

**PROVINCIAL ASSEMBLY OF KHYBER  
PAKHTUNKHWA**



**PRELIMINARY REPORT**

**OF PUBLIC ACCOUNTS COMMITTEE  
ON THE ACCOUNTS OF  
GOVERNMENT OF KHYBER PAKHTUNKHWA  
FOR THE YEAR 2014-15**

# **CHAIRS 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 have 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 Auditor General of Pakistan for the year 2014-15 was referred to the earlier PAC and it examined 22 Draft Paras out of 198 in two sittings. The present Public Accounts Committee has examined 91 Draft Paras out of remaining 176 in 5 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 DAC which was constituted to facilitate the job of PAC i.e. to resolve the petty issues and refer material nature Paras to the PAC, was not working properly, neither its meetings are held in time nor its recommendations are implemented resultantly the job of PAC instead of reducing is increasing.

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 avoided 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

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# P R E F A C E

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The Report of the Auditor General of Islamic Republic of Pakistan on the accounts of Government of Khyber Pakhtunkhwa Province for the year 2014-15 comprising the Audit Report, Appropriation Accounts, Financial Statements, Audit Report on Revenue Receipts and Audit Report on Public Sector Enterprises. The Assembly referred it to the Public Accounts Committee (PAC) for detailed examination on 15-06-2017.

The PAC examined the Audit Report in series of meetings spanning over seven (07) sittings held in the Conference Room of the Provincial Assembly of Khyber Pakhtunkhwa. In this Report the Audit Paras/observations pertaining to each Department of the Government of Khyber Pakhtunkhwa are arranged separately. Tables showing details of total Paras and recommendations of PAC thereon have also been added for ready reference.

The drafting and preparation of this report has been made possible due to the determined hard work of the officers and staff of the PAC Cell. Besides, keep trying to arrange frequent meetings and timely compilation of this Report, I deeply acknowledge the active services of Mr. Amjad Ali, Additional Secretary for giving briefing to the Members. His sincere and devoted endeavours 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















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# **INTRODUCTION**

## **INTRODUCTION**

The annual report of the Auditor General of Pakistan on the Accounts of Government of Khyber Pakhtunkhwa for the year 2014-15, received in the Assembly Secretariat on 19-05-2017, was laid before the house in pursuance of Article 171 of the Constitution of Islamic Republic of Pakistan on 15-06-2017 under rule 198 of the Provincial Assembly of Khyber Pakhtunkhwa Procedure and Conduct of Business Rules, 1988. The House referred it to the Public Accounts Committee (PAC) on the same day for detailed examination.

2. The earlier PAC started examination of this report but was able to examine Audit paras pertaining to Agriculture and Irrigation Departments in its two sittings held on 16-10-2017 & 17-10-2017 in the Conference Room of the Provincial Assembly of Khyber Pakhtunkhwa.

3. The current PAC was constituted on 16-11-2018 soon after its constitution, it decided to examine the Report of the Auditor General of Pakistan on the Accounts of Government of Khyber Pakhtunkhwa for the year 2014-15. Five sittings were held on 03-12-2018, 04-12-2018, 05-12-2018, 06-12-2018 and 10-12-2018.

4. The PAC examined ninety one (91) Audit paras pertaining to the Food, Health, Energy & Power, Industries, Housing, Science and Technology, Relief, Rehabilitation & Settlement and Higher Education Departments.

5. The PAC while examining the Audit Report observed that no changes were made in the rules, practices and internal control systems during the year and similar nature irregularities of previous years were repeated.

6. During the course of examination of the Audit Report, internal controls were found lacking as a result the following short comings in the financial management system in most of the Provincial Government Departments were observed:

- Non-observance of canons of financial propriety and non-compliance of rules & regulations.
- Non- recovery of government dues.
- Overpayments in pay & allowances and to contractors.
- Loss to government due to negligence.
- Excess payments to suppliers/contractors.
- Irregular, unauthorized and unnecessary expenditure.
- Misuse of financial powers by the subordinate officials.
- Waste of funds due to un-necessary purchase of store etc.
- Retention of public money outside the government account.

7. To overcome the above mentioned short comings, the Principal Accounting Officers should evaluate the existing internal controls and reinforce these controls in the offices and organization working under their control. For future guidance, they were asked to:

- Maintain accurate accounting records and make it available to auditors at the time of the audit.
- 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, applicable to such person in terms of section 14(3) of the Auditor General's (Functions, Powers, and Terms & Conditions of Service) Ordinance, 2001.
- Recover Government dues and timely deposit it in Government Treasury.
- Avoid keeping of public money outside the government account and prevent unnecessary drawl of funds.
- Prevent misuse of government assets.
- Timely investigate the cases of losses and take remedial measures.
- Regularly convene effective DAC and pre-PAC meetings and'
- Implement directives of DAC & PAC in its true spirit.

8. 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 PAOs should give full attention on the PAC directives and improve compliance by their respective departments.
- The PAOs should ensure production of auditable record to audit and in respect of cases of non production of record take disciplinary action under E&D Rules in terms of section 14(3) of Auditor General's Ordinance, 2001.
- The PAOs should strengthen the internal control mechanism to prevent losses and repetition of similar nature of irregularities.
- The PAOs should ensure holding of DAC and Pre-PAC meetings regularly.
- PAOs should promptly investigate cases of embezzlements/ frauds.
- The departments should ensure adherence to the provisions of GFR, Procurement Rules and Government Instructions.
- Departments need to deposit the public money received by them in the Provincial Consolidated Fund and Public Account instead of depositing into unauthorized accounts in commercial banks.
- Instances of making payment by the departments or their autonomous bodies/authorities to employees in contravention of rules and in disregard of the employees, entitlement need to be

checked by affecting recoveries where due and taking disciplinary action against the officials involved in overpayments.

9. The PAC examined 113 paras in its seven sittings and settled unconditionally forty eight (48) Paras, where the explanation of the Departments were found plausible or relevant records were produced and duly verified by the Audit, while in seventeen (17) 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. Twenty (20) Draft Paras, where record needed to be verified, were dropped conditionally subject to verification of record. Five (5) Draft Paras were referred for Departmental action/Inquiry. One (01) Draft Para was referred to Inter Departmental Committee (IDC). Three (03) Draft Paras were kept pending. Five (05) Draft Paras were referred to Audit Department for detailed audit. One (1) Draft Para being subjudice was kept pending till the decision of Court of Law.

10. Sub-Committees were also constituted to probe into the issues mentioned in thirteen (13) Draft Paras which needed detailed deliberation.

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

Department	Total DPs	Settled	VOR	Recovery	Departmental action/Inquiry	Sub-Committee	IDC	Detail Audit	SubJudice	Pending
Agriculture	15	05	04	01	02	-	01	-	01	01 till Decision of C.M
Irrigation	07	02	01	-	-	03	-	-	-	01
Food	11	05	01	02	-	03	-	-	-	-
Health	27	14	01	04	02	05	-	01	-	-
Energy & Power	13	05	05	03	-	-	-	-	-	-
Industries	07	05	-	-	01	-	-	01	-	-
Housing	05	03	02	-	-	-	-	-	-	-
Science & Technology	03	02	-	-	-	01	-	-	-	-
Relief, Rehabilitation and Settlement	06	03	01	01	-	-	-	01	-	-
Higher Education	19	04	05	06	-	01	-	02	-	01
<b>Total</b>	<b>113</b>	<b>48</b>	<b>20</b>	<b>17</b>	<b>05</b>	<b>13</b>	<b>01</b>	<b>05</b>	<b>01</b>	<b>03</b>

## **GENERAL OBSERVATIONS**

### **Stereotype Comments.**

While examining the Draft paras, the Committee noted that stereotype comments were offered by Audit and Finance Departments on the Working Paper which seems to be just an eye wash. Had both the Departments offered realistic comments with regard to latest position, the PAC would have been in a better position to examine the issues involved and precious time of the Committee would have not have been wasted in finding out petty issues. The officers deputed were also not fully prepared.

The Finance Department being the Manager of the Kitty of the Province has the responsibility to record its realistic comments on the Working Paper and avoid recording stereotype comments as these comments do not serve the purpose rather wasting the time of Departments.

The PAC directed the Finance Secretary to warn the concerned to avoid such practices in future. In case of non-compliance, he should initiate departmental proceedings against the responsible.

### **Non-conducting of DAC Meetings.**

While examining the accounts of Health, Energy & Power, Science & Technology, Higher Education and Food Departments, it was noted that DAC meetings were not convened by the Departments in some of Draft Paras despite the reminders of Audit. The Committee was also reminded that the previous and present PAC has also time and again stressed upon convening of DAC meetings regularly but majority of the Departments usually turned deaf ears upon the directions of PAC, as a result on one side the Departments make it difficult for themselves to convince the Committee during the meeting in short time and on other side the Committee also could not reach to a just conclusion, hence, non-conducting of the DAC meetings affects both the Departments and the PAC. Directions were issued time and again to the Departments to ensure conducting of DAC meetings in time but in vain. The Committee stressed upon the importance of DAC and shown its displeasure over the non-serious attitude of the Departments in convening DAC regularly, non-recording of its detailed minutes and non-implementation of its decisions, resultantly the PAC is overburdened. The Committee directed all the Principal Accounting Officers (PAOs) to avoid such lapses in future otherwise the officers sitting at the helm of the affairs would be held personally responsible.

### **Illegible working paper.**

While examining the accounts of Health Department, the Committee noted that the working papers were not legible. Neither working papers were page marked nor Draft Para numbers were mentioned. Moreover, index was also not provided. In such circumstances most of



the time was wasted on finding out required page. The Committee directed the Department to avoid such practice in future.

### **Illegal dispossession proceedings.**

The Committee while examining the accounts of Cereal Crop Research Institute Pirsabak, Nowshera noted with grave concern that 437 kanal of Government holding at the said institute has been occupied by the illegal occupants with the connivance of Revenue and District establishments. The Department was directed to initiate “illegal dispossession proceedings” against the occupants. The Department was also directed to convey the displeasure/concern of the Committee to Revenue and District Administration of Nowshera. In case, the land could not be recouped, it will encourage other people to encroach the Government lands.

### **Projects/Schemes left incomplete by the Federal Government after the enactment of 18<sup>th</sup> Amendment.**

While examining the accounts of Agriculture Department the Committee noted that the Projects /Schemes were left incomplete by the Federal Government after the enactment of 18<sup>th</sup> Amendment and no arrangement for the balance works were made by either Governments hence, huge amount already spent on the said projects is being wasted. The Committee directed the Department to initiate summary of all projects to the Finance Department for arrangements of funds, in the Public interest so that the balance work of the Projects/Schemes could be completed and the already spent amount could be saved from wastage.

### **Weak Financial Control System**

The Committee noted that the Government was spending billions of rupees on Health Sector but on the other side, weak rather nil internal financial control system within the Department exists. 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 Department would seriously look into the matter and ensure that public money would be saved from wastage in future.

### **Non implementation of PAC Directives.**

While checking the implementation status of the PAC directives it was noticed that the compliance is very weak and almost nil in certain Departments, resultantly the same irregularities are repeated each year, the Committee shown its grave concern over such attitude of the Departments and Directed the PAOs to mend their attitude, take the PAC directives seriously and implement the same in the allocated time frame, and to submit implementation report to the PAC Cell for placing it before the House.

**AGRICULTURE, LIVESTOCK & COOPERATION**  
**DEPARTMENT**

<b>Total Draft Paras</b>	<b>_____15</b>
<b>Examined</b>	<b>_____14</b>
<b>Pending</b>	<b>_____01</b>

**Settled: .....05**  
**VOR: .....04**  
**Departmental Action: .....02**  
**Recovery: .....01**  
**I.D.C: .....01**  
**Subjudice: .....01**

## **AGRICULTURE DEPARTMENT**

Fifteen (15) Draft Paras, reflected in the Auditor General's Report for the year 2014-15 against the Department, were examined by the earlier Public Accounts Committee in its meeting held on 16<sup>th</sup> October, 2017. The following were present:-

### **PUBLIC ACCOUNTS COMMITTEE**

- |    |                                   |                 |
|----|-----------------------------------|-----------------|
| 1. | Mr. Qurban Ali Khan, MPA          | Acting Chairman |
| 2. | Syed Muhammad Ali Shah Bacha, MPA | Member          |
| 3. | Arbab Waseem Hayat, MPA           | Member          |
| 4. | Mr. Mehmood Jan, MPA              | Member          |
| 5. | Mr. Samiullah Khan, MPA           | Member          |

### **LAW, PARLIAMENTARY AFFAIRS & HUMAN RIGHTS DEPARTMENT**

Mr. Masood-Ul-Hassan,  
Law Officer.

### **FINANCE DEPARTMENT**

Mr. Musharraf Khan,  
Additional Secretary.

### **AUDIT DEPARTMENT**

1. Mrs. Hashmat Iqbal  
Deputy Auditor General.
2. Mr. Murtaza Khan,  
Director General.
3. Mr. Asad Ullah Khan  
Director.
4. Mr. Zubair Arshad Khattak,  
Deputy Director.

### **AGRICULTURE DEPARTMENT**

1. Mr. Shaukat Ali Yosafzai,  
Additional Secretary.
2. Mr. Muhammad Nasim,  
Director General, Agriculture Extension.
3. Dr. Naveed Akhtar,  
Director General, Agriculture Research,

4. Mr. Shamshad Hussain,  
D.G. Agriculture, Water Management.
5. Mr. Muhammad Khurshid,  
Director H.Q, Agriculture Water Management.
6. Professor Dr. Noor Khan,  
V.C Agriculture University of Peshawar.
7. Dr. Alamzeb,  
Director HQ, Livestock.
8. Dr. Zaheer Ulluh Khan,  
Senior Director, Agriculture Research Institute (Tarnab).

**PROVINCIAL ASSEMBLY SECRETARIAT**

1. Mr. Nasrullah Khan,  
Secretary.
2. Mr. Amjad Ali,  
Additional Secretary.
3. Mr. Inamullah Khan,  
Additional 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. 2.4.1 IRREGULAR PAYMENT ON PURCHASE OF FURNITURE-Rs.1.8 MILLION.**

**AUDIT VERSION**

3. During financial year 2011-12, the Director General Livestock & Dairy Development (Extension) Peshawar paid Rs.1.8 million in advance to Pak German Wood Working Centre, Peshawar out of development budget vide cheque No.717614 dated 27.06.2012 without the sanction of Finance Department Government of Khyber Pakhtunkhwa. Departmental record did not contain proof of delivery, stock entries of receipt or if so, record of furniture delivered directly to departmental units.

4. It was held that delegation of powers of the Provincial Government **Para 96 of GFR vol I and Para 397 of CTR** were willfully violated.

5. The Department did not reply when the observation was raised in 06/2013. The matter was discussed in the DAC meeting held in September, 2013. The Department replied that 50% supply had been made and the remaining was in progress. DAC directed that stock entries of the supply made may be shown for verification within 15 days. Requisite record was not produced for verification till the finalization of this report.

#### **DEPARTMENTAL VERSION**

6. The Department explained that all the furniture had been received and entered in the ledger book page No. 24, 25, 26, & 28 some of which was under use in various branches of this Directorate and the rest were distributed amongst the sub-offices of the Department and proper DRFs were obtained.

7. In compliance with the directives of DAC meeting held on 03/09/2013, the relevant record was provided to Director General Audit, Khyber Pakhtunkhwa, duly received by their representative on 13/01/2014 vide this office Memo: No. 152 dated 09/01/2014 followed by reminder No. 8800 dated 20/6/2017, No.9406 dated 17/07/2017 & No.9404 dated 17/07/2017 but the relevant verification certificate was still awaited from the Director General Audit Khyber, Pakhtunkhwa, Peshawar.

#### **PAC RECOMMENDATIONS**

8. As the stock register and relevant supporting documents showing proof of delivery, stock entries of receipt and its disbursement has been verified by Audit during Pre-PAC meeting. The Para was therefore recommended to be settled.

#### **DP No. 2.4.2 SUSPECTED MISAPPROPRIATION OF POULTRY PRODUCE Rs.3.823 MILLION.**

#### **AUDIT VERSION**

9. During financial year 2011-12, the Director General Live Stock & Dairy Development (Extension) Peshawar maintained two species of hens in the departmental poultry house for egg laying. Specie 1 & 2 both lay 10 eggs per day per 15 hens as per norm. The Director General purchased feed worth Rs.4.4 million to feed the hens for uninterrupted laying of eggs. Record showed that 199,094 eggs had been laid per annum instead of the 581,400 eggs as per norm; the difference being 382306 eggs amounting to Rs.3.823 million as tabulated below:-

Month	Total WLH	Total FYUMI	Required Monthly Produce	Monthly Produce Shown	Monthly Difference	Rate Per egg	Amount of loss
1	2	3	4 (2+3 x 20)	5	6 (4-5)	7	8
07/2011	666	3281	78940	9255	69685	10	696850
08/2011	657	2554	64220	8953	55267	10	552670
09/2011	649	2554	64060	5616	58444	10	584440
10/2011	488	2554	60840	7201	53639	10	536390
11/2011	488	2554	60840	32463	28377	10	283770
12/2011	0	2940	58800	41398	17402	10	174020
01/2012	0	2805	56100	28628	27472	10	274720
02/2012	0	2705	54100	16984	37116	10	371160
03/2012	0	1457	29140	17220	11920	10	119200
04/2012	0	978	19560	10184	9376	10	93760
05/2012	0	905	18100	10517	7583	10	75830
06/2012	0	835	16700	10675	6025	10	60250
			<b>Total</b>		<b>382306</b>		<b>3823060</b>

10. Given that (1) egg laying was a natural phenomena, (2) a population as a whole behaves normally and (3) anomalous egg laying behavior may occur in a few individual hens but not in the entire population if other biological and environmental factors were normal, the shortage in eggs occurred due to less feed or misappropriation through collusion between staff. Since the value of feed stolen was likely to be less than the value of output i.e. eggs in the market, the eggs were misappropriated for personal consumption or sale in the market. At Rs.10/- per egg, the value of the missing eggs and thus the loss to Government works out to Rs.3.823 million.

11. It was held that theft occurred due to negligence or collusion of supervisory staff. The matter was pointed out in 01/2013, but the Department did not reply. The observation was discussed in the Departmental Accounts Committee meeting held in September, 2013. The Department was directed to produce record pertaining to detail of all eggs produced/ statistically international standards & production per hen. No record was produced for verification by the Department till finalization of this report.

#### **DEPARTMENTAL VERSION**

12. The Department explained that the Audit figures were not correct as chicks were brought to the Farm in July 2011 which do not lay eggs from the day 1<sup>st</sup>. These chicks took six (06) months to reach maturity and started laying eggs afterwards. The Farm was used for research activities and not for commercial purpose.

### **PAC OBSERVATION**

13. The Committee observed huge difference in the contention of Audit and the Department and also variation in the amount of loss pointed out by the Audit and the one advanced by the Department.

### **PAC RECOMMENDATIONS**

14. After detailed discussion the Committee constituted an Inter Departmental Committee (IDC) comprising the representatives of Agriculture, Audit and Finance Departments to workout actual loss and to initiate recovery proceedings against the responsible (s) within a month. Para stands. Progress be reported to PAC.

15. The Agriculture Department was nominated as convener of the IDC.

### **DP No. 2.4.3 UNAUTHORIZED EXPENDITURE WITHOUT APPROVAL OF COMPETENT AUTHORITY- Rs.2.655 MILLION.**

### **AUDIT VERSION**

16. During financial year 2011-12, the Director Agriculture Research Institute Swat hired daily labour and paid them a total of Rs. 2.655 million without the sanction of Finance Department, Government of Khyber Pakhtunkhwa. The Department submitted the case for sanction to Finance Department vide letter dated 05.04.2012 which declined to sanction the expenditure vide letter No. BOVII/FD/1-2/RE-2011-12 dated 19.04.2012 as it violated the cabinet decision on the subject.

17. Willful violation of orders in the unauthorized expenditure was held. The matter was pointed out in 11/2012, but Department did not reply.

18. In the DAC meeting held in September, 2013, the Department replied that case has been taken up with the Finance Department for ex-post facto sanction. DAC directed to furnish relevant record for verification. No record was produced for verification by the Department till finalization of this report.

### **DEPARTMENTAL VERSION**

#### **1<sup>st</sup> Reply**

19. The Department explained that Agriculture Research Institute, Mingora, Swat carrying out the research activities in the whole area of Malakand Division having two (02) Sub-stations at Kalam & Biakan. The Sub-stations has no regular staff hence the watch & ward and field activities were carried out through daily paid labours.



20. During the financial year 2011-12 a sum of Rs.3.10 million had been allocated by the Finance Department under the Head/Code A-01277 for the engagement of casual labours for carrying out various research activities. Approval for the engagement of the casual labours was being obtained on regular basis from the Director General, Agriculture Research, Khyber Pakhtunkhwa Peshawar and later on the competent authority accord financial sanction for the expenditure incurred.

21. In addition to above this office has requested to the Director General, Agriculture Research, Khyber Pakhtunkhwa, Peshawar vide letter No. 517/DAR (N)/ARI, Swat dated 21.02.2013, to approach to the Finance Department for the grant of ex-post facto sanction, for the expenditure incurred under the head/object A-01277, for regularization the expenditure.

### **2<sup>nd</sup> Reply**

22. The Department explained that the Director General, Agriculture Research, Khyber Pakhtunkhwa, Peshawar being Category-I officer was empowered vide Second Schedule Rules 5 (xxxvii) 2001. Power common to all Departments for the engagement of the Daily Paid/Casual Labours. And approval/ sanction were being obtained from the competent authority before the engagement of the casual labours.

23. In addition to above as per directives of the DAC meeting held on 05/09/2013 under the Chairmanship of the Special Secretary Agriculture, in the Committee room relevant record was presented to the concerned audit authorities vide this office letter No.433/DAR(N)/ARI/Mingora, Swat dated 12.02.2014.

### **PAC OBSERVATION**

24. The PAC observed casual and irresponsible attitude of the Department as record was not produced to DAC and Pre-PAC and no effort was made to get it verified afterwards.

### **PAC RECOMMENDATION**

25. As the Department failed to produce relevant record during the meeting therefore, the Committee referred the Para to the Verification of Record Committee already constituted for verification of record. The Department was directed to initiate disciplinary action against the person (s) who failed to produce record as per directives of DAC. Para stands. Progress be reported to PAC.

**DP No. 2.4.4 LOSS DUE TO PURCHASE MACHINERY- Rs.109.672 MILLION.**

**AUDIT VERSION**

26. During financial year 2009-10, the Project Director, Water Conservation and Productivity Enhancement paid Rs.109.672 million to different pre-qualified firms as 20% & 40% mobilization advance for delivery of HEIS equipment at site. The machinery was not installed even after the expiry of the project in June, 2011. The Department had also not shifted the machinery for utilization elsewhere. The uninstalled machinery for this reason was subjected to depreciation, environmental and other effects causing deterioration on daily basis. The objective for which the machinery was purchased was not achieved and the payment to the contractor was unjustifiable.

27. It was held that non utilization of costly machinery had caused firstly, a direct loss to Government due to the misspent money and secondly, an economic loss due to lost water and productivity.

28. The uneconomical expenditure was pointed out in 07/2011. The Department did not reply. In the DAC meeting held in December, 2011, the Department replied that installation of machinery was the sole job of Supply Service Companies and since pre-qualification of companies and the engagement of consultants for consultancy services was purely a Federal Government subject, therefore, they were not in a position to take any action against the former or the later either in shape of disqualification or administrative action. However, there were pending liabilities of the Supply Service Companies which will not be paid and the payments for uninstalled machinery will be adjusted accordingly. DAC did not agree because advance should not have been paid if circumstances did not warrant the purchase of the machinery and non implementation of project objectives had caused a financial and economic loss and accordingly decided to place the matter before PAC.

**DEPARTMENTAL VERSION**

29. The Department explained that Procurement of goods works and services rules 2003 of Khyber Pakhtunkhwa were not applicable upon the project “Water Conservation and Productivity Enhancement through High Efficiency Irrigation System” as no tender system was involved. In the approved PC-I detailed procedure of Project execution and payment etc has been given which has been mentioned by the Audit. The Provincial Project Director has implemented

the Project strictly in accordance with the provision of PC-I Page No. 22 (xviii) and as such no lapse/irregularity has occurred on part of Provincial Directorate.

30. Out of 76 Nos schemes, 39 Nos schemes costing Rs. 5,35,19,811/- has been completed and verified by the consultants while the remaining 37 Nos schemes costing Rs.5,61,52,189/- were ongoing but not verified by the consultants due to discontinuation of consultancy service.

31. Eleven(11) Nos. of supply service companies has submitted their writ petitions in the Honorable Peshawar High Court for seeking payment of their liability for completed/ongoing schemes. The Peshawar High Court has decided the cases in favour of the Supply Service Companies. Now the Department has filed an appeal against the judgment of Peshawar High Court in the Honorable Supreme Court of Pakistan. The Department would implement the decision of the Honorable Supreme Court as and when received. The progress will be intimated to PAC accordingly.

#### **PAC RECOMMENDATIONS**

32. As the issue involved in the Para was Subjudice in the Court of Law therefore, the Para was kept pending till the final decision of the Court and its implementation by the Department.

#### **DP No. 2.4.5 UNAUTHENTIC EXPENDITURE ON DAILY PAID LABOUR- Rs.6.297 MILLION.**

#### **AUDIT VERSION**

33. During financial year 2010-11, the Director General, Agriculture Research Institute Tarnab Peshawar, paid Rs. 6.297 million to daily paid labours engaged over the entire year. This labour was hired in addition to 47 laborers on the regular strength of the local office and the fixed pay field workers and 6 to 7 daily paid labours in each of the several ADP schemes. Record substantiating the need for the daily paid labour or of the work done by them was not found thereby rendering the basis for the payment questionable.

34. It was held the expenditure of questionable probity and veracity. The unauthentic expenditure was pointed out in 11/2011, but the Department did not reply. In the DAC meeting held in July, 2013, the Department replied that the expenditure was incurred for the engagement of labours strictly in accordance with the allocation made by the Government of Khyber

Pakhtunkhwa, Finance Department. DAC directed that detailed record be produced for verification. The record was not produced till finalization of this report.

**DEPARTMENTAL VERSION**

35. The Department explained that the expenditure of Rs.6297520/- has been incurred for the engagement of labours strictly in accordance with the allocation made by the Government of Khyber Pakhtunkhwa, Finance Department. The Para-wise justifications were given as under:-

- i. It was correct that this Institute has strength of 47 Field Workers in various 14 sections but the field activities being carried out by different sections were so much huge that cannot be dealt with the available strength of Field Workers. It was further pointed out that DPLs were engaged for different field activities in accordance with Rule-389, Chapter-VIII, Part-V of the Treasury Rules. This Institute has played a significant role in the economic prosperity of the farming community through introduction and evaluation of high yielding varieties of crops, fruits and vegetables standardization of agronomic techniques and dissemination of the latest know-how on crop husbandry, soil management, fertilizer use and plant protection measures. In order to improve the technical activities of the Institute. Daily Paid Laborers were required to be engaged regularly.
- ii. The Director General, Agriculture Research Institute, Tarnab has not run the Developmental Projects. Each Project was run by its Principal Investigator being its DDO.
- ii. The assessment of work done by the DPLs was usually and regularly indicated in the Work done sheets.
- iii. The services of DPLs were required when the No. of Field Workers were insufficient to carry out the research activities. Hence it was not the repetition but just the technical requirements.
- iv. The Progress Report of the work done was illustrated in the Technical Reports in the shape of Research Experiment conducted in the fields.
- v. The Director General Agriculture Research (DGAR) Khyber Pakhtunkhwa issued directives for making payment through crossed cheques. But due to non-

availability of the Accounts in the National Bank of Pakistan, a proposal was submitted to the DGAR, Khyber Pakhtunkhwa vide this office memo. No. 3019-26/Acctt/DGA dated 06.08.2011 for obtaining approval from the Government of Khyber Pakhtunkhwa Finance Department for opening the accounts in the National Bank of Pakistan which was forwarded to the Administration Department vide Director General Agriculture Research's No.12774-75/Acctt/DGAR dated 07.10.2011. In its response, the Finance Department has regretted the proposal regarding making payment to DPLs through crossed cheques, vide its letter No. BOVII/FD/1-2/BE-2011-12; dated 06.01.2012.

- vi. Since it was an Agricultural Research Oriented Institute, conducting the research trials through-out the year containing the different seasonal experiments, therefore, the engagement of DPLs remains continue for the full year.

#### **PAC OBSERVATION**

36. The PAC observed laxity of the Department for not producing record to Audit in time.

#### **PAC RECOMMENDATIONS**

37. The Para was recommended to be settled subject to verification of record i.e No of Labours, Muster roll and Acknowledgement receipt by the Verification of Record Committee in the Provincial Assembly Secretariat of Khyber Pakhtunkhwa within one (01) month.

#### **DP No. 2.4.6 UNAUTHORIZED EXPENDITURE DUE TO VIOLATION OF PC-1 Rs.4.078 MILLION.**

#### **AUDIT VERSION**

38. During financial year 2011-12, the Director General, Agriculture Research Institute Tarnab Peshawar incurred an expenditure of Rs.4.078 million on execution of the project "Introduction of Selected Fruits, Vegetables and Medicinal plants". The progress report of the project disclosed that instead of berry, mulberry and chungu, Fig & Grape plants were planted in contravention of the PC –I of the project.

39. It was held that willful disregard of PC-1 had defeated the objective of the project and the economic plans of the Government.

40. The unauthorized expenditure was pointed out in 11/2011. In the DAC meeting held in July, 2013, the Department replied that the project significantly achieved the objectives and the expenditure was justified. DAC directed that detailed record in support of departmental reply should be furnished. Record was not produced for verification till finalization of this report.

#### **DEPARTMENTAL VERSION**

41. The Department explained that:-

- i) According to PC-1 objectives, the berry plantation was made on cultivable waste land. Grapes were also a berry which was planted on the farmers' fields.
- ii) Fig was a high value medicinal plant and has very high nutritional value, which was also planted on farmer fields. Fig was widely grown in dry and sunny area and can also tolerate seasonal drought.
- iii) Chunga was planted in Urmer, Manki Sharif, Kaka Sahib and Tangi areas of the project.
- iv) The Mulberry plants were not planted because of the fact that farmers were reluctant and not willing to plant on their field. Keeping in view of the above cited target/progress, the project significantly achieved the objectives and the expenditure incurred was justified.

