly paid during the year. Furthermore, the bills paid during the period from July 2013 to May 2014 shows that an amount of Rs.12.09 million was paid to PESCO in excess of the dues printed in the computerized bill of the pump house. The arrear bills was handwritten without any detail of consumption or price of electricity consumed, therefore the payment was unauthorized.

140. Audit held that the dues were required to have been paid according to actual arrears of the electricity consumption and actual amount pending payable which was not done. Unauthentic and excess payment to PESCO was made due to non adherence to the actual pendency of the dues recorded on the body of the bills. When pointed out in July, 2014, the management stated that detailed reply would be submitted after consulting the record.

141. 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 fix responsibility and recovery/adjustment of the amount from the PESCO after proper reconciliation with them. Detailed study/verification to be carried out also in other irrigation divisions.

DEPARTMENTAL VERSION

142. The Department explained that as pointed out by Audit, bills paid during the period from July 2013 to May 2014 shows no excess has been made to PESCO. Payment has been made on bills duly signed by PESCO authorities and also reconciled from July 2013 to May 2014 with PESCO authorities.

PAC RECOMMENDATIONS

143. The explanation of the Department was accepted, original bills verified during the meeting Para was therefore recommended to be settled.

DP No. 9.4.21 EXCESS PAYMENT BEYOND THE PERIOD OF AGREEMENT- Rs. 7.62 MILLION.

AUDIT VERSION

144. The Audit reported that According to S. No. 02 of the agreement on sharing of O&M cost for Chashma Right Bank Irrigation Project, executed between the WAPDA and Government Khyber Pakhtunkhwa, the date of application of the formula would be reckoned from December 2013. i.e on the expiry of one year test running period.

145. During the financial year 2014-15, in the office of Executive Engineer CRBC Irrigation Division D.I.Khan, it was noticed that an amount of Rs.400 million was paid to the SE/ PD CRBC WAPDA D.I.Khan vide cheque No. A588129 dated 24-06-2015 on account of clearance of outstanding liabilities in lieu of O&M for the period from 10/2003 to 06/2015. The payment includes liabilities amounting to Rs.7.62 million for the period, prior to the period specified in the agreement. This resulted in excess payment of Rs. 7.62 million.

146. Audit held that payment was required to have been allowed for the period as provided in the agreement which in the instant case has not been done. Excess payment occurred due to non adherence to the provision of clauses of agreement and weak internal controls. Excess payment was pointed out in October, 2015. The management stated that final reply would be furnished after checking the relevant record.

147. 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, fix responsibility against the person(s) at fault and recover the excess payment.

DEPARTMENTAL VERSION

148. The Department explained that the cost sharing Agreement between WAPDA and Government of Khyber Pakhtunkhwa signed in May, 2002 mentions that this agreement would be reckoned from December, 2003 but before this agreement the cost sharing agreement on 50:50 basis by both the provinces were present since 2001-02 as elaborated in the Acting Member (Water) letter to the worthy Chief Secretary to the ten Government of NWFP vide No.DCN/172/2002/06-10 dated 01-01-2002 and No.DCN/172/2002/216-18 dated 06-03-2002 which narrates that stage I was completed in 1986 and stage II was completed in 1992. So since their completion irrigation was started to about 100 % CCA under CRBC Division. Which further narrates that “Long term cost sharing formula for O&M of CRBIP was agreed between Punjab and NWFP after hectic efforts in a meeting held in Ministry of Water & Power on 15-01-2001. So this formula was agreed and understood on table talks and in written correspondence as shown above but later on it was formally drafted with insertion of some other clauses.

PAC OBSERVATION

149. The Committee observed that same Para was previously reported in the Auditor General Report for the year 2004-05 in the shape of Draft Para No.10.6 which was twice discussed in the meetings of PAC held on 16-04-2009 and 21-09-2019 and was settled.

PAC RECOMMENDATIONS

150. In view of the above, the Para was recommended to be settled with the direction to the Audit to avoid duplication in future.

DP No. 9.4.22 NON-DEPOSIT OF UNSPENT BALANCES INTO GOVERNMENT REVENUE-Rs.4.46 MILLION.

AUDIT VERSION

151. The Audit reported that according to Para 399 of CPWA Code read with Para 95 of GFR Vol-I, P.W Deposits, unclaimed for more than 03 complete accounts year should be forfeited in favour of the Government. Unspent funds are to be deposited into Government treasury.

152. During the financial year 2014-15, in the office of Executive Engineer Hazara Irrigation Division Abbottabad, it was observed from the review of PW Deposit-II Register that un-claimed Security Deposits of Rs.4.46 million were lying since September, 2003 to November, 2011. These unspent balances pertain to the deposit works which have since been completed and closed. These balances were either required to have been returned to the concerned Departments/Agencies or credited into Government revenue as lapsed deposit soon after completion of the respective works. The un-necessary retention of the amount is against the spirit of financial rule. When pointed out in August 2015, the management stated that reply will be given later on.

153. 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 deposit the unspent balance into government revenue.

DEPARTMENTAL VERSION

154. The Department explained that detail of unclaimed amount lying in Deposit amounting to Rs. 4.460 Million as pointed out by Audit was given as under:-

- | | | |
|------|---|-------------------|
| i. | Amount credit in Deposit-II vide | Rs. 3.211 Million |
| ii. | Amount credit in Deposit-III | Rs. 0.131 Million |
| iii. | Amount credit in Deposit-V | Rs. 0.178 Million |
| iv. | Amount Paid to information Department form Deposit –III as their liabilities. | |

Total Rs. 4.460 Million

PAC RECOMMENDATIONS

155. Due to the absence of Chief Engineer (South) discussion on the Para was deferred and Draft Para was referred to Sub-Committee already constitution vide Draft Para No. 9.4.5 for examination in the presence of the concerned Chief Engineer (South).

DP No. 9.4.23 FAKE AND DOUBTFUL EXPENDITURE ON SILT CLEARANCE- Rs.45.27 MILLION.

AUDIT VERSION

156. The Audit reported that according to Paras 209 and 221 of the CPWA 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.

157. During the financial year 2013-14, in the office of Executive Engineer, Peshawar Canal Irrigation Division Peshawar, it was noticed that an amount of Rs.45.27 million was paid to contractors on account of silt clearance of the different drains under ADP scheme No. 481. The scrutiny of the relevant record showed that all silt clearance was carried out in the months of April and May 2014 wherein water was in full swing in the Canals, Drains and all other Channels. The regular silt clearance season ends upto 31st January every year. It was therefore apprehended that the payment on account of silt clearance in the month of April and May 2014 was just the utilization of the provision of ADP. The expenditure of Rs.45.27 million so incurred was doubtful. Doubtful expenditure occurred due to violation of rules and undue favor to contractors. When pointed out in August 2014, the management stated that detailed reply would be submitted after consulting the record.

158. 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, fix responsibility apart from recovery of the loss from person(s) at fault.

DEPARTMENTAL VERSION

159. The Department explained that although the silt clearance of the canals was carried out during the “closure period” of canals devised in view of the weather/season and crop water requirement. Moreover, the waterways are controlled through head regulators and other operational controlled points. However, the drains are uncontrolled as the seepage and other inflow was perpetual, hence, there was no “closure period” and these were maintained/cleared during flow conditions. Moreover, this office has already requested the Director General Audit Department Khyber Pakhtunkhwa, Peshawar vide this office letter No. 2529/25-A (i), dated 31-08-2018 & No. 3405/25-A (i), dated 23-11-2018 and No. 1970/25-A dated 28/11/2019 to depute an Audit officer for

verification of record but no response has been received till date while all the original record was kept ready for verification.

PAC RECOMMENDATIONS

160. Reply of the Department was accepted and the Para was recommended to be settled.

REPORTS OF SUB-COMMITTEES

The following Six (06) Reports of the Sub-Committees were placed before the PAC which were examined and adopted by the Committee unanimously. Details of the Reports are as under:-

I. REPORT OF SUB-COMMITTEE NO.3 OF PAC ON THE ACCOUNT OF GOVERNMENT OF KHYBER PAKHTUNKHWA PERTAINING TO HEALTH DEPARTMENT (2012-13)

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 1st September, 2015 at 10:00 a.m while examining Draft Paras No.10.4.2 and 10.4.4 for the year 2012-13 pertaining to Health Department a Sub-Committee was constituted vide Notification No.PA/KP/PAC/SC-3/2012-13/15/6317 dated 17-09-2015 comprising the following members.

- | | | |
|----|--------------------------|----------|
| 1. | Mr. Mehmood Jan, MPA | Chairman |
| 2. | Mr. Qurban Ali Khan, MPA | Member |
| 3. | Mufti Said Janan, MPA | Member |
| 4. | Mr. Muhammad Idrees, MPA | Member |
| 5. | Arbab Waseem Hayat, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to probe the issues in detail involved in the Draft Paras No. 10.4.2 and 10.4.4 for the year 2012-13 pertaining to Health Department to submit its report to PAC within a month time.

PROCEEDINGS

3. The Sub-Committee meeting was held on 03-05-2018 at 10:30 a.m in the Conference Room of the Assembly Secretariat of Khyber Pakhtunkhwa, wherein the issues involved in the Draft Paras mentioned above was thoroughly examined and recommendations were made as follows.

DP.10.4.2 UNAUTHORIZED EXPENDITURE ON PURCHASE OF MEDICINE RS.12.45 MILLION

AUDIT VERSION

4. During audit of the Medical Superintendent, City Hospital Peshawar, for the year 2010-11, it was revealed that an expenditure of Rs.12.45 million was incurred on local purchase of medicines for patients of the hospital and issued to free medical camps at Nowshera and Charsadda for flood affectees, resulting into unauthorized expenditure to the stated extent. The unauthorized expenditure occurred due to financial indiscipline.