#### **PAC RECOMMENDATIONS**

42. The Committee while taking lenient view recommended the Para to be settled subject to verification of record by the Verification of Record Committee. The Committee also decided to pay visit to the Agriculture Research Institute (ARI) Tarnab to examine the research activities being performed.

#### **DP No. 2.4.7 LOSS TO GOVERNMENT DUE TO LESS YIELD-Rs.1.543 MILLION.**

#### **AUDIT VERSION**

43. During financial year 2011-12, the Director, Agriculture Research Institute D.I.Khan recorded a produce of 830 maunds of sugarcane from the 10 acres of land cultivated for sugarcane crop as against the required standard per acre yield of 650 to 800 maunds per acre that should have resulted in a total yield of about 7000 maunds. Each maund is equal to 40 kgs. The value of the alleged shortfall amounted to Rs.1.543 million as worked out below:-

Crop	Area (acres)	Required Standard Yield	Actual	Difference	Rate (Rs)	Amount (Rs)
Sugarcane	10	7000 maunds	830 maunds	6170 maunds	250	15,42,500

44. It was held that the lower production was either due to negligence or misappropriation through collusion by the concerned staff for personal gain resulting into loss to Government which was violation of **Para 23 of GFR vol I.**

45. The loss was reported in 02/2013. The Department replied that land was barren and germination failed. In the DAC meeting held in September, 2013 the Department repeated their previous reply. DAC did not accept the reply because sugarcane crop requires a lot of water and there was no apparent need to plant it on barren land and directed the Department to furnish record to substantiate its claim. Requisite record was not produced for verification till finalization of the report.

#### **DEPARTMENTAL VERSION**

##### **1<sup>st</sup> Reply**

46. The Department explained that the 10 acres of Sugarcane CESS project was multiplied on the instruction of worthy Director General, Research. The 10 acre area was allotted to sugarcane 5 acres land was received from agriculture extension was barren salty and marginal land which turned to failures in germination, only 5 acres sugarcane were maintained. There 5 acres land also badly affected by the flood in July August 2010. The crop was sown in February 2010, which was reported vide letter No. 99 dated 09.08.2010. Therefore the produce received from this affected crop was satisfactory.

##### **2<sup>nd</sup> Reply**

47. According to the crop register 4 acre Sugarcane varieties was maintained as seed under “CESS” program which was 50% affected by the floods during 2010 the remaining 2 acre was harvested and amount was deposited in the Government treasury vide receipt No. 161,162, 124 and 181.

## **PAC OBSERVATION**

48. The Committee observed that the stance of the Department was different from the one advanced in DAC as well as Pre-PAC. The Department was neither able to satisfy the Committee nor could it produced relevant record pertaining to the subject Para.

## **PAC RECOMMENDATIONS**

49. After detailed discussion on the subject Para, the Committee directed the Department to conduct inquiry into the matter and fix responsibility on the person at fault. Para stands. Progress be reported to PAC within one (01) month.

### **DP No. 2.4.8 LOSS TO GOVERNMENT DUE TO LESS YIELD-Rs.7.246 MILLION.**

## **AUDIT VERSION**

50. During financial year 2011-12, the Director, Agriculture Research Institute, D.I Khan recorded cultivation of rice on 14 acres out of total available 150 acres irrigated land and showed 136 acres uncultivated. Record showed production of 594 bags of 40 kg from 12 acres planted with IRRI-6 variety rice. Thus, these 12 acres produced 49.5 bags of 40 kg as against the standard expected yield of 74 bags of 40 kg per acre. No production from the basmati rice planted on the additional 2 acres was recorded. Leaving 136 acres Government land fallow despite availability of inputs and adequate budget was either unauthorized non utilization of a Government asset earmarked for research and production of seed or it was used for private production because neither plan nor record of activity in respect of the allegedly uncultivated land was available. Given that only one crop was shown, that standards were established by research establishments and a research establishment can be expected to have the knowledge and skill to produce crops close to standard, if we extrapolate the production of rice onto the entire area available we can deduce a loss of Rs.7.246 million to have occurred as per table below:-

Crop	Area (acres)	Required Standard Yield	Actual (40 kg per bag)	Required Yield	Difference	Rate (Rs)	Amount (Rs)
Rice	150	74 bags / Acre	1036 bags	11,100 bags	10,064 bags	720 / bag	72,46,000



51. It was held that less production was either negligence on the part of local administration or misappropriation through collusion for personal gain by the concerned staff resulting into loss to Government which was violation of **Para 23 of GFR vol I**.

52. The loss was pointed out to the Department in 02/2013. In the DAC meeting held in September, 2013, the Department replied that only 71 acres of land was available for cultivation. The DAC directed that produce record of total land cultivated and statistical data in support of per acre yield be produced. No record was produced for verification till finalization of the report.

### **DEPARTMENTAL VERSION**

#### **1<sup>st</sup> Reply**

53. The Department explained that although Audit has no concern with administration and managerial problems yet the situation was explained as under please. This institute has total land area of 196 acres. The split up of which was given as under:-

i)	Roads, colony and offices labs etc:	
ii)	Allocation to	58 acre
iii)	Horticulture	58 acre
iv)	Sugarcane	33 acre
v)	Rice	3 acre
vi)	Entomology	2 acre
vii)	Agronomy	4 acre
viii)	Chemistry	2 acre
ix)	Plant Physiology	1 acre
x)	Plant Pathology	1 acre
xi)	Wheat and Millet	6 acre

54. Keeping in view the allocation of 125 acres to different sections and buildings and roads the management was left with only 71 acres of land in the year 2011-12. Out of which 14 acres of land was brought under rice seed production to meet the future requirements of the institute and demand of extension Department. Which was nil for the year 2012-13. It was also surprising that audit seems to expect in all the fields of agriculture research and has the expertise of agricultural research and can recommend the water requirements and its availability by just sitting in the office and looking through files as evident from the content of the audit Para. This

office further explains that 57 acres of land left with the management was ploughed up, cleaned and left for replenishing the fertility and structure and texture of land for further good crop production which was also part of the management strategies.

55. It was also added that rice was a very high delta crop and its water requirements for such huge area was practically not possible under the existing situations, while the requirements of horticultural orchards vegetables experiments and experimental requirements of other sections were also kept in mind the auditor seems to be very ambitious but in fact ambitions were rarely fulfilled.

**2<sup>nd</sup> Reply**

56. *In Kharif 2011 the following crops were planted at ARI, D.I Khan*

S.No	CROP	SECTION	AREA (Kanal)	YIELD	PAGE No.
1	Rice	F.M	112	495 bags/40 g	1-2
2	Millet	Maize& Millet	1 marla	experiment	3-4
3	Millet	Maize& Millet	4.5	91 kg	-do
4	Sargham	Maize& Millet	8	287 kg	-do-
5	Sugarcane	Sugarcane	32 "CESS"	592 mands/acres	5-10
6	Sugarcane	Sugarcane	16	experiment	-do-
7	Entomology	Cotton	8	experiment	11
8	Rice	Rice	4.5	experiment	12
9	Nursery/mango, Date Orchard	Horticulture	32	Auction of fruits	13-22
10	vegetable	Horticulture	12	experiment	-do-
			<b>*229 Kanal &amp; 1 Marla</b>		

\*8 kanal = 1 acre.

57. In Kharif the institute hardly maintains the area which was shown in the table above, however some high delta crops like rice, sugarcane & vegetable may affect badly due to shortage of water. The institute 100% depends on canal water there was no source of institute own irrigation system.

### **PAC RECOMMENDATIONS**

58. The Committee recommended the Para to be settled subject to verification of total land, land cultivated and yield of each acre by the VOR Committee within one (01) month.

### **DP No. 2.4.9 DOUBTFUL EXPENDITURE OF Rs.1.041 MILLION.**

#### **AUDIT VERSION**

59. During financial year 2010-11, the Director, Cattle Breeding & Dairy Development, Harichand did not maintain record of usage of three Tractors and two Generators for which POL worth Rs.1.041 million was purchased by him rendering veracity of the expenditure doubtful.

60. It was held that weak internal controls warranted that the veracity of the expenditure be questioned which was violation of **Para 13 of GFR vol I.**

61. The lapse was pointed out in 02/2012. The management furnished no reply. In the DAC meeting held in September, 2013, the Department owned negligence of the drivers concerned. DAC directed that Log Books be produced for verification within 15 days. Record was not produced till finalization of this report.

#### **DEPARTMENTAL VERSION**

62. The Department explained that to comply the directives of DAC meeting held on 06/09/2013, the Director, Cattle Breeding & Dairy Farm Harichand and other sub-offices of this Department were directed vide this office Memo: No. 9237-40 dated 16/09/2013, to provide the relevant record to Director General Audit, Khyber Pakhtunkhwa, for verification and as such the record was provided to the Director General Audit, Khyber Pakhtunkhwa, for verification purpose but the verification certificate was still awaited from Director General Audit Khyber Pakhtunkhwa. The Director Cattle Breeding and Dairy Farm Harichand was strictly instructed to vigorously pursue the case with the D.G Audit, Khyber Pakhtunkhwa, and obtain the verification certificate for settlement of the audit Para. Now all the record had been verified by Audit.

## **PAC RECOMMENDATIONS**

63. The Para was recommended to be settled as the relevant documents have already been verified by Audit during Pre-PAC meeting and no misappropriation was found.

### **DP No. 2.4.10 MISAPPROPRIATION OF COST OF MACHINERY-Rs.1.153 MILLION.**

#### **AUDIT VERSION**

64. During financial year 2011-12, Director, Seed Agriculture Development Fund, Khyber Pakhtunkhwa, Peshawar spent Rs.1.729 million on purchase of three (03) generators. Stock entries showed purchase of three (03) generators. Record showed receipt of one (01) generator by D.I Khan Office. The remaining two (02) were neither physically available in store nor issued to another office. In the absence of a reasonable explanation, it was apprehended that the missing generators worth Rs.1.153 million might had been misappropriated.

65. It was held that weak internal controls had resulted in loss which was violation of **Para 23 of GFR vol I.**

66. The matter was pointed out in 01/2013 but the Department did not reply. In the DAC meeting held in September, 2013, the Department was directed to furnish acknowledgement receipt and physical verification report within 15 days. No record was produced till finalization of this report.

#### **DEPARTMENTAL VERSION**

67. The Department explained that the three (03) Nos. generators of 20 KV ADG set unit AMF panel have been purchased from Millat Tractors Ltd, P.O Box. No. 1203 Sheikhpura Road Shahdara Lahore Pakistan and distributed to various Districts Director Agriculture as per detail mentioned below:-

- i) DDA DI Khan =01
- ii) DDA Mardan =01
- iii) DDA Peshawar =01

68. The generators were being using for running of the processing plants in the bulk seed stores for grading and cleaning of seed during the load shedding hours for ensuring timely supply of certified seed to the farming community.

69. The same were taken in the main stock inventory register and physically handed over to the quarter concerned.

## **PAC RECOMMENDATIONS**

70. In view of plausible explanation duly endorsed by Audit and documentary proof provided by the Department during the meeting the Para was recommended to be settled.

### **DP No.2.4.11 LOSS TO GOVERNMENT OF Rs.7.904 MILLION.**

#### **AUDIT VERSION**

71. During financial year 2012-13, the Director Cereal Crops Research Institute, Pirsabak Nowshera, caused a loss of Rs.7.904 because of less production of Wheat and Maize Crop as per the detail given below:-

Crop	Area	Standard produce	Actual produce	Difference	Rate	Amount (Rs)
Wheat	129.5 acres	6475 maund	3525 mound	2950	2100	61,95,000
Maize	50 acres	1500 maunds	576 mound	924	1850	17,09,400

72. It was held that less production was either negligence on the part of local administration or misappropriation through collusion for personal gain by the concerned staff resulting into loss to Government.

73. The loss was pointed out in 10/2013. The management furnished no reply. In the DAC meeting held in April, 2014, the Department was directed to produce record showing total yield against the standard. No record was produced to audit till finalization of the report.

#### **DEPARTMENTAL VERSION**

##### **1<sup>st</sup> Reply**

74. The Department explained that:-

##### **Farm Manager (Wheat)**

75. Since CCRI deals with seed production of wheat crop not the commercial grain production therefore, the yield per acre becomes very low due to the following factors.

- i) The potential yield of a variety means that the variety has the potential to produce that much grain yield if all the ideal conditions were provided to it, which can rarely be provided due to natural hazards and climatic changes, moreover it was the potential grain yield not the seed yield because in seed production continuous rouging was required which reduce seed yield but

improves seed quality and the mandate of the research institute was to provide high quality seed. It was further submitted that the average grain yield of wheat in Khyber Pakhtunkhwa was 1.679 tons/ha (MINFAL, 2012-13) while the quality seed produced in CCRI was 3.372 tons/ha.

- ii) The gross area shown under cultivation (129.5 acre) consisted of water channels, bunds, drainage, space between the varieties and machinery path ways so the net harvestable area decreased due to these things.
- iii) The seed production blocks require thorough rouging of off types and diseased plants to maintain the quality of seed production, due to which the standing crop also becomes damaged and the population also becomes low from the required standard population.
- iv) The irrigation water was not supplied to the crop on proper time at critical stages due to heavy load shedding and damaged irrigation channels.
- v) Due to large area planted in the season for wheat seed production to fulfill the requirement of the quality seed of pre-basic, basic and certified seed classes, the crop harvesting was next to impossible manually. Therefore, the combined harvester was necessarily be used for harvesting this huge area, for machinery harvesting the crop needs to be over matured since the less matured crop cannot be harvested by the machinery so shattering of seed was occurred due to delayed harvesting which ultimately affect the yield.
- vi) Moreover, the 11929 men days of labours were not utilized only for wheat seed production but were also utilized for overall farm management activities of the institute including several sections like pathology, entomology, farm management and watch and ward at CCRI.

### **Maize Seed Production (Maize)**

76. The area shown in audit Para was 50 acres, while it comes 42.5 acres, because 15% area of the sown crop comes under channels, bunds, ridges and machinery pathways (planter, welders etc.) similarly the average maize yield of Khyber Pakhtunkhwa was 1.852

tons/ha (grain) (annual research progress report 2012-13) which was very close to the yield obtained at CCRI, Pirsabak i.e 1.674 tons/ha (seed).

77. Reference to the brochure, the yield was of the grain, not seed. The yield mentioned in the brochure was potential yield which means provided by the best environment less temperature than 35°C, while the prevailing temperature maize cropping season was much higher than the required and sometime reaches to 42-47 ° C. similarly, potential yield needs fertile soil rich in organic matter and sufficient and timely irrigation. In contrast the soil of CCRI having very limited organic matter and depilated from other essential plants nutrients.

78. The cropping pattern in CCRI was intensive and for the last 3-4 decades the wheat and maize crops were sown. There was no proper crop rotation to enhance the soil fertility as the mandate of CCRI was to produce only wheat and maize seed. Furthermore, the PH\_of CCRI soil was alkaline and the nutrient availability was limited to the plants and we mainly use the recommended dose of fertilizer to avoid the audit Para like that one.

79. Cultural practices such as roughing in standing crops and sorting in cobs were carried out by removing the off types and disease once etc. to ensure the best quality of crop produce.

80. One of our verities namely PAHARI a short duration and low yielding variety has decreased the average yield of maize in CCRI, but we produced seed of this variety on the basis of high demand of farmers of hilly area, like Malakand Agency and Hazara Division where the performance of this variety was excellent.

### **2<sup>nd</sup> Reply**

81. This Para was settled after detailed discussion by the forum in the DAC meeting held on 04-04-2014 at 10:30 am under the chairmanship of Special Secretary Agriculture, in the committee room.

### **PAC RECOMMENDATIONS**

82. The Department was directed to conduct inquiry proceedings and initiate strict departmental action against those who had not produced record to Audit in time despite the decision of DAC. Para stands. Progress be reported to PAC within a month.

**DP No. 2.4.12 LOSS DUE TO DETERIORATION OF SEED- Rs.5.033 MILLION.**

**AUDIT VERSION**

83. During financial year 2012-13, Director, Cereal Crops Research Institute, Pirsabak, Nowshera contracted for the production and purchase of 1,29,733 kg Maize hybrid seed costing Rs.6.486 million @ Rs:50 per kg from contract farmers who produced it under the project “Maize hybrid seed production through public private partnership”. Departmental record showed that the decision on quantum of seed to be produced and purchased was unjustified given that the Department had overproduced maize seed under the project in previous years that remained unsold and wasted due to absence of cold storage facility needed to prevent deterioration and lack of marketing ability. Only 29,061 kg was sold at cost for Rs.1.453 million leaving the balance 100,672 kg seed worth Rs5.033 million susceptible to deterioration. The Department was guilty of mismanagement due to repeated willful over estimation of demand without investigating whether farmers had recourse to cheaper or better seed that had caused loss of goodwill. The failure to auction the inventory in the wake of approval by Secretary, Agriculture proved the absence of market for Government seed.

84. It was held that inefficiency had resulted in the erroneous stockpiling which was violation of **Para 10 of GFR vol I.**

85. The loss was pointed out in 10/2013. The management furnished no reply. In the DAC meeting held in April, 2014, it was decided that detailed inquiry by the Administrative Department would be conducted to fix responsibility within one month. No progress in the matter was intimated to audit till finalization of the report.

**DEPARTMENTAL VERSION**

**1<sup>st</sup> Reply**

86. The Department explained that since cereal crops research institute has no marketing cell, therefore, the maize breeder and production agronomist (deputed to the project who produced the hybrid maize seed) collectively wrote immediately after cleaning, processing and certification by FSC&RD to the Director CCRI/PI of the project vide letter No. 94/MB/DCC dated 10.4.2013 well before starting the planting season to approach to the higher authority for early disposal of the mentioned hybrid maize seed through open tender at once to ensure in time



availability of good quality hybrid maize seed at affordable price to the poor farmers of the Province and also to avert the risk of any loss due to seed deterioration in the future.

## **2<sup>nd</sup> Reply**

87. In this connection an inquiry has already been conducted vide Director Cereal Agriculture Research Khyber Pakhtunkhwa office order No.2970-73/Audit/DGAR dated 16.04.2014 in response to Government of Khyber Pakhtunkhwa livestock & Cooperation Department letter No. SO(Acctt : )AD/DAC/2012-13/Vol-I dated 14.04.2014.

88. The said quantity i.e. 103.806 ton of the financial year 2012-13 produce was recertified by the FSC&RD to check the germination ability. According to FSC&RD report this seed was declared “not up to the standard” and should not be sold to the farmers as it was deteriorated due to the fact that maize seed contains oil content in germ and during hot and dry months of summer during the year 2013 coupled with 18 hours of unscheduled electricity load shedding resulted in low germination standard. So for the early disposal of this deteriorated seed as mixed grain the production agronomist proposed to PI to grant sanction from the higher authority. The PI/Director then requested to DGAR to grant sanction for the disposal of these seeds lots as mixed grain as open auction to avoid further storage losses. The DGAR granted the sanction for auction of the said quantity as mixed grain. The Director CCRI, Pirsabak Nowshera wrote a letter to the Director Information for the advertisement of tender notice in the Daily Newspaper Aaj which was published on 09-03-2014, after which the DCCRI formed the an auction Committee then properly auctioned the said quantity according to the rules which was forwarded to the DGAR for approval. After which the amount from the successful bidder was deposited in the Government treasury.

89. Keeping in mind that no intentional negligence has been happened in this regard, but due to hot weather and lack of electricity proper storage was not possible and that was beyond the control of the authority and that, to save the Government from further losses of the said quantity the seed was auctioned as mixed grain.

90. During meeting the Department explained that another inquiry was conducted wherein five (05) officers of the Department including the Director General had been charge sheeted and summary in this regard has been moved to the Chief Minister Khyber Pakhtunkhwa being competent authority.

## **PAC RECOMMENDATIONS**

91. Para stands till the decision of the Chief Minister.

### **DP No. 2.4.13 MISAPPROPRIATION OF Rs.2.500 MILLION.**

#### **AUDIT VERSION**

92. During financial year 2012-13, the Director Cereal, Crops Research Institute, Pirsabak, Nowshera did not record either the production or sale of hay valuing approximately Rs.2.5 million resulting from the wheat crop on 129.5 acres of land harvested in May, 2013.

93. It was held that the missing wheat hay was misappropriated through collusion for personal gain by the concerned staff which was violation of **Para 23 of GFR vol I.**

94. The matter was pointed out in 10/2013. The management furnished no reply. In the DAC meeting held in April, 2014, the Department replied that crop was harvested through combined harvester and the hay was left in the field for soil fertility. Audit did not agree and asked the Department to produce orders of the Competent Authority and record of purchase of fertilizers for the fields harvested. No record was produced for verification till finalization of this report.

#### **DEPARTMENTAL VERSION**

##### **1<sup>st</sup> Reply**

95. The Department explained that Boosa was not sold because the crop was harvested through combined wheat harvester. It was important to mention that wheat was harvested through combined wheat harvester which harvests the crop in the middle, only the seed was collected while the threshed straw was spread over the field. This straw/boosa was incorporated in the soil for restoration of the soil fertility. In all developed countries straw /boosa was incorporated in the soil which becomes organic fertilizer and restores soil fertility, as straw has both Macro and Micro nutrients. In CCRI the soil was sandy loam and mainly wheat and maize were grown, both of which were highly exhaustive crops, so it was compulsory to incorporate straw/boosa in the soil otherwise soil would be depleted and destroyed.

##### **2<sup>nd</sup> Reply**

96. Wheat straw (Boosa) was not sold because the crop was harvested through combined wheat harvester. It was important to mention that in CCRI, Pirsabak wheat was harvested though combined wheat harvester which harvests the crop in the middle, only the seed was collected while the threshed straw was spread over the field. The remaining straw/boosa was

incorporated in the soil restoration of the soil fertility. In all developed countries straw/boosa was incorporated in the soil which becomes organic fertilizer and restores soil fertility. In CCRI the soil was sandy loam and mainly wheat and maize were grown, both of which were highly exhaustive crops so it was compulsory to incorporate straw/boosa in the soil otherwise soil would be depleted and destroyed.

### **PAC RECOMMENDATIONS**

97. In view of plausible explanation and documentary proof provided during the meeting, the Para was recommended to be settled.

### **DP No. 2.4.14 LOSS DUE TO NON-DEDUCTION OF HOUSE RENT Rs.1.145 MILLION.**

#### **AUDIT VERSION**

98. During financial year 2012-13, the Director Cereal Crop Research Institute Pirsabak Nowshera allotted Government Residential Accommodations to 13 officers and other staff but house rent & 5% maintenance charges were not deducted resulting into a loss of Rs.1.145 million to Government.

99. It was held that willful disobedience had caused the loss. The matter was pointed out in 06/2013. The management replied that the officers/officials were living in 2 rooms accommodation hence 5% deduction of house rent was not admissible.

100. In the DAC meeting held in April, 2014 the Department was directed to produce requisite record in support of reply within 15 days. No record was produced for verification till finalization of the report.

#### **DEPARTMENTAL VERSION**

101. The Department explained that the Residential Colony of CCRI Pirsabak was severely hit by the massive flood during July 2010. The entire Institute as well as all the buildings including residential colony remained submerged under 10 to 15 feet flood water for the period of one week. The staff that belongs to the far-flung areas individually repaired their Government accommodations on their own cost and many of the bungalow were still laying damaged and worse condition. The Communication and Work Department Nowshera also issued a certificate in this regard describing that the residences were dangerous and not fit for residential purpose.

102. In this connection Government of Khyber Pakhtunkhwa Administrative Department has also issued a letter vide No. SOG (AD) B-16/2014-15 dated 03.04.2015

addressed to DGAR Khyber Pakhtunkhwa that to direct the residence of colony of CCRI to immediately vacate their residences as the same were declared damaged by the Communication and Works Department and were dangers for residential purpose and if any human loss occurred then the Administration Department would not be responsible. All the households were informed accordingly but due to their compulsories they retained the accommodation on their own risk.

103. In-spite of all the above, the residence has been allotted and house rent deduction has been started from each individual which would be verified from the next audit party.

#### **PAC RECOMMENDATIONS**

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

#### **DP No. 2.4.15 MISAPPROPRIATION OF SALE PROCEEDS OF MILK Rs.2.713 MILLION.**

#### **AUDIT VERSION**

105. During financial year 2012-13 in the University of Agriculture Peshawar, a quantity of 187654 liters milk valuing Rs. 11.259 million was produced in the University's Dairy Farm. A total of Rs. 8.546 million as a result of sale proceeds were deposited whereas the remaining amount of Rs.2.713 was not deposited in the University account and misappropriated.

106. It was held that the lapse was due to collusion between the staff and the daily paid labours deployed for cash collection who issued fake tokens to consumers and misappropriated the actual collected amount instead of handing over the same to the quarters concerned which was violation of **Para 26 of GFR vol I.**

107. The irregularity was pointed out in February, 2014. The Department replied that an Inquiry Committee had been constituted to probe the matter.

108. DAC meeting was held in August, 2014. DAC directed for provision of the inquiry report to audit. However, no progress was reported to audit till finalization of this report.

#### **DEPARTMENTAL VERSION**

109. The Department explained that in order to obtain factual position, the Vice Chancellor constituted a Committee comprising the following vide Notification No.203/S-I dated 18.03.2014.

- i. Dr. Tahir Sarwar, Professor
- ii. Mr. Niamatullah, Additional Director Finance.

110. The findings of the Committee were presented to the 89<sup>th</sup> Syndicate meeting held on 13.05.2014. The Syndicate decided as under:-

111. In light of the background presented to the Syndicate regarding financial mismanagement in the sale of milk pinpointed in the preliminary inquiry, the Syndicate constituted the following Committee to investigate the issue in detail and submit its report in the next Syndicate meeting.

- i. Mr. Sharafat Khan Rabbani, Additional Secy. Estt. Deptt. (Convener)
- ii. Dr. Shahid Sattar, Deptt. of Plant Protection (Member)

112. In light of the Syndicate decision, the inquiry Committee was notified vide Notification No.445/S-I dated 19.06.2014. Before taking up the task, Dr. Shahid Sattar was appointed as Registrar of the University on 18.06.2014, hence could not perform the duty of inquiry officer. Whereas, due to other pressing official engagements the Establishment Department, Government of Khyber Pakhtunkhwa vide letter No.SOR.III(E&AD) 1-6/2012 dated 24.07.2014 requested that the name of Mr. Sharafat Khan Rabbani, Addl. Secy. (Reg) Establishment Department may please be excluded from the said inquiry committee and some other officer may be nominated for the said purpose.

113. The issue was brought to the notice of Secretary Establishment through Secretary Agriculture for guidance as whether to constitute another committee or place the case before Syndicate vide Letter No.5576/R/UAP dated 01.10.2014. The Agriculture Department vide No.SOE(AD)17(15)2011 dated 27.10.2014 replied that the remaining members should continue as committee if they were two or more.

114. According the case was placed before 90<sup>th</sup> Syndicate meeting held on 27.11.2014. The Syndicate decided as under:-

115. "The Syndicate, after perusal of the item, reconstituted the following committee.

- i. Dr. Khalid Khan (Convener)
- ii. Dr. Abbassullah Jan (Member)

116. The Syndicate directed that the committee shall take up the matter on priority and submit its findings/ recommendations to the Syndicate."

117. Accordingly the committee was notified vide Notification No.7728/ dated 30.10.2015.

118. The Committee submitted its report to 97<sup>th</sup> meeting of the Syndicate held on 17.04.2017. The Syndicate *inter-alia* stated that findings of the inquiry committee were

inconclusive and as such recovery cannot be made without fixing responsibility on individuals. Since, the University has no proper mechanism in place concerning investigation. Therefore, proper course would be that the case may be referred to the NAB or Ehtisab Commission, they argued. However, Prof. Dr. Talat Naseer Pasha, nominee of HEC proposed that it was internal matter and be dealt with in the University. After detailed discussion, the house unanimously concluded to constitute the following committee:

- a. Justice (R) Miftahuddin
- b. Mian Lutfur Rahman
- c. Director Finance

The Syndicate further decided that;

- a. They should review the inquiry report and determine the level of involvement and responsibility on each individual and ensure the recovery of proportionate quantum of embezzled amount, and
- b. Recommend the nature of penalty to be imposed on each individual after observance of proper procedure as per Efficiency and Discipline Statutes of the University.

119. The members of the Inquiry Committee were informed accordingly. However, Justice (R) Miftahuddin and Syed Lutfur Rahman showed their inability due to their official engagements to conduct the inquiry vide applications dated 17.05.2017 and 20.06.2017 respectively. The issue was again brought before the 98<sup>th</sup> meeting of the Syndicate held on 23.06.2017. The Syndicate decided as under:-

**"Request of the Honourable members of the Syndicate was considered by the house and allowed to replace the respective members and nominated Mr. Ali Qadir Safi, Additional Secretary to the Government of Khyber Pakhtunkhwa, Establishment Department as convener of the Committee and Prof. Dr. Nazir Ahmad as its member."**

120. The report of the latest constituted Committee when made available would be placed before the Syndicate for taking appropriate action.

121. Accordingly the revised Committee was notified vide letter no.4126/Reg/UAP dated 25.07.2017.

### **PAC OBSERVATION**

122. The Committee observed that proper charge sheet was not served upon the accused. The Committee also observed that it was straight away a criminal offence for which criminal proceedings should have been initiated, which was not done as yet.

### **PAC RECOMMENDATIONS**

123. In view of the above, the Committee recommended to initiate action leading to recovery of the total amount coupled with strict disciplinary action according to quantum of responsibility within a month. Para stands. Progress be reported to PAC.