5. The matter was reported to the Department in Aug, 2012. DAC in its meeting held on 27th Dec 2012, directed the Department to produce documentary proof of the issue of medicine to flood affectees. Further progress was, however, not reported till finalization of this report.

DEPARTMENTAL VERSION

6. Documentary proof i.e. stock register was available, in which necessary entries for the issuance of medicines to emergency medical camps at Nowshera, Charsadda had already been made and the remaining medicines had been issued to OPD/different wards of this hospital.

Committee Observation

7. During the meeting, the Committee observed the following:-
- i. The Department submitted the same explanation as advanced to PAC, which was not accepted.
 - ii. No correspondence made by the Department with the DHQ Nowshera and Charsadda.
 - iii. The Department failed to produce any executive order of the authority asking them to provide medical cover to the flood affectees of Districts Nowshera and Charsadda.
 - iv. No documentary proof of the issues of the medicine to flood affectees was shown to DAC held on 27th December, 2012, in the DAC meeting held on 1st of September, 2015 and even in the Sub-Committee meeting held on 03-05-2018.
 - v. No fresh materials or plausible explanation was provided to convince the Committee after the passage of more than six (06) years.

Committee Recommendation

8. As the Department failed miserably to convince the Committee neither was able to produce relevant order or could it produce the record of the disbursement of the medicine in question, the Committee, therefore, recommended to initiate action leading to recovery of the amounts of the medicines issued to the flood affectees after fixing responsibility from the dealing hands and verified from the Audit. Para stands. Progress be reported to PAC within a month time.

DP.10.4.4 MISAPPROPRIATION OF MEDICINES VALUING RS.2.58 MILLION.

AUDIT VERSION

9. During audit of the Medical Superintendent, City Hospital Peshawar, for the year 2010-11, it was found that medicines/medical gases valuing Rs.2.58 million were either manipulated in the stock register and enhanced the quantity of medicine by cutting/adding digit or not taken on stock register/sub-stock register of the hospital, resulting into misappropriation of funds to the stated extent. The misappropriation occurred due to financial indiscipline.

10. The misappropriation was reported to the Department in Aug 2012. DAC in its meeting held on 27th Dec, 2012, directed the Department to get verified the relevant record from Audit within one week. Further progress was, however, not reported till finalization of this report.

DEPARTMENTAL VERSION

11. No over writing/cutting was made in the Stock Register of injections Profal, Norcuran, Frane, Ceftazime, Adalan, Stigma, Nexocrine, Helothenen and Proliesuture as evident from it. Moreover, no purchase of Ketamin Injections were made by the Hospital, therefore objection of the Audit was invalid. 48 numbers of medical gas oxygen cylinders were purchased and issued to Operation Theater (OT), Casualty, different wards and Labour Room of the Hospital. Record also revealed that there was no overwriting nor enhanced in issue nor added one digit to the actual issue in excess.

Sub-Committee observation

12. During the meeting, the Committee observed the following:-

1. The documents provided by the Department did not tally with the documents on which the Audit Para was based.
2. Additional entries were made in the stock registers, which does not exist in the documents provided by the Audit.
3. Stock register as provided by the Department was neither signed nor attested by the concerned M.O. All the entries were made with the same pen and same handwriting which clearly shows that all entries made in the stock register as fresh to defend the mislead.

Sub-Committee recommendation

13. In view of the above, the Committee recommended for initiation of action leading to recovery from the dealing hands after fixing responsibility. Para stands. Progress be reported to APC within a month time.

II. REPORT OF SUB-COMMITTEE No. 3 OF PAC ON THE ACCOUNT OF GOVERNMENT OF KHYBER PAKHTUNKHWA PERTAINING TO HEALTH DEPARTMENT (2013-14)

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 25th, 26th and 27th of July 2017 at 10:00 a.m. while examining Draft Paras No. 11.4.11, 11.4.14, 11.4.17, 11.4.23, 11.4.26, 11.4.28, 11.4.31, 11.4.35 and 11.4.39 for the year 2013-14 pertaining to Health Department a Sub-Committee was constituted vide Notification No.PA/KP/PAC/SC-3/17/5150 dated 15-08-2017 comprising the following members.

- | | | |
|----|-----------------------------------|----------|
| 1. | Mr. Qurban Ali Khan, MPA | Chairman |
| 2. | Syed Muhammad Ali Shah Bacha, MPA | Member |
| 3. | Mr. Muhammad Idress, MPA | Member |
| 4. | Mr. Mehmood Jan Khan, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to probe the issues in detail involved in the Draft Paras No. 11.4.11, 11.4.14, 11.4.17, 11.4.23, 11.4.26, 11.4.28, 11.4.31,

11.4.35 and 11.4.39 for the year 2013-14 pertaining to Health Department and to submit its report to PAC within two (2) months.

PROCEEDINGS

3. The Sub-Committee meetings were held on 07-12-2017 and 03-01-2018 at 11:00 a.m. in the Conference Room of the Assembly Secretariat of Khyber Pakhtunkhwa and Central Wing of Saidu Group of Teaching Hospital Swat respectively wherein the issues involved in the Draft Paras mentioned above was thoroughly examined and recommendations were made as follows.

DP. 11.4.11 LOSS TO GOVERNMENT DUE TO PURCHASE OF EQUIPMENT ON HIGHER RATES - Rs. 8.433 MILLION.

AUDIT VERSION

4. During audit of the accounts of Saidu Medical College Swat, for the financial years 2010-12, it was noticed that for the purchase of video endoscopic system lowest rate of Rs.2.007 million (Germany) quoted by M/S Junaid and Company Peshawar was ignored. The purchase was re-advertised on 19th January, 2012 and video endoscopic system (Olympus Japan) @ Rs.10.440 million quoted by M/S Faisal Scientific Traders Swat was made at higher price. The purchase at higher rate resulted into loss of Rs.8.433 million.

5. The Audit held that loss occurred due to improper procurement planning and violation of rules.

6. The matter was reported to the Management in October, 2012. DAC in its meeting held on 08th November, 2013, directed to regularize the expenditure within 30 days otherwise recovery may be made. Further progress was however, not reported till the finalization of the report.

DEPARTMENTAL VERSION

7. The Department explained that:-

- i. In the first comparative statement, the Video Endoscopy System quoted by all the four Firms was referred to Technical Evaluation Committees/End user (Medicine and Gastroenterology Department. According to their expert opinion, as referred on the comparative statement, the advertisement in itself was incomplete in not describing the specifications

of the equipment in detail. Modern Video Endoscopy System was fully integrated highly sophisticated equipment which should meet the requirements of the Department in terms of therapeutic and diagnostic facility. The quotation offered in response to the subject advertisement did not offer any of these modern facilities. None of the Firm had offered a comprehensive branded system and was lacking in one or more of the specifications. There was no quotation for any original and standard brand like Pentox, Nikon, Tosheba, Olympus etc. As such per recommendation of the end user, the Purchase Committee decided unanimously to re-advertise this very important equipment in clear words and definitions to purchase standard equipment for the newly established Department ensuring durable, sustained and quality service to the patients.

- ii. In the second advertisement the lowest rate of M/S Platinum Co. i.e. Rs.2.8 million was approved by the Committee as reflected in the comparative statement. However, it became clear that the said Firm was not registered with Health Department Government of Khyber Pakhtunkhwa. M/S Platinum Co. was contacted telephonically twice for provision of registration certificate. He promised to do so in one week, however, he would not provide the subject certificate even in six weeks time and finally informed telephonically that he did not have registration certificate. The next lower rate was offered by SL-No.4 M/S High Tech. Their papers were scrutinized which revealed that they had just submitted a price list only. There was neither brochure nor details of the system to be supplied. The Firm also did not have a certification of registration with Health Department Khyber Pakhtunkhwa or any other relevant document.
- iii. In view of the above, the Purchase Committee unanimously selected the next lower bidder M/S Faisal Scientific as reflected on the original comparative statement. The equipment offered/supplied by M/S Faisal Scientific was original Olympus brand from Japan. According to the expert opinion of Gastroenterologist, it was well reputed international brand which was reliable and durable. It offered comprehensive after sale

service and was time tested being used by many Gastroenterologists in the Province and rest of the country. Moreover, it met and fulfilled all the requirements of our newly established Department including facilities for interventional procedures.

SUB COMMITTEE OBSERVATIONS

8. The Committee observed that the Audit Officer during conducting of the Audit has mentioned two years i.e 2010-12 instead of one financial year which created confusion as the purchases were made in one year and not in two years.

9. The Committee also observed a huge difference amounting to Rs.8.433 million was involved in the rates. The lowest rate of Rs. 2.007 million was ignored offered by M/S Junaid & Company Peshawar and the highest rate of Rs.10.440 million was accepted offered by M/S Faisal Scientific Trader, Swat, which is violation of Rules.

SUB-COMMITTEE RECOMMENDATIONS

10. Reply of the Department prima-facie, was not convincing. After examination of pre-qualification and post qualification and other documents pertaining to subject Para, it was decided that investigation in the matter was required.

11. After detailed discussion on the subject Para, the Committee recommended to conduct fact finding inquiry through Provincial Inspection Team and report be submitted to PAC Cell within two months, Para stands.

DP. 11.4.14 LOSS DUE TO PURCHASE OF EQUIPMENT AT HIGHER RATES-Rs. 5.242 MILLION.

AUDIT VERSION

12. During audit of the accounts of Chief Executive Khyber Teaching Hospital Peshawar, for the financial year 2011-12, it was noticed that an expenditure of Rs.13.515 million was incurred on the purchase of eight (8) medical equipments by ignoring the lowest rate of Rs.8.273 million offered by different suppliers. Purchase of equipments at higher rate resulted in loss of Rs.5.242 million.