**IRRIGATION DEPARTMENT**

<b>Total Draft Paras</b>	<b>_____07</b>
<b>Examined</b>	<b>_____06</b>
<b>Pending</b>	<b>_____01</b>

**Settled: ..... 02**

**Sub-Committee:..... 03**

**VOR: ..... 01**



## **IRRIGATION DEPARTMENT**

Seven (07) Draft Paras, reflected in the Auditor General's Report for the year 2014-15 against the Department, were examined by the earlier Public Accounts Committee in its meeting held on 17<sup>th</sup> October, 2017. The following were present:-

### **PUBLIC ACCOUNTS COMMITTEE**

- |    |                                   |          |
|----|-----------------------------------|----------|
| 1. | Mr. Asad Qaisar/Speaker           | Chairman |
| 2. | Syed Muhammad Ali Shah Bacha, MPA | Member   |
| 3. | Mr. Qurban Ali Khan, MPA          | Member   |
| 4. | Mr. Mehmood Ahmad Khan, MPA       | Member   |
| 5. | Arbad Waseem Hayat, MPA           | Member   |

### **LAW, PARLIAMENTARY AFFAIRS & HUMAN RIGHTS DEPARTMENT**

Mr. Masood-Ul-Hassan,  
Law Officer.

### **FINANCE DEPARTMENT**

Mr. Muhammad Sheraz,  
Deputy Secretary.

### **AUDIT DEPARTMENT**

1. Mrs. Hashmat Iqbal,  
Deputy Auditor General.
2. Mr. Asad Ullah khan,  
Director.
3. Mr. Zubair Arshad Khattak,  
Deputy Director.

### **IRRIGATION DEPARTMENT**

1. Mr. Tariq Rashid,  
Secretary.
2. Mr. Zahid Abbas,  
Chief Engineer (South).
3. Arbab Zulfiqar Ahmad,  
Chief Engineer (North).
4. Mr. Aqeel Azhar,  
Xen Paharpur D.I.Khan

## **PROVINCIAL ASSEMBLY SECRETARIAT**

1. Mr. Nasrullah Khan,  
Secretary.
2. Mr. Amjad Ali,  
Additional Secretary.
3. Mr. Inamullah Khan,  
Additional 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. 14.4.1 UNVERIFIED EXPENDITURE OF Rs.40.327 MILLION.**

#### **AUDIT VERSION**

3. During financial year 2011-12 & 2012-13, the XEN Paharpur Irrigation Division D.I.Khan, paid Rs.3.863 million to M/s Mughtari Shah and Sons for the work under ADP-516 Phase-IV. However, the Contract Agreement, Work Order, MB and other related documents were not provided to audit.

4. Similarly, Rs.36.464 million was paid to XEN Flood Irrigation Division D.I.Khan without any supporting documents. Thus the payment of Rs.36.464 could not be verified in absence of supporting documents.

5. It was held that in absence of the relevant documents the veracity of the expenditure could not be ascertained which was violation of **Para 17 of GFR vol I**.

6. The matter was reported to the Department in November, 2012. No reply was furnished. The DAC meeting was held in October, 2013. DAC directed the Department to produce record for verification. No progress was reported till the finalization of this report.

#### **DEPARTMENTAL VERSION**

7. The Department explained that:-

- (a) (i) There was no need of time extension as the work has been completed within the stipulated period.
- (ii) The relevant record for the ADP No.516 (Sub-Work Repair & improvement of Canal Patrol road of Shah Kot Minor by providing X-Drainage Culverts) was available for verification of audit. The Director General Audit Peshawar office

has been approached vide this office No.654/126-A dated 14/04/2016 for verification of record which was awaited.

- (b). The expenditure of Rs.36.464 million was made to XEN Flood through M&R after the receipt of funds release letter No.BO-II/FD/2-9/CE(S)2011-12 dated 20/06/2012. Against the Demand Bill of XEN: Flood and instructed by the Superintending Engineer D.I.Khan Circle.

8. It further clarified, that after the restructuring of the Irrigation Department the Flood Division separated cost center was not allotted, therefore the releases under Flood Control were made to Paharpur Irrigation Division, which further re-imbursed to Flood Irrigation Division, which has made the payments against work done and the accounts of the Flood Division has already been audited.

### **PAC RECOMMENDATIONS**

9. The first portion of Para involving Rs.3.863 million was recommended to be settled as time extension was not required to the Contractor and delay in completion was due to non-availability of funds. Regarding the second portion involving Rs.36.464 million, the Department was directed to produce complete record to the Verification of Record Committee (VOR) within one month. Para stands till verification of record by the VOR Committee.

### **DP No. 14.4.2 LOSS DUE TO NON-RECOVERY OF Rs.6.134 MILLION.**

### **AUDIT VERSION**

10. During financial year 2009-10, the Executive Engineer Flood Irrigation Division D.I. Khan, paid Rs.166.057 million to the contractor for the work on Spur No 34 on Right Bank of River Indus D.I.Khan. The work was not completed in time and Rs.6.134 million was withheld as penalty. However, the amount was released to the contractor in the 8<sup>th</sup> running bill without any justification. This resulted in loss to the Government.

11. It was held that loss occurred due to negligence of the Department. The matter was reported to the Department in November, 2012. No reply was furnished. The DAC meeting was held in October, 2013. The Department replied that the delay occurred due to non-availability of funds and case was sent to Superintending Engineer for extension. DAC directed the Department to provide detail of releases and extension orders of Chief Engineer for verification within 15 days. No progress was reported till the finalization of the report.

## **DEPARTMENTAL VERSION**

12. The Department explained that the work was to be completed on 15-11-2010 but due to non-availability of funds it was extended up to 20-04-2011 and request for sanction of extension in time limit was according submitted to the competent authority vide Superintending Engineer Flood & Drainage Circle Peshawar No-2059-60/F&D/1-M (D) dated 30-06-2011. The amount of Rs.6.134 (M) was withheld on account of non-availability of funds not as penalty for late completion of the work.

13. Detail of releases and approval of extension in time limit from 16-11-2010 to 30-06-2011(226-days) vide C.E (South) letter No. 2751/IB/WC/425-W (PSDP)dated 22-11-2013 was produced.

## **PAC OBSERVATION**

14. The Committee observed that delay in completion of work occurred due to shortage of funds and was not contractor's fault.

## **PAC RECOMMENDATIONS**

15. In view of the above the Committee recommended the Para to be settled.

## **DP No. 4.4.3 FICTITIOUS EXPENDITURE ON CONSTRUCTION WORK- Rs.1.669 MILLION.**

### **AUDIT VERSION**

16. During financial year 2011-12, the XEN Irrigation Division Swabi, paid Rs.5.058 million for the 2<sup>nd</sup> running bill dated 20.06.2012 and Rs.1.669 million for the 3<sup>rd</sup> 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.

17. It was held that the fictitious payment made due to negligence of the Department 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. 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**

19. 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.

20. 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 (MB).

**PAC RECOMMENDATIONS**

21. After detailed deliberation, the Committee could not reach to a just conclusion therefore, the Para was referred for detailed probe to the Sub-committee comprising the following:-

- 1. Mr. Qurban Ali, MPA Chairman
- 2. Syed Muhammad Ali Shah Bach, MPA Member

22. The Sub-Committee will submit its report to PAC with in a month.

**DP No. 14.4.4 FICTITIOUS EXPENDITURE WORK - Rs.3.006 MILLION.**

**AUDIT VERSION**

23. During financial year 2011-12, the XEN Irrigation Division Swabi, paid Rs.3.006 million on account of 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> running bills dated 14.06.2012 and 20.06.2012. The 1<sup>st</sup> & 2<sup>nd</sup> running bills of the contractor were presented on the same day and 3<sup>rd</sup> running bill after 6 days.

<b>VR No. &amp; date</b>	<b>Bill No.</b>	<b>Amount</b>
Dated 14.06.2012	1 <sup>st</sup> running bill	Rs.6,71,051/-
15-S dated 14.6.2012	2 <sup>nd</sup> running bill	Rs.5,97,270/-
47-S dated 20.6.2012	3 <sup>rd</sup> running bill	Rs.17,37,851/-
	<b>Total</b>	<b>Rs.30,06,172/-</b>

24. It was observed that when payment of 1<sup>st</sup> 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 1<sup>st</sup> running bill.

25. 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.**

26. The matter was reported to the Department in October 2012. No reply was furnished.

27. 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**

28. 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.

#### **PAC RECOMMENDATIONS**

29. The Para was referred to the Sub-Committee constituted for Draft Para No. 14.4.3 **DP No. 14.4.5 FICTITIOUS EXPENDITURE OF Rs.3.459 MILLION.**

#### **AUDIT VERSION**

30. 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”.

<b>VR No. &amp; date</b>	<b>Bill No.</b>	<b>Amount</b>
43-S dated 19.6.2012	3 <sup>rd</sup> running bill	Rs.2,449,364/-
64-S dated 21.6.2012	4 <sup>th</sup> running bill	Rs.643,896/-
73-S dated 21.6.2012	5 <sup>th</sup> running bill	Rs.365,586/-
	<b>Total</b>	<b>Rs.34,58,846/-</b>

31. It was observed that when 2<sup>nd</sup> 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.

32. 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.**

33. 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**

34. 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.

<b>VR No. &amp; dates</b>	<b>Date of measurement</b>	<b>MB &amp; Pages Nos</b>
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)

### **PAC RECOMMENDATIONS**

35. The Para was referred to the Sub-Committee constituted for Draft Para No. 14.4.3  
**DP No. 14.4.6 OVERPAYMENT DUE TO INADMISSIBLE RATES-Rs.1.278 MILLION.**

#### **AUDIT VERSION**

36. During financial year 2011-12, the Executive Engineer Swat Irrigation Division Swat, executed restoration of flood protection works under FDRD, including 33,264.64 m<sup>3</sup> excavation in shingle, gravel formation in Rock not requiring blasting lead upto 50 meter dry @ Rs.187.20 pm<sup>3</sup> instead of Rs.148.78 pm<sup>3</sup> (187.20-148.78 = 38.20 \* 33264.64m<sup>3</sup>) = Rs. 1.278 million.

37. It was held that the overpayment was made due to negligence. It was reported to the management in October 2012. No reply was furnished. DAC meeting was held in December, 2013. The Department replied that the rates of NAB were applicable in case of shingle/gravel and not applicable in the instant case. The DAC did not agree and directed that recovery may be made. No progress was made till the finalization of this report.

#### **DEPARTMENTAL VERSION**

38. The Department explained that the decision of DAC needs to be reviewed as the recommended rate of Rs.148.48 PM<sup>3</sup> was applicable for desiltation of canals only whereas in the case of Flood protection Works executed under FDRD the correct rate of Rs.187.20 PM<sup>3</sup> (CSR-2009) has been applied for Excavation in single/gravel formation & rock not requiring blasting undressed lead upto 50 m dry (03-09-a) duly approved in the PC-1 by the PDWP as well as Technical sanction.

### **PAC RECOMMENDATIONS**

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

**DP No. 14.4.7 NON-PRODUCTION OF RECORD FOR Rs. 14.632 MILLION.**

#### **AUDIT VERSION**

40. During financial year 2011-12, the record of the office of Executive Engineer Irrigation Division Swat revealed that Rs.14.632 million was released to the newly segregated Irrigation Division Dir. The amount was released for the deposit work but record in support of utilization of the fund was not produced to audit.



41. It was held that non-production of record was the violation of the Federal Law on the subject and **Para-17 of GFR vol-I.**

42. The matter was reported to the management in October 2012. No reply was furnished. The DAC meeting was held in December, 2013. The XEN Swat Irrigation Division replied that the relevant record and vouchers has been received and would be produced to audit. However DAC showed grave concern for non production of record to DAC and directed to place the matter before PAC.

### **DEPARTMENTAL VERSION**

43. The Department explained that Dir Irrigation Division Timergara was under the jurisdiction of Swat Irrigation Division Swat. On establishment of Divisional Office at Timergara all the unspent balances of AM&R work were transferred to the newly created Division. All the accounts of the expenditure under the relevant Heads has been mentioned & rendered to the Accountant General Khyber Pakhtunkhwa by that Division. Besides, the Accounts of the Division has also be audited by the Audit Party of Director General Provincial Audit during 2011-12. As the transaction of the funds transferred has been utilized by the Dir Irrigation Division Timergara duly inspected by the Audit, hence the Para may be settled.

### **PAC RECOMMENDATIONS**

44. In response to the query, the Audit explained that contention of the Department that funds had been transferred to Dir Irrigation Division was verified and it has to be checked as to whether audit of the transferred amount was carried out or otherwise. The Para was kept pending for the said report to be submitted by Audit on 23-10-2017.

**FOOD DEPARTMENT**

<b>Total Draft Paras:</b> _____ <b>11</b>
<b>Examined:</b> _____ <b>11</b>

**Settled: ..... 05**

**Recovery: ..... 02**

**Referred to Sub-Committee: ..... 03**

**VOR: ..... 01**

## **FOOD DEPARTMENT**

Eleven (11) Draft Paras, reflected in the Auditor General's Report for the year 2014-15 against the Department, were examined by the present Public Accounts Committee in its meeting held on 3<sup>rd</sup> December, 2018. The following were present:-

### **PUBLIC ACCOUNTS COMMITTEE**

- |     |   |                   |
|-----|---|-------------------|
| 1.  | Mr. Mushtaq Ahmad Ghani, Speaker                | Chairman          |
| 2.  | Mr. Taimur Saleem Khan Jhagra, Minister Finance | Ex-officio Member |
| 3.  | Mr. Khusdil Khan (Advocate), MPA                | Member            |
| 4.  | Arbab Muhammad Waseem, MPA                      | Member            |
| 5.  | Mr. Inayatullah Khan, MPA                       | Member            |
| 6.  | Mr. Muhammad Idrees, MPA                        | Member            |
| 7.  | Syed Fakhar Jehan, MPA                          | Member            |
| 8.  | Mr. Babar Saleem, MPA                           | Member            |
| 9.  | Dr. Sumaira Shams, MPA                          | Member            |
| 10. | Mst. Nighat Yasmin Orakzai, MPA                 | Member            |

### **LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT**

Mst. Hamsheeda Begum,  
ALD-II.

### **FINANCE DEPARTMENT**

Mr. Safeer Ahmad  
Additional Secretary.

### **AUDIT DEPARTMENT**

1. Dr. Akbar Ali Khan,  
Director General.
2. Mr. Shahid Ali,  
Deputy Director.
3. Mr. Masood Khan,  
Deputy Director.
4. Mr. Qadir Khan,  
Deputy Director, Audit.
5. Mr. Zubair Arshad Khattak,  
Deputy Director.
6. Dr. Ismail,  
Deputy Director.

7. Mr. Munem Khattak,  
Audit Officer.
8. Mr. Khalid Zaman,  
Audit Officer.
9. Mr. Mehmood-ul-Hassan Saeed,  
Assistant Audit Officer.

#### **FOOD DEPARTMENT**

1. Mr. Muhammad Akbar Khan,  
Secretary.
2. Mr. Saadat Hassan,  
Director, Food.
3. Mr. Fazal Bari.  
DFC, Chitral.
4. Mr. Adil Badshah,  
DFC, Mardan.
5. Mr. Nazir Rahman,  
DFC, D.I.Khan.

#### **PROVINCIAL ASSEMBLY SECRETARIAT**

1. Mr. Nasrullah Khan Khattak,  
Secretary,
2. Mr. Amjad Ali,  
Additional Secretary.
3. Mr. Muhammad Younas,  
Deputy Secretary.
4. Mr. Ibrahim Khan,  
Assistant Secretary.
5. Mr. Muhammad Ayaz,  
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 **LOSS TO GOVERNMENT - Rs. 2917.508 MILLION.**

**AUDIT VERSION**

3. During Audit of the financial year 2012-13, it was noticed that the Director Food, Khyber Pakhtunkhwa fixed target of 400,000 Metric tons wheat for local purchase and actually purchased 23,758 Metric tons @ Rs.1200 per 40 kg or Rs.30,000/- per Metric ton that was the procurement rate fixed by Food Department for FY 2012-13. On verification of record of the Food department it was observed that during 2012 Khyber Pakhtunkhwa produced 10,14,948 Metric tons wheat and needed 39,78,520 Metric tons wheat to feed the population of 3,20,84,839 including FATA and Afghan Refugees @ 124 kg. per head per annum (scale fixed by Food Department). It needed an extra 29,63,572 Metric tons of wheat. Food department purchased the balance 376,242 Metric tons from PASSCO @ Rs.37,125/- per Metric Ton. Transportation cost an extra Rs.629.342 per ton. Thus, the cost of wheat at destination was Rs.37,754.342/- per ton. It cost the government of Khyber Pakhtunkhwa Rs.7,754.34/- per Metric ton more to purchase of wheat from PASSCO. This resulted into a loss of Rs. 2917.508 million.

4. In terms of volume, the department supplied 550,000 Metric tons to a market of 3,978,520 Metric tons i.e. 13.82% of the total requirement. The balance wheat 3,428,520 metric tons was purchased by the consumers from the open market. Out of this, 991,190 metric tons was available in Khyber Pakhtunkhwa and 2,437,330 metric tons was brought into the province. Food department had fixed Rs.30 per kg. as the sale price of wheat in the market. The trading account showed that Food Department claimed a subsidy of Rs.2.00 billion on its operations whereas the private sector was able to supply 3,428,520 Metric tons wheat to the market @ Rs.30040 per Metric ton inclusive of all costs and profit. There is a strong case for shutting down the Food Trading account of the government of Khyber Pakhtunkhwa and handing over its minority and insignificant role in food security @13.82% market share to the private sector.

5. It was held that the loss occurred due to weak managerial skills of Food Department.

6. The matter was reported in April, 2014. The department replied that during the year 2012-13, a target of 400,000 tones was fixed for the province for which 18 procurement

centres were established throughout the province but only 23,758 tons wheat was procured. A number of factors contributed in badly hampering the procurement drive, including low yield, high sale rate of wheat in open market, bulk purchases by the stockiest of Punjab and purchase of about 6.1 million tons by Punjab Food and PASSCO.

7. In the DAC held in October, 2014 the department reiterated its previous reply. DAC directed to provide the statistical data on account of survey carried out by the department and crop of wheat produced in the province for verification by Audit Department. Requisite record was not produced for verification till the finalization of this report.

### **DEPARTMENTAL VERSION**

8. The Department explained that the Food Department Khyber Pakhtunkhwa used to procure wheat from the growers/parties of the Province as well as from Punjab during the year 2009 to 2013. As the Province is deficit in wheat production, therefore the local growers offered limited quantity at procurement centers while the major procurement was made from the parties of Punjab who offered their surplus production to Khyber Pakhtunkhwa during these years.

9. During crop year 2013 the following factors hampered the flow of wheat from Punjab to Khyber Pakhtunkhwa despite of all out efforts by the Food Department:-

- i) High rate of wheat in open market than government rate.
- ii) Bulk purchase of wheat by the stockiest of Punjab in the hope of getting high returns in the coming lean period.
- iii) Purchase of about 6.1 million tons wheat by Punjab Food & PASSCO which has disturbed the flow of wheat to Khyber Pakhtunkhwa.

10. As per rules of Business 1985, the function of Food Department is procurement, rationing & distribution. During the year 2013, a quantity of 23758 m tons procured while the remaining quantity purchased from PASSCO a recognized department of Federal Government. The department has prepared annual requirement of wheat based on local production of wheat. However survey of open market for collection of wheat rates does not come within the domain of Food Department hence no survey was conducted by department during 2013-14.

## **PAC OBSERVATION**

11. The Committee observed that as the wheat in question was procured and utilized due to urgent requirement of the province, hence, could not be termed as loss, however, it was a procedural lapse.

## **PAC RECOMMENDATIONS**

12. In view of the above, the Committee while taking a lenient view, recommended to settle the Para with the direction not to repeat such practice in future and to initiate appropriate disciplinary action against the person (s) at fault who failed to implement the DAC decision.

DP No. 9.4.2 **LOSS TO GOVERNMENT – Rs. 47.466 MILLION.**

## **AUDIT VERSION**

13. During Audit of the financial year 2012-13, it was noticed that in the office of District Food Controller, Mardan, a shortage of 7,839 bags of wheat weighing 1617.146 metric tons was noticed, resulting in loss of Rs.47.466 million. Scrutiny of record showed that 53,094.525 metric tons of wheat was received as per the FG3 register against which 50165.680 Metric tons were issued. Instead of the required balance of 2928.845 Metric tons a balance of 1311.699 Metric tons of wheat was found recorded in the FG3 register. Hence, 1617.146 metric tons wheat was found short.

14. Audit held that the loss occurred due to weak internal controls, and violation to Para-148 of GFR-VOL-1.

15. The matter was reported in November, 2013. The department replied that detailed reply would be given on scrutiny of record.

16. In the DAC meeting held in August 2014, the department stated that the figures taken during audit relate to DFC, Chitral and there is no shortage of wheat in DFC, Mardan. DAC directed that record should be produced for verification within 10 days. Requisite record was not produced for verification till the finalization of this report.

## **DEPARTMENT VERSION**

17. The Department explained that the calculation of audit is not based on facts for the reason that it had taken releases of wheat on PR to PR basis for Chitral up to 4/2013 instead of 30-6-2013.

18. Audit has taken total releases to Chitral for 63000 bags weighing 6300.180 m tons, while actually a quantity of 80839 bags weighing 8000.000 m/tons wheat was released to DFC Chitral during the financial year 2012-13 as per detail statement showing the receipts/released quantity of wheat along with copy of FG-3 as on (30-6-2013) attached.

## **PAC RECOMMENDATIONS**

19. In view of plausible explanation of the Department duly endorsed by Audit, the Para was recommended to be dropped.

DP No.9.4.3 **LOSS DUE TO SHORTAGE OF WHEAT - Rs.1.635 MILLION.**

## **AUDIT VERSION**

20. During Audit of the financial year 2012-13, it was noticed that in the office of DFC, Chitral 58128 kgs. of wheat valuing Rs.1.635 million @ Rs.28.12 per kg was found short in the FG3 register of PR Centre, Arandu.

21. Audit held that the loss occurred due to weak internal controls, and violation of Para 23 of GFR Vol-I.

22. The matter was reported in March 2013. The department did not reply.

23. In the DAC meeting held in October, 2014. It was replied that the audit contention was correct, an inquiry committee had been constituted by Director, Food Department, Khyber Pakhtunkhwa. DAC directed that inquiry be conducted within 15 days and report submitted to Audit for verification. Requisite report was not submitted till finalization of this report.



## **DEPARTMENT VERSION**

24. The Department explained that it was correct and as evident from the report of the incharge PRC Centre Arrandu, that 58128 Kg Wheat was physically short than the Book Balance, due to bad, whether and prolonged storage conditions.

25. However, an enquiry committee was constituted by Director Food vide letter No.6970/ PF-1145 dated 5/12/2016 to investigate the matter and submit their report based on facts and figures.

26. The Department further added that in light of the report of enquiry officer conducted under E&D Rules received vide letter No.10/ADF pesh dated 21.2.2017 the competent authority exonerated the accused official from the charges leveled against him.

## **PAC RECOMMENDATION**

27. After detailed and hectic discussion the Committee could not reach to a just and fair conclusion, therefore, a Sub-Committee comprising of the following was constituted to probe into the matter of huge losses of wheat and to suggest remedies so that future losses could be avoided: -

- |    |                                    |          |
|----|------------------------------------|----------|
| 1. | Mr. Khushdil Khan (Advocate), MPA. | Chairman |
| 2. | Mr. Inayatullah Khan, MPA.         | Member   |

28. The Committee will submit its report within two months.

DP No.9.4.4 **LOSS TO THE GOVERNMENT OF RS.85.868 MILLION.**

## **AUDIT VERSION**

29. During Audit of financial year 2012-13, it was noticed that in the office of District Food Controller Chitral, a quantity of 3053 metric tons of wheat was lying in various PRCs/Godowns for the last 10 years. The wheat was infested, of poor quality and discolored.

30. Audit held that the loss occurred due to negligence and weak internal controls, and violation to Para 23 of GFR Vol-I.

31. The matter was reported in March, 2014. No reply was furnished.

32. In the DAC meeting held in October, 2014 the department replied that the quantity pointed out by auditors had accumulated since 2003 and a departmental inquiry had been conducted with the recommendation that 10373 bags of wheat be auctioned and 20158 bags of wheat segregated. DAC observed that action had not been taken by the department and directed that inquiry be conducted against defaulting officers within 15 days. No progress was reported till finalization of this report.

### **DEPARTMENT VERSION**

33. The Department submitted that an accumulated quantity of 30571 bags having poor quality/ infested and wheat rejected by the people of Chitral were lying in various PR Centers of Chitral since 2003. The competent authority has constituted a committee vide No.SOF (Food Deptt) 2-28/742 dated 12.12.2012 to find out the factual position. On the recommendations of the above committee a summary forwarded to Chief Minister Khyber Pakhtunkhwa for disposal/ auction of Poor quality/infested wheat on “ as are and where are basis ” duly approved by the Chief Minster Khyber Pakhtunkhwa.

34. Accordingly a broad based committee was constituted for its auction as per laid down procedure and rules. NIT advertised in the daily News papers as per KPPRA rules and wheat was auctioned in presence of the committee members through the highest bidders and amount deposited in to government treasury as detailed below:-

<b>S/No.</b>	<b>Name of bidder</b>	<b>Auctioned quantity</b>	<b>Amount</b>
1.	M.Dawood highest bidder for poor quality wheat.	2015.800 M.ton	1,32,58,731/-
2.	M.Sardar Wali highest bidder for infested wheat.	1037.300 M.ton	41,68,598/-
<b>Total</b>		<b>3053.100 M.ton</b>	<b>1,74,27,329/-</b>

### **PAC OBSERVATIONS**

35. The Committee observed that as a huge quantity of wheat had been lost due to mismanagement or lack of proper policy for distribution of wheat in the province, hence made the apprehensions worst.

## **PAC RECOMMENDATIONS**

36. The Para was, therefore, referred to the Sub-Committee already constituted vide Draft Para No. 9.4.3.

DP No.9.4.5 **LOSS TO GOVERNMENT - Rs.5.856 MILLION.**

## **AUDIT VERSION**

37. During Audit of financial year 2012-13, it was noticed that in the office of District Food Controller Chitral, the sale price of wheat was not enhanced and sold @ 27/50 per kg till August 2013. Similarly, during the period 01.01.2013 to 31.08.2013 a quantity of 9,445,139 kgs wheat was sold at cheaper rate, resulting in a loss of Rs.5.856 million.

38. The Audit held that the loss occurred due to negligence and violation of Rules.

39. The matter was reported in March 2013. No reply was furnished.

40. DAC meeting was held in October, 2014 wherein it directed for full recovery. No progress was intimated till finalization of this report.

## **DEPARTMENT VERSION**

41. The Department explained that enhancement order issued on 16-1-2013 has not been immediately implemented by the DFC Chitral due to some communication issues for which enquiry/investigation has been conducted and appropriate action taken against the persons at fault as per recommendation of the above committee. However, the subject order has been conveyed for forthwith implementation to all concerned PRCs as received on 23-8-2013 when the issue was highlighted by the Internal Audit Party of Food Directorate. The Incharge of concerned PRCs has also been directed to affect recovery from the consumers to whom wheat has been issued at a rate less than the required, and credited to Government Treasury as per laid down procedure.

42. The Department added that an amount of Rs. 10,08,592/- had been recovered, and efforts were in progress for recovery of remaining balance at the earliest.

## **PAC OBSERVATION**

43. The Committee observed that recovery from the consumers was not justified and the inquiry conducted was also defective.

## **PAC RECOMMENDATIONS**

44. In view of the above a Sub-Committee was constituted comprising of the following to probe into the matter and fix responsibility for initiating action leading to recovery of the amount involved: -

- |    |                                 |             |
|----|---------------------------------|-------------|
| 1. | Mst. Nighat Yasmin Orakzai,MPA. | Chairperson |
| 2. | Dr. Sumaira Shams, MPA.         | Member      |

45. The Committee will submit its report within two months.

DP No.9.4.7 **FICTITIOUS DEDUCTION IN STOCK REGISTER OF Rs.3.258 MILLION.**

## **AUDIT VERSION**

46. During Audit of financial year 2012-13, it was noticed that the District Food Controller, Haripur deducted 1250 bags of 100 Kg equal to 124.570 Metric Tons indigenous wheat valuing Rs.3.258 million from the stock on 06.05.2012 without any reason from pages 16, 30, 31 & 35 of the F.G 3 register which resulted in loss to Government.

47. Audit held that the fictitious deduction was made due to weak internal controls in violation to Para 23 of GFR Vol-I.

48. The matter was reported in November 2013. The Department replied that calculation was made twice due to rush of work and the omission rectified on 16.05.2012.

49. DAC was held in August, 2014, wherein it was observed that deduction from main stock was made without corresponding receipt and valid reason. It was directed to investigate the matter within 15 days. No progress was reported till finalization of this report.

### **DEPARTMENT VERSION**

50. The Department explained that while maintaining FG-3 Register of PRC Haripur, a quantity of 1250 bags weighing 124.570 m. tons wheat has been erroneously added twice in daily/progressive receipt due to rush of work during procurement drive.

51. This omission was rectified on 16-05-2012, 30-6-2012 and the excess quantity of 1250 bags weighing 124.570 m. tons was deducted accordingly.

52. The Department further added that no extra payment made to the supplier/growers than actual as evident from purchase bill, bank statement and other relevant record of the Office.

### **PAC RECOMMENDATIONS**

53. The explanation advanced by the Department being plausible, was accepted, hence, the Para was recommended to be settled.

DP No.9.4.8 **UNAUTHORIZED EXPENDITURE OF Rs. 683.356 MILLION.**

### **AUDIT VERSION**

54. During Audit of financial year 2012-13, it was noticed that the District Food Controller D.I.Khan, procured 22778.536 metric tons wheat valuing Rs.683.356 million from local growers by making payment out of a loan obtained from Bank of Khyber. The raising of the loan was not approved by the Provincial Assembly and thus not reflected in the Provincial Budget. The payment was made by the Bank of Khyber directly to the growers on vouchers without pre-audit process. This resulted in unauthorized and illegal purchase of Rs.683.356 million.

55. Audit held that the unauthorized expenditure was due to weak financial management and violation of the Rules.

56. The matter was reported in November 2013. The department replied that the procurement was made by the department to make the payment procedure simple and to achieve the procurement target.

57. DAC meeting was held in August 2014, wherein the department repeated the same reply. DAC held that legal requirements presaging the raising of loans by the Provincial Government and procedural requirements on which the validity of the payments was contingent had not been met. Moreover, a similar objection had already been reported to PAC in the Audit Report for the year 2012-13 and Government instead of redressing the reported deviation continued to practice it.

### **DEPARTMENT VERSION**

58. The Department submitted that procurement of wheat is 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 COF procedures, which is in vogue in all sister Provinces and PASSCO. The bidding process of obtaining loans from the Banks is made in accordance with the prevailing rules and repayment is processed on sealed authority through Accountant General Khyber Pakhtunkhwa.

59. The Department further explained that the process of procurement as observed by audit, has been discussed at length by the PAC in same nature Para No.9.4.5 for the year 2012-13 and recommended for settlement the Para with the directions that Food Department, Director General Audit, Accountant General KPK and Finance Department shall hold a joint meeting to evolve proper mechanism to avoid further complication.

60. In accordance with the above recommendation of PAC series of meetings since 29.8.2016 to 7.9.2016 was held amongst all the stock holders and discussed the issue accordingly, wherein it was decided that in order to avoid the Audit objection viz-a-viz pre-audit of the transaction made during procurement of wheat, the Food Department might utilize its available funds from Food Account-II on need basis after obtaining necessary approval of Finance Department Khyber Pakhtunkhwa for payment of wheat so procured. However, subsequent advances, if any, shall be subject to post audit of the earlier amount utilized.

## **PAC RECOMMENDATIONS**

61. In view of the plausible explanation of the Department that the PAC direction had been implemented, the Committee recommended the Para to be settled.

DP No.9.4.9 **LOSS DUE TO NON DEDUCTION OF INCOME TAX Rs.23.917 MILLION.**

## **AUDIT VERSION**

62. During Audit of financial year 2012-13, it was noticed that the District Food Controller, D.I.Khan did not deduct Rs.23.917 million as income tax at source @ 3.5% from Rs.683.356 million paid to sellers for 22778.536 metric tons wheat purchased from grain dealers.

63. Audit held that the loss occurred due to weak financial management, which is violation of the Rules.

64. The matter was reported in November 2013. However the department did not reply.

65. DAC meeting was held in August, 2014, wherein it was told that the similar nature Para had already been marked to PAC.

## **DEPARTMENT VERSION**

66. The Department submitted that a quantity of 22778.536 m.ton wheat valuing Rs.683.356 million have only been purchased from the growers/ cultivators during 2012-13 already exempted from withholding tax vide letter No.4/3/2011 of Revenue Division Islamabad.

67. The Department further added that same nature of Para on tax deduction embodied in the Audit Report 2012-13 and 2013-14 discussed at length in PAC meetings held on 20-5-2016 and 21-7-2017 wherein the Committee recommended the Para for settlement.

## **PAC RECOMMENDATIONS**

68. After detailed discussion, the Para was recommended to be settled subject to verification of record that the purchases had been made from the growers/cultivators by the VOR Committee.

DP No.9.4.10 **LOSS DUE TO NON RECOVERY ON PROFESSIONAL TAX OF Rs. 6.913 MILLION.**

**AUDIT VERSION**

69. During Audit of financial year 2012-13, it was noticed that in the office of District Food Controller D.I.Khan professional tax @1% amounting to Rs.6.913 million was not recovered from the suppliers and 08 flour mills for wheat valuing Rs.683.356 million, resulting in loss to the government.

70. Audit held that the loss occurred due to weak financial management, which is violation of the Rules.

71. The matter was reported in November 2013. However the department did not reply.

72. DAC meeting was held in August, 2014, wherein the department replied that the recovery of professional tax is the responsibility of Excise and Taxation Department. DAC directed that recovery should be made by Food Department. No progress was intimated till finalization of this report.

**DEPARTMENT VERSION**

73. The Department explained that wheat has been purchased from the growers of the land & no Tax what so ever can be levied on Agriculture products (copy enclosed). The professional tax is collected by the Excise & Taxation Department and not by the Food department as recommended by the PAC in Para No.6.8 for the year 2008-09.

**PAC OBSERVATION**

74. The Committee observed that the Department failed to collect the professional tax as per clause 2 (a) of appendix II of the NWFP Finance Ordinance 2002, notified by Law Department Notification No.Legis-I (14)73 V/5020 dated 20-06-2006 wherein all the Flour Mills were required to deposit professional tax @ of Rs. 10,000/-per annum and 1% of the payment on the supplies from the Suppliers which clearly shows inefficiency of the Department.



## **PAC RECOMMENDATIONS**

75. In view of the above, the Committee recommended to recover the amount involved in the Para from the Flour Mills within two months if not already recovered by the Excise Department. Para stands. Progress be reported to PAC Cell.

DP No.9.4.11 **LOSS TO GOVERNMENT OF RS.2.500 MILLION.**

## **AUDIT VERSION**

76. During Audit of financial year 2013-14, it was noticed that the District Food Controller Kohat, paid Rs.2.500 million to the contractor M/s Saidullah Shah on account of substandard wheat and bardana, resulting in a loss of Rs.2.500 million.

77. Audit held that loss occurred due to negligence of the management, which is violation of the Rules.

78. The matter was reported in August 2014, followed by reminder vide No.Audit/DAC/Food/APs-1-8/2013-14/444 dated 09.10.2014 & No.Audit/DAC/Food/ APs-1-8/2013-14/590 dated 24.12.2014 for arranging DAC meeting. No DAC meeting was arranged till finalization of this report.

## **DEPARTMENT VERSION**

79. The Department explained that DAC meeting has already been conducted accordingly and minutes thereof is attached. Further added that during receipt of wheat at PRC Kohat warning / instruction was issued to carriage contractor concerned as a precautionary measure to ensure supply of FAQ wheat, and avoid chances of low quality wheat (copy attached). The received quantity which was reported as low quality has been issued to the Flour Mills and sale proceed thereof deposited into Government Treasury at government fixed rates.

80. The Department further added that the referred wheat was neither reject able nor injurious for human consumption.

### **PAC RECOMMENDATIONS**

81. In view of the plausible explanation of the Department, the Para was recommended to be settled.

DP No.9.4.12 **LOSS TO THE GOVERNMENT Rs. 1.043 MILLION.**

### **AUDIT VERSION**

82. During Audit of financial year 2013-14, it was noticed that the District Food Controller Kohat, failed to recover disabled persons charges @ Rs.2000 per million amounting to Rs.1.043 million on account of sale proceeds and transportation charges of Rs.487.904 million.

83. Audit held that the loss occurred due to weak financial management, which is violation of the Rules.

84. The matter was reported in August 2014, followed by reminder vide No.Audit/DAC/Food/APs-1-8/2013-14/444 dated 09.10.2014 and No.Audit/DAC/Food/APs-1-8/2013-14/590 dated 24.12.2014 to arranging DAC meeting, which was not arranged till finalization of this report.

### **DEPARTMENT VERSION**

85. The Department explained that DAC meeting has already been convened on dated 28-7-2015 to 30-07-2015. The Department further added that the Flour Mills and the carriage contractors concerned were directed to deposit the DPR fund vide letter No.733/dp dated 28.9.2017 & No.743/dp dated 28.9.2017. As & when any recovery made, audit will be informed accordingly.

### **PAC OBSERVATION**

86. The Committee observed that the Financial Management of the Department was weak and needs improvement as neither the outstanding amount was recovered till date nor any serious effort was made to recover it.

## **PAC RECOMMENDATIONS**

87. The Committee recommended that besides recovery of the amount as involved in the Para from the carriage contractor also initiate proceedings for black listing of the Firm.

# HEALTH DEPARTMENT

<b>Total Draft Paras:</b> _____	<b>27</b>
<b>Examined:</b> _____	<b>27</b>

<b>Settled:</b> .....	<b>14</b>
<b>Recovery:</b> .....	<b>04</b>
<b>Verification:</b> .....	<b>01</b>
<b>Sub-Committee:</b> .....	<b>05</b>
<b>Departmental Action:</b> .....	<b>02</b>
<b>Detail audit by Audit:</b> .....	<b>01</b>

## **HEALTH DEPARTMENT**

Twenty seven (27) Draft Paras, reflected in the Auditor General's Report for the year 2014-15 against the Department, were examined by the present Public Accounts Committee in its meeting held on 4<sup>th</sup> and 5<sup>th</sup> December, 2018. The following were present:-

### **PUBLIC ACCOUNTS COMMITTEE**

1.	Mr. Mushtaq Ahmad Ghani, Speaker	Chairman
2.	Mr. Inayatullah Khan, MPA	Member
3.	Mr. Baber Saleem, MPA	Member
4.	Syed Fakhar Jehan, MPA	Member
5.	Mr. Khushdil Khan, MPA	Member
6.	Dr. Sumaira Shams, MPA	Member
7.	Mst: Nighat Yasmin Orakzai , MPA	Member

### **LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT**

Mst. Hamsheeda Begum,  
ALD-II.

### **FINANCE DEPARTMENT**

Mr. Akhtar Saeed,  
Additional Secretary.

### **AUDIT DEPARTMENT**

1. Dr. Akbar Ali Khan,  
Director General.
2. Mr. Shahid Ali,  
Deputy Director.
3. Dr. Muhammad Ismail,  
Deputy Director.
4. Mr. Khalid Zaman,  
Audit Officer.
5. Mr. Fazli Moula,  
Audit Officer.
6. Mr. Mehmood-ul-Hassan Saeed,  
Assistant Audit Officer.

## **HEALTH DEPARTMENT**

1. Mr. Nadir Rana,  
Additional Secretary.
2. Professor Dr. Umer Farooq,  
Dean, AMC Abbottabad.
3. Mr. Naeemullah,  
Director Finance, (MTI Bannu).
4. Mr. Haider Ali,  
FD, MTI Abbottabad.
5. Dr. Abdul Ghafar,  
HD, (MTI Bannu).
6. Dr. Ather Lodhi,  
Hospital Director, ATH, Abbottabad.
7. Dr. Siraj Muhammad,  
MS, NRBM.
8. Dr. Niaz,  
DMS, Services Hospital Peshawar.
9. Mr. Muhammad Ibrahim,  
SO Budget-I.
10. Mr. Javed Iqbal,  
Audit Officer, (Ayub Medical College).
11. Mr. Ihsan Khan,  
Audit Officer.
12. Dr. Khalid,  
H.D, (LRH).
13. Mr. Javed Afridi,  
Director Finance, (LRH).
14. Dr. Naseem Khan,  
M.S.
15. Mr. Waqar Ali Shah,  
Head of Internal Audit.

## **PROVINCIAL ASSEMBLY SECRETARIAT**

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

3. Mr. Muhammad Younas,  
Deputy Secretary.
4. Mr. Ibrahim Khan,  
Assistant Secretary.
5. Mr. Muhammad Ayaz,  
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 GOVERNMENT OF Rs 7.395 MILLION.**

**AUDIT VERSION**

3. During FY 2010-2011, Chief Executive Khalifa Gul Nawaz Teaching Hospital, Bannu, paid Rs.15.053 million to M/s Burhani Enterprises, Peshawar for the supply of equipment. Initially the supplier had quoted Rs.22.203 million which was reduced by 33% to Rs.15.102 million after negotiation. Even after negotiation, the rates of supplier were higher than other bidders amounting to Rs.7.444 million. The Technical Committee has pointed out that the items were selected on the basis of specification of the Hospital which was not correct as the items were quoted in the name of the country of their origin. The management was required to have negotiated with the lowest bidders instead of highest one and the equipments should have been selected on the basis of their specification. The purchase on higher rate resulted into loss of Rs.7.395 million.

4. It was held that the loss occurred due to negligence of the Hospital Management and violation of Para 29(2) of the Khyber Pakhtunkhwa Procurement Goods and Services Rules 2003.

5. The matter was reported to the Department in March 2012. No reply was submitted.

6. DAC meeting was held in August, 2014. Department replied that Procurement Rules were observed and the purchase was made on the recommendations of the Technical Committee and a high level committee was constituted to probe into the matter. Audit was not agreed. The DAC directed to provide the grounds on which the higher rates were accepted. No progress was reported till finalization of this report.

## **DEPARTMENTAL VERSION**

7. The Department explained that all the requirements as provided vide rule-29(2) of procurement of goods and services rules 2003 had already been complied with and the purchases had been made on the recommendations of Technical Committee. The said Committee after verifying the comparative statements and quotations for medical equipments of Pathology Department and considering the same as per approved specification, unanimously decided to purchase the said equipments quoted by M/s Burhani Enterprises. The Purchase Committee on complaining the decision of the Technical Committee agreed to purchase the equipments of Pathology Department at the reduced cost i.e. to the limit of approved PC-I allocation.

## **PAC OBSERVATION**

8. The Committee observed that rule 29 (2) of Khyber Pakhtunkhwa Procurement of Goods and Service Rules, 2003 was violated as purchases were made at higher rates and lowest rates were ignored.

9. It was also observed that the Department was neither fully prepared to explain the case nor could provide record to the Committee pertaining to subject Para.

## **PAC RECOMMENDATION**

10. In view of the above a Sub-Committee comprising the following was constituted to examine the issue of purchases at higher rates and to suggest measures to avoid such practice in future:-

- |    |                                  |          |
|----|----------------------------------|----------|
| 1. | Mr. Khushid Khan (Advocate), MPA | Chairman |
| 2. | Dr. Sumaira Shams, MPA           | Member   |

11. The Committee will submit its report within one month.

DP No.10.4.2 **LOSS TO GOVERNMENT – Rs. 9.762 MILLION.**

## **AUDIT VERSION**

12. During FY 2008-09, the Chief Executive Khalifa Gul Nawaz Teaching Hospital, Bannu, invited bids for supply of C.T Scanner. The rate of M/S Medequips Lahore of Rs.28.00 million was accepted. Supply order was issued to the firm dated 22.04.2009 which was then suspended by the Chief Executive of the Hospital vide letter dated 05.05.2009 for want of approval of PC-1. Health Department allowed the purchase of the equipment within approved cost and specification vide letter dated 29.06.2010. Consequently, in the next financial year



2009-10 M/S Medequips Lahore was advised to make the supply at the PC-1 budgeted amount of Rs.25.00 million that was made accordingly vide delivery challan dated 20.10.2010. It was found that the same equipment of the same specification was imported in October 2010 at the assessed value of Rs.12.698 million vide transshipment permit No.184 dated 08.10.2010. The officer thus made the payment without analyzing the bid viz a viz the rates prevalent in the market at that time. If markup / premium of 20% equal to Rs.2.539 million was allowed on the above import value of the item, the cost to government would have been Rs.15.238 million. The transaction at the inflated rate thus caused an estimated loss of Rs.9.762 million.

13. It was held that loss occurred due to negligence and violation of Para 10(i) of GFR Vol-I, read with Para 29(2) of the KP Procurement of Goods and Services Rules, 2003.

14. The matter was reported to the Health Department, Government of Khyber Pakhtunkhwa, in March, 2012. DAC in its meeting held on 26.08.2014 directed that the cost of purchase of the same item with the same specifications by other hospitals be provided for verification. There was no further response from the department.

#### **DEPARTMENTAL VERSION**

15. The Department explained that the purchase as pointed out in the Para had been made taking into consideration of Rule Para 29(2) of Khyber Pakhtunkhwa Procurement of Goods and Services Rules, 2003 and GFR 10(i) of volume-I read with GFR-31 considering the purchase to be an economical and in the public interest. Facts are that the purchase of C.T Scan machine was made/approved by the high level Committee from the supplier namely M/s Medequips at the cost of rupees 28.00 million the rate being lowest.

16. The notice of award was subsequently suspended by the then project Director Khalifa Gul Nawaz Teaching Hospital Banuu.

17. Later on during the year of 2010-11, the matter was referred to Secretary Health Peshawar & therefore, re-supply orders were placed as the equipment was required for hospital and that too with reduced cost of rupees 25.00 million i.e. into the limit of available allocation in approved PC-I. The required machine have been purchased with a reduced cost, installed, functionalized, taken on stock, therefore, nothing found wrong/irregular. As per DAC decision

comparison of rates were made with other Hospitals and the rate of KGN Hospital was found economical, hence the Para may be settled.

**PAC OBSERVATION**

18. The Committee observed that DAC decision was not implemented. Had the decision of DAC was implemented the Para would have been settled earlier.

**PAC RECOMMENDATIONS**

19. In view of the explanation advanced by the Department, the Para was recommended to be settled with the direction to the Department to initiate strict disciplinary action against the person (s) responsible for non implementation of DAC decision. The Department was also directed to take the DAC decisions seriously in future.

DP No.10.4.3 **LOSS TO THE GOVERNMENT OF Rs. 1.55 MILLION.**

**AUDIT VERSION**

20. According to Para 29(2) of the Khyber Pakhtunkhwa Procurement of Goods & Services Rules, 2003, where the lowest price is not accepted the tender awarding authority shall record reason in writing.

21. During FY 2010-11, the Chief Executive Khalifa Gul Nawaz Teaching Hospital, Bannu, purchased various items from M/s Paradise Export Co. The record showed that the lowest rates quoted by other bidders were rejected without any cogent reasons. Thus, the government was put into a loss of Rs.1.155 million as per details given below:-

Cheque No.	Date	Specification of Equipment	Rate Paid	Rate required	Difference	Qty	Loss
584119 & 584121	24.06.11	Bed	28,000	21,900	6,100	100	610,000
-do-	-do-	Bed Side locker	6,200	4,790	1,410	100	141,000
-do-	-do-	Bed over Trolley	6,300	3,390	2,910	100	291,000
584060	23.06.11	Uniform	795	750	45	252	113,410
<b>Total</b>							<b>1,155,410</b>

22. It was held that loss to the government occurred due to weak internal controls and violation of Para 29(2) of the Khyber Pakhtunkhwa Procurement of Goods & Services Rules 2003.

23. The matter was reported to the department in March, 2012.
24. DAC meeting was held in June 2014. The DAC directed that fact finding inquiry to ascertain the reasons for purchasing the items at higher rates be conducted. No progress was reported till finalization of this report.

**DEPARTMENTAL VERSION**

25. The Department explained that Rules with regard to the procurement of goods and services 2003 have been complied with in letter & spirit and the purchases of Medical equipments as noted in the Para have been made with the recommendations of technical/purchase Committee after examining of samples produced & have the lowest prices. Comparative statement was prepared after analyzing the quotations of various firms received.
26. It is, further intimated that article being simple in nature, therefore, technical specifications of such like items are not provided, however, the selection of under reference articles were made after examining the samples at site vis-à-vis quoted prices.

**PAC RECOMMENDATIONS**

27. As the issue of purchase at higher rates was involved, the Para was, therefore, referred to Sub-Committee already constituted for the purpose vide Draft Para 10.4.1.

DP No.10.4.4 **DOUBTFUL PAYMENT OF Rs. 2.144 MILLION.**

**AUDIT VERSION**

28. During FY 2010-11 the Chief Executive Khalifa Gul Nawaz Teaching Hospital, paid Rs 2.144 million to suppliers on account of purchase of machinery and equipments during 2006-07 and 2008-09. Detail as below:

<b>Cheque No</b>	<b>Date</b>	<b>Particular</b>	<b>Bill date</b>	<b>Supplier</b>	<b>Amount</b>
548976	21.06.2011	Srubbup unit with places	27.10.08	SMC	4,00,000
-do-	-do-	100 hospital beds	15.06.07	-do-	12,35,000
584103	24.06.11	Various M/E	19.06.07	Shaz Co	2,65,100
584074	24.06.11	Vacuum Suction Operatus /Screening Sptator	22.04.09	Delta	2,44,000
				<b>Total</b>	<b>21,44,100</b>

29. The following observations were noticed:-
- 1) The bills were not paid during the years of purchase despite availability of funds.
  - 2) Stock entries were not made.
  - 3) Inspection Reports for quality and quantity were not available.
  - 4) Sales Tax invoices of Rs.2,47,839/- were not available.

30. It was held that the lapses occurred was due to weak internal controls and the violation of Para 289 of the CTR Vol-1.

31. The matter was reported to the department in March, 2012. No reply was furnished.

32. DAC meeting was held in June, 2014. It was replied that the payment had been made after the approval of Secretary Health, stock entry had been made and the case had been taken up with Sales Tax Department for confirmation. Audit was not agreed. The DAC directed for physical verification within 15 days. No progress was reported till finalization of this report.

#### **DEPARTMENTAL VERSION**

33. The Department explained that Rule-14 of GFR vol-I provides that delay in payment of money indisputably due by Government is contrary to the Rules and budgetary principles, while GFR-106 of vol-I provides that payment due even in excess of allotment or appropriation may be made by taking orders of the administrative Department.

34. The long outstanding liabilities of the firms SMC, Shaz Co and Delta as referred to in the Para were cleared on the repeated request of the firms and in compliance to the order of the worthy Secretary Health.

#### **PAC OBSERVATION**

35. The Committee observed that physical verification as decided by the DAC was not conducted, hence it would be difficult to ascertain the items purchased at this belated stage.

36. The Department was also not able to explain the case.

#### **PAC RECOMMENDATIONS**

37. The Draft Para was, therefore, referred to the Provincial Inspection Team for conducting enquiry into the matter of doubtful payment of Rs. 21,44,100/- and submit its report to PAC within thirty (30) days.

DP No.10.4.5 **OVERPAYMENT ON ACCOUNT OF GST Rs. 1.846 MILLION.**

**AUDIT VERSION**

38. During FY 2011-12, the Principal Ayub Medical College Abbottabad, paid Rs. 12.785 million to M/S Afzal Motors for the supply of 03 Dawn Buses and Rs. 0.599 million was paid to Pak Suzuki for the supply of Suzuki Bolan Carry inclusive of 16% GST amounting to Rs.1.846 million. As per government orders in respect of health institutions sales tax should not have paid. This resulted into overpayment of Rs.1.846 million.

39. It was held that the lapse was occurred due to non-observance of Government orders S.No 52-A of the sales tax 1990.

40. The matter was reported to the department in December, 2012. Department furnished no reply.

41. DAC meeting was held in December, 2014. The College management replied that the exemption of sales tax order was not for Medical Colleges. Audit was not agreed. DAC directed that clarification should be obtained from Inland Revenue Services for clarification whether medical colleges were exempted or otherwise. No progress was reported till finalization of this report.

**DEPARTMENTAL VERSION**

42. The Department explained that according to S/No. 52-A of the sales tax 1990, goods supplied to hospital run by the Federal or Provincial Government or charitable operating hospital of fifty beds or more or the Teaching Hospital of Statutory Universities of two hundred or more beds were exempted from the GST.

43. According to relevant clause of Sales Tax Act, 1990 reproduced above, Hospitals are exempt from the payment of GST not medical colleges.

**PAC RECOMMENDATIONS**

44. The Committee accepted the explanation advanced by the Department, duly supported by documentary evidence and recommended the Para to be settled.

**DP No.10.4.6 LOSS DUE TO NON RECOVERY OF UTILITY CHARGES Rs. 2.793 MILLION.**

**AUDIT VERSION**

45. During financial year 2010-11, the Principal, Ayub Medical College, Abbottabad, paid Rs. 2.792 million for Sui Gas charges during the month of 02/2011. However, the management failed to collect consumption share from the contractors of canteen and shops. The contracts were awarded on agreements signed only by the contractors and administrative officer of the college. The contracts were not approved from the management council of the college.

46. It was held that irregularity occurred due to weak internal controls and violation of Para-23 GFR Vol-1.

47. The matter was reported to Government in May, 2012. No reply was furnished.

48. DAC meeting was held in February, 2014. The college management replied that the gas charges were not recovered from Canteen and Shops as they facilitated students and their utility charges are included in their rents. Audit was not agreed and asked to furnish approval of the management council but it was not produced to DAC. The college management was directed that approval of the management council be produced or recovery may be made from private contractors. No progress was reported till finalization of this report.

**DEPARTMENTAL VERSION**

49. The Department explained that the Payment of bill amounting to Rs. 27,92,820/- was made for the peak season month i.e. Feb, 2011 in which consumption was the highest.

50. Students were used to pay utility charges along with hostel dues annually, Canteen and other shops were to facilitate students and their utility charges were included in rents of shops etc. as per contract.

**PAC RECOMMENDATIONS**

51. The Committee accepted the explanation of the Department being plausible and recommended the Para to be settled.

**DP No.10.4.7 LOSS DUE TO FICTITIOUS DRAWL OF Rs 1.064 MILLION.**

**AUDIT VERSION**

52. During FY 2011-12, the Chief Executive Ayub Teaching Hospital Abbottabad, paid a sum of Rs.1.064 million for repair of 04 Dialysis Machines @ Rs.1,95,975/- and 02 @ Rs.1,40,000/-, respectively to M/S Hemo Tech. The repair of the machines was fictitious on the following grounds.

- 1- As per statement of Assistant Director EME, only one machine was out of order hence the repair of other 05 carried out was fictitious.
- 2- If all the 06 machines had remained out of order then receipt realization was required to have been nil, but receipt was Rs. 121,250/- for 7/2011, Rs.71,250/- for 8/2011 and Rs.122,750/- for 09/2011 which shows that no repair of machines took place.

53. The average monthly receipt realization of 06 machines for the month of 7/2011 to 3/2012 (09 months) were Rs.94,028/- per month (846250/9), whereas the average monthly receipt realization of 10 including 04 newly purchased were Rs.48,916/- per month (146750/3) for the period of 4/2012 to 06/2012, which indicates that the receipt realization was decreasing instead of increasing.

54. It was held that fictitious drawl was due to weak internal controls and violation of Para-23 of GFR Vol-1.

55. The matter was reported to Government in December, 2012. No reply was furnished.

56. DAC meeting was held in February, 2014. DAC directed that inquiry should be conducted within 20 days. No progress was reported till finalization of the report.

**DEPARTMENTAL VERSION**

57. The Department explained that as the Ayub Teaching Hospital is the only institute which is providing services to the patients in need of dialysis through their well equipped dialysis unit, however it is important here to bring into your notice the fact that a part from the regular dialysis machine being in use, we also have machine for the patients of HBS+ive and HCV+ive respectively. Further providing you with detail along the letters that the said machines were out of order for the last couple of months, which were repaired by the Electro medical

department on the instruction of Chief Executive, AMI who was directed by the Honorable Health Minister KPK in advise by Honorable Mr. Murtaza Javed Abbasi, Chairman Standing Committee for Narcotics control through reference No.F.1(1)Chairman/NC/2008 Islamabad the 13<sup>th</sup> Dec., 2010 it is interesting here to notice that the Dialysis unit of ATH doesn't have any back up machine for the patients, in case the HBS and HCV machine become out of order due to any technical or other reason. The repair of these machines will take minimum of 02 to 03 weeks time, resulting in direct suffering of the patients. One Toray TR-321 Serial No. A45846 dialysis machine is lying out of order in dialysis unit which has been previously used for HBS patients. If this machine is repaired and made properly functional it can serve as an excellent backup for the dialysis unit, In case the existing machines become out of order.

### **PAC RECOMMENDATIONS**

58. In view of the above, the Committee recommended the Para to be settled with the direction to implement the decision of DAC in time and not to repeat such practice in future.

DP No.10.4.8 **OVERPAYMENT DUE TO PAYMENT OF GST Rs. 3.148 MILLION.**

### **AUDIT VERSION**

59. During FY 2010-12, the Principal Saidu Medical College Swat paid Rs. 3.147 million to various firms as 4/5<sup>th</sup> of the total GST. As per government orders quoted above Saidu Medical College was exempted from the GST. Payment of undue sale tax to suppliers resulted in overpayment of Rs 3.148 million.

60. It was held that the amount overpaid was due to financial mismanagement and violation of S/No 52-A of the Sales Tax 1990.

61. The matter was reported to the Government in October 2012. No reply was furnished.

62. DAC meeting was held in August 2014. The College management replied that colleges are not exempted. Audit did not agree and DAC directed to clarify the matter from Sales Tax Department whether the college was exempted or not otherwise recovery should be made within 15 days. No progress was reported till finalization of this report.



## **DEPARTMENTAL VERSION**

63. The Department explained that the matter was discussed with sales tax Department and according to their views the hospitals having 50 beds or more and teaching hospitals having two hundred or more beds are exempted from the GST, but the Medical Colleges are not included in it, so the GST allowed to the suppliers for payment to the Government.

64. However, if the Medical Colleges are also exempted from the GST, then this office may be informed to recover the allowed GST from the suppliers concerned and deposited into Government treasury under proper head of account. Moreover, the firms at S/No.4,6,7,8,23,25,26,27,28 and 29 has not been granted GST, as GST has been deducted from the unit prices of those firms. Actually they have not been allowed GST, so Rs.4,55,481/- should be deducted from the total GST. Total GST allowed to all firms by this office is Rs.37,16,783/- out of which Rs. 5,69,166/- has already been recovered from the firms as 1/5 at source deduction, so Rs.26,92,136/- is further recoverable from the firms, if medical college is also exempted from GST.

## **PAC RECOMMENDATIONS**

65. In view of plausible explanation by the Department, duly supported by documentary evidence, the Para was recommended to be settled.

DP 10.4.9 **LOSS DUE TO IGNORING LOWEST RATES OF Rs. 2.946 MILLION.**

## **AUDIT VERSION**

66. During FY 2010-12, the Principal Saidu Medical College Swat, paid Rs. 3.836 million to MS Bio-Tech ignoring the lowest rate of Rs. 0.891 (USA) offered by MS Junaid without constituting any technical evaluation committee as required under rules. This resulted in loss of Rs 2.946 million.

67. It was held that the loss occurred due to weak internal controls and violation of rule-29 of procurement rules-2003.

68. The matter was reported to the department in October 2012. No reply was furnished.

69. DAC meeting was held in August 2014. The College management replied that the Technical Evaluation Committee was constituted and higher rates were accepted on technical grounds. DAC directed that technical reasons for not accepting the lowest rate should be verified within 15 days. No progress was reported till finalization of this report.

#### **DEPARTMENTAL VERSION**

70. The Department explained that the Technical Evaluation Committee of Saidu Medical College, Swat is a notified body and the end user of the equipment is the most important members of the Committee which in this case is Head of Medicines and Cardiology Department.

71. M/S Junaid & Co has offered a rate of 30,06,800/- and not 8,91,000/- as stated in Para. There was no catalogue or broucher supplied and they offered only one probe, whereas three probes were needed.