13. The Audit held that loss occurred due to weak financial management and violation of para-23 of GFR Vol-I.

14. The matter was reported to the Department in October, 2012. DAC in its meeting held on 2nd October, 2013, directed to provide original record for verification. Further progress was however, not reported till finalization of the report.

DEPARTMENTAL VERSION

15. The Department explained that Draft Para was about eighty (8) equipments. The Digital & Slit Lamp was purchased from M/S Latif Brother at the lowest rate. The comparison was given below: -

| Name of Equipment | Name of Firm | Rate |
|--------------------------|---------------------|----------------|
| Video Slit Lamp | M/S Latif Brother | Rs.17,26,000/- |
| Topcon SI-D7 | M/S Paradise Expert | Rs.21,30,000/- |

16. The remaining equipments were purchased on quality basis on the recommendation of end user, because according to Rule 29 of the Procurement of Goods Works and Service rule 2003 as were applicable during the period that where the lowest price or the lowest evaluated price was not accepted the tender accepting authority would record reason in writing. Sufficient justification was given by the end user for the item selected on quality basis. The Para was explained in detail in the DAC meeting and according to the DAC decision attested photo copies of the meeting of the Purchase Committee were forwarded to Director General Audit with the minutes of the DAC meeting. Neither Government Rules were violated nor was any loss to Government involved.

SUB-COMMITTEE RECOMMENDATION

17. As detailed verification of the purchases was required therefore, the Para was referred to Verification of Record Committee for verification of complete record within two months time.

DP. 11.4.17 LOSS DUE TO IGNORING THE LOWEST RATE - Rs. 1.806 MILLION.

AUDIT VERSION

18. During audit of the accounts of the Vice Chancellor Khyber Medical University Peshawar, for the financial year 2011-12, it was noticed that an amount of Rs.4.00 million was incurred on purchase of real time PCR from M/S Analytical Measuring System by ignoring the rate of Rs.2.194 million quoted by M/S Diagnostics Technologies resulting into loss. The record revealed that order for the supply of Real Time PCR with the tender cost of Rs.2.194 million was placed to M/S Diagnostics Technologies vide supply order dated 27.08.2011 which was held in abeyance and subsequently withdrawn on the plea that funds were not available despite the fact that sufficient funds were available. Purchases at higher rate resulted into a loss of Rs.1.806 million to the University.

19. The Audit held that loss occurred due to ignoring the lowest rate and violation of Para 144 & 145 of GFR Vol-I.

20. The matter was reported to the Department in March, 2013. DAC in its meeting held on 24th Dec, 2013, directed to provide complete record for verification within a week. Further progress was however, not reported till the finalization of the report.

DEPARTMENTAL VERSION

21. The Department explained that on the recommendation of Khyber Medical University Purchase Committee on 27.08.2011, order was placed to M/S Diagnostic Technologies for supply of Real Time PCR for amounting to Rs.2.194 million. Later on in a meeting held on 15.09.2011 chaired by Vice Chancellor, the Director IBMS pointed out that some of the items including Real Time PCR for which supply order had already been placed would not meet the relevant requirements and it was further added that they were in need for Real Time PCR System which had the feature of Analysis Software with five dyes. The Vice Chancellor agreed with Director IBMS and directed to cancel supply order which was already placed. Then the supply order was cancelled on 10.10.2011 and the equipment was re-advertised on 03.01.2012. The Purchase Committee recommended

to purchase the PCR Model No.7500 specified for HID in line of recommendation of Technical Committee and end user requirements.

22. In line of DAC recommendation, time and again letters to verify the record have been sent to Director General Audit, Khyber Pakhtunkhwa, however no person has yet been deputed and record was still not verified.

23. During the meeting, the Department told that the tender/supply order was withdrawn on the pretext that sufficient funds were not available, which was wrong. Actually software amounting to Rs.1.9 million was not asked for in the tender as without the requisite software, the PCR was useless that's why the equipment along with software was re-advertised.

SUB-COMMITTEE OBSERVATION

24. The Committee observed that non technical and non experts in the field of procurement were included in the Technical Committee. All the purchase was made on the sweet will of the end user.

SUB-COMMITTEE RECOMMENDATION

25. After plausible explanation of the Department, the Para was recommended to be settled with the direction to the Department to constitute Technical Committee with Technical persons/experts in future.

DP. 11.4.23 LOSS DUE TO PURCHASE AT HIGHER RATES – Rs.1.092 MILLION.

AUDIT VERSION

26. During audit of the accounts of Principal Gomal Medical College D.I.Khan, for the financial year 2010-11, it was noticed that an expenditure of Rs.5.195 million was incurred on the purchase of 3 generators (27 KVA) with installation charges from M/S Mediline Peshawar. The rate of Rs.1.444 million per generator with imported canopy was accepted and the lowest rates of Rs.1.080 million offered by M/S Lakha Trading Corporation Peshawar were ignored on the plea that it has local made canopy. However, the supplier also provided a local made canopy with generators. Thus ignoring the lowest rate resulted into a loss of Rs.1.092 million.

27. The Audit held that loss occurred due to negligence and weak supervisory control and violation of Para 144 & 145 of GFR Vol-I.

28. The matter was reported to the Department in March, 2012. DAC in its meeting held on 25th Feb, 2013, directed the Department to submit record to audit for verification. Further progress was, however, not reported till finalization of the report

DEPARTMENTAL VERSION

29. The Department explained that the original bid documents were processed at Peshawar and not by Principal office. The rates were approved by the Purchase Committee duly signed by all concerned. However, at the time of inspection by the Sub-Committee it was feared that the canopy was local made. But respective “Learned Engineer” of the said Sub-Committee after its verification from shipment documents and other materials, submitted its satisfactory report along with Technical Evaluation Report.

30. The relevant record could be shown to PAC. No loss seemed to have been sustained to Government in view of quality basis as approved by the Purchase Committee including Chairman viz Secretary Health Government of Khyber Pakhtunkhwa.

31. During the meeting, the Department explained that total ten (10) Generators were purchased for different seven (07) Medical Colleges and centralized purchase was made in Peshawar.

SUB-COMMITTEE OBSERVATION

32. The Committee observed that the lowest bid amounting to Rs.1.080 million per generator was rejected on the grounds that the canopy offered was local and the bid amounting to Rs.1.444 million for each generator was accepted on the grounds that canopy offered was imported. During audit, it was found that the canopy purchased was locally made.

SUB-COMMITTEE RECOMMENDATION

33. The Committee did not agree with the contention of the Department and recommended action leading to recovery of overpayment of Rs.0.364 million per Generator after conducting inquiry for fixing responsibility. Para stands.

DP. 11.4.26 NON DEPOSIT OF USER CHARGES – Rs. 3.977 MILLION.

AUDIT VERSION

34. During audit of the accounts of Chief Executive Hayatabad Medical Complex Peshawar, for the financial year 2010-11, it was noticed that an amount of Rs.55.739 million was realized as user charges from various units of the institution. Out of which an amount of Rs.51.762 million was deposited in the Reserve Fund, Research & Training and Revolving Fund accounts of the institution. The remaining amount of Rs.3.977 million was not deposited.

35. The Audit held that non deposit was due to financial mismanagement and violation to Para 26 of GFR Vol-I.

36. The matter was reported to the Department in July, 2011. DAC in its meeting held on 16th July, 2013, directed the Department to recover the amount from the person (s) at fault within 30 days. Further progress was however, not reported till the finalization of the report.

DEPARTMENTAL VERSION

37. The Department explained that the Inquiry Committee had conducted the inquiry and as per conclusion/recommendation of the Inquiry Committee, the matter was subjudice and the inquiry proceedings were held in abeyance till the Court decision.

38. Moreover, on 27.09.2014 the Honorable High Court Peshawar (Mingora Branch Swat) dismissed the petition. The institution made various correspondence to Ex-Almoner regarding submission of original record in his custody and submission of replies to the Audit Paras related to his period but neither the Ex-almoner provided the record nor submitted the replies for the Audit Paras. The institution was left with no option than taking legal action against him.

SUB-COMMITTEE RECOMMENDATION

39. After detailed discussion and in view of dismissing the petition of Ex-Almoner by the Court of law, the Committee directed the Department to approach Law Department for legal opinion about mode of recovery and to initiate legal proceedings against the person(s) at fault. Para stands. Progress be reported to PAC Cell within two (02) months.

DP. 11.4.28 NON-DEPOSIT OF RECEIPT – Rs. 2.384 MILLION.

AUDIT VERSION

40. During audit of the account of the Chief Executive Hayatabad Medical Complex for the financial year 2011-12, it was noticed that an amount of Rs. 2.984 million was realized on account of HCV/HBS procedure through microbiology Laboratory/Blood Bank during the period from 7/2011 to 4/2012, however the amount was not deposited into the fund of the hospital, resulted into non-deposit of receipts.

41. The Audit held that non deposit occurred due to weak financial management and violation to Para-26 of GFR.

42. The matter was reported to the Department in January 2013. DAC in its meeting held on 17th July, 2013, directed to produce the relevant record for verification. Further progress was however, not reported till finalization of the report.

DEPARTMENTAL VERSION

43. The Department explained that an amount of Rs 2.384 million had been transferred to the proper head of account No 1762 i.e. revolving fund.

SUB-COMMITTEE RECOMMENDATION

44. As corrective measures have been adopted by the Department, therefore, the Para was recommended to be **settled**.

DP. 11.4.31 NON DEPOSIT OF USER CHARGES – Rs.1.421 MILLION.

AUDIT VERSION

45. During audit of the accounts of Chief Executive Hayatabad Medical Complex Peshawar, for the financial year 2010-11, it was noticed that a sum of Rs.63.420 million was received as user charges by the institution, however, the cash book and treasury challans revealed that Rs.61.999 million had been deposited while the remaining amount of Rs.1.421 million was not deposited.