72. In view of the Department's requirement and recommendation for three probes, the next lowest rate of M/S Bio Tech was approved by the purchase Committee.

73. The higher rate was accepted because of these clear cut technical reason and not because of the fact the there was provision of Rs.5 million.

#### **PAC RECOMMENDATIONS**

74. The explanation of the Department being plausible was accepted hence, the Para was recommended to be settled.

DP 10.4.10 **IRREGULAR PURCHASE OF EQUIPMENT COSTING Rs. 68.107 MILLION.**

#### **AUDIT VERSION**

75. During FY 2010-12, the Principal Saidu Medical College Swat, floated a tender for the purchase of equipments worth Rs. 68.107 million. As the purchases were made on post qualification basis therefore two separate committees one for technical evaluation and other for financial evaluation should have been constituted. Report of the Technical evaluation committee was not available thus the expenditure was irregular.

76. It was held that the irregularity occurred due weak internal controls and violation of rule-40 of Khyber Pakhtunkhwa procurement of Goods Rule-2003.

77. The matter was reported to the department in October 2012. The department submitted unsatisfactory reply.

78. DAC meeting was held in November 2013. It was replied that the purchase committee was approved by the Health Department and Technical Evaluation Committee has also been constituted. DAC directed to regularize the expenditure from Finance Department. No progress was reported till finalization of this report.

#### **DEPARTMENTAL VERSION**

79. The Department explained that:

1. The purchases were made on the recommendation of the Technical Committee and Purchase Committee.
2. There is Technical Committee notified for the purchase where the end user were the most important members.
3. The technical Committee and end user of the equipment, thoroughly scrutinized all the documents for specification according to their requirements.
4. Purchase Committee finally selected item recommended by end user (Technical expert) both the recommendation of the Technical Committee and Purchase Committee duly signed by the End User and Chairman of the Committee were produced to the PAC.
5. It is, therefore, wrong to assume that the purchase Committee has decided on their own.

#### **PAC RECOMMENDATIONS**

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

D.P No.10.4.11 **LOSS TO THE GOVERNMENT OF Rs 3.916 MILLION.**

#### **AUDIT VERSION**

81. During FY 2011-12, the Chief Executive Ayub Teaching Hospital Abbottabad, approved the rates of M/S BOC Pvt Ltd. for the supply of oxygen. The rates of the purchased gases were decreased in the market but the local office purchased the gases at higher rates. Furthermore, the same supplier had supplied the same gases to Lady Reading Hospital (LRH) Peshawar @ Rs. 360 and Rs. 23 respectively, this resulted in loss of Rs 3.916 million as per detail given below;

S/No	Item	Rate Paid	Market Rate	Diff	Qty	Loss
1.	Medical Oxygen MM 240 CFT	400	360	40	614	24560
2.	Liquid Medical Oxygen	48	23	25	155666	3891650
<b>Total Loss</b>						<b>39,16,210</b>

82. The lapse occurred due to extending undue benefit to the supplier at Government cost and clear violation of Para-23 of GFR Vol-1.

83. The matter was reported to the Management in December, 2012.

84. DAC meeting was held in February, 2014. DAC directed that inquiry should be conducted within 25 days. However, no progress was reported till finalization of this report.

#### **DEPARTMENTAL VERSION**

85. The Department explained that due to sudden death of patients in 2007 IMC the matter was investigated thoroughly and decided that in order to standardize the supply of medical gasses, Ayub Teaching Hospital would buy gasses from M/S BOC (Now linde Pak).

86. Management Council also authorized, the Medical Superintendent to deal/negotiate, whatever was deem fit with firm in future. In this regard, M/S extended the contract for further two year.

87. Moreover, after expiry of contract period so far tender was advertised two times but only one firm participated. The tender for third time is in progress.

88. During the meeting the Department stated that:-

1. The Medical Oxygen from the same supplier were not purchased at higher rates as compared to LRH as explained below:

Item	Rate of ATH	Rate of KTH. LRH
Med: Oxygen MM 240 CFT	400/-	460/-
Liquid Medical Oxygen	48/-	47/-

The difference in rate of Rs. 1/- for liquid oxygen is due to freight difference from Karachi to Peshawar and Karachi to Abbottabad.

2. The local supplier M/S National Gas was black listed due to which no purchase of Medical oxygen could be made from him.
3. The purchase from BOC of medical gases were made after:  
Three times advertisement in newspaper.  
Approval of Management Council.
4. The contract with BOC for supply of Medical gases was extended from 2010 to 2012 because:
  - i. To receive quality and standardized medical gases.
  - ii. Since 2007 till date the BOC is the only supplier in KP to all major hospitals.
  - iii. Since 2007 till date the ATH has repeatedly floated NIT (3 time each year) and only BOC has participated.
  - iv. BOC has provided the VIE facility free of cost to ATH since 2007 till date.

#### **PAC RECOMMENDATIONS**

89. In view of plausible explanation of the Department, the Para was recommended to be settled.

DP 10.4.12 **OVERPAYMENT DUE TO NON-DEDUCTION OF GST OF Rs. 1.322 MILLION.**

#### **AUDIT VERSION**

90. During FY 2011-12, the Chief Executive Ayub Teaching Hospital, Abbottabad, paid Rs. 8.818 million to M/S BOC for the supply of BOC gases. The supply order shows that rates were inclusive of 15% GST, thereby means a sum of Rs 1.322 million was required to have been deducted as the supply to the hospital was exempted from GST. Government orders were violated which resulted in overpayment of Rs.1.322 million to the supplier.

91. The lapse was occurred due to financial mismanagement and violation of S.No 52-A of Schedule to Sales Tax Act 1990.

92. The matter was reported to the Management in December 2012. No reply was furnished.

93. DAC meeting was held in February, 2014. The Hospital management replied that the rates quoted by M/s BOC were exclusive of GST and the payment of the GST pointed out

relates to the period when GST was not exempted. Audit did not agree and DAC directed that the issue be referred to Director General Sales Tax Department for clarification. No progress was reported till finalization of this report.

### **DEPARTMENTAL VERSION**

94. The Department explained that the rates quoted by BOC were exclusive of GST as Hospital supply is exempted from GST. The reply received from RAD local Fund audit is mentioned as under:-

95. The Teaching Hospital of capacity 200 or more beds is exempted from sales tax vide finance act 1990-52-A dated 2-11-2008, the payment of the GST pointed out in the firm relates to the tender/contract for the period to the exemption. According to the approval of tender it was inclusive in the cost hence payment of the sales tax was admitted.

### **PAC RECOMMENDATIONS**

96. In view of plausible explanation of the Department, the Para was recommended to be settled.

DP 10.4.13 **OVERPAYMENT OF Rs. 2,480 MILLION.**

### **AUDIT VERSION**

97. During FY 2011-12, the Chief Executive Ayub Teaching Hospital, Abbottabad, allotted double rooms accommodations to 40 CMO's/SR's/MO's in premises of the hospital but Conveyance Allowance @ Rs. 2,480/- per month was not deducted from their pay which resulted in overpayment of Rs.2.480 million.

98. It was held that the lapse occurred due to weak internal controls.

99. The matter was reported to Government in December 2012. It was replied that recovery will be made.

100. DAC meeting was held in February, 2014. The Hospital management replied that a letter has been written to Secretary Health KPK for clarification. DAC did not decide the issue till outcome of the correspondence. No progress was reported till finalization of this report.

## **DEPARTMENTAL VERSION**

101. The Department explained that Conveyance Allowance started to be deducted from the month of May, 2013 from the pay of all staff who were allotted room in hospital on the direction of Deputy Commissioner as well as Judgment of Peshawar High Court Abbottabad bench in writ petition No.304-P/201 In this connection a letter No.ATH/A.O/2367 dated 26-6-2013 has been written to the Secretary Health Govt of K.P for advice but the reply is still awaited.

## **PAC RECOMMENDATIONS**

102. As the Department had started deduction of Conveyance Allowance from the employees who were allotted accommodation in the premises of the Hospital w.e.f. May, 2013, Hence, the Para was recommended to be settled.

DP 10.4.14 **UN-AUTHORIZED EXPENDITURE OF Rs. 13.660 MILLION.**

## **AUDIT VERSION**

103. During FY 2010-11, the Medical Superintendent, Services Hospital Peshawar, incurred expenditure of Rs.13.660 million on local purchase of medicines for patients of the hospital and issued free to medical camps for flood affectees without orders of the Provincial Government. The supply of medicines to the flood affectees was the responsibility of the PDMA. Further consumption record was also not available on record.

104. The unauthorized expenditure occurred due to financial indiscipline and violation of Para 11 and 12 of GFR Vol.1.

105. The matter was reported to the department in October 2011.

106. DAC in its meeting held on 23.8.2014, directed the department to provide the orders of the competent forum for the purchase and issue of medicines to the flood affectees and details of medicines issued. No record was produced. It was decided by DAC to place the Para before PAC.

## **DEPARTMENTAL VERSION**

107. The Department explained that all the procurement made in term of local purchase amounting to Rs. 13.660 million were made on the request of provision of medicines to internal displaced persons (IDPs) in the flood affected areas from the Ministry of Health Government of Pakistan MNCH programme vide letter No.3461/PC/MNCH dated 26-10-2010.

## **PAC OBSERVATION**

108. The Committee observed that the Para in question has already been examined by the PAC in the Audit Report for the year 2012-13 in its meeting held on 01-09-2015.

## **PAC RECOMMENDATIONS**

109. The Committee upheld the decision of PAC and recommended to initiate action leading to recovery of the amounts of the medicines issued to the flood affectees and fix the responsibility on the dealing hands and verified the same from the Audit. Para stands progress be reported to PAC within a month.

110. The Audit was also directed to be careful and avoid such practice of duplication in future.

DP 10.4.15 **LOSS TO GOVERNMENT OF Rs. 8,416 MILLION.**

## **AUDIT VERSION**

111. During FY 2010-11, the Chief Executive Khalifa Gul Nawaz Teaching Hospital, Bannu, paid Rs 49.503 million to suppliers on account of different supplies. However, Sales Tax amounting to Rs.8.416 million paid to the contractors was in violation of Government orders, resulted into loss to the Government as per detail given below:

<b>Cheq No</b>	<b>Date</b>	<b>Suppliers</b>	<b>Item</b>	<b>Total Amount</b>	<b>GST</b>
584115	24.06.11	Friend Traders Pesh	X.Ray	2,500,000	4,25,000
584118	24.06.11	Mediquips Pesh	CT Scan	25,000,000	42,50,000
584116	24.06.11	Raqubaz & Brother	Beds etc	840,000	1,42,800
584101	24.06.11	Burhani Enterprise	Equipment	15,053,000	25,59,010
584119	24.06.11	M/s Paradise Export	Beds etc	2,997,000	5,09,490
584121	24.06.11	Do	Beds etc	1,053,000	1,79,010
584120	24.06.11	Medline Technology	Equipment	1,415,000	2,40,550
548991	21.06.11	Noor Associates	O.T. Table	645,000	1,09,650
			<b>Total</b>	<b>49,503,000</b>	<b>84,15,510</b>



112. It was held that loss occurred due to weak financial management and violation of Sr. No 52-A of Schedule to Sales Tax Act 1990.

113. The matter was reported to the Department in March 2012. No reply was furnished.

114. DAC meeting was held in August, 2014. The Hospital management replied that the Hospital had been declared as Teaching Hospital with capacity of 600 beds on 05.09.2006 but at present it is of 210 beds. DAC directed to obtain clarification from Sales Tax Department. No progress was reported till finalization of this report.

#### **DEPARTMENTAL VERSION**

115. The Department explained that in addition to the reply made before DAC, it was further stated that Khalifa Ful Nawaz Hospital Banuu had been declared as Teaching Hospital with 600 beds vide Government of Health Department notification No.1-15(SPO)/Health/P&D/2005-06/KGN dated 05-09-2006. S/No.52-A of Table-I of 6<sup>th</sup> schedule of Sales Tax Act 1990, read with Sales Tax Department Peshawar explanatory letter dated 02-01-2012 addressed to Frontier Surgical House Madina Market D.I.Khan allows exemption of Sales Tax on goods supplied to Federal/Provincial/Charitable Hospitals of 50 beds or more. On this very reason sales tax was not recovered from the suppliers mentioned in the Para.

#### **PAC RECOMMENDATIONS**

116. The explanation advanced by the Department was accepted, hence, the Para was recommended to be settled.

DP 10.4.16 **LOSS DUE TO ACCEPTANCE OF HIGHER RATES, Rs. 1.530 MILLION.**

#### **AUDIT VERSION**

117. During FY 2011-12, the Chief Executive Ayub Teaching Hospital, Abbottabad, paid excess amount of Rs 1.530 million on account of accepting higher rates for equipment. The hospital management rejected the lowest rates and accepted the highest rate without any cogent reasons detail given below:-

Voucher No. & date	Supplier	Equipment	Rate accepted	Rate Rejected	Loss Rs.
74 dt.16-11-2011	M/s Western Scientific	Digital Penoramic X-Ray unit	41,50,000	32,50,000 M/s Glow Pak	9,00,000
157 dt. 29-12-2011	M/s Med. Equipments	02 Toshiba B/W Ultra Sound Machine	11,90,000	5,60,000	6,30,000
				<b>Total</b>	<b>15,30,000</b>

118. It was held that the loss occurred due to weak internal controls and violation of Para-23 of GFR Vol-1.

119. The matter was reported to Government in December 2012.

120. DAC meeting was held in February, 2014, the department was directed to conduct inquiry within 20 days. However no progress was reported till finalization of this report.

#### **DEPARTMENTAL VERSION**

121. The Department explained that from the supply order and payment record, it is clear that the Digital X-Ray machine alongwith printer were purchased from Western Scientific Traders at a cost of Rs.41,50,000 being the lowest offered rates as per comparative statement. Furthermore the M/S Western Scientific also provided additional items and accessories free of cost. The total rate offered by M/S Glow Pak for both the items i.e. X-ray machine and printer was Rs. 42,00,000/- and not Rs. 32,50,000/- as mentioned by Audit.

122. As no loss to the govt has occurred but saving of Rs.50,000/- is clear from the documents. The Para may kindly be settled.

123. The selection committee and end-user selected the Toshiba b/w Ultrasound Machine Japan made on quality basis.

#### **PAC RECOMMENDATIONS**

124. As identical issue of purchase at higher rates was involved, the Para was, therefore, referred to Sub-Committee already constituted vide Draft Para 10.4.1.

DP 10.4.17 **UN-AUTHENTIC EXPENDITURE OF Rs.27.955 MILLION.**

**AUDIT VERSION**

125. During FY 2010-11, the Medical Superintendent, Services Hospital Peshawar, incurred expenditure of Rs.27.955 million on Local Purchase of medicine, Rs.13.660 million on purchase of medicine for flood affectees & Rs.3.385 million on purchase of MCC medicine against non-demanded total budget of Rs.45.00 million. The expenditure of Rs.27.955 million incurred on the local purchase of medicine from M/S Doaba Medicos Peshawar stands unjustified/ unauthorized on the following grounds:

1. The Finance Department released funds of Rs.45.000 million to the Services Hospital Peshawar against demand of Rs.26.250 million provided in the original estimates for 2010-2011 under purchase of medicine. The funds released by the Finance Department under the purchase of medicine to the following few sister institutions in Peshawar during 2010-2011 shows that release of huge funds to the Services Hospital was without prudence, ground realities & justification because the overloaded institutions of 1500 beds and 1220 beds which absorb patients from all over the province were funded with less amounts for purchase of medicine for admitted patients whereas the hospital which has no bed was provided with huge abnormal funds without demand for the purchase of medicine for OPD patients and spending 27.955 million on local purchase of medicine.
2. The Finance Department did not realize that the department has allowed medical allowance to the employees with effect from 01-07-2010 and discontinued the facility of local purchase of medicine for outdoor patients and the demanded funds in the original budget will be sufficient for the treatment of OPD employees.
3. Purchases were made for Cancer, Hepatitis B & C, Anxiety and Depression but there is no specialty in the Hospital for the said diseases.
4. M/S Doaba Medicos Peshawar has quoted 20% discount (16.50% discount and 3.50% income tax) which was doubtful for the supply of multinational companies medicines as these companies offer only 15% discount.
5. The local purchased medicine was not taken in stock register of the hospital.
6. Expenditure of Rs.9.889 million was incurred on the local purchase of medicine in the month of August, 2010 which relates to 2009-2010. The payments stands invalid because when fund was not available in 2009-2010 then how local purchases were made for OPD patients.
7. As per tender documents, the cost for local purchase of medicine was Rs.6.000 million whereas actual expenditure of Rs.27.955 million was incurred.

126. The matter was reported to the management in October, 2011 & discussed in the DAC meeting held on 27-08-2014. The department replied that the case in question is pending with NAB. DAC directed that the Para should be placed before PAC.

### **DEPARTMENTAL VERSION**

127. The Department explained that both these observations have been investigated by National Accountability Bureau for a period of over 02 years. Despite calling in dozens of witnesses and files the Bureau could not reach any conclusion. As per the National Accountability Bureau rules the inquiry had to be concluded within 10 months. The Bureau in order to avoid embarrassment referred the case to Anti-Corruption Establishment Khyber Pakhtunkhwa. It is hoped that the Anti-Corruption Establishment shall soon conclude the inquiry and the reform shall be presented to the PAC.

### **PAC OBSERVATION**

128. The Committee observed that the Para in question has already been examined by the PAC in the Audit Report for the year 2012-13 in its meeting held on 01-09-2015.

### **PAC RECOMMENDATIONS**

129. The Committee upheld the decision of PAC and recommended for initiation of action leading to recovery from the dealing hands after fixing responsibility. Para stands progress be reported to PAC within a month time.

DP 10.4.18 **SUSPECTED MISAPPROPRIATION OF Rs. 12.051 MILLION.**

### **AUDIT VERSION**

130. During FY 2013-14, the Medical Superintendent Naseerullah Khan Baber Memorial Hospital, Peshawar, paid Rs. 11.051 million on local purchase of medicines. The purchase of medicines was suspicious on the following grounds:

- i. The supplier M/S Shah Medicos was the lowest bidder however his supply order was cancelled due to supply of suspicious medicine. Call deposit of Rs.2,00,000/- was not forfeited.
- ii. Liabilities of Pervious year in respect of Douaba Medicos were paid for Rs.1.105 million which might have been drawn during 2012-13.
- iii. Medicines were not taken on Main-Stock and Sub-Stock registers.
- iv. The suppliers were not prequalified as per rules of the government.

131. The misappropriation occurred due to weak internal controls and violation of para-10, 13 and 145 of GFR-Vol-I.

132. The matter was reported in September 2014, followed by a remainder vide No.Audit/DAC/Health/2014-15/568 dated 11.12.2014 and No. Audit/DAC/Health/2014-15/587 dated 23.12.2014 to arrange Special DAC but was not arranged till finalization of this report.

### **DEPARTMENTAL VERSION**

1. The Department stated that the contract of M/S Shah Medicos was cancelled vide this office order No. 3063/GNBMH dated 05-09-2013 on the grounds, that the firm was not prequalified vide DGHS letter No. 1067/DD(Reg/Preq/Drugs) dated 29-08-2017. Hence the contract of LP medicine was awarded to M/S Nimra medicose Peshawar on the ground of 2<sup>nd</sup> highest discount rates.
2. Due to non availability of funds in previous year payments were not made, therefore, when funds received in the financial year 2013-14, liabilities of previous year os M/S Doaba Medicos were paid.
3. Medicines were purchase on emergency need basis for patients in various units of the hospital and were taken on sub stock register of each unit which can be examined by Audit.
4. The supplier was prequalified vide DGHS letter No. 1050-52/DD(Reg)/PREQ:/Drugs, dated 30-07-2013.

### **PAC OBSERVATION**

133. The Committee observed that suspected misappropriation as reported by Audit without any documentary proof in its support in the Draft Para.

### **PAC RECOMMENDATIONS**

134. In view of the above, the Para was recommended to be settled with the direction to Audit not to repeat such practice in future.

DP 10.4.19 **LOSS DUE TO LESS DEPOSIT OF OPD FEE/CHARGES Rs. 5.260 MILLION.**

### **AUDIT VERSION**

135. During FY 2013-14, the Medical Superintendent Naseerullah Khan Baber Memorial Hospital, Peshawar, failed to deposit Rs.5.260 million into Government account. The Management showed Rs.2/- collected as OPD chit instead of Rs.10/- as per detail given below:

S.No	General OPD	Casualty OPD	Total	Fixed Rate	Rate Shown	Difference	Amount
1	Rs.542,965	Rs.333,641	Rs.876,606	Rs. 10	Rs. 2/-	Rs. 8/-	<b>Rs.70,128,48</b>
<b>Less:- Amount already deposited with Karim Khan</b>							<b>Rs.17,53,221</b>
<b>Difference</b>							<b>Rs.52,59,627</b>

136. It was held that loss occurred due to financial mismanagement and violation of Para-13 of GFR Vol-I.

137. The matter was reported in September 2014, followed by a remainder vide No.Audit/DAC/Health/2014-15/568 dated 11.12.2014 and No.Audit/DAC/Health/2014-15/587 dated 23.12.2014 to arrange Special DAC meeting but was not arranged till finalization of this report.

#### **DEPARTMENTAL VERSION**

138. The Department stated that the observation raised by the Audit Party is not based on facts. Actually the rate of OPD Chit was fixed by the Government as Rs.5/- per chit and after 30-06-2016 the OPD chit fee was revised by the Government as Rs.10/- per chit. The Accounts Section of this hospital has received the same amount on account of Rs.5/- per chit from General OPD and Casualty OPD Counters and deposited in the Government Treasury for Rs. 17,53,221/-.

#### **PAC OBSERVATION**

139. The Department produced notification No. SOB-I/HD/1-27/Provincial Receipt, wherein the rates were enhanced by the Government from Rs. 2 to 10 on 27-10-2016, which was not applicable during financial year 2012-13.

#### **PAC RECOMMENDATIONS**

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

DP 10.4.20 **MISAPPROPRIATION OF MEDICINE Rs.2.942 MILLION.**

#### **AUDIT VERSION**

141. During FY 2013-14, the Medical Superintendent Naseerullah Khan Baber Memorial Hospital, Peshawar, paid Rs.1.103 million on the purchase of medicines but the

medicines were not taken on main stock and sub stock register and subsequent consumption record was also not available as per detailed below:-

S/No	Cheque#	Item	Quantity	Rate	Amount	Invoice#
1.	0958089 dated 26-05-2014	Gauze Cloth	10,000	12.250	122,500	0605-2 dated 15-02-2011
2.	0953701 dated 26-05-2014	IV canola 24G	2000	27.69	55.380	8055 dated 29-04-2014
3.	0958091 dated 26-05-2014	Inj: Ortacef 500mg	10,000	19.00	190,000	15550-A dated 07-06-2013
4.	0997070 dated 20-06-2014	Chloroxylenol 4.5lj	200	800	160,000	A160 dated 02-05-2011
5	0953699 dated 26-05-2014	Disposable Syringe	100,000	5.75	5,75,000	109805 dated 09-05-2014
<b>Total:-</b>					<b>Rs. 1,102,880/-</b>	

142. Similarly, X-Ray films of Rs.2.355 million were purchased but X-Ray films of Rs 1.839 million were neither taken on stock nor record of its further consumption was available.

143. It was held that misappropriation of medicines and X-Ray films were due to weak internal controls and violation of Para-13 of GFR Vol-I.

144. The matter was reported in September 2014, followed by a reminder vide No.Audit/DAC/Health/2014-15/568 dated 11.12.2014 and No.Audit/DAC/Health/2014-15/587 dated 23.12.2014 to arrange Special DAC meeting but was not arranged till finalization of this report.

#### **DEPARTMENTAL VERSION**

145. The Department stated that medicines received by the hospital were properly taken on the main stock register and issued to various units of the hospital. Moreover, entry of E-ray films in main stock register was not traced as the store keeper was died. However, the same has been taken on sub stock register of X-ray Department.

#### **PAC RECOMMENDATIONS**

146. The Para was recommended to be settled, subject to verification of record of the medicine of Rs. 1.8 million by the VOR Committee.

DP 10.4.21 **NON-PRODUCTION OF RECORD.**

**AUDIT VERSION**

147. During 2013-14, the Medical Superintendent Naseerullah Khan Baber Memorial Hospital, Peshawar, failed to produce record of Laboratory Tests, record of Cardiology, Casualty, Surgical, Paeds and Orthopedic Wards, Indent Books for MCC/Local Purchases of Medicines, Expense Books and Charts of Patients.

148. It was held that the non-production of record was violation of law and Para-17 of GFR-Vol-I.

149. The matter was reported in September 2014, followed by a reminder vide No.Audit/DAC/Health/2014-15/568 dated 11.12.2014 and No.Audit/DAC/Health/2014-15/587 dated 23.12.2014 to arrange Special DAC meeting but was not arranged till finalization of this report.

**DEPARTMENTAL VERSION**

150. The Department explained that in this regard it is stated that the relevant record of all units of the hospital was shown to the audit party and still available in the concerned units of the hospital, which can be examined any time.

**PAC OBSERVATION**

151. The Committee observed that the Department failed to conduct DAC meetings, which was the violation of PAC directives and that is inefficiency on part of the Department.

**PAC RECOMMENDATIONS**

152. As record was not produced till date. The Committee, therefore, directed to conduct detailed audit of the same and produce complete record pertaining to the subject Para to Audit Team. The Committee further directed the Department to take Departmental action under the (E&D) Rules, 2011 against those who failed to produce record and for not convening DAC meetings as well.



DP 10.4.22 **FRAUDULENT DRAWL OF Rs.1.410 MILLION.**

**AUDIT VERSION**

153. During 2013-14, the Medical Superintendent Sarhad Hospital for Psychiatric Diseases paid Rs.1.410 million to M/s Bryon Pharma (Pvt) Ltd and FYNK Pharma Pvt. Ltd. This amount was drawn in the name of DDO and shown paid in cash to the supplier on Page 58-59 and 80-81 of cash book. On further scrutiny it was revealed that the same amount was paid to the said supplier in cash in the previous year and recorded in the cash book on Page-2-3 and 6-7 resulting in fraudulent drawl of Rs.1.410 million.

154. It was held that the fraudulent drawl was made due to negligence and weak controls which was clear violation of Para 23 of GFR Vol-1.

155. The matter was reported in September 2014, followed by reminders vide No.Audit/DAC/Health/2014-15/567 dated 11.12.2014 and No.Audit/DAC/Health/2014-15/588 dated 23.12.2014 to arrange DAC meeting but was not arranged till finalization of this report.

**DEPARTMENTAL VERSION**

156. The Department explained that the letter No. 663 audit 2013-14/9 date 02-09-2015 & letter No. 881 SHPD dated 11-10-2017 were sent to DGHS Khyber Pakhtunkhwa for necessary action, it is further to mention that an amount of Rs. 217,125 was deposited by M/S Fynk Pharmaceuticals supplied the Medicine and was entered in stock register on page No. 94 and payment was done but no record was available in the office and Rs 463200/- was paid to M/s Bryon Pharmaceuticals vide cheque No. 878767 dated 25-11-2013 and Medicine entered stock Register on page No. 152. A cheque No. 714435 dated 0/8-06-2012 of Rs 463200/- was drawn at the time of Dr. Mahmud Alam, MS and Mr. Irfan Majeed Senior Clerk. The Cheque was deposited in the account of Continental Enterprises Peshawar A/C BI, 0463-00195705-03 HBL Sunehri Masjid Road Peshawar on 12-06-2012. It was not given to M/S Bryon Pharmaceuticals.

157. During the meeting, the Department straight away accepted the observation of Audit and told that the recovery is in process and will be finalized soon.

## **PAC OBSERVATION**

158. During examination of the working paper it was found that DAC meeting was not held. During the meeting the Department produced minutes of the meeting of DAC, which were not conceded by Audit even expressed their concerns over the non holding of DAC.

159. It was also observed that the Department accepted its fault, but no disciplinary and criminal proceedings were initiated against the responsible person(s).

160. It was also observed that letters were written to DG Health Services for initiating disciplinary proceedings against the responsible(s) for misappropriation of public money but no response was received from the DG Health Services Office.

## **PAC RECOMMENDATIONS**

161. In view of the above observation, the Committee recommended that:-

1. With regard to the contradiction in the contention of Department and Audit for holding of DAC meeting, the issue was referred to Sub-Committee comprising the following:-

i. Mr. Inayatullah Khan, MPA	Chairman
ii. Mr. Babar Saleem, MPA	Member
iii. Syed Fakhar Jehan, MPA	Member

The Committee will examine the issue in detail and submit its report to PAC within a month.

2. The Department was directed to initiate disciplinary action, make recovery coupled with criminal proceedings and lodge FIR against the then DDO and Cashier for embezzlement under intimation to PAC Cell within a week.
3. The Chief Secretary Khyber Pakhtunkhwa should constitute an inquiry Committee to probe into the matter of embezzlement in the Sarhad Hospital for Psychiatric Diseases and take appropriate disciplinary action against the person who had not conducted inquiry against the person(s) involved in the embezzlement despite of several reminders from the Hospital Authorities. The Department should forward all corresponding to the Chief Secretary made in this regard.

162. Para stands. Progress be reported to PAC within one month.

DP 10.4.23 **OVERPAYMENT OF Rs 2.096 MILLION.**

**AUDIT VERSION**

163. During FY 2013-14, the Medical Superintendent Sarhad Hospital for Psychiatric Diseases Peshawar, called a tender for the local purchase of medicines with the condition that locally manufactured medicines will be supplied on trade price with higher discount rate. On scrutiny of the record it was revealed that payments were made on submitting bills on retail price basis instead of trade price with higher discount, this resulted into overpayment of Rs.2.096 million.

164. It was held that the overpayment occurred due to collusion of the staff with the suppliers which was clear violation of Para 23 of GFR Vol-1.

165. The matter was reported in September, 2014, followed by reminders vide No.Audit/DAC/Health/2014-15/567 dated 11.12.2014 and No.Audit/DAC/Health/2014-15/588 dated 23.12.2014 to arrange DAC meeting but it was not arranged till finalization of this report.

**DEPARTMENTAL VERSION**

166. The Department explained that the AC bills showed out of the total amount of Rs. 9,76,080/- the 20% discount was deducted of Rs. 1,95,216/-. Furthermore, the discount was always given on retail price and not on trade price. The mistake was in the advertisement but no corrigendum was issued by the then MS. Moreover, previously retail price discount advertisements were given.

**PAC OBSERVATION**

167. The Committee observed laxity on part of the Department by not issuing corrigendum. It was also observed that highest discount rates of 36% offered by MS Nimra Medicos were replaced after opening of quotation to 20%.

168. Two quotations of the same firm Nimra Medicos bearing the same date i.e.15<sup>th</sup> July, 2013 were shown by Audit, which indicated that 36% and 20% discount respectively which created doubts and favoured the Audit objection.

## **PAC RECOMMENDATIONS**

169. In view of the above, the Committee recommended to initiate action leading to recovery of overpayment from the person (s) at fault after fixing responsibility. Para stands. Progress be reported to PAC within a month.

DP 10.4.24 **OVERPAYMENT OF Rs.1.118 MILLION.**

## **AUDIT VERSION**

170. During FY 2013-14, the Medical Superintendent Sarhad Hospital for Psychiatric Diseases Peshawar, floated tender for the local purchase of medicine. The highest discount rate of 36% offered by M/s Nimra Medicos was reduced to 20% in the comparative statement. The change in the rate of discount by the Hospital management resulted into overpayment of Rs.1.118 million to the supplier.

<b>Discount offered</b>	<b>Discount shown</b>	<b>Difference</b>	<b>Total payment Rs in million</b>	<b>Overpayment Rs. in million</b>
36%	20%	16%	6.987	1.118

171. The loss was occurred due to collusion of the staff with the suppliers which was clear violation of Para 23 of GFR Vol-1.

172. The matter was reported in September, 2014, followed by reminders vide No.Audit/DAC/Health/2014-15/567 dated 11.12.2014 and No.Audit/DAC/Health/2014-15/588 dated 23.12.2014 to arrange DAC meeting but was not arranged till finalization of this report.

## **DEPARTMENTAL VERSION**

173. The Department explained that as the LP medicine and Zakat medicine tenders were opened on the same date and time (16-07-2013). The 36% discount was not meant for the LP medicine. . The firm did not agree with 36% discount.

## **PAC OBSERVATION**

174. The Committee observed laxity on part of the Department by not issuing corrigendum. It was also observed that highest discount rates of 36% offered by MS Nimra Medicos were replaced after opening of quotation to 20%.

175. Two quotations of the same firms Nimra Medicos bearing the same date i.e.15<sup>th</sup> July, 2013 were shown by Audit, which indicated that 36% and 20% discount respectively which created doubts.

**PAC RECOMMENDATIONS**

176. In view of the above, the Committee recommended to initiate action leading to recovery of overpayment from the person(s) at fault after fixing responsibility. Para stands. Progress be reported to PAC within a month.

DP 10.4.25 **MISAPPROPRIATION OF HOSPITAL RECEIPT OF Rs. 1.401 MILLION.**

**AUDIT VERSION**

177. During FY 2012-13, the Chief Executive, Lady Reading Hospital Peshawar realized a sum of Rs.18.068 million on account of admission and operation fee out of which Rs. 1.401 million was not deposited. This resulted into misappropriation.

178. It was held that misappropriation was made due to weak internal controls which was clear violation of Para 26 of GFR Vol-1.

179. The matter was reported to the management in April, 2014 followed by reminders No.Audit/HEALTH/SIR/340-380/2012-13/251 dated 19/05/2013 to arrange the DAC meeting, however it was not arranged till finalization of this report.

**DEPARTMENTAL VERSION**

180. The Department explained the factual position as under for the year 2012-13:-

S/No.	Audit Figures	Actual Position
1.	Total Admission= 120407	Total Admission= 122971
2.	Total OT= 60268 Total Admission+ OT= 180675	Total Free Patients= 15732 Net Admission + OT= 168817
	<b>Total amount= Rs. 1,80,67,500/-</b>	<b>Total Amount= Rs.1,68,81,700/-</b>

181. The total number of patients, admitted and operated were **184549** whereas, the audit had shown it as **180675** as mentioned above. Thus ignoring the number of patients falling in the following categories, decreasing the number to 15732 on which Rs. 1573200 was

incurred.1. Poor. 2. MLC. 3. Prisoner. 4. Emergency. 5. Bomb Blast. 6. Thallesemia. 7. Leprosy. 8. DATC. 9. Dialysis. 10. Entitle Free.

182. Total fee of admissions and operation charges, Rs. 1,68,81,700/-.

183. Month wise statement duly verified showing number of patients admitted and OT for the year 2012-13. A list of patients provided free admission and OT. Computerized list of patients admitted and OT both charges and treated free.

184. After deducting the expenditure incurred on poor patients remaining amount worth Rs. 1,68,81,700/- was realized and deposited in hospital fund with almoner (Rs. 1,84,54,900/- Rs. 15,73,200/-).

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1. After conducting proper enquiry, recoveries are being made @ Rs. 5,000/- per month from the salary of concerned regularly on monthly basis.
2. As far as the actual amount embezzled is concerned, it was only Rs.200/- admission fee of eight patients i.e.8 x 200=Rs. 1,600/-
3. The Penalty was suggested on the grounds that, the same officials are put under enquiry many times on the same complaints of embezzlements.
4. As far as penalty of Rs.10.000/- on one official is concerned, it was due to his negligence, that he left his place of duty un-protected, Giving chance to others to make use of his documents illegally.
5. The concerned officials were not permanently placed on the said counter rather they were on their rotation turn.
6. The computer system of this hospital does not allow any duplicate or manual entry, unless a patient comes through a process (due to the fact that every patient is given an identity number).

### **PAC OBSERVATION**

185. The Committee observed that:-

1. All amounts pointed out by Audit were shown deposited in the Reserve Fund of the Hospital.

2. The Hospital authority had penalized the concerned staff as involved in the misdeed with penalty of Rs. 1,00,000/- each and penalty of Rs. 10,000/- on another person was also imposed for his negligence. However, Hospital authority failed to initiate appropriate disciplinary action against the concerned staff involved in embezzlement as highlighted in the inquiry report i.e. removal from service.

### **PAC RECOMMENDATIONS**

186. In view of the above, the Committee recommended that:-

1. The first portion of the Para regarding non depositing of amounts be settled subject to verification of deposited amount by Audit.
2. In second portion of the Para, the Hospital authorities were directed to initiate action under (E&D) Rules against the concerned staff involved in embezzlement as highlighted in the inquiry report.

187. Para stands. Progress be reported to PAC within a month.

DP 10.4.26 **LOSS DUE TO NON RECOVERY OF Rs. 21.856 MILLION.**

### **AUDIT VERSION**

188. During FY 2012-13, the Chief Executive Lady Reading Hospital Peshawar did not recover a sum of Rs.21.856 million. On checking of record it was observed that an inquiry committee was constituted to probe regarding illegal reuse of artificial kidneys to successive patients in the dialysis unit of LRH Peshawar. The inquiry committee had established the charges against Professor Dr. Akhtar Ali head of the dialysis unit and Mr. Nasrullah Store Keeper LRH and recommended to recover the amount in equal share. The department has failed to recover the amount which resulted in loss to the hospital of Rs.21.856 million.

189. It was held that loss occurred due to negligence and weak internal controls.

190. The matter was reported to the management in April, 2014 followed by a reminder No.Audit/HEALTH/SIR/340-380/2012-13/251 dated:19/05/ 2013 to arrange the DAC meeting however it was not arranged till finalization of this report.

## **DEPARTMENTAL VERSION**

191. The Department explained that:-
1. An inquiry was constituted by the Department of Health and report submitted to the Government of Khyber Pakhtunkhwa.
  2. As a result of inquiry report, Prof. Akhtar Ali (BPS-21) Head of Department of Nephrology LRH. and Mr. Nasrullah Chief Dialysis Technician were charge sheeted.
  3. Formal inquiry Committee was re-constituted consisting of Syed Badshah Bukhari the then, Secretary Environments/Secretary Finance along with Proff Dr. Muzafar-ud-Din Sadiq Head of Department of Surgery LRH Peshawar.
  4. The formal inquiry Committee scrutinized all relevant record such as registers indents books, hospital store record.
  5. As per inquiry report no severe irregularities were proved. Accordingly the Hon'able Chief Minister Khyber Pakhtunkhwa exonerated Prof Dr. Akhtar Ali and Mr. Nasrullah store keeper from the charges leveled against them vide Department of Health letter No.SOH-I/1-260/93 dated 3<sup>rd</sup> January, 2014.

## **PAC RECOMMENDATIONS**

192. After detailed and hectic discussion, the Committee could not reach to a just and fair conclusion, therefore, a Sub-Committee comprising the following was constituted to probe into the matter in detail:-

- |    |                        |          |
|----|------------------------|----------|
| 1. | Mr. Khushdil Khan, MPA | Chairman |
| 2. | Mr. Inayatullah, MPA   | Member   |
| 3. | Syed Fakhar Jehan, MPA | Member   |

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

DP 10.4.27 **LOSS DUE TO NON RECOVERY OF INCOME TAX Rs.1.491 MILLION.**

## **AUDIT VERSION**

194. During FY 2012-13 the Chief Executive Lady Reading Hospital Peshawar awarded contract of CT scan to M/S Popular Diagnostic Peshawar as public private partnership. The firm was paid Rs.24.843 million as its share however income tax @ 6 % of Rs. 1.409 million was required to have been recovered from payments to the firm. Non recovery of government money resulted into loss.

195. It was held that loss occurred due to weak financial control and violation of Income Tax Ordinance, 2001.



196. The matter was reported to the management in April, 2014 followed by a reminder No. Audit/Health/SIR/340-380/2012-13/251 dated 19.05.2013 to arrange the DAC meeting but it was not held till finalization of this report.

#### **DEPARTMENTAL VERSION**

197. The Department explained that the C.T Scan of the hospital is being run through Public Private Partnership basis. According to Clause-22 of the contract agreement the 1<sup>st</sup> party (LRH) shall keep and maintained the record of C.T Scan receipts and shall pay the due share to the 2<sup>nd</sup> party on daily basis at C.T Scan premises.

198. Regarding deduction of Income Tax a self-contained case was sent to Income Tax authorities vide No. 18609/- LRH dated 09-08-2007. The Income Tax authorities clarified the matter vide letter dated 20-08-2007 and advised not to deduct Income Tax at source from the firm as the Association of Persons (A.O.P) partner cannot deduct tax from one another on payment. Therefore, income tax was not deducted.

#### **PAC RECOMMENDATIONS**

199. In view of the letter of the office of Deputy Commissioner Income Tax, vide NO. RTO/E&C-I/PR/277 dated 20-08-2007 duly endorsed by the Audit, the Para was recommended to be settled.

**ENERGY AND POWER DEPARTMENT**

**Total Draft Paras: \_\_\_\_\_13**

**Examined: \_\_\_\_\_13**

**Settled: ..... 05**

**Recovery: ..... 03**

**VOR: ..... 05**

## **ENERGY & POWER DEPARTMENT**

Thirteen (13) Draft Paras, reflected in the Auditor General's Report for the year 2014-15 against the Department, were examined by the present Public Accounts Committee in its meeting held on 5<sup>th</sup> December, 2018. The following were present:-

### **PUBLIC ACCOUNTS COMMITTEE**

- |    |                                  |          |
|----|----------------------------------|----------|
| 1. | Mr. Mushtaq Ahmad Ghani, Speaker | Chairman |
| 2. | Mr. Khushdil Khan, MPA           | Member   |
| 3. | Mr. Inayatullah Khan, MPA        | Member   |
| 4. | Syed Fakhar Jehan, MPA           | Member   |
| 5. | Mr. Babar Saleem, MPA            | Member   |
| 6. | Dr. Sumaira Shams, MPA           | Member   |
| 7. | Mst. Nighat Yasmin Orakzai, MPA  | Member   |

### **LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT**

Mst. Hamsheeda Begum,  
ALD-II.

### **FINANCE DEPARTMENT**

Mr. Musharaf Khan,  
Additional Secretary.

### **AUDIT DEPARTMENT**

1. Dr. Akbar Ali Khan,  
Director General, Audit
2. Mr. Shahid Ali,  
Deputy Director.
3. Dr. Muhammad Ismail,  
Deputy Director,
4. Mr. Fazli Mula,  
Audit Officer.
5. Mr. Khalid Zaman,  
Audit Officer.
6. Mr. Aqil Shah,  
Audit Officer.
7. Syed Muhammad Yeh Yah Shah,  
Audit Officer.

## **ENERGY & POWER DEPARTMENT**

1. Mr. Muhammad Salim,  
Secretary.
2. Mr. Muhammad Asif,  
Additional Secretary.
3. Syed Zain Ullah Shah,  
C.E.O.
4. Mr. Mustafa Khan,  
Assistant Director Audit, (PEDO).

## **PROVINCIAL ASSEMBLY SECRETARIAT**

1. Mr. Nasrullah Khan Khattak,  
Secretary.
2. Mr. Amjad Ali,  
Additional Secretary.
3. Mr. Muhammad Younas,  
Deputy Secretary.
4. Mr. Ibrahim Khan,  
Assistant Secretary.
5. Mr. Muhammad Ayaz,  
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 **NON- PAYMENT TO THE LAND OWNERS OF Rs. 8.298 MILLION.**

### **AUDIT VERSION**

3. During FY 2010-11, the MD PEDO paid Rs. 8.298 million to the Project Director Renolia H.P.P in May and June 2011. The amount was further paid to the D.O.R Kohistan for disbursement to the Land owners. Neither the amount was disbursed amongst the land owners nor section 4 was notified.

4. It was held that the matter was due to weak internal controls and clear violation of Para 205 and 283 of GFR Vol-I.

5. The matter was reported in September 2011. The management replied that disbursement had been made.

6. DAC meeting was held in February, 2012 wherein the department repeated the previous reply. DAC directed that actual payee receipts, mutation documents and land award statement should be produced within 15 days for verification. Audit representative was nominated in July, 2014 for verification of record, however, it was not produced.

#### **DEPARTMENTAL VERSION**

7. The Department explained that the amount paid to District Officer Revenue Kohistan has been disbursed amongst the land owners.

8. Section 4 has been notified by District Officer revenue Kohistan Record of Section 4 and sale deed 07 owners and evidence of disbursement payment is available for verification.

#### **PAC RECOMMENDATIONS**

9. In view of the plausible explanation of the Department, the Para was recommended to be settled, subject to verification of record by VOR Committee in the Provincial Assembly of Khyber Pakhtunkhwa.

DP No. 6.4.2 **DOUBTFUL PAYMENT TO DOR KOHISTAN OF Rs. 2.914 MILLION.**

#### **AUDIT VERSION**

10. During FY 2010-11, the Project Director Ranolia H.P.P PEDO Peshawar, paid Rs.2.914 million to D.O.R Kohistan for further payment to C&W, Agriculture & Forest Departments being compensation of forest trees and purchase of property. However Actual Payee's Receipts of DOR, assessment of the property and record of disbursement were not available. Moreover whereabouts of the demolished material and trees were also not shown to audit.

11. It was held that the doubtful payment was due to weak internal controls and violation of Para 205 and 283 of GFR Vol-I.

12. The matter was reported to the department in August 2011. It was replied that assessment was made by the concerned agencies and where about of material will be decided later on.

13. DAC meeting was held in July, 2012. The management replied that the trees and materials are available at site and disposal will be made as per ADB guidelines. DAC directed to produce relevant record within 15 days. Audit representative visited the Project Office in March 2014 wherein record was not produced to him for verification.

#### **DEPARTMENTAL VERSION**

14. The Department explained that the assessment of fruit bearing trees, Non fruit bearing trees and built up property was made by the concerned department i.e. Agriculture Department, Forest Department and C&W department Kohistan.

15. As district Officer Revenue is the disbursing agency, therefore on demand of D.O.R Kohistan, funds were transferred for further disbursement amongst the affectees.

16. Building has not been demolished and trees are available at site, and after mobilization of the contractor, disposal of building material and trees etc. will be decided as per rules/ADB guide lines.

#### **PAC RECOMMENDATIONS**

17. The explanation of the Department, was accepted, hence the Para was recommended to be settled.

DP No. 6.4.3 **UNAUTHORIZED EXPENDITURE OF ON RENT OF OFFICE- Rs. 1.342 MILLION.**

#### **AUDIT VERSION**

18. During FY 2010-11, the Project Director Daral Khwar, PEDO Peshawar, paid Rs.1.342 million as rent of building hired for consultants @ Rs.50,000/month. The Project office existed in District Swat while the office was hired at Peshawar. The consultants were working on other assignments throughout the country. Thus hiring of office in Peshawar for the Project existing in District Swat was unjustified.

19. It was held that the unauthorized expenditure was due to mismanagement and violation of Para-10 of GFR Vol-I.

20. The matter was reported during September, 2011. The management replied that provision was available in the PC-I.

21. DAC meeting was held in July, 2012. Department replied that there was provision in the agreement made with the consultants. DAC directed that PC-1, consultancy agreement, preconstruction phase and actual construction period should be provided for verification within 15 days. Audit representative visited the Project Office in March 2014 wherein record was not produced to him for verification.

### **DEPARTMENTAL VERSION**

22. The Department explained that the Audit Team PAC visited PEDO Office, Peshawar on February 13-14, 2018 and in accordance with the decision of the DAC, all the Documents/record were provided and re-verified by the Audit Team. The same were discussed/explained to him again and the record was handed over to them as per their satisfaction.

23. It was scrutinized and no unauthorized/ excess payment been made to the Consultants.

24. During the meeting, the Department explained that core team of the Consultants was working in Peshawar. Project activities were not started by them and they were providing help to PEDO in its preparation of bidding documents, feasibility and other relating operations pertaining to the Project.

### **PAC RECOMMENDATIONS**

25. The explanation of the Department being plausible was accepted, hence, the Para was recommended to be settled.

### **DP No. 6.4.4 OUTSTANDING ELECTRICITY DUES OF Rs.1,312.265 MILLION.**

### **AUDIT VERSION**

26. During FY 2012-13, the Managing Director PEDO, failed to recover Rs.1312.265 million outstanding against WAPDA on account of electricity supplied to them up-to 05/2013.

27. It was held that the non-recovery of the Provincial Government Revenue was due to inefficiency of the department and violation of Para 205 and 283 of GFR Vol-1.

28. The matter was reported to the management in March 2014 however they did not reply.

29. The Department was requested on 2.5.2014 followed by reminders dated 15.8.2014 and December, 2014 to arrange DAC meeting, which was not arranged till finalization of this report.

### **DEPARTMENTAL VERSION**

30. The Department explained that the amount of Rs.1,312.265 million mentioned in the Para was recovered in the following months.

31. Bank statement of Revenue Malakand-III Account No.8241-9 shown the amount duly collected.

### **PAC RECOMMENDATIONS**

32. In view of the explanation of the Department that the amount in question had been recovered, the Committee recommended the Para to be settled, subject to verification of record by the VOR Committee in the Provincial Assembly of Khyber Pakhtunkhwa.

DP No. 6.4.5 **NON RECOVERY OF SALE PROCEEDS Rs.33.700 MILLION AND LOSS OF Rs.3.647 MILLION.**

### **AUDIT VERSION**

33. During FY 2012-13, the PD SHISHI HPP, failed to recover Rs.33.701 million from PESCO on account of electricity supplied/sold. During 8/2013 and 9/2013 the production ratio was reduced by about 60% as compared with other months though the O&M contractor, local staff and M&R expenditure were increased up-to Rs.1.700 million in August & September, 2013.

34. On comparison of the revenue and expenditure statements of the Power station it was revealed that Rs.21.58 million was expended on O&M, cost of staff and AM&R against which electricity of Rs.17.933 million was sold. Hence, the power station was in loss of Rs.3.647 million during the year 2012-13.

35. It was held that the non recovery was due to inefficiency of the Department and violation of Para 26 of GFR Vol-1.

36. The matter was reported to the management in January 2014, however they did not reply.



37. The department was requested on 2.5.2014 followed by reminders dated 15.8.2014 and December 2014 to hold DAC meeting, which was not arranged till finalization of this report.

#### **DEPARTMENTAL VERSION**

38. The Department explained that the outstanding amount was delayed due to Generation License issues with NEPRA. After getting Generation License from NEPRA a sum of Rs.32,497,920/- & Rs. 1,1073,420/-have been recovered vide Cheque No.24511275 dated 24-04-2014, and Cheque No. 29621293 dated 28.11.2014.

39. The Department further explained that During 8/2013 and 9/2013 the power house was shut down for repair due to that generation was less and as a result revenue was decreased. Also the repair works expenditures when added to the annual operational cost the total expenses summed up to more.

#### **PAC RECOMMENDATIONS**

40. In view of the explanation of the Department that the amount in question had been recovered, the Para was recommended to be settled, subject to verification of record by VOR Committee in the Provincial Assembly of Khyber Pakhtunkhwa.

DP No. 6.4.6 **NON REALIZATION OF SALE PROCEED Rs.659.368 MILLION.**

#### **AUDIT VERSION**

41. During FY 2012-13, the O&M Contractor Pehur PEDO, failed to recover Rs.659.368 million pending against PESCO. Electricity of Rs.836.464 million was sold to PESCO and Rs.177.278 million was recovered. The amount was outstanding due to want of approval of the rates from NEPRA which was the responsibility of O&M contractor. Record showed that neither the contractor was issued warning nor any penalty was imposed in violation of contractual agreement.

42. It was held that the non-realization was due to inefficiency of the department and violation of Para 26 of GFR Vol-1.

43. The matter was reported to the management in January 2014 however they did not reply.

44. The Department was requested on 2.5.2014 followed by reminders dated 15.8.2014 and December 2014 to hold DAC meeting, which was not arranged till finalization of this report.

### **DEPARTMENTAL VERSION**

45. The Department explained that the Pehur Hydropower was put in commercial operation on 1<sup>st</sup> March 2010 and connected to 132 kV grid station at Gadoon Swabi for supplying power to the national Grid.

46. At the time of commercial operation the tariff for sale of power was not determined by the NEPRA, therefore, it was decided with PESCO that the energy generated would be sold to WAPDA @ Rs 1.0 per Unit as an interim tariff and once the tariff is determined by NEPRA and power purchase agreement (PPA) signed with PESCO the arrears would be claimed. NEPRA determined the tariff for Pehur on 6.12.2010. The levelized tariff for 25 years is Rs. 4.7194 / kWh.

47. Pursuant to tariff determination by NEPRA, the draft PPA was submitted to PESCO on 22.4.2011 for vetting, finalization and signing.

48. PESCO expressed its inability to execute the Power Purchase Agreement due to lack of expertise and referred the case to CPPA (Central Power Purchase Agency). Since then the issue was shuttling between these entities.

49. In a recent development, CPPA has finally initialed the PPA on 01-12-2016 and now formal signing will be done shortly. The said PPA task is followed time to time by the concerned officers of PEDO.

50. Since operation of the powerhouse till date, PEDO is receiving revenue @ Rs. 1 per unit, as such, arrears of Rs. 1.2 Billion has been accumulated against PESCO, which will be materialized after signing of the PPA.

### **PAC RECOMMENDATIONS**

51. Para stands till complete recovery and its verification by Audit. Efforts should be made for early recovery. The Department was also directed to devise mechanism for early recovery of such dues in future.

52. The Department was also directed to expedite signing of Power purchase Agreement (PPA) and progress be reported to PAC Cell within thirty (30) days.

DP No. 6.4.7 **LOSS TO THE GOVERNMENT DUE TO UNLAWFUL EXTENSION OF CONTRACT- Rs.268.835 MILLION.**

**AUDIT VERSION**

53. During FY 2012-13, the MD PEDO, extended the Contract of the O&M Hydro tech MKDIII for 5 years. The contract was extended in violation of recommendation of Finance & Law Departments. The Finance & Law Department have agreed for 6 months extension with 30% increase in light of Procurement Rules 2003. But the PEDO extended the contract for 5 years with 90% increase at total cost of Rs.951.387 million. If the proposed extension of Finance Department had accepted the amount would have been Rs.682.552 million. ( $525.04 \times 30\% = 157.512 = 682.552$ ). This resulted in excess payment of Rs.268.835 million. ( $951.387 - 682.552 = 268.835$ ). The contractor also failed to train the PEDO staff during contract period for running the power station in future.

54. It was held that loss occurred due to unjustified extension of the contract agreement which is violation of Para 12 & 13 of the Summary for Chief Ministry Khyber Pakhtunkhwa.

55. The matter was reported to the management in March 2014 however they did not reply.

56. The department was requested on 2.5.2014 followed by reminders dated 15.8.2014 and December 2014 to hold DAC meeting, which was not arranged till finalization of this report.

**DEPARTMENTAL VERSION**

57. The Department explained that the initial O&M contract was awarded to M/S Hydro Tech on 31.8.2007 for a period of 5 years (i.e. upto 31.8.2012). Before expiry of the contract, under the provisions of the contract agreement vide clause 2.2, the Contractor consented to continue providing the O&M services for the next period of 5 years and submitted its cost of Rs. 951 million. Accordingly a summary was moved for the Chief Minister KP through Finance, law and P&D Departments. After detailed deliberation on the issue, PEDO

Board approved the extension in the O&M contract for three years at a negotiated cost of Rs. 430 million.

58. It is pertinent to mention that during the course of movement of the summary, Finance Department recorded its comments that since it is a “Goods Contract” therefore, extension in contract may not be more than 30% or Rs. 1 million, whichever is less.

59. The matter was referred to the Advocate General Khyber Pakhtunkhwa for soliciting his advice. The advice of Advocate General Khyber Pakhtunkhwa wherein it was clearly elucidated that O&M contract is a “Services Contract” and it can be extended with the mutual consent of both the parties.

60. Pursuant to the advice of Advocate General, the contract has been extended by the PEDO Board.

### **PAC RECOMMENDATIONS**

61. In view of the above explanation, the Para was recommended to be settled with the direction to the Department to obtain/seek legal opinion of Law Department instead of Advocate General office in future.

DP No.6.4.8 **NON-IMPOSITION OF PENALTY WORTH Rs.6.586 MILLION.**

### **AUDIT VERSION**

62. During FY 2012-13, the MD PEDO, awarded the contract of Feasibility Study Ghorband Nindihar HPP to M/s NDC BAK and Hydro tech (joint venture) at the cost of Rs. 65.864 million with completion period of 18-months. The work was started on 22.6.2012 with completion date 21.12.2013 (18-months). As per agreement page-40, Draft feasibility report and PC-I was required to be submitted at the end of 14-months. But PC-I was not submitted by the consultants. The study was delayed but. Penalty @ 10% of the estimated cost, Rs.6.586 million was not imposed.

63. It was held that the non-imposition of penalty was due to negligence of the department and violation of Para 2.4 of the contract Agreement.

64. The matter was reported to the management in March 2014 however they did not reply.

65. The Department was requested on 2.5.2014 followed by reminders dated 15.8.2014 and December 2014 to arrange DAC meeting, which was not arranged till finalization of this report.

**DEPARTMENTAL VERSION**

66. The Department explained that the contract was assigned to M/s NDC BAK and Hydro Tech (joint venture) @ 65.586 million for a period of 18 months.

67. M/s NDC BAK and Hydro Tech (joint venture) submitted the draft feasibility reports and PC-I of the Ghorband Hydro Power Project (18 MW) and Nandihar Hydro Power Project (10.3 MW) within the stipulated period on 03.01.2014. The feasibility study was finalized as per approved schedule i.e. January, 2014 therefore; no penalty was required to be imposed.

**PAC RECOMMENDATIONS**

68. The explanation of the Department, being plausible was accepted. Hence, the Para was recommended to be settled.

**DP No. 6.4.9 LOSS OF Rs.09.000 MILLION PER ANNUM FOR USING TWO VEHICLES BY ONE PERSON.**

**AUDIT VERSION**

69. During FY 2012-13, the MD PEDO, allowed officers in the Head Office to use more than one vehicles and did not recover the amount of Rs.09.000 million as monthly rent on account of 10 vehicles used in excess of entitlement /unauthorized (The calculation of loss based on the monthly rent of vehicles, hired for Malakand-III. project) Detail as below:-

S/No	Registration No.	Make & Model	Under the Use of	Amount
1.	A-1470	Toyota Hilux	ZainUllah Shah, CFO	75,000
2.	AA-1224	Toyota Vigo	--do--	75,000
3.	A-2078	Toyota Corolla	Lajbar Khan DD Admn	75,000
4.	A-9169	Mitsubishi Double Cab	--do--	75,000
5.	A-9168	Mitsubishi Double Cab	Narindar Kumar Sr: Eng:	75,000

6.	A-1629	Suzuki APV	--do--	75,000
7.	A-9039	Double Cabin	Jawad Haider Res: Eng:	75,000
8.	A-1017	Double Cabin	--do--	75,000
9.	A-5995	Suzuki Potohar	--do--	75,000
10.	A-8706	Suzuki Baleno Car	Ex-Director (Finance)	75,000
11.	AA-2736	Toyota Vigo	Mr. Umair	75,000
12.	AA-2153	Toyota Corolla	Director (Finance)	75,000
13.	A-2779	Suzuki Margalla	PS to MD	75,000
14.	A-2430	Toyota Hilux	Director O&C	75,000
15.	A-3379	Suzuki Jeep	--do--	75,000
16.	A-3029	Nissan Pickup	--do--	75,000
<b>TOTAL (75000x10x12 = 9,000,000)</b>				

70. It was held that loss was occurred due to weak internal controls and violation of Para 10(i) of GFR Vol-1.

71. The matter was reported to the management in January, 2014, however, they did not reply.

72. The Department was requested on 2.5.2014 followed by reminders dated 15.8.2014 and December, 2014 to arrange DAC meeting, which was not arranged till finalization of this report.

### **DEPARTMENTAL VERSION**

73. The Department explained that the all the officers of Head office are authorized for one vehicle for official duty, expenditure on account of POL & Repair incurred were within the limit as per entitlement for official duty. No one use extra vehicle.