46. The Audit held that non deposit was due to financial mismanagement and violation to Para 26 of GFR Vol.I.

47. The matter was reported to the Department in July, 2011. DAC in its meeting held on 16th July, 2013, directed to recover the amount from the person (s) at

fault within 30 days. Further progress was however, not reported till the finalization of the report.

DEPARTMENTAL VERSION

48. The Department explained that the Inquiry Committee had conducted the inquiry and as per conclusion/ recommendation of the Inquiry Committee, the matter was being subjudice and the inquiry proceedings held in abeyance till the Court decision.

49. Moreover, on 27.09.2014 the Honorable High Court Peshawar (Mingora Branch Swat) dismissed the petition. The institution made various correspondence to Ex-Almoner regarding submission of original record in his custody and submission of replies to the Audit Paras related to his period but neither the Ex-almoner provided the record nor submitted the replies for the Audit Paras. The institution left no option instead lodging of FIR against him.

SUB-COMMITTEE RECOMMENDATION

50. After detailed discussion and in view of dismissing the petition of Ex-Almoner by the Court of law, the Committee directed the Department to approach Law Department for legal opinion about mode of recovery and to initiate legal proceedings against the person(s) at fault. Para stands. Progress be reported to PAC Cell within two (02) months.

DP. 11.4.35 UN-AUTHORIZED DRAWL OF CONVEYANCE ALLOWANCE-Rs. 1.161 MILLION.

AUDIT VERSION

51. During audit of accounts of M/S Saidu Group of Teaching Hospitals Swat for the financial year 2011-12, it was noticed that 39 Staff Nurses drew Conveyance Allowance despite the fact that they were provided rooms in the 2 hostels. They were not entitled to draw Conveyance Allowance which resulted in unauthorized drawl of Rs.1.161 million.

52. The Audit held unauthorized drawl occurred due to non-observance Government instruction and violation of the rules.

53. The matter was reported to the Department in October, 2012. DAC in its meeting held on 2nd Dec, 2013, directed the Department to recover the amount from the

concerned staff. Further progress was however, not reported till the finalization of the report.

DEPARTMENTAL VERSION

54. The Department explained that though the hostel was situated in Central Wing, however, the Nurses performed their duties not only in Central Wing but their duties were frequently changed from Central to Saidu & Saidu to Central Wing and the deduction of Conveyance Allowance from the Nursing staff/Doctors would not be justified.

55. During the meeting of PAC, the Department told that distance between the two compounds was one (01) K.M. and the Nurses used to travel between both compounds according to their Duty Roster.

SUB-COMMITTEE RECOMMENDATION

56. In the 1st meeting of Sub-Committee held on 07-12-2017, it was decided by the Committee to visit the Hospital in order to know factual position whether the Hostels are situated in the Hospital premises or how much far away from the Hospital where nurses are resided.

OBSERVATION OF SUB-COMMITTEE

57. In the 2nd meeting of Sub-Committee held on 03-01-2018, the Committee after physical inspection of both the Hospitals and Hostel in question and verification of relevant record observed that the explanation of the Department was found plausible.

RECOMMENDATION OF SUB-COMMITTEE

58. After detailed discussion and in view of the Finance Division Notification and clarification of Finance Department letter as quoted above couple with plausible explanation of the Department regarding performing of duty of Nurses outside the Hospital, the Para was recommended to be settled.

GENERAL:

59. The Committee also recommended that:-

1. Hostel facility may be provided to the Nurses in the premises of the Hospital of Saidu who play an important role in the Hospital.

2. The width of the Ramp be expanded so that there is no difficulty to the patients at the time of going to the upper and down floor.
 3. The height of each step of the stairs may be reduced upto 5-6 inch.
 4. Equipments may be provided to the newly constructed Hospital.
 5. Hospital Management be conducted meeting with the Executive Engineer C&W to resolve petty nature issues which exists in the newly constructed building.
60. The Committee noted with grave concern on the deputing of a Superintendent for attending the meeting of the Sub-Committee by the Finance Department who was ignorant of the Rules and Regulations and there after directed to issue displeasure of the Committee to the Finance Department. The Committee further directed not to repeat such practice in future.

DP. 11.4.39 IRREGULAR EXPENDITURE ON MEDICAL GASES–Rs.3.564 MILLION.

AUDIT VERSION

61. During audit of accounts of M/S Saidu Group of Teaching Hospitals Swat for the financial year 2011-12, it was noticed that an expenditure of Rs. 3.564 million was incurred on the purchase of Medical Gas without inviting tenders. The purchases were made on hand collected local quotations. Moreover, neither the supplied items were taken on the stock of the hospital nor its consumption account was available. Thus the expenditure was irregular.

62. The Audit held that irregular expenditure was due to weak internal control and violation of Para-148 of the GFR Vol-I.

63. The matter was reported to the Department in October 2012. DAC in its meeting held on 7th Dec, 2013, directed the Department to conduct inquiry and submit report within 15 days. Further progress was however, not reported till the finalization of the report.

DEPARTMENTAL VERSION

64. The Department explained that each and every cylinder's pressure gauge was oftenly checked in routine by the receiving unit/Department and found correct as no complaint was received from any unit/users.

65. Further the rates of the supplier for the year, 2011-12 were accepted by the Purchase Committee in the light of rates tendered by different supplier being lowest.

SUB-COMMITTEE OBSERVATION

66. The Committee observed that the Department produced forged documents to Audit, PAC even to the Sub-Committee, which is clearly violation of the Rules.

SUB-COMMITTEE RECOMMENDATION

67. After detailed discussion, the Committee directed the Department to conduct departmental inquiry against the person(s) who had produced forged documents to Audit, PAC and also to the Sub-Committee and record pertaining to the subject Para be verified by the VOR Committee in the Provincial Assembly, Secretariat. Para stands.

III. REPORT OF SUB-COMMITTEE No.4 OF PAC ON THE ACCOUNT OF GOVERNMENT OF KHYBER PAKHTUNKHWA PERTAINING TO HEALTH DEPARTMENT (2013-14)

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meetings held on 28th of July, 2017, while examining Draft Paras No.11.4.15, 11.4.19 and 11.4.42 for the year 2013-14 pertaining to Health Department a Sub-Committee was constituted vide Notification No.PA/KP/PAC/SC-4/2013-14/17/5156 dated 15-08-2017 comprising the following members.

- | | | |
|----|-----------------------------|----------|
| 1. | Mr. Mehmood Jan, MPA | Chairman |
| 2. | Mr. Mehmood Ahmad Khan, MPA | Member |
| 3. | Mr. Muhammad Idrees, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to probe the issues in detail involved in the Draft Paras No. 11.4.15, 11.4.19 and 11.4.42 for the year 2013-14 pertaining to Health Department and to submit its report to PAC within a month time.

PROCEEDINGS

3. The Sub-Committee meetings were held on 24-01-2018, 07-02-2018, 21-03-2018, 29-03-2018 and 11-05-2018 in the Conference Room of the Assembly

Secretariat of Khyber Pakhtunkhwa, wherein the issues involved in the Draft Paras mentioned above was thoroughly examined and recommendations were made as follows.

DP. 11.4.15 LOSS DUE TO PURCHASE OF MEDICINES AT HIGHER RATES
Rs. 3.425 MILLION.

AUDIT VERSION

4. During audit of the accounts of Chief Executive, Lady Reading Hospital Peshawar, for the financial year 2011-12, it was noticed that medicines worth Rs.52.843 million were purchased on the basis of local advertisement. However, it was observed that higher rates were accepted and paid as compared to the rates approved by the MCC, resulting into loss of Rs.3.425 million.

5. The Audit held that loss occurred due to non-adherence to rules.

6. The matter was reported to the Department in August, 2012. DAC in its meeting held on 27th August, 2013, observed that Government directives regarding purchase from MCC were violated and referred the Para to PAC.

DEPARTMENTAL VERSION

7. The institution had floated tenders for the purchase of medicine, surgical disposable & dressing cotton as practiced since the year 2001. All such items which are not approved by the Govt. MCC have been always being purchased in bulk through the purchase committee of the hospital, whereas the items for which the Govt. MCC rates become available the institution had always gone for the comparatively lower rate items of the hospital Vs MCC.

8. Similarly in the year 2011-12 the purchases were made from July 2011 to 29th March 2012 on the same principle of following the lowest rates irrespective of the fact whether it was from MCC or LRH rates because in both the cases the sources were in Govt. approved pre-qualified ones. It was on the request of the hospital on the direction of the management council in its 48th meeting to ask for the consent of the Govt. as to why the hospital shall not go for purchase at its own level fulfilling the legal/codal formalities.

9. There have been hectic correspondence with the Govt. on the subject matter, where references were given of the LRH approved rates from the manufacturers/importers where the rates of LRH were lower than Govt. MCC rates.

10. On 2nd March 2012 the competent authority of the Govt. of KPK Health Department issued orders for immediate stoppage of the purchase at the LRH approved rates and to furnish compliance also.

11. Since this office has purchased medicines/medical equipments and dressing cotton etc at the MCC approved rates, hence no irregularities had been committed.

PROCEEDINGS OF SUB-COMMITTEE

12. **In the 1st meeting of the Sub-Committee held on 24-01-2018**, the Committee observed that the Department was directed by the competent authority that the lowest approved rates of Hospital Administration may not be entertained and be ignored and supply order be paced/issued to the MCC approved supplier, despite of the fact that their rates were higher, which was against the Rules & Regulations.