74. List of vehicle under use of Head office & Projects are mentioned below:

S/No	Head Off: / Pool/off Road Vehicles	Project
1.	A-2078	A-1470
2.	A-8706	A-9169
3.	A-2153	AA-1224
4.	A-2779	A-9168
5.	A-2430	A-1629
6.	A-3379	A-9036
7.		A-1017
8.		A-5995
9.		A-3029
10.		A-9169
11.		A-2736

75. No expenditure incurred during audit era on Project vehicles on account of POL /Repair from DDO Head office as per mentioned in the above table in project column.

#### **PAC RECOMMENDATIONS**

76. Due to plausible explanation of the Department, the Para was recommended to be settled.

DP No.6.4.10 **UNAUTHORIZED PAYMENT OF MOBILIZATION ADVANCE RS.69.349 MILLION & NON RECOVERY OF INTEREST Rs.5.547 MILLION.**

#### **AUDIT VERSION**

77. There was no provision in the PC-I of the project for advance payment.

78. During FY 2012-13, the MD PEDO, paid mobilization advances of Rs.69.349 million. The payment of mobilization advances was held unauthorized in light of following observations.

- i. There was no provision in the tender documents for mobilization advance.
- ii. The mobilization advance shall only be allowed in project exceeding Rs.50.00 million however the projects for which the advance was granted were of less than Rs.50.00 million.
- iii. The amount of the mobilization advance should be determined by the administrative Secretary keeping in view the requirement of the project and in no case it should increase 2% of the project cost or Rs.3.00 million which ever less.

In the instant case Rs.24.440 million was paid instead of Rs.3.00 million and sanction of the Secretary Energy & Power was not obtained.

- iv. The contractor shall have to furnish a guarantee from the schedule bank which was not furnished.
- v. Markup at the rate of 8% per annum amounting to Rs.1.955 million was not recovered.
- vi. The amount of advance inclusive of mark up on reducing balances shall be recovered in five equal installments from the 1<sup>st</sup> five running bills but the amount was not recovered.
- vii. The sanctioning authority granting mobilization advance shall endorse copy to FD & AG, who will keep watch on the recovery but it was not done.

79. It was held that the unauthorized advance payment was made due to financial mismanagement and violation of Finance department letter No SO.(Dev-II)2-15/2003-04/ FD Dated 28-06-2004 provides certain conditions for payment of Mobilization Advance.

80. The matter was reported to the management in January 2014 however they did not reply.

81. The Department was requested on 2.5.2014 followed by reminders dated 15.8.2014 and December 2014 to hold DAC meeting, which was not arranged till finalization of the report.

**DEPARTMENTAL VERSION**

82. The Department explained that the mobilization Advance was allowed to the PEDO Schemes as per provision in the Contract Agreement as per detail mentioned below;

<b>Project</b>	<b>Amount (Rs)</b>	<b>Contractor / Consultant</b>
Const. of Lawi HPP	24,257,500	ACE Pvt. Ltd
F.S Naran HPP	33,329,570	Mirza Associates
F.S Mujigram HPP	11,580,000	Elan Partner Consultant



83. The Department further explained that the above mentioned advances were completely recovered from the consultants subsequent bills. For execution of contract agreement Standard Bidding Documents recommended by Pakistan Engineering Council (PEC) were used in light of Govt. instructions to follow the same in letter & spirit.

84. The subject advance Paras was also discussed in DAC meeting held on 25 & 26.03.2015 where it was decided that clarification shall be sought from the finance department Khyber Pakhtunkhwa regarding letter of KPPRA dated 17-12-2014 where interest on mobilization advance has been waved off comments from Finance Department Khyber Pakhtunkhwa is awaited and would be shared with audit for further process.

### **PAC RECOMMENDATIONS**

85. In view of the explanation advanced by the Department that the mobilization Advance was allowed to the PEDO Schemes as per provision in the Contract Agreement and was recovered afterwards as per Rules, therefore, the Para was recommended to be settled, subject to verification of record by the VOR Committee in the Provincial Assembly of Khyber Pakhtunkhwa.

### **DP No.6.4.11 UN-AUTHORIZED RETENTION OF Rs.2783.623 MILLION.**

### **AUDIT VERSION**

86. During FY 2010-11, the Electric Inspector, Peshawar, failed to recover Rs 2783.623 million from PESCO on account of Duty of Provincial Government realized by WAPDA/PESCO on behalf of the local office through Electricity bills from factories/Industries, commercial, domestic and Industrial consumers, etc. It was the duty of PESCO authority to deposit the whole recovery of Electricity Duty through cheque under head B-03034 within 60 days. But it was not done and at source deduction was made against the provincial government without any reconciliation.

87. It was held that the unauthorized retention was due to weak internal control, violation of Para 7(1) of CTR and Para 5(1) of the electricity duty Rule 1964.

88. The matter was reported in December 2012. The department did not reply.

89. DAC meeting was held in October, 2012, wherein the department replied that the contents of Audit Para are based on facts and case had been taken up with PEPCO Lahore. DAC directed the department to carry out reconciliation with PESCO and a committee comprising members of energy monitoring cell, Electric Inspector and Finance Department and report to Secretary Energy & Power and Audit within 30 days. No progress was reported till finalization of this report.

#### **DEPARTMENTAL VERSION**

90. The Department explained that the contents of this Para are correct and this department has exerted strenuous efforts, and on receipt of monthly statement, the D.G commercial PEPCO, Lahore, was requested to release the amount of Electricity duty but in vain. However, the audit Para relating to payment of electricity Duty by Pepco are being sent to the provincial Government for further necessary action and the action so taken will be communicated to the audit.

#### **PAC RECOMMENDATIONS**

91. The Energy & Power Department in consultation with Finance Department should devise a mechanism and take up the case with the concerned for early recovery of the long outstanding amount. Para stands till complete recovery and its verification by Audit.

DP No.6.4.12 **LOSS TO THE GOVERNMENT DUE TO NON-RECOVERY OF ELECTRICITY DUTY AND INSPECTION FEE OF Rs.22.543 MILLION.**

#### **AUDIT VERSION**

92. During FY 2010-11, the Electric Inspector, did not recover electricity duty and inspection fee valuing Rs.22.543 million from Factories, Cinemas, Electrical Work Contractors, etc, resulting in loss to the government.

93. It was held that the loss occurred due to weak internal control and clear violation of Para 26 of GFR Vol-1.

94. The matter was reported in December 2012. The department replied that detail reply will be given later on.

95. DAC meeting was held in October, 2012, wherein the department replied that efforts are being made to recover the amount. DAC directed to recover the amount within 03 months. No progress was reported till finalization of this report.

### **DEPARTMENTAL VERSION**

96. The Department explained that Due to demographic situation, closure of hundreds of factories, financial crises and other constraints like lack of staff and other resources, load shedding, the industrial Establishment did not deposit the Electricity Duty as well as the Inspection fee on time and these are present as outstanding in their respective files. In this regard strenuous efforts are being made and also when the business atmosphere will be became conducive, the recoveries shall be made to make-up for the shortfall in revenue.

97. Further in this respect Four Nos. Regional Electric Inspectorates have been established and recovery is being affected.

### **PAC RECOMMENDATIONS**

98. Due to plausible explanation of the Department, the Para was recommended to be settled, subject to verification of recovered amount by Audit.

DP No.6.4.13 **LOSS TO THE GOVERNMENT OF Rs. 1,127.761 MILLION.**

### **AUDIT VERSION**

99. During FY 2010-11, the Electric Inspector Peshawar, imposed penalty of Rs.1,127.761 million on WAPDA in lieu of realized Electricity duty of Rs.1127.761 million retained by WAPDA in violation of rules quoted above. The department failed to adjust the outstanding amount in lieu of WAPDA dues against the Provincial government or its prompt recovery from WAPDA.

100. It was held that the loss occurred due to weak internal control and violation of Para 14 of the West Pakistan Finance Act 1064.

101. The matter was reported in December 2012. The management replied that WAPDA is a Federal Government Organization and this office had no authority to impose penalty.

102. DAC meeting was held in October 2012, wherein the department replied that issue will be referred to Law Department for clarification. DAC directed to furnish progress of the case to audit. No progress was intimated till finalization of this report.

### **DEPARTMENTAL VERSION**

103. The Department explained that though the law i.e. Section-14 of the Finance Act, 1964 is very vividly expressing the imposition of penalty on the collecting Agency if it failed to transfer the amount within two months, but the law is silent about the mechanism of the penalty i.e. by whom the penalty is to be imposed and also a question arises that can a Provincial Government impose penalty on the Federal Government?

### **PAC RECOMMENDATIONS**

104. The Energy & Power Department in consultation with Finance Department should device a mechanism for early recovery or adjustment of the long outstanding amount. Para stands till complete recovery and its verification by Audit.

**INDUSTRIES DEPARTMENT**

<b>Total Draft Paras</b> _____	<b>07</b>
<b>Examined</b> _____	<b>07</b>

**Settled: ..... 05**  
**Detail Audit: ..... 01**  
**Departmental Action: ..... 01**

## **INDUSTRIES DEPARTMENT**

Seven (07) Draft Paras, reflected in the Auditor General's Report for the year 2014-15 against the Department, were examined by the present Public Accounts Committee in its meeting held on 6<sup>th</sup> December, 2018. The following were present:-

### **PUBLIC ACCOUNTS COMMITTEE**

1.	Mr. Mushtaq Ahmad Ghani, Speaker	Chairman
2.	Mr. Khushdil Khan (Advocate), MPA	Member
3.	Syed Fakhar Jehan, MPA	Member
4.	Mr. Babar Saleem, MPA	Member
5.	Mst. Nighat Yasmin Orakzai, MPA	Member
6.	Dr. Sumaira Shams, MPA	Member

### **LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT**

Mst. Hamsheeda Begum,  
ALD-II.

### **FINANCE DEPARTMENT**

Mr. Muhammad Naseem,  
Additional Secretary, (A).

### **AUDIT DEPARTMENT**

1. Dr. Akbar Ali Khan,  
Director General, AGP Office.
2. Mr. Shahid Ali,  
Deputy Director.
3. Dr. Muhammad Ismail,  
Deputy Director.
4. Mr. Zubair Arshid,  
Deputy Director.
5. Mr. Qadir Khan,  
Deputy Director.
6. Mr. Khalid Zaman,  
Audit Officer.
7. Mr. Tariq Azim,  
Audit Officer.

## **INDUSTRIES DEPARTMENT**

1. Mr. Usman Yaqub,  
Secretary.
2. Mr. Muhammad Anwar Khan,  
Additional Secretary.
3. Mr. Munir Gul,  
PD, ERKF.
4. Mr. Sohail Jan,  
Manager, SMEDA.
5. Mr. Gul Rait Khan,  
Section Officer, (Admn).
6. Mr. Waqar Ahamad,  
Procurement Specialist.

## **PROVINCIAL ASSEMBLY SECRETARIAT**

1. Mr. Nasrullah Khan Khattak,  
Secretary.
  2. Mr. Amjad Ali,  
Additional Secretary.
  3. Mr. Muhammad Younas,  
Deputy Secretary.
  4. Mr. Ibrahim Khan,  
Assistant Secretary.
  5. Mr. Muhammad Ayaz,  
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 NON-PRODUCTION OF AUDITABLE RECORD IN SUPPORT OF FUNDS OF Rs.41.50 MILLION.**

#### **AUDIT VERSION**

3. During FY 2012-13, the Project Manager Project Unit SMEDA received Rs.41.50 million in the Assignment Account No.A-77 up to 31-12-2012 against which Rs.27.40 million expenditure was made up to 31-12-2012. The transactions of SMEDA were neither reconciled with the Accountant General Khyber Pakhtunkhwa nor incorporated in the financial statements of the ERKF project. SMEDA project unit ERKF Peshawar was asked to provide record in

support of Rs.41.50 million to audit for verification however, despite repeated requests record was not provided.

4. It was held that non-production of record was due to violation of government orders.

5. The matter was reported to the management in October, 2013. The management replied that audit of SMEDA is conducted by Chartered Accountants. The reply was evasive as audit of the project was mandate of the Auditor General of Pakistan as per agreement signed with the Government of Pakistan.

6. DAC meeting was held in May 2014, department repeated the previous reply. DAC directed to produce original record within 10 days for audit. No progress was reported till finalization of this report.

#### **DEPARTMENTAL VERSION**

7. The Department's Para wise response was as under:-

8. The World Bank and the project counterparts i.e. Government of Khyber Pakhtunkhwa and FATA Secretariat have entrusted Small & Medium Enterprises Development Authority (SMEDA), Ministry of Industries for implementation of SME Development component and an operational expenditure of USD 1 million has been approved for the Project Unit SMEDA for the same purpose. This cost is reflected in two separate PC-1 for ERKF Project i.e. USD 650,000 in PC 1 of KP component and USD 350,000 in PC 1 of FATA component. There is no item wise cost break-up of the above amounts in any of the two PC 1s and the whole amount of USD 1 million will be made available to SMEDA directly by the World Bank (WB) and a cost break-up for the whole amount has been agreed with the WB and counterparts.

9. SMEDA being a Federal Government organization conducts audit of SMEDA accounts and all its projects. Likewise, audit of SMEDA's component in ERKF Project will also be done by DG Audit, Lahore. Furthermore, the audit requirement for the operational expenses are clearly stated in the 'Emergency Project Paper' Para 60 under the "Fiduciary Aspects and Arrangement" that external Audit of the SMEDA PU component will be conducted through a private audit firm on the approval of the WB.



10. Moreover, the Audit of SMEDA operational expenditure for the year 2011-12 was also conducted by a Private audit firm with the approval of WB and this observation was not raised last year by external auditors of PMU KP. The SMEDA's audit report (Financial statements and Management Letter) for 2011-12 was approved by the WB and Economic Affairs Division, Islamabad.

11. However, on the direction of World Bank letter dated 2-4-2015, PU SMEDA not only facilitate the auditor but also provide full access to ERKF PU SMEDA record. Therefore on the basis of this access, audit of PU SMEDA was carried out for the financial year 2014-15 and 2015-16 respectively.

### **PAC RECOMMENDATIONS**

12. As record was not produced to Audit, therefore, the Committee directed the Audit to conduct detailed Audit of the amount involved in subject Para within a month.

13. Para stands. Progress be reported to PAC.

### **DP No.12.4.2 LOSS TO PUBLIC EXCHEQUER OF Rs.1.000 MILLION.**

#### **AUDIT VERSION**

14. During FY 2012-13, the Project Director, Economic Revitalization in Khyber Pakhtunkhwa and FATA (ERKF), paid Rs.1.00 million to M/s Khurram Packages, for purchase of machinery. The Company has one printing press at Nasir Pur in the environs of Peshawar and another at Industrial Estate Hayatabad, Peshawar. Correspondence between Mr. Sarmad Hussain and Mr. Misbahullah that the expenditure was doubtful on the following grounds:-

- i) Physical verification on 27<sup>th</sup> November, 2012 at the Industrial Estate Hayatabad site, revealed that the machinery was not at site. On inquiry, the factory manager related that the purchase of the machine was pending receipt of the grant. In connection there to, the Project Coordinator stated on 28<sup>th</sup> November, 2012, that the machinery has been installed at the Nasir Purr press.
- ii) The team visited the Nasir Purr press on 29<sup>th</sup> November, 2012 and was shown an old Record Roland RZK machine installed towards the end of the rectangular hall with other similar sized machines. Its location in the hall showed that it could not have been installed without dismantling a wall for access to the spot and neither its foundation nor the surrounding walls were of recent construction. Moreover, record did not contain photographs etc of the Nasir Purr site required to have been taken prior to sanctioning of grant as pre requisite proof that the business was not in possession of assets applied for.

- iii) In the unnumbered invoice dated 1<sup>st</sup> November, 2012 the value of the 2<sup>nd</sup> hand machine shown purchased was Rs.2.450 million whereas the grant was Rs.1.00 million. The invoice predated the agreement between the SME and SMEDA dated 6<sup>th</sup> November, 2012 contrary to the approval a 2<sup>nd</sup> hand machine was allegedly purchased.

15. It was held that the loss occurred due to weak internal controls and violation of Para 23 of GFR Vol-I .

16. The matter was reported in October, 2013. The management stated that the printing machinery was costly and all industries are running on 2<sup>nd</sup> hand machinery as per practice in vogue. Reply is incorrect. No machinery of 2<sup>nd</sup> hand was purchased but shifted by the owner from its one SME at Hayatabad to another SME at Nasir purr.

17. DAC meeting was held in May 2014, the department repeated the previous reply. DAC directed that DAC members will visit the site for physical verification. However, the department failed to convene meeting of members till finalization of this report.

#### **DEPARTMENTAL VERSION**

18. The Department explained that the ERKF is the MDTF sponsored project and is being administered by the World Bank.

19. For implementation of the SMEs development component the World Bank engaged SMEDA as implementing entity for which Operational Cost has been transferred to SMEDA, as per Operational Manual and MOU.

20. Under this component, receiving of applications, assessment, review of documentation and its verification, recommendation of grant size and approval from the concerned Committee is the responsibility of SMEDA. PMU ERKF Industries Department has a limited role only to release the approved grant to concerned SMEs through SMEDA with in time frame of 07 to 15 days as per **clause-2.4.7** Operations Manual.

#### **PAC RECOMMENDATIONS**

21. After detailed discussion, the Committee could not reach to a fair and just conclusion, hence, the Para was referred to Provincial Inspection Team to conduct facts finding enquiry and submit report to PAC within a month.

DP No.12.4.3 **UNJUSTIFIED EXPENDITURE OF Rs.3.075 MILLION.**

**AUDIT VERSION**

22. During FY 2012-13, the Project Director, Economic Revitalization in Khyber Pakhtunkhwa and FATA (ERKF), paid Rs.1.250 million to Mehboob Fertilizers & Seed Dealers Swat for supply of commodities to SME Sarhad Punjab Flour Mills Charsadda.

1. The commodity was purchased from the supplier in District Swat instead of nearest districts of Charsadda, Mardan and Peshawar.
2. Wheat could have purchased from District Food Controller Charsadda.
3. Supplier bill was silent about the type of commodity.
4. Survey and damage report of DOR, Charsadda was not obtained.

23. The Project Director also paid Rs.8,25,000/- to Saeed & Brothers Works on account of supply of machinery for rehabilitation of Dir Marble Tile Factory Jehangira Nowshera. DOR report about the damages, Bank Statement prior to 8/2010, invoices for the purchase of machinery, and Income Tax returns were not available on record.

24. SYS Peshawar was granted Rs.1.00 million for rehabilitation. The payment was unjustified as there was no flood in the area and units of electricity consumed after grant were not increased.

25. It was held that the unjustified grants were paid due to weak field coordination and monitoring.

26. The matter was reported in October, 2013. The management replied that all codal formalities have been completed. But record in support of reply was not furnished.

27. DAC meeting was held in May 2014 wherein the department was directed to conduct fact finding inquiry within one month. No progress was reported till finalization of this report.

**DEPARTMENTAL VERSION**

28. The Department explained that the ERKF is the MDTF sponsored project and is being administered by the World Bank.

29. For implementation of the SMEs development component, the World Bank engaged SMEDA as implementing entity for which Operational Cost has been transferred to SMEDA as per Operations Manual and MOU.

30. Under this component receiving of applications, assessment, review of documentation and its verification, recommendation of grant size and approval from the concerned Committees is the responsibility of SMEDA. PMU ERKF, Industries Department has a limited role only to release the approved grants to concerned SMEs through SMEDA within the time frame of 07 to 15 days as per **clause-2.4.7** of operations Manual.

### **PAC RECOMMENDATIONS**

31. Due to plausible explanation of the Department, the Para was recommended to be settled.

DP No.12.4.4 **LOSS TO GOVERNMENT OF Rs.1.028 MILLION.**

### **AUDIT VERSION**

32. During FY 2012-13, the Project Director, Economic Revitalization in Khyber Pakhtunkhwa, paid Rs.7.291 million to various SMEs on account of up gradation of their business in taxable areas of the province. The payments were made for the purchase of machinery or materials from various suppliers. However, to evade taxes, the project management paid the amounts directly to the SMEs. As such, the public exchequer was deprived of money of Rs.838,482 (7,291,150 x 11.50% (8%+3.50%)) due to non deduction of Sales Tax & Income Tax.

S/No	Cheque No & dt	Amount	Sale Tax & I/Tax	Payee
1.	3550801 dt 16-1-2013	290,800	33,442	Abdullah
2.	2814800 dt 16/1/2013	130,350	14,990	Sardar Ahmad khan
3.	2814780 dt 19/12/2012	675,000	77,625	Imran saeed
4.	2814776 dt 11/12/2012	1,000,000	115,000	Khurram Siddique
5.	4060301 dt 3/4/2013	632,500	72,738	Naira Laghmani
6.	4060328 dt 6/5/2013	525,000	60,375	Kamran
7.	4060372 dt 12/6/372	1,000,000	115,000	Himayatullah
8.	3550865 dt 1/3/2013	941,000	108,215	Akhunzada Muhammad Amin
9.	4060375 dt 12/6/2013	1,000,000	115,000	Muhammad Iqbal
10.	4513348 dt 27/6/2013	121,500	13,972	Muhammad Waqar Butt

11.	4060313 dt 14-4-2013	975,000	112,125	Muhammad Gul
12.	-	1,000,000	189,400	
	<b>Total</b>	<b>8,291,150</b>	<b>1,027,882</b>	

33. It was held that non-recovery of taxes was the inefficiency of the project management.

34. The matter was reported to the management in October, 2013, it was replied that the payment for up gradation was made directly to SMEs, hence taxes were not deducted. Reply is incorrect. The project management intentionally paid the grants to SMEs to avoid deductions of taxes.

35. DAC meeting was held in May 2014 wherein the DAC directed the department for clarification from income tax and sale tax department .Further progress was not reported till finalization of this report.

#### **DEPARTMENTAL VERSION**

36. The Department explained that the ERKF is the MDTF sponsored project and is being administered by the World Bank.

37. For implementation of the SMEs development component, the World Bank engaged SMEDA as implementing entity for which Operational Cost has been transferred to SMEDA as per Operations Manual and MOU.

38. Under this component receiving of applications, assessment, review of documentation and its verification, recommendation of grant size and approval from the concerned Committees is the responsibility of SMEDA. PMU ERKF, Industries Department has a limited role only to release the approved grants to concerned SMEs through SMEDA within the time frame of 07 to 15 days as per **clause-2.4.7** of operations Manual.

#### **PAC RECOMMENDATIONS**

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

DP No.12.4.5 **DOUBTFUL EXPENDITURE OF Rs.1.388 MILLION.**

**AUDIT VERSION**

40. During FY 2012-13, the Project Director, Economic Revitalization in Khyber Pakhtunkhwa, paid Rs.7,50,000/- to Zaib Silk Mills Swat. The grant was doubtful as the bills of Hameed Corporation for the supply of materials to Zaib Silk Mills Swat had unmatched dates and numbers as per detail below:

<b>S/No.</b>	<b>Bill No.</b>	<b>Date</b>	<b>Amount</b>
1.	9328	07-5-2009	Rs.454,572
2.	9330	21-4-2009	Rs.632,242
3.	9339	10-5-2009	Rs.163,023
4.	9365	6-4-2009	Rs.193,202
5.	9374	12-4-2009	Rs.277,264
6.	9377	16-4-2009	Rs.12,542
7.	9387	18-4-2009	Rs.13,315
8.	9396	04-3-2009	Rs.81,686

41. Rupees 437,500 were paid to Anwar Faisal Silk mills Swat despite the fact the case was rejected by the Grant Technical Committee (GTC) of the Project.

An amount of Rs.200,000 was paid to SME Lucky Panchakki for rehabilitation. The payment was not valid as the SME has not proved its ownership and existence before August, 2010 and Survey Report of DOR was not available.

42. It was held that doubtful payments were made due to undue favor to the SMEs.

43. The matter was reported in October, 2013. The management replied that all codal formalities had been fulfilled.

44. DAC meeting was held in May 2014, wherein the department repeated the previous reply. DAC directed the department to conduct fact finding inquiry within one month. No progress was reported till finalization of this report.

**DEPARTMENTAL VERSION**

45. The Department explained that the ERKF is the MDTF sponsored project and is being administered by the World Bank.

46. For implementation of the SMEs development component, the World Bank engaged SMEDA as implementing entity for which Operational Cost has been transferred to SMEDA as per Operations Manual and MOU.

47. Under this component receiving of applications, assessment, review of documentation and its verification, recommendation of grant size and approval from the concerned Committees is the responsibility of SMEDA. PMU ERKF, Industries Department has a limited role only to release the approved grants to concerned SMEs through SMEDA within the time frame of 07 to 15 days as per **clause-2.4.7** of operations Manual.

### **PAC RECOMMENDATIONS**

48. After detailed discussion, the Para was recommended to be settled with the direction to the Department to implement the decision of DAC in future and action may also be taken against those failed to implement the decision of DAC.

### **DP No.12.4.6 UNAUTHORIZED EXPENDITURE OF RS.1.200 MILLION.**

### **AUDIT VERSION**

49. During FY 2012-13, the Project Director, Economic Revitalization in Khyber Pakhtunkhwa, paid Rs.5,25,000/- to Dawn Electric Co. Peshawar. The payment stands unauthorized as the business does not fall under the category outlined in the operational manual at Para 2.2.2 and the GTC rejected it. Sales tax and income tax returns of SME and of supplier Fine Generators Nauthia Jadid were also not available.

50. An amount of Rs.6,75,000/- was paid to Taj Enterprises Peshawar for purchase of generator and insulations from NEW Power Generator and Shah Jee Saeed Khan respectively. But income tax & sales tax returns of the SME and suppliers were not available on record.

51. It was held that the unauthorized grants were paid due to negligence and collusion of the project staff with the SMEs.

52. The matter was reported in October, 2013. The department replied that cases have been processed in accordance with law.

53. DAC meeting was held in May, 2014, wherein, it was directed to refer the matter to World Bank for clarification whether services business is admissible for grant. It also decided

that the issue of taxes should be taken up with Income Tax Department for clarification. No progress was reported till finalization of this report.

### **DEPARTMENTAL VERSION**

54. The Department explained that the ERKF is the MDTF sponsored project and is being administered by the World Bank.

55. For implementation of the SMEs development component, the World Bank engaged SMEDA as implementing entity for which Operational Cost has been transferred to SMEDA as per Operations Manual and MOU.

56. Under this component receiving of applications, assessment, review of documentation and its verification, recommendation of grant size and approval from the concerned Committees was the responsibility of SMEDA. PMU ERKF, Industries Department has a limited role only to release the approved grants to concerned SMEs through SMEDA within the time frame of 07 to 15 days as per **clause-2.4.7** of operations Manual.

### **PAC RECOMMENDATIONS**

57. In view of plausible explanation of the Department duly supported by Audit, the Para was recommended to be settled.

DP No.12.4.7 **UNJUSTIFIED EXPENDITURE OF Rs.8.701 MILLION.**

### **AUDIT VERSION**

58. During FY 2012-13, the Project Director, Economic Revitalization in Khyber Pakhtunkhwa, paid Rs.8.701 million to Shore Bank International (SBI) Pakistan for preparation of Pre-Feasibility Study for Diaspora Bond.

The expenditure stands unjustified on the following grounds:-

- 1) The assignment was awarded to M/S Shore Bank International at total cost of Rs.26.772 million. As the firm did not qualify for the assignment therefore the award of contract was irregular.
- 2) Payments were made to consultants without completion of the tasks and approval of Competent Authority.

59. It was held that the unjustified expenditure incurred due to negligence of the management.



60. The unjustified expenditure was reported to the project management in October, 2013. It was replied that reports have been received and approved by the competent authority.

61. DAC meeting was held in May 2014, wherein the department repeated the previous reply. DAC did not agree and directed to conduct joint inquiry by Administrative, Audit and Finance Departments within 30 days. No progress was reported till finalization of this report.

#### **DEPARTMENTAL VERSION**

62. The Department explained that the consulting firm was hired as per World Bank's Procurement Guide lines and procedure in due consultation with the relevant stake holders duly approved by the Bank therefore, the Department supports view point of the Project Director ERKF.

#### **PAC RECOMMENDATIONS**

63. The explanation of the Department was accepted, hence the Para was recommended to be settled.

**HOUSING DEPARTMENT**

<b>Total Draft Paras:</b> _____	<b>05</b>
<b>Examined:</b> _____	<b>05</b>

**Settled: ..... 03**

**VOR: ..... 02**

## **HOUSING DEPARTMENT**

Five (05) Draft Paras, reflected in the Auditor General's Report for the year 2014-15 against the Department, were examined by the present Public Accounts Committee in its meeting held on 6<sup>th</sup> December, 2018. The following were present:-

### **PUBLIC ACCOUNTS COMMITTEE**

1.	Mr. Mushtaq Ahmad Ghani, Speaker	Chairman
2.	Mr. Khushdil Khan (Advocate), MPA	Member
3.	Syed Fakhar Jehan, MPA	Member
4.	Mr. Babar Saleem, MPA	Member
5.	Mst. Nighat Yasmin Orakzai, MPA	Member
6.	Dr. Sumaira Shams, MPA	Member

### **LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT**

Mst. Hamsheeda Begum,  
ALD-II.

### **FINANCE DEPARTMENT**

Mr. Muhammad Naseem,  
Additional Secretary, (A).

### **AUDIT DEPARTMENT**

1. Dr. Akbar Ali Khan,  
Director General.
2. Mr. Shahid Ali,  
Deputy Director.
3. Dr. Muhammad Ismail,  
Deputy Director.
4. Mr. Zubair Arshid,  
Deputy Director.
5. Mr. Qadir Khan,  
Deputy Director.
6. Mr. Khalid Zaman,  
Audit Officer.
7. Mr. Tariq Azim,  
Audit Officer.

## **HOUSING DEPARTMENT**

1. Mr. Masood Ahmad,  
Secretary.
2. Mr. Najib-ur-Rehman,  
Director General, PHA.
3. Mr. Imran Wazir,  
Director Finance, PHA.
4. Mr. Muhammad Tufail,  
Deputy Secretary.