13. The Committee desired to examine the tender documents of the purchase made by the hospital authorities and the purchase made through the MCC approved rates. The Para was therefore, deferred till next meeting to be held on 07-02-2018 with the direction to the Department to produce complete record pertaining to the subject Para. Para stands.

14. **In the 2nd meeting of the Sub-Committee held on 07-02-2018**, the Department explained that due to law and order situation in the country especially in the Khyber Pakhtunkhwa and bombs blasts at that time, a large number of patients were admitted in the Hospitals. The Department faced shortage of medicines therefore, it was decided by the Hospital Authorities to make purchase of medicines on the lowest rate through local tendering system and ignored MCC approved rates.

SUB-COMMITTEE OBSERVATION

15. The Committee observed that there was no embezzlement involved in the subject Para, rather irregularity made on the part of the Hospital Authority by ignoring

Government MCC approved rates and adopted local tendering system and made purchase of medicines through it.

SUB-COMMITTEE RECOMMENDATION

16. In view of plausible explanation of the Department, the Committee taking a lenient view recommended to settle the subject Para with the direction to avoid such practice in future and it may not be quoted as precedent.

DP. 11.4.19 LOSS DUE TO ACCEPTANCE OF HIGHER RATES - Rs.1.431 MILLION.

AUDIT VERSION

17. During audit of the accounts of Chief Executive Lady Reading Hospital Peshawar, for the financial year 2011-12, it was noticed that various articles for the Dialysis Unit were purchased at higher rates and lowest were ignored without any reason, resulting into loss of Rs. 1.431 million.

18. The Audit held that loss was occurred due to violation of rules.

19. The matter was reported to the Department in August, 2012. DAC in its meeting held on August, 2013, directed the Department that record may be provided for verification to audit within 15 days. Further progress was however, not reported till finalization of the report.

DEPARTMENTAL VERSION

20. It was clearly mentioned in the NIT terms and conditions that samples of the required items should be produced by the bidder on the date of selection/meeting for testing/trial and in case of failure, the tender of the firm will not be considered.

21. In light of above referred condition the firms who have not submitted samples of dialyzer was rejected by the purchase committee. The rates of Rs.1400/- for double lumen catheter quoted by two firms was rejected due to non-supply of samples by one firm whereas the sample of other firm was declared sub-standard by the purchase committee.

SUB-COMMITTEE OBSERVATION

22. The Committee after examination of the record observed the following:-
1. All the firms who participated in the bidding process were not registered with the DG, Health Services Office while only one firm was found registered, but its bid was rejected on the ground that sample was not provided.
 2. Double lumen catheter was purchased @ of Rs. 2050/- ignoring the lowest rates of Rs. 1400/-.
 3. Whenever samples were not provided with the tendered forms of the firms it should not have been considered and should have been re-tender as only one firm provided samples.
 4. That higher rate of hollow filter dialyzer with tubing of Rs.940/- was accepted and lowest rate of Rs. 895/- was ignored.
 5. The double lumen catheter purchased was declared unfit for use by the Nephrology Department on the grounds that:-
 - i. Blunt end of the double lumen dilator lead to trauma at the site of insertion.
 - ii. Kinking of the guide wire during its passage.
 - iii. Blockade of the double lumen catheter was more frequent and much earlier as compared to the previous one.
 - iv. Increase frequency in the development of deep venous thrombosis with the use of this double lumen catheter.
23. Due to low quality and incompatibility of these catheters the end user after discussing the matter with the Product Manager recommended that:-
- i. An immediate cancellation of further supply of the current double lumen catheters.
 - ii. Their replacement with the ones which are of better quality as soon as possible.
 - iii. The earnest money of the institution which has been offered for these double lumen catheters should be immediately confiscated.
24. No action was taken by the Department on the complaint of end user.

SUB-COMMITTEE RECOMMENDATION

25. In view of the above the Committee recommended to initiate action leading to recovery of the overpayment made of Rs. 1.431 million due to acceptance of higher rates as pointed out by the Audit duly endorsed by the Law Department after fixing responsibility. Para stands progress be reported to PAC within a month time.

DP. 11.4.42 BLOCKAGE OF FUNDS - Rs.149.104 MILLION.

AUDIT VERSION

26. During audit of the accounts of Chief Executive Lady Reading Hospital Peshawar for the financial year 2011-12, it was noticed that a sum of Rs.149.104 million released by the Finance Department during 2010-11, for two ADP Schemes was lying unutilized in the Revolving Fund upto August, 2011, resulting into blockage of funds.

27. The Audit held that the blockage of fund was due to financial mismanagement and violation of the rules.

28. The matter was reported to the Department in July 2011. DAC in its meeting held in January, 2013, directed the Institution to provide record for verification. An Audit Officer was deputed on 13.12.2013 for verification of record but no record was produced.

DEPARTMENTAL VERSION

29. The Finance Department Govt. of Khyber Pakhtunkhwa released 149.104 million under the following A.D.P Schemes on the dates mentioned against each.

| S.# | ADP No. | Date of release/transfer | Amount | Name of A.D.P Scheme |
|-----|---------|--------------------------|------------------|--|
| 1. | 142 | 11.05.2011 | 10.887 Million | Construction of Add: ward in LRH. |
| 2. | 143 | 11.05.2011 | 104.490 Million | Establishment of A&E Deptt at LRH. |
| 3. | 144 | 11.05.2011 | 3.727 Million | Construction of Add: Hostel for Doctor/Nurses. |
| 4. | --- | 10.06.2011 | 10.00 Million | Provision of sleep study Laboratory in Pulmonology Unit. |
| 5. | --- | 10.06.2011 | 20.00 Million | Grant-In-Aid to C.V. Unit. |
| | | | 149.104 M | |

30. It would be seen from the above details that the funds were released/transferred in May, June 2011 i.e. near to the closure of Financial Year 2010-11. Soon after receipt of the funds necessary advertisement for procurement of machinery/medical equipments were released through press.

31. The latest position of the above schemes are as follows:-

| S.# | Schemes | Amount | Expenditure Till date | Balance |
|---------------|---------|----------------|-----------------------|-----------------|
| 1. | ADP-142 | 10.887 | 10.700 | 0.100 Million |
| 2. | ADP-143 | 104.490 | 93.580 | 10.910 Million |
| 3. | ADP-144 | 3.727 | 2.879 | 0.848 Million |
| 4. | --- | 10.000 | 6.600 | 3.400 Million |
| 5. | --- | 20.000 | 20.000 | Nil |
| Total: | | 149.104 | 133.759 | 15.258 M |

32. The above table clearly indicate that major portion of the released amount has been utilized whereas necessary steps for utilization of the balance amounts was in process.

33. **In the 1st meeting of the Sub-Committee held on 24-01-2018**, the Committee observed that the Finance Department, Government of Khyber Pakhtunkhwa released funds of Rs. 149.104 million for the different ADP schemes including construction work in the LRH, but the Department produced only the record of machinery and equipments purchased during the period which could not solve the purpose. The Department neither could produce complete record nor was fully prepared to explain the case before the Committee.

34. In view of the above the Para was deferred till next meeting to be held on 07-02-2018 with the direction to produce complete details of the expenditure pertaining to the subject Para. Para stands.

35. **In the 2nd meeting of the Sub-Committee held on 07-02-2018**, the Department could only produce the record of purchase of equipments, as far as record

with regard to construction works the Department stated that the same was related to C&W Department and it would be traced out and would be produced in the next meeting.

36. The Committee taking a lenient view deferred the subject Para for next meeting to be held in the next week. The Department was directed to come with complete record of the expenditure made (PC-I + PC-IV) pertaining to the subject Para. Para stands.

37. **In the 3rd meeting of the Sub-Committee held on 21-03-2018,** the Committee could not reach to a just and fair conclusion for utilization of the balance amount of Rs.96,58,119/- against the ADP Schemes. The Committee directed the Finance and Law Departments to discuss the issue with the senior officers of their respective Department and to come for the next meeting with an amicable solution/suggestion. The Department was also directed to produce detail of shortcomings existed and how much amount will be required to overcome on the shortcomings as well as make PC-I accordingly for utilization of the balance amount of Rs.96,58,119/- in the existing ADP Schemes on need basis.

38. **In the 4th meeting of the Sub-Committee held on 29-03-2018,** the Committee observed that the Department could not produce relevant record pertaining to the subject Para as yet.

39. In view of the above, the Committee directed the Audit to conduct detailed Audit of the expenditures involved in the Draft Para as record was not produced earlier and submit its report to the Committee within (10) days positively. The Committee further directed the Department to deposit the balance amount of Rs. 96,58,119/-, which is still lying in the reserved funds into the Government Treasury and its challans be verified from the Audit. Para stands.

40. The Committee also appreciated the efforts of the current Hospital Administration in tracing out complete record pertaining to the subject Para.

41. **In the 5th meeting of the Sub-Committee held on 11-05-2018,** the representative of the DG, office stated that Audit team was deputed for detailed audit on

04-04-2018 to conduct detail audit of the subject Para as per recommendation of the Committee. Audit team conducted detailed audit and observed the following:-

1. Non deposit of balance amount of Rs.96,58,119/- into Government Treasury.
 2. Excess expenditure of Rs.1,38,42,270/- on purchase of equipments over and above PC-I provision.
 3. Un-authorized expenditure of Rs.37,39,903/- due to non-provision in PC-I.
 4. Excess expenditure of Rs.27,10,000/- due to purchase of excess quantity.
 5. Non production of auditable record Rs.1,71,00,000/-.
 6. Un-authentic purchase of CT scan machine for A&E Department Rs.2,70,00,000/-
42. During the meeting, the Department responded to each of the above quarries raised by the Audit and also produced Bank challans of the deposited amounts of Rs. 96,58,119/- which was verified by the Audit.

SUB-COMMITTEE OBSERVATION

43. After examination of the detailed Audit Report and record pertaining to the subject Para, the Committee observed that no embezzlement was involved in the subject Para, rather irregularity made on the part of the Hospital Authorities.

SUB-COMMITTEE RECOMMENDATION

44. In view of convincing reply of the Department duly endorsed by the Audit, the Para was recommended to be **settled** with the direction to the Department to issue **Censure** against those who made irregularity during purchase of equipments.

IV. REPORT OF THE SUB-COMMITTEE NO. 2 OF PAC ON THE ACCOUNT OF GOVERNMENT OF KHYBER PAKHTUNKHWA PERTAINING TO LOCAL GOVERNMENT ELECTIONS & RURAL DEVELOPMENT DEPARTMENT (2012-13)

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 27-08-2015 at 11:00 a.m a Sub-Committee was constituted vide

Notification No. PA/KP/PAC/SC-2/17/6311 dated 17-09-2015, comprising the following members.

1. Mr.Qurban Ali Khan, MPA Chairman
2. Arbab Waseem Hayat Khan, MPA Member

TERMS OF REFERENCE

2. The Sub-Committee was constituted to work out the prevailing status of each and every vehicles involved in the Draft Para No. 14.4.1 for the year 2012-13 pertaining to Local Government Elections & Rural Development Department and to submit its report to PAC within a month time.

PROCEEDINGS

3. The Sub-Committee held 04 meetings on 20-12-2017, 28-12-2017, 09-01-2018 and 18-01-2018 in the Conference Room of the Assembly Secretariat of Khyber Pakhtunkhwa, wherein the issue involved in the Draft Paras was thoroughly examined and recommendations were made as follows.

DP.14.4.1 LOSS TO GOVERNMENT OF Rs.20.14 MILLION.

(2012-13)

4. During audit of the Director General, Community Infrastructure Project-II (CIP-II) Peshawar, for the year 2009-10, it was revealed that 30 vehicles costing Rs.20.14 million purchased for the project were not handed over to P&D Department, Government of Khyber Pakhtunkhwa at the closer of Project on 30th June 2009, resulting into loss to the stated extent. The loss occurred due to mismanagement.

5. The matter was reported to the Principal Accounting Officer in July 2010 and on 20th Aug, 2010 to arrange DAC meeting followed by DO letters dated 10th Dec, 2010, 10th March 2011 and 30th April 2012, however, the Department failed to convene the DAC meeting till finalization of this report.

DEPARTMENTAL VERSION

6. On the closing of Project, all the vehicles were handed over to the Administrative Department. Moreover, the Administrative Department had handed over some of the vehicles to the Transport Department and some were retained by the

Department on need basis and had issued the same to TMAs, PDA and RDD, Khyber Pakhtunkhwa etc on their demand. All the vehicles were available and nothing was missed so no embezzlement in the instant case had been involved.

PROCEEDING OF SUB-COMMITTEE

7. **In the 1st meeting of the Sub-Committee held on 20-12-2017**, The Committee observed that the representative of the Department were neither fully prepared nor could respond to the queries raised by the Committee pertaining to the subject Para. The Committee expressed its concern over the casual and irresponsible attitude of the Department towards PAC recommendation. The staff deputed for the meeting was totally un- aware from the record pertaining to the subject Para. The Committee directed to issue its displeasure to the Secretary of the Department.

8. After examination of the record, the Committee also observed that most of the vehicles were allotted to un-authorized employees of the PDMA Department and others which is against the Rules and regulations. Moreover, the vehicles were received in June, 2009 and ten (10) of them were handed over to Administration Department in 2014 and 2015 after passage of (06) years.

9. It was decided to convene next meeting on 28-12-2017 with the direction to invite the Secretary of the Department to attend the meeting personally with the following records:-

- i. History of thirty No. of vehicles involved in the subject Para.
- ii. Log Book of each vehicle.
- iii. Present status of each vehicle.
- iv. Allotment order of the vehicles along with name and designation of allottee.
- v. Rules for allotment of vehicles.
- vi. Handing and taking over report when the vehicles were received from the Project Director.
- vii. Handing and taking over report when the vehicles were allotted to the employee of Local Government.

10. The Chairman also directed the Department to invite Caretaker Transport Section of the Administration Department to attend the meeting personally.

11. **In the 2nd meeting held on 28-12-2017**, the Committee observed that the vehicles were retained by the Department in violation of MOU and Prevailing Rules on the subject. The same was endorsed by the Finance and Law Departments during the meeting.

12. After going through the record it was also observed that the project authorities while handing over the vehicles to the Department had not conducted proper handing taking over showing complete detail of the vehicles. Moreover, no demand from the PDA or Departmental Officers was shown to the Committee, record of ten (10) No. vehicles which were handed over to the Administration Department, was also not shown to the Committee.

13. In view of the above it was decided to convene next meeting of the Committee on 09-01-2018. The Department was directed to come with the following record:-

- i. Handing and taking over report when the vehicles were received from the Project Director with complete history of the vehicles in the missing column as admitted by Department.
- ii. Clarification of Six (6) No. vehicles allotted to PDA.
- iii. History of fourteen (14) No. vehicles along with Log Book, allotment order, designation of the allottee and present status.
- iv. Rules for allotment of vehicles.

14. The Chairman directed the PAC Cell to make sure the availability of Section Officer, of the Transport Section of the Administration Department to attend the meeting personally with complete record of ten (10) No. vehicles handed over by the Local Government Department.

15. The Committee also decided to carry out physical verification of Twenty (20) No. vehicles on the same date after the meeting.

16. **In the 3rd meeting of Su-Committee held on 09-01-2018**, the Department produced handing and taking over report of thirty (30) No vehicles on 23-07-2010 after the Project was closed. After examination of the record, ten (10) of them were found condemn and handed over to the Transport Section of the Government of Khyber

Pakhtunkhwa, Administration Department and twenty (20) Nos. vehicles allotted to the employees of the Local Government and PDA.

17. The Department failed to produce clarification of six (6) No. vehicles i.e. demand from PDA, Log Book, allotment order and designation of allottee coupled with rules for allotment of vehicles. The Department also failed to produce justification for retaining of fourteen (14) Nos vehicles, since July, 2010.

18. After the meeting the Committee carried out Physical Verification of fourteen (14) No. vehicles allotted to the employee of the Local Government and six (6) No vehicles handed over to PDA.

19. The Committee physically verified sixteen (16) Nos vehicles parked at Shahi Bagh, Peshawar as under:-

LOCAL GOVERNMENT DEPARTMENT

| S/No. | Vehicles No. | Type/Model | Current Position |
|--------------|---------------------|--------------------------|---|
| 1. | A-8188 | Lancer New Petrol/AC | Mr. Javed Senior Planning Officer, LG,E&RDD |
| 2. | A-8747 | Cultus 2007 CNG/AC | PA to Sr. Minister LG,E&RDD |
| 3. | A-8750 | Cultus 2007 CNG/AC | PS to Sr. Minister, LG,E&RDD |
| 4. | A-8753 | Cultus 2007 CNG/AC | SOG, LG,E&RDD |
| 5. | A-8751 | Suzuki Bolan 2007 CNG/AC | Mr. Shible, DD LG, E&RDD |
| 6. | A-4287 | Suzuki Bolan CNG | Admin Section LG,E&RDD |
| 7. | A-8754 | Suzuki Bolan 2007 CNG/AC | Local Council Board |
| 8. | X-9130 | Sumari Jeep | Local Government Secretariat |
| 9. | A-8746 | Cultus 2007 CNG/AC | Mr. Asad Gul OSD LCB |
| 10. | A-8752 | Suzuki Bolan 2007 CNG/AC | Accounts Branch LCB |
| 11. | A-1442 | Sumari Jeep CNG | AO TMA, Shabqadar LCB |

PESHAWAR DEVELOPMENT AUTHORITY DEPARTMENT

| S/No. | Vehicles No. | Type/Model | Current Position |
|--------------|---------------------|--------------------------|-------------------------|
| 1. | A-8748 | Suzuki Bolan 2007 CNG/AC | Running condition |
| 2. | A-8749 | Suzuki Bolan 2007 CNG/AC | Running condition |
| 3. | A-1372 | Potohar 1989 | Condemn |
| 4. | X-78-4 | Land Cruiser Diesel/AC | Condemn |
| 5. | UN-68-171 | Cresida Old | Condemn |

20. After Physical Verification of the vehicles parked at Shahi Bagh, Peshawar, it was noted that the following vehicles were missing.

| S/No. | Vehicles No. | Type/Model | Current Position |
|--------------|---------------------|--------------------------|----------------------------------|
| 1. | AD-22-324 | Pickup 1986 Diesel/AC | Kaghan Development Authority |
| 2. | A-1441 | Suzuki Bolan 1997 Petrol | Directorate, LG |
| 3. | AD-22-468 | Pickup Diesel | Mr. Fazle Rabi, TMO, Swat LCB |
| 4. | A-1373 | Suzuki 1997 | PDA |

21. After detailed discussion, the Committee decided to convene next meeting of the Committee on 18-01-2018. The Department was directed to come with the following record:-

- i. Payrolls of the employees to whom the vehicles in question were allotted to know factual position whether conveyance allowance was deducted from the pay of the allottees or otherwise.
- ii. Provision of four (4) No. missing vehicles mentioned above for Physical Verification.

22. The Committee also directed the Department to take all the vehicles in their custody till the decision of the Committee.

23. The Chairman directed the PAC Cell to make sure the availability of Section Officer, Transport of the Administration Department to attend the meeting personally with complete record of ten (10) No. vehicles handed over by the Local Government Department.

24. **In the 4th meeting of Sub-Committee held on 18-01-2018**, the Department in resons to the 1st query raised by the Committee told that these vehicles were allotted to the employees of the Department on the verb al orders of the then Minister and Administrative Secretary. After transfer of the allottees, the same were allotted to the other Officer posted at their place, so it is impossible for the Department to collect payroll of such employees so whom the vehicles in question were allotted as most of them were retired from service. Moreover the allottees were using these vehicles at their own expenses and no POL or repair charges ere paid to them

25. In response to the 2nd query raised by the Committee, the representative of the Administration Department explained the position of ten (10) Nos. condemn vehicles handed over by the Local Government Department as under:-

| S/No. | Vehicles No. | Type/Model | Received On | Present Status |
|-------|--------------|-----------------------------|-------------|---|
| 1. | X-78-09 | Land Cruiser Diesel/AC | 12-11-2014 | Parked at warehouse (available for physical verification) |
| 2. | X-78-02 | Corolla (CNG/AC) | 12-11-2014 | Allotted to Municipal corporation |
| 3. | AD-22-513 | Mercedes (Old Diesel/AC) | 12-11-2014 | Parked at warehouse (available for physical verification) |
| 4. | X-91-31 | Sumari Jeep (CNG) | 12-11-2014 | Parked at warehouse (available for physical verification) |
| 5. | A-1370 | Suzuki old (CNG) | 10-08-2015 | Auctioned in 77 th phase of auction |
| 6. | A-1374 | Suzuki old (CNG) | 14-05-2014 | Auctioned in 70 th phase of auction |
| 7. | A-1443 | Potohar old (CNG) | 14-05-2014 | Auctioned in 70 th phase |

| | | | | |
|-----|-----------|----------------------------|------------|---|
| | | | | of auction |
| 8. | A-1444 | Suzuki old (Petrol) | 14-05-2014 | Auctioned in 70 th phase of auction |
| 9. | A-3489 | Potohar old | 14-05-2014 | Auctioned in 70 th phase of auction |
| 10. | X-68-2230 | Land Cruiser old Diesel/AC | 12-11-2014 | Parked at warehouse (available for physical verification) |

26. On a question from the Committee regarding non auctioning of the four (04) Nos vehicles till date, the representative of Administration Department responded that the said vehicles were the property of the donors duly purchased by them for use in the project. Hence were not auctioned as no policy for auctioning of such vehicles existed. He further told that a large No. of such vehicles were parked at the warehouse and losing its value with the passage of time.

27. In response to the 3rd query raised by the Committee, the Department informed that the following three (3) Nos vehicles are parked in the Assembly Secretariat and available for Physical Verification. While only one vehicle No. A-1373, Suzuki 1997 was available in condimned position with the Peshawar Development Authority, (PDA).

28. The Committee physically checked the following three (3) Nos missing vehicles parked in the Provincial Secretariat.

| S/No. | Vehicles No. | Type/Model | Current Position |
|-------|--------------|--------------------------|-------------------------------|
| 1. | AD-22-324 | Pickup 1986 Diesel/AC | Kaghan Development Authority |
| 2. | A-1441 | Suzuki Bolan 1997 Petrol | Directorate, LG |
| 3. | AD-22-468 | Pickup Diesel | Mr. Fazle Rabi, TMO, Swat LCB |

SUB-COMMITTEE OBSERVATION

29. The Committee observed the following:-

1. That a large No. of donor vehicles were parked in the warehouse of the Administration Department and could not be auctioned due to the non availability of Rules/policy. As a result the same are aging to bad condition with the passage of time an losing its value.

2. That the vehicles were not properly allotted as record of demand from the employees, log books of the vehicles, deduction of Conveyance Allowance from the allottees could not be shown to the Committee.
3. That the vehicles in question were wrongly retained by the Department, while it could be handed over to concerned Department for using the same in other projects.

SUB-COMMITTEE RECOMMENDATION

30. After detailed discussion on the subject Para the Committee taking a lenient view recommended to settle the subject Para with the direction that all twenty (20) vehicles which were physically checked by the Committee be handed over to Administration Department within a month time under intimation to PAC Cell. The Department was further directed to avoid such practice in future.

GENERAL

31. While discussing the Audit Para it was noticed by the Committee that on closure of the project, the Assets were misused and not properly handed over to the quarters concerned, hence, it was advised to follow the following to save the public money in future.

- i. After closure of the projects in the Province, all the assets along with vehicles which are in running condition be transferred immediately to the quarter concerned, so that the same could be used in other new projects instead of purchasing of new assets and vehicles.
- ii. The Director General Audit was directed to focus on such like projects in other Departments of the Province during conducting of Audit and submit report in this regard to PAC Cell.
- iii. The Director General Audit should also look into the affairs of Transport Section of the Administration Government of Khyber Pakhtunkhwa.
- iv. The Administration Department was directed to conduct Departmental Inquiry of the Warehouse of the Department to dig-out the condemn

vehicles, which are lying large No. in the Warehouse, awaiting auction since long.

- v. The Administration Department is hereby advised to make policy for auction of condemn donor vehicles in consultation with Excise & Taxation Department for allotment of registration No. or indexation to avoid any misuse of such vehicles and to auction these vehicles in time.

V. REPORT OF SUB-COMMITTEE No.5 OF PAC ON THE ACCOUNT OF GOVERNMENT OF KHYBER PAKHTUNKHWA PERTAINING TO PROVINCIAL HOUSING DEPARTMENT (2013-14)

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 03-08-2017 at 10:00 a.m. while examining Draft Para No.13.4.1 for the year 2013-14 pertaining to Provincial Housing Department a Sub-Committee was constituted vide Notification No.PA/KP/PAC/SC-5/17/5162 dated 15-08-2017 comprising the following members.

- | | | |
|----|------------------------------|----------|
| 1. | Mr. Muhammad Idress, MPA | Chairman |
| 2. | Mr. Mehmood Jan Khan, MPA | Member |
| 3. | Arbab Waseem Hayat Khan, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to probe the issues in detail involved in the Draft Para No.13.4.1 for the year 2013-14 pertaining to Provincial Housing Department and to submit its report to PAC within two (2) months.

PROCEEDINGS

3. The Sub-Committee meeting was held on 19-12-2017 at 11:00 a.m. in the Conference Room of the Assembly Secretariat of Khyber Pakhtunkhwa, wherein the issue involved in the Draft Para was thoroughly examined and recommendations were made as follows.

DP No. 13.4.1 OVERPAYMENT ON ALLOWING INCORRECT RATES-Rs.1.401 MILLION.

AUDIT VERSION

4. During audit of the accounts of Director General Provincial Housing Authority (PHA) Peshawar for the financial year 2006-07 to 2010-11, it was noticed that a sum of Rs.1.401 million was overpaid to contractors in the Balance Work of Nasapa Payan due to allowing different rates to different contractors for the same item of work which resulted into overpayment of Rs.1.401 million.

5. The Audit held that overpayment was due to extending undue benefit to the contractors.

6. The matter was reported to the Department in February, 2012. DAC in its meeting held on 23rd May, 2012, directed the Department for verification of record. The record was further verified on 11th June, 2013 it was confirmed that different rates for the same item of work were paid to the contractors.

DEPARTMENTAL VERSION

7. The Department explained that Provincial Housing Authority (PHA) Federal (F) had a project of 216 flats at Nasapa Payan Charsadda Road Peshawar and sold in bulk to the Provincial Government with the condition to complete the work in all respects but the flats would not be completed by the PHA (F) with the reason best known to them. On 09/03/2009 those flats which were taken over by the Provincial Government on as was where basis and balance work for completion was had been handed over to Provincial Housing Authority (PHA) Provincial (P) with the direction not to alter any specification of the item of work.

8. While taken over the flats from Provincial Housing Authority (F) a PC-I was prepared by PBMC Administration Department on CSR-1999 for the balance work. The PC-I was also vetted by the Works and Services Department but later on the PC-I was reframed on CSR-2009.

9. The PBMC had taken in PC-I full new steel doors as per CSR item No.12-47 while at site the work was changed as Provincial Housing Authority (F) left the work incomplete and provided the joinery in Block A, B,C,D,E and F as per following in different places:-

1. Complete doors comprising steel chowkat and steel shutter with lassani sheet used as panels in the door shutter was provided by PHA (F) and nothing was required to do by PHA (P) except finishing and painting.
 2. Only steel chowkat was provided by PHA (F) while complete shutter with lassani sheet panels provided by PHA (P).
 3. Steel chowkat with incomplete shutter was provided by PHA (F) while lassani panels were provided by PHA (P).
 4. Steel chowkat with incomplete shutter was provided by PHA (F) while wire gauze was provided by PHA (P).
10. As per decision arrived at in the meeting on 09/03/2009 and to safeguard the Government Property Provincial Housing Authority (P) utilized the available incomplete doors and complete the balance work required at site. Being the non-schedule item during the tender the rate was left open to the Contractor and before awarding the work, it was properly analyzed with the consultation of focal manufacturer and during discussion it was revealed that similar nature of component of work was to be utilized in different places in different shape, therefore, during analysis of each item of work different rates had been provided by manufacturer was correct as per work at site and after full satisfaction the work was awarded to the Contractor
11. It was requested that:-
1. The item of work i.e. steel doors provided at site was too rich in specification and stylish than the similar nature of item vide No. 12-47 in CSR 2009 and lesser in cost.
 2. Rather to remove the incomplete available doors it had been completed and save the Government property in lesser cost available at site.
 3. Payment was made as per approved tender rates and no overpayment was involved.
 4. No undue benefit was extended towards the Contractor and the work was carried out as required at site.
12. The item of work was properly covered in the Technical Sanction of the Scheme and also within the permissible limit of the financial power and no loss occurred to the Government.

SUB-COMMITTEE RECOMMENDATION

13. The explanation advanced by the Department being plausible was accepted and the Para was recommended to be **settled**.

VI. REPORT OF SUB-COMMITTEE No. 01 OF PAC ON THE ACCOUNTS OF GOVERNMENT OF KHYBER PAKHTUNKHWA PERTAINING TO IRRIGATION DEPARTMENT (2014-15).

INTRODUCTION

In pursuance of the decision of Public Accounts Committee made in its meeting held on 17th October, 2017 a Sub-Committee was constituted vide Notification No.PA/KP/PAC/SC-1/Irrigation/17/11325 dated 08-11-2017 comprising the following.

- | | | |
|----|-----------------------------------|----------|
| 1. | Mr. Qurban Ali Khan, MPA | Chairman |
| 2. | Syed Muhammad Ali Shah Bacha, MPA | Member |

TERMS OF REFERENCE

2. The Sub-Committee was constituted to examine the issues in detail involved in Draft Paras No.14.4.3, 14.4.4 & 14.4.5 for the year 2014-15 pertaining to Irrigation Department.

PROCEEDING

3. The Sub-Committee held its meeting on 08th March, 2018 in the Conference Room of Provincial Assembly Secretariat of Khyber Pakhtunkhwa and after thoroughly examining the records and issues involved pertaining to Draft Paras, had finalized its recommendations as follow:-

DP No.14.4.3 FICTITIOUS EXPENDITURE ON CONSTRUCTION WORK-Rs.1.669 MILLION.

AUDIT VERSION

4- During financial year 2011-12, the XEN Irrigation Division Swabi, paid Rs.5.058 million for the 2nd running bill dated 20.06.2012 and Rs.1.669 million for the 3rd running bill dated 21.06.2012, for the execution of work “Rehabilitation / Improvement of Canal Patrol road along Gujrat minor off track Ismaila Disty RD0900 and RD03000 and PK29”. The payment of Rs.1.669 million was fictitious as the bill was presented after one day of the previous bill.

5- It was held that the fictitious payment made due to negligence of the Department which was violation of **Para-23 of GFR vol-1**.

6- The matter was reported to the Department in October, 2012. No reply was furnished. The DAC meeting was held in November 2013. The Department replied that entries were made in the MB due to mistakes and concerned officer has been warned to be careful in future. DAC held that the documents of measurement produced were fictitious because of overwriting in the Measurement Book No.1991 for the same work “Rehabilitation / Improvement of Canal Patrol road along Gujrat minor off track Ismaila Disty RD0900 and RD03000 and PK29 under the agreement No.57/2011-12” and the works executed in the three (03) running bills were separate from each other and it was directed to investigate the matter. No progress was reported till the finalization of this report.

DEPARTMENTAL VERSION

7- The Department explained that the Sub-Engineer concerned started measurement of the work on 12/06/2012 (as evident on page-52 of the MB) and at end of abstract at page-59 completed on 18/06/2012. Hence the suspicious date i.e. 25/06/2012 recorded on page-54 was an erroneous mistake.

8- On the observation of the audit party the Sub-Engineer concerned was warned by SDO Irrigation S/Division Shahbaz Garhi to be careful in maintenance of such important record.

SUB-COMMITTEE RECOMMENDATION

9- The Committee after detailed discussion on the issue(s) involved in the Draft Paras No. 14.4.3, 14.4.4 & 14.4.5 for the year 2014-15 pertaining to Irrigation Department could not reach to a just conclusion as the Audit was insisting upon its stance and suggested for re-measurement of the total work done through a Technical Committee.

10- Therefore, a Joint Committee comprising of the following was constituted.

1. Executive Engineer of the Irrigation Department.
2. Representative of the Audit.

3. Representative of the PAC Cell.

11- The Committee was assigned the task to carry out physical verification and to re-measure the total work done involved in the Paras.

12- On 15th & 16th of March, 2018 the Committee Members alongwith the concerned field staff visited the site for physical verification. In the light of final payments made to the contractor, each item of work was physically measured and was found in accordance to the quantities incorporated in the Measurement Book.

13- It was observed that the payments made by the Department were as per work done at site and no over/fictitious payment has been made to the contractor.

14- Hence, the Committee is of the view that the PAC may settle the Para please.

DP No.14.4.4 FICTITIOUS EXPENDITURE WORK - Rs.3.006 MILLION.

AUDIT VERSION

15- During financial year 2011-12, the XEN Irrigation Division Swabi, paid Rs. 3.006 million on account of 1st, 2nd and 3rd running bills dated 14.06.2012 and 20.06.2012. The 1st & 2nd running bills of the contractor were presented on the same day and 3rd running bill after 6 days.

| VR No. & date | Bill No. | Amount |
|--------------------------|------------------------------|-----------------------|
| Dated 14.06.2012 | 1 st running bill | Rs.6,71,051/- |
| 15-S dated 14.6.2012 | 2 nd running bill | Rs.5,97,270/- |
| 47-S dated 20.6.2012 | 3 rd running bill | Rs.17,37,851/- |
| | Total | Rs.30,06,172/- |

16- It was observed that when payment of 1st running bill was made on 14.06.2012 then on the same day and subsequent after 5 days execution of work worth Rs.2.335 million was not possible. Had the contractor actually executed the work the measurement should have been included in the 1st running bill.

17- It was held that the fictitious expenditure of Rs.3.006 million was due to negligence and collusion between the Department and the contractor which was violation of **Para-23 of GFR vol-1.**

18- The matter was reported to the Department in October 2012. No reply was furnished.

19- The DAC meeting was held in November, 2013. Wherein the Department replied that the date of work completed and submission of bill has no relevancy. DAC held that the documents of measurement produced were fictitious because of overwriting in the Measurement Book No.1873 for the same work “Construction of causeway at Jani Lara Rustam Khwar PK30 under the agreement No.58/2011-12” and the works executed in the three (03) running bills were separate from each other. The Department was directed to investigate the matter. No progress was reported till the finalization of this report.

DEPARTMENTAL VERSION

20- The Department explained that the audit observation seems based on presumption. As already discussed in detail, it was once again clarified that the time factor was not required to be linked with the dates of issuance of cheques. The date of commencement of the work was 06-03-2012 & by the passage of time the contractor has executed the work in full swing resultantly executed work to the quantum of Rs.67,105/-, Rs.6,45,714/-,& Rs.1,73,785/- measured and verified by the dealing hands on 19-04-2012, 07-05-2012 & 18-06-2012 accordingly. The work done mentioned above paid for on the release of funds received in this office on 07-06-2012 vide SE SIC Swabi No. 3508-12/1-B, dated:07-06-2012.

SUB-COMMITTEE RECOMMENDATION

21- Same as Draft Para No. 14.4.3

DP No. 14.4.5 FICTITIOUS EXPENDITURE OF Rs.3.459 MILLION.

AUDIT VERSION

22- During financial year 2011-12, the XEN Irrigation Division Swabi paid Rs.3.459 million for the work “Rehabilitation of Canal Patrol road in Khyber Pakhtunkhwa Phase-III ADP No.514 Sub-Work Rehabilitation of Canal Patrol road along Link Channel and Shahbaz Garhi Disty”.

| VR No. & date | Bill No. | Amount |
|--------------------------|-----------------|---------------|
|--------------------------|-----------------|---------------|

| | | |
|----------------------|------------------------------|-----------------------|
| 43-S dated 19.6.2012 | 3 rd running bill | Rs.2,449,364/- |
| 64-S dated 21.6.2012 | 4 th running bill | Rs.643,896/- |
| 73-S dated 21.6.2012 | 5 th running bill | Rs.365,586/- |
| Total | | Rs.34,58,846/- |

23- It was observed that when 2nd running bill for Rs.0.571 million was paid to the contractor on 19.6.2012, then the execution of work for value of Rs.2.449 million Rs.0.644 million and Rs.0.366 million on the same date and after 2 days were not possible.

24- It was held that the fictitious expenditure of Rs.3.459 million was due to negligence of the Department which was violation of **Para-23 of GFR vol-1.**

25- The matter was reported to the Department in October 2012. No reply was furnished. The DAC meeting was held in November, 2013. Wherein the Department replied that the date of work completed and submission of bill has no relevancy. DAC held that the documents of measurement produced were fictitious because of overwriting in the Measurement Book No.1987 for the same work under the agreement No.63/2011-12 and the works executed in the three (03) running bills were separate from each other. The Department was directed to investigate the matter. No progress was reported till the finalization of this report.

DEPARTMENTAL VERSION

26- The Department explained that as evident from the dates of measurements noted below no factitious measurements was involved. Furthermore, it was, also mentioned that due to the pendency of cheques in the DAO office on the same dates the cheques were issued accordingly.

| VR No. & dates | Date of measurement | MB & Pages Nos |
|---------------------------|----------------------------|---------------------------|
| 42-S, dated 19/06/2012. | 02/04/2012 | 1987, (75–80) |
| 43-S,dated 19/06/2012 | 28/05/2012 | 1987, (190- 1940) |
| 64-S,Dated 21/06/2012 | 20/06/2012 | 1987, (157- 163) |
| 73-S, dated 21/06/2012 | 20/06/2012 | 1987, (164 – 171) |

SUB-COMMITTEE RECOMMENDATION

27- In the light of final payments made to the contractor, the items involved in the particular work could not be ascertained at this stage as heavy loaded vehicles have damaged certain portion of the road. As per statement of the field staff the road was not designed for the diverted traffic that is generally used now a day by the Swat Expressway dump trucks. On that basis the road is found settled and premix deteriorated at some portion. However the length of the road was measured and found accordance with the final bill of the subject noted work.

**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.

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.

-sd-

(MUSHTAQ AHMAD GHANI)
Speaker/Chairman
Public Accounts Committee
Provincial Assembly of Khyber Pakhtunkhwa.