## **PROVINCIAL ASSEMBLY SECRETARIAT**

1. Mr. Nasrullah Khan Khattak,  
Secretary.
  2. Mr. Amjad Ali,  
Additional Secretary.
  3. Mr. Muhammad Younas,  
Deputy Secretary.
  4. Mr. Ibrahim Khan,  
Assistant Secretary.
  5. Mr. Muhammad Ayaz,  
Assistant Secretary.
2. The PAC having considered Audit point of view and explanation advanced by the Department, made recommendation on each Para as under:-

DP No.17.4.1 **NON RECOVERY FROM LAND OWNERS OF Rs. 54.732 MILLION.**

### **AUDIT VERSION**

3. During FY 2011-12 & 2012-13, the Director General Provincial Housing Authority Peshawar, paid Rs.863.206 million to the land owners for acquiring 9122 Kanal land for the Musazai Housing Scheme. However, revised orders were issued under Section 4 of the land Acquisition Act for 5943 kanals excluding 3178 kanals land worth Rs.863.206 million. The department recovered Rs.808.474 million leaving Rs.54.732 million unrecovered from the land owners.
4. It was held that the lapse occurred due to financial mismanagement and violation of Para 28 of GFR Vol-I.

5. The matter was reported to Government in January, 2014.
6. DAC meeting was held in October, 2014, in which the department was directed to produce the relevant record for verification. No progress was intimated till finalization of this report.

#### **DEPARTMENTAL VERSION**

7. The Department explained that the audit recommended to recover Rs.54.732 (m) and accordingly this office issued notice to the land owner vide No.DG/PHA/LAC/Surizai Bala/179 dated 20-06-2014 for recovery of the same as a result the land owner obtained stay from Peshawar High Court as well as the land owner also filed an appeal before refer Court for enhancement of rate, which was accepted.
8. In pursuance of the clear decision this office filed an appeal in the Peshawar High Court and the land owner also filed an appeal. Both the appeals were dismissed by the Peshawar High Court.
9. The Department further filed review petition in the Supreme Court of Pakistan and also the land owners filed a review petition in the Supreme Court of Pakistan. Moreover, the Department also submitted an application in Supreme Court of Pakistan for grant of stay/stoppage of execution. The August Court in its judgment dated 18-07-2017 ordered that the payment be paid to the land owner on Yaksala basis along with 15% compulsory acquisition charges.
10. As per procedure, the land owner submitted an application for execution in the Court of Additional District Judge-VIII Peshawar for implementation of the Supreme Court of Pakistan judgment regarding enhancement of rate.
11. Amount enhanced by this Court from Rs.1,17,000/- to Rs. 1,52,219/-

#### **PAC RECOMMENDATIONS**

12. In view of the Court decision for payment to the land owners on enhanced rates alongwith 15% compulsory acquisition charges the recoverable amount was adjusted with the land owners, therefore, the Para was recommended to be settled.

DP No.17.4.2 **UNJUSTIFIED MOBILIZATION ADVANCE AND NON RECOVERY OF INTEREST Rs. 48.767 MILLION.**

**AUDIT VERSION**

13. During FY 2012-13, in the Directorate General Provincial Housing Authority Peshawar, it was noticed that M/s Kasteer was paid mobilization advance of Rs.45.778 million instead of Rs.3.00 million which resulted into unjustified mobilization advance of Rs.42.778 million. The mobilization advance paid in excess of Rs. 3.00 million if invested would have earned profit of Rs. 5.989 million (Rs.42.778 X 14%).

14. It was held that lapse occurred due to financial mismanagement.

15. The matter was reported to Government in January 2014. The department replied that the advance was paid according to the PEC bidding documents.

16. DAC meeting was held in October, 2014. The department failed to produce documentary evidence in support of advance payments. DAC directed the department to produce record to audit for verification. No progress was intimated till finalization of this report.

**DEPARTMENTAL VERSION**

17. The Department explained that as per contract agreement the contractor was entitled for interest free mobilization advance @ 10% of the contract price, as per contract agreement clause 60.12 (Financial Assistance to contractor). First part was released within 14 days after signing of the agreement and 2<sup>nd</sup> part within 42 days from the date of payment of the 1<sup>st</sup> part.

18. The Provincial Government/KPPRA vide Notification No.KPPRA/M&E/1-2/2014-15 dated 15-06-2015 also clarified that the mobilization advance will be paid to the contractors interest free.

19. In this case, 1<sup>st</sup> part has been released according to contract agreement Clause 60.12 on production of bank guarantee from Bank of Khyber. The mobilization advance had been recovered from the contractor.

## **PAC RECOMMENDATIONS**

20. The explanation of the Department duly endorsed by the Finance Department was accepted, hence, the Para was recommended to be settled.

### **DP No.17.4.3 NON PRODUCTION OF RECORD OF ACQUISITION OF LAND AND PAYMENT OF Rs. 600 MILLION.**

#### **AUDIT VERSION**

21. During audit of the accounts of the Director General Provincial Housing Authority Peshawar for the financial years 2011-12 and 2012-13 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 Nathia Gali ATD. 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 by the NAB for their investigation which has not yet been returned. Therefore the record remained unaudited.

1. Cash Book of receipt and expenditure
2. Slip of deposit in Bank account
3. Approval for the opening of Bank Account
4. Statement of Bank accounts
5. Details of the payments made from the said account
6. Counterfoils of used Cheque Books
7. Total area of the land acquired.
8. Sketch of the PC-1 showing location of the land.
9. Acquisition of land.
10. Detail of the total number of the owners.
11. Detail of the total payment made to the owners.
12. Commitments between the owners and department.
13. Any other record.

22. Audit held that the irregularity occurred due to weak financial and internal control and violation of Para 28 of GFR Vol-I.

23. The matter was reported in January 2014. DAC in its meeting held on 02.10.2014 for production of record as copies of the relevant record was required to have been returned. No progress was however intimated till finalization of report.

### **DEPARTMENTAL VERSION**

24. The Department explained that the audit pointed out that Rs.600 million was drawn from assignment account of PHA on 29-05-2012 from payment to the land owner of Nathia Gali Abbottabad. However, it merits mentioning here that Rs.600 million was granted for two Number Schemes i.e. Nathia Gali Abbottabad and Dangram Swat Housing Scheme the detail of Rs.600 million is as follows.

1.	Nathia Gali	320 million
2.	Dangram Swat Housing Scheme	87 million
3.	<u>Repayment to finance Department</u>	<u>193 million</u>
	<b><u>Total</u></b>	<b><u>600 million</u></b>

25. Moreover, Rs,193 million out of 600 million has been returned to Government of Khyber Pakhtunkhwa Finance Department vide Cross cheque No.34608744 dated 03-05-2017 and Rs.87 million is laying in LAC Account NO.228555841. While the balance of Rs.320 million belongs to Nathia Gali, the Original record of the same is with NAB authorities in pursuance of reference made in Accountability Court. During the meeting the Department stated that the relevant record was in the custody of NAB. Therefore, the record was not produced to Audit.

### **PAC RECOMMENDATIONS**

26. The Department was directed to obtain original record or its attested copies from the NAB and produce the same before the Audit for verification.

27. Para stands. Progress be reported to PAC within one month.

DP No.17.4.4 **EXCESS PAYMENT DUE TO ALLOWING EXTRA STEEL - Rs.74.564 MILLION.**

### **AUDIT VERSION**

28. During FY 2012-13, the Director General Provincial Housing Authority Peshawar, paid excess amount to contractor M/s Kasteer. On verification of record it was observed that the contractor was allowed excess quantity of steel for RCC work in the construction of flats and houses at Civil Quarters Peshawar then the permissible quantity as required under the rules which resulted into excess payment of Rs.74.564 million to the contractor as per detail given below:



Particular of work	Quantity of steel allowed	Quantity of RCC executed	Quantity of steel required @ 2.5% of RCC	Excess quantity of steel	Rate per ton Rs.	Amount Rs. in million
Main building 2600 sft/ unit civil work	430.896 ton	1. 3181.150 m3 2. 186.630 m3 3. 153.850 m3 Total <b>3521.63 m3</b>	88.04 m3	342.856 m3	118397.38	40.593
Main building 2000 sft/ unit civil work	341.01 ton	2163.25 m3	54.08 m3	286.92 m3	118397.38	33.971
					<b>Total</b>	<b>74.564</b>

29. Further more the detail measurement of the use of the steel was neither carried out by the engineering staff of the local office nor reference of the MB and Page number where the entries have been recorded which could be mentioned on the body of the bill thereby means that no measurement of the use of steel was done. Moreover, TS has also not been accorded by the competent authority.

30. It was held that excess payment was allowed due to mismanagement and undue favour.

31. Audit held that the irregularity occurred due to weak financial and internal control and Para 220 of the CPWA Code.

32. The matter was reported in January 2014. DAC in its meeting held on 02.10.2014 directed for verification of record. No record in support of excess payment produced till finalization of this report.

### **DEPARTMENTAL VERSION**

33. The Department explained that the R.C.C work has been executed as per detail engineering design.

34. The quantity calculated as per approved design and drawings.

35. The calculation of steel can be worked out as per the density of steel kg/M3. It is pertinent to mention here that the provision of steel in TS/PC-I for 2600 SFT building is 1024 Ton, while the steel executed on site as per audit Para as 430.896 ton, similarly the provision of steel in TS/PC-I for 2000 SFT building is 1061 ton, while the steel executed as per audit Para is 341.01 ton. Thus no excess has been made in execution of steel.

### **PAC RECOMMENDATIONS**

36. The Para was recommended to be settled, subject to verification of record by VOR Committee in the Provincial Assembly of Khyber Pakhtunkhwa.

### **DP No.17.4.5 LOSS DUE ACCEPTANCE OF HIGHER RATES Rs. 6.621 MILLION.**

### **AUDIT VERSION**

37. During FY 2011-12 and 2012-13, the Director General, Provincial Housing Authority Peshawar, paid higher rate of premium over and above the CSR 2009. On verification of record it was observed that in certain cases higher rate upto 30% against the permissible limit of 20% was paid to contractors. This resulted into loss to the public exchequer worth Rs.6.621 million as per detail given below:

Name of work	Name of Contractor	Premium Allowed	Premium admissible	Difference	Up to date Payment	Amount of Loss
Construction of Masjid at Molazai	M/S Anwar Ali	30%	20%	10%	6,376,219	0.638
Development work in Molazai	M/S Sheen Ghar	25%	20%	05%	1,841,026	0.092
30 feet road at Jarma Kohat	M/S sirajul Haq	28.50 %	20%	08.50 %	7,684,205	0.653
Development work at jarma	M/S Jamal Badsha	28.75 %	20%	08.75 %	12,050,674	1.054
Constrction of t/well at Jarma	M/S Janson	28.50 %	20%	08.50 %	799,924	0.068
Overhead tank at Nasapa	M/S Sabz Ali	25.50 %	20%	5.50 %	10,103,594	0.556
Balance work Nasapa block I&J	M/S Sabz Ali	25.50 %	20%	5.50 %	12,994,894	0.715
Balance work Nasapa block G1-6	M/S Sabz Ali	25.50 %	20%	5.50 %	22,860,172	1.257
Balance work Nasapa block E & F	M/S Sabz Ali	25.50 %	20%	5.50 %	28,881,574	1.588
					<b>Total</b>	<b>6.621</b>

38. Audit held that loss was occurred due to weak internal controls.

39. The matter was reported in January 2014. DAC in its meeting held on 02.10.2014 directed that all relevant record should be produced to audit for detail verification.

### **DEPARTMENTAL VERSION**

40. The Department explained that the PC-I of the projects were based on CSR-2009 without 20% premium in the meanwhile the Provincial Government allowed 20% premium which was accordingly included in the project cost.

41. Furthermore 10% was allowed to the contractor in the rate quoted 10% above on the BOQ and the same as under permissible limit of delegation of power.

42. Moreover, the premium allowed has been covered in the revised PC-I and technical sanction.

### **PAC RECOMMENDATIONS**

43. In view of plausible explanation of the Department, the Para was recommended to be settled.

**SCIENCE & TECHNOLOGY DEPARTMENT**

<b>Total Draft Paras:</b> _____	<b>03</b>
<b>Examined:</b> _____	<b>03</b>

**Settled: ..... 02**

**Sub-Committee: ..... 01**

## **SCIENCE & TECHNOLOGY DEPARTMENT**

Three (03) Draft Paras, reflected in the Auditor General's Report for the year 2014-15 against the Department, were examined by the present Public Accounts Committee in its meeting held on 6<sup>th</sup> December, 2018. The following were present:-

### **PUBLIC ACCOUNTS COMMITTEE**

- |    |                                   |          |
|----|-----------------------------------|----------|
| 1. | Mr. Mushtaq Ahmad Ghani, Speaker  | Chairman |
| 2. | Mr. Khushdil Khan (Advocate), MPA | Member   |
| 3. | Syed Fakhar Jehan, MPA            | Member   |
| 4. | Mr. Babar Saleem, MPA             | Member   |
| 5. | Mst. Nighat Yasmin Orakzai, MPA   | Member   |
| 6. | Dr. Sumaira Shams, MPA            | Member   |

### **LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT**

Mst. Hamsheeda Begum,  
ALD-II.

### **FINANCE DEPARTMENT**

Mr. Muhammad Naseem,  
Additional Secretary, (A).

### **AUDIT DEPARTMENT**

1. Dr. Akbar Ali Khan,  
Director General, AGP Office.
2. Mr. Shahid Ali,  
Deputy Director.
3. Dr. Muhammad Ismail,  
Deputy Director.
4. Mr. Zubair Arshid,  
Deputy Director.
5. Mr. Qadir Khan,  
Deputy Director.
6. Mr. Khalid Zaman,  
Audit Officer.
7. Mr. Tariq Azim,  
Audit Officer.

## **SCIENCE & TECHNOLOGY DEPARTMENT**

1. Mr. Zaffar Iqbal,  
Secretary.
2. Dr. Khalid Khan,  
Director.
3. Mr. Abid Sohail,  
Deputy Director.
4. Mr. Abdul Basit,  
Incharge-Planning Cell.

## **PROVINCIAL ASSEMBLY SECRETARIAT**

1. Mr. Nasrullah Khan Khattak,  
Secretary.
  2. Mr. Amjad Ali,  
Additional Secretary.
  3. Mr. Muhammad Younas,  
Deputy Secretary.
  4. Mr. Ibrahim Khan,  
Assistant Secretary.
  5. Mr. Muhammad Ayaz,  
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.19.4.1 **LOSS TO THE GOVERNMENT OF Rs.7.67 MILLION.**

### **AUDIT VERSION**

3. During FY 2011-12, the Director Science & Technology, Khyber Pakhtunkhwa withdrew Rs.7.67 million vide token No.094910 dated 21.06.2011 and paid the amount to M/s Iqra Trust, Peshawar for establishment of model laboratories. A photocopy of the same invoice was re- submitted to the office of Accountant General, Khyber Pakhtunkhwa vide token No.94909 dated 21.06.2011 for payment again and re-drawn. Thus for the same transaction a fraudulent double drawl was made.

4. It was held that the fraudulent drawl occurred due to collusion of the concerned staff with the supplier.

5. The matter was reported in September 2012 however the department did not reply.

6. The Department was requested to arrange DAC meeting on 23.01.2013. Follow-up reminders were also sent for convening DAC meeting, but the same was not arranged.

#### **DEPARTMENTAL VERSION**

7. The Department explained that the Two bills each of 08 No of Labs (Total 16 No. of Labs), amounting to Rs: 8.67 million each were submitted to AG office but due to lack of accounts staff and heavy work load in the month of June, erroneously a photo copy of invoice was submitted instead of the original. It was clarified that payments were made for total 16 No of labs to the contractor.

8. It is pertinent to mentioned that the AG office didn't notice the same during the course of pre-auditing.

9. There was no malafide intention on the part of this office but simply a human error and payment to the contractor was made as per work done (for 16 No. of Labs) after fulfilling all codal formalities. Payment could be verified from AG Office.

10. During the meeting, the Department categorically stated that there is no double withdrawal as well as no double payment to the consultant for the same work done or money loss in any shape, hence, there is no need of any recovery. The Department further stated that there is really procedural irregularity and the Director ST was directed to fix the responsibility in this regard and to take action as per relevant Rules.

#### **PAC RECOMMENDATIONS**

11. As no malafide intention was proved rather negligence on part of the staff was established, the Para was recommended to be settled with the direction to the Department to initiate appropriate disciplinary action against the person(s) at fault within a month time under intimation to PAC.

DP No.19.4.2 **IRREGULAR AWARD OF CONTRACT RS.259.92 MILLION.**

**AUDIT VERSION**

12. During FY2010-11, the Director, Science & Technology, Khyber Pakhtunkhwa solicited bids for establishment of 24 Model laboratories, one in each district of the province vide tender notice dated 7-10-2010. Record showed the following irregularities:

1. It was mandatory for the firms taking part in the bid to have National Tax Number and Sales Tax number. Iqra trust had neither NTN nor STN.
2. The comparative statement mentioned only two bidders out of which Iqra Trust was selected without any justification as to why the Procurement Rules criteria for having at least 3 bids for the selection process was not adopted.
3. Two attendance sheets of bid opening day were on record. One dated 25-10-2010 and the second dated 14-12-2010.

13. It was held that the irregularity occurred due to extension of undue favor and collusion with the firm.

14. The matter was reported in September 2012 however the department did not reply.

15. The Department was also requested to arrange DAC meeting followed by reminders, but no meeting was arranged till finalization of this report.

**DEPARTMENTAL VERSION**

16. The Department explained Para wise reply as under:

1. Even after vast advertisement in the newspapers, only three firms applied and all were un-registered that is evident that no registered local firm having expertise for the said work was available. Keeping in view the limited project period of the relevant ADP scheme and heavy work ahead for covering 24 districts of the province, the Procurement Committee then decided to process the bids subject to deduction of all Government taxes, prescribed by the Government for un-registered firms i.e GST, Income Tax etc, from the successful firm. The selected firm was having vast relevant experience and was also fulfilling the criteria mentioned in the TORs.

**All the Government taxes at the Government prescribed rates, GST, Income Tax, etc, have been deducted from the concerned firm.**

2. Three No of bids were received for the said procurement. Among the three, one firm disqualified on technical grounds. The comparative Statement in question reflects financial proposals of the 02 remaining firms.



3. Meeting convened on 25.10.2010 was postponed due to the un-availability of a Technical Member of the Committee. The said meeting was then convened on 14.12.2010.

17. Due to un-availability of a permanent Secretary of the Department, DAC meeting couldn't be arranged at that time. However the same was convened on April 15 & 18, 2016 but Department were informed that the instant Paras have already been sent to PAC without discussion at DAC level.

### **PAC RECOMMENDATIONS**

18. The Para was recommended to be settled with the direction to Department to observe Rules and Regulation strictly and not to repeat such practice in future.

DP No.19.4.3 **LOSS TO GOVERNMENT DUE TO NON-ACCEPTANCE OF LOWEST BID Rs.1.764 MILLION.**

### **AUDIT VERSION**

19. During FY 2011-12, the Director, Science & Technology, Khyber Pakhtunkhwa, Peshawar floated a tender for purchase of rack based computer cluster which stated that bids would be opened on 9-04-2012. The request for proposal (tender document) stated the last date for submission of bids and tender opening as 14-4-2012. Instead, the bid opening was delayed to 19-04-2012 but again postponed due to absence of two technical members. Two bidders Messrs. Shahnawaz (Pvt.) Limited and Messrs. New Horizon submitted their bids dated 13-4-2012. Attendance sheet dated 19-04-2012 showed that two firms Messrs. New Horizon and Messrs. Shahnawaz (pvt.) Limited were present. A third firm Messrs. Mirco Innovations and Technology Limited submitted its bid dated 18-4-2012. It is evident from the attendance sheet of 19-04-2012 that Messrs. Micro Innovations and Technology Limited was then not a participant in the bidding. Its bid was deliberately and falsely antedated to 18-04-2012 to show that its bid had been received prior to 19-04-2012. The bid opening was deliberately delayed to 11-05-2012 to accommodate Messrs. Micro Innovations and Technology Limited. Evaluation sheet in respect of Messrs. Micro Innovations and Technology Limited showed that it had been given the same rating in all component criteria by members that is additional evidence of collusion to favour the firm. The chairman of the committee/Director, S&T had not signed the comparative statement. The contract was awarded to Messrs. Micro Innovations and Technology Limited at Rs7.700

million ignoring the lowest financial bid of Rs.5.936 million offered by Shahnawaz (Pvt.) Ltd. This resulted in a loss of Rs.1.764 million.

20. It was held that record was falsified to favour a firm and violation of Para 144 of GFR Vol-1.

21. The matter was reported in September 2012 but the department did not reply.

22. A letter followed by reminders in December, 2014 for convening of DAC meeting was issued to the department but the meeting was not convened.

### **DEPARTMENTAL VERSION**

23. The Department explained that the Procurement of Rack Based Computer Cluster was based on score based selection criteria due to the fact that it was not a simple purchase of M&E but it was a complete package of Supply, Installation, training, capacity building, after sale service and warranty, these activities required a company with strong technical background and high repo in the market, for that reason the committee recommended M/S MIT. Scored based selection/ technical evaluation was made as per provisions contained in PPRA Rules 2004 and RFP designed by DoST as required under Rule 23(2) of PPRA Rules 2004.

24. As for as stipulated time and attendance sheet as concerned due to the non-availability of two technical members of the committee the meeting was postponed.

25. Bid of the MIT was received on 18.04.2012. On the first opening of the bids on 19.04.2012, representative of MIT was not present but at the same time meeting was cancelled due to non-availability of two technical members of the committee.

### **PAC RECOMMENDATIONS**

26. As the Department was neither fully prepared nor could respond accurately to the queries made by the Committee. After detailed and hectic discussion, the Committee could not reach to a just and fair conclusion therefore, a Sub-Committee comprising of the following was constituted to trash out the issue involved in the Draft Para in detailed:-

- |    |                                 |          |
|----|---------------------------------|----------|
| 1. | Mst: Nighat Yasmin Orakzai, MPA | Chairman |
| 2. | Mst: Sumaira Shams, MPA         | Member   |

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

**RELIEF, REHABILITATION AND SETTLEMENT**  
**DEPARTMENT**

<b>Total Draft Paras: _____ 06</b> <b>Examined: _____ 06</b>
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**Settled: ..... 03**  
**Recovery: ..... 01**  
**VOR: ..... 01**  
**Detail Audit: ..... 01**

## **RELIEF, REHABILITATION & SETTLEMENT DEPARTMENT**

Three (03) Draft Paras, reflected in the Auditor General's Report for the year 2014-15 against the Department, were examined by the present Public Accounts Committee in its meeting held on 6<sup>th</sup> December, 2018. The following were present:-

### **PUBLIC ACCOUNTS COMMITTEE**

- |    |                                   |          |
|----|-----------------------------------|----------|
| 1. | Mr. Mushtaq Ahmad Ghani, Speaker  | Chairman |
| 2. | Mr. Khushdil Khan (Advocate), MPA | Member   |
| 3. | Syed Fakhra Jehan, MPA            | Member   |
| 4. | Mr. Babar Saleem, MPA             | Member   |
| 5. | Mst. Nighat Yasmin Orakzai, MPA   | Member   |
| 6. | Dr. Sumaira Shams, MPA            | Member   |

### **LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT**

Mst. Hamsheeda Begum,  
ALD-II.

### **FINANCE DEPARTMENT**

Mr. Muhammad Naseem,  
Additional Secretary, (A).

### **AUDIT DEPARTMENT**

1. Dr. Akbar Ali Khan,  
Director General.
2. Mr. Shahid Ali,  
Deputy Director.
3. Dr. Muhammad Ismail,  
Deputy Director.
4. Mr. Zubair Arshid,  
Deputy Director.
5. Mr. Qadir Khan,  
Deputy Director.
6. Mr. Khalid Zaman,  
Audit Officer.
7. Mr. Tariq Azim,  
Audit Officer.

## **RELIEF, REHABILITATION & SETTLEMENT DEPARTMENT**

1. Mr. Asad Ali Khan,  
Secretary.
2. Mr. Mofasim Billal Shah,  
Director General.
3. Mr. Kifayatullah,  
Project Director.
4. Mr. Sajid Imran,  
PM, PARRSA.

## **PROVINCIAL ASSEMBLY SECRETARIAT**

1. Mr. Nasrullah Khan Khattak,  
Secretary.
  2. Mr. Amjad Ali,  
Additional Secretary.
  3. Mr. Muhammad Younas,  
Deputy Secretary.
  4. Mr. Ibrahim Khan,  
Assistant Secretary.
  5. Mr. Muhammad Ayaz,  
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. 15.4.1 **DIFFERENCE IN BALANCES OF BOOK AND BANK- Rs 1,043.00 MILLION.**

### **AUDIT VERSION**

3. During FY 2012-13, in the Malakand Reconstruction and Recovery Program PaRRSA USAID Grant No-47, there was a difference of Rs 1043.00 million between the bank account and closing balance of the cash book.
4. It was held that the difference in the two sets of figures was due to weak internal control and violation of Para 15 of the GFR vol-1.
5. The matter was reported to the management in October 2013. Department replied that the difference was due to non accountal of credit invoice by the bank.

6. DAC meeting was held in January, 2014 wherein the department was directed to produce relevant record for verification within 30 days. No record was provided even after the visit by the concerned Audit officer for the purpose.

**DEPARTMENTAL VERSION**

7. The Department explained that in light of DAC decision, cheque wise detail of outstanding and un credited. Cheques were provided to the office of Director General, Audit KP vide letter No.PaRRSA/USAID/Fin-112/Vol-III/2012-13/502-10, dated 24.04.2014. No response has been received so far despite of repeated reminders vide letter No.PaRRSA/USAID/Fin-112/Vol-III/2013-14/524-25, dated 17.10.2014.

8. During the meeting, the Department explained that in the pre-PAC meeting all relevant record pertaining to subject Para was produced and verified by the Audit, therefore, the Para may be settled.

**PAC RECOMMENDATIONS**

9. The recommendations of Pre-PAC, duly endorsed by the Audit was accepted, hence, the Para was recommended to be settled.

DP No. 15.4.2 **INELIGIBLE EXPENDITURE ON POL- Rs.1.059 MILLION.**

**AUDIT VERSION**

10. During FY 2012-13, the Malakand Reconstruction and Recovery Program PaRRSA USAID Grant No-47 relating to Capacity Building Budget PaRRSA, paid an amount of Rs.1.059 million for the POL of following unauthorized vehicles.

S/No	Vehicle No	User of the Vehicle	Expenditure
1	X-68-5061	Chief Secretary Khyber Pakhtunkhwa	Rs. 301,857
2	X-68-5095, BB 4229 and NY 205	Secretary Relief and Rehabilitation Department Khyber Pakhtunkhwa	Rs. 208,337
3	No X-68-5094 and No 2265	DG PDMA.	Rs. 548,656
		<b>Total</b>	<b>Rs.1,058,850</b>

11. It was held that the unauthorized allotment of project vehicles to these officers was due to non-observance of rules and violation of Para 10 of GFR Vol-I.

12. This irregularity was pointed out in October 2013. Management replied that the vehicles were in use of PaRRSA duly approved by the USAID and in some cases the vehicles escorted the Chief Secretary of the province.

13. DAC meeting was held in January, 2014 wherein it was directed that relevant record should be produced for verification within 30 days. The record was not produced to the Audit Officer during his visit to the project for the purpose.

#### **DEPARTMENTAL VERSION**

14. The Department explained that in Light of DAC decision, Director General, Audit was requested vide Letter No.PaRRSA/USAID/Fin-112/Vol-III/2012-13/756-64 dated 14.05.2014 to depute the officer for verification of logbooks. However so far, no officer has been deputed by Director General, Audit. In order to resolve the issue, the Administrator, PaRRSA also visited 2-3 times to Audit office. However, the concerned officer was not available, due to which the record could not be verified.

15. During the meeting, the Department explained that in the pre-PAC meeting all relevant records pertaining to subject Para were produced and verified by the Audit.

#### **PAC RECOMMENDATIONS**

16. The Para was recommended to be settled as all the record was verified by Audit during Pre-PAC meeting.

DP No. 15.4.3 **UNAUTHENTIC PAYMENT OF LIABILITIES- Rs.3.853 MILLION.**

#### **AUDIT VERSION**

17. During FY 2012-13, the Malakand Reconstruction and Recovery Program PaRRSA USAID Grant No-47, paid Rs.3.853 million to M/S Muhammad Dawood contractor on account of pending liability. The fund was provided by the PaRRSA which had no concern with pending liabilities of the already completed schemes.

18. It was held that the unauthentic payment was made due to financial mismanagement and violation of Para 12 of GFR Vol-I.

19. The irregularity was pointed out in October 2013. However the management did not reply.

20. DAC meeting was held in January, 2014 wherein it was stated that payment was not made due to lack of funds and some discrepancies in the work done. DAC directed to produce record to ascertain whether the amount pertained to USAID or otherwise within 30 days. The record was not produced to the Audit Officer during his visit to the project for the purpose.

#### **DEPARTMENTAL VERSION**

21. The Department explained that in light of the DAC decision the concerned department were requested vide letter No.PaRRSA/ USAID/Fin-112/Vol-III/ 2012-13/43-49 dated 09.01.2014 to provide verified the relevant record from the Audit, however no response has been received so far despite of repeated reminder vide letter No.PaRRSA/USAID /Fin-112/Vol-III/ 2012-13/172-80 dated 21.01.2014. No.PaRRSA/ USAID /Fin-112/Vol-III/ 2012-13/999-10060 dated 13.03.2014, No.PaRRSA/USAID /Fin-112/ Vol-III/ 2012-13/502-10 dated 24.04.2014 and No.PaRRSA/ USAID /Fin-112/Vol-III/ 2012-13/63-72 dated 26.12.2016 and soft reminder was also communicated dated 21-07-2017 and no response receive yet.

22. During the meeting, the Department explained that in the Pre-PAC meeting all relevant records pertaining to subject Para were produced and verified by the Audit.

#### **PAC RECOMMENDATIONS**

23. The recommendations of Pre-PAC, duly endorsed by the Audit was accepted, hence, the Para was recommended to be settled.

DP No. 15.4.4 **UNAUTHORIZED PAYMENT OF ESCALATION-RS.25.168 MILLION.**

#### **AUDIT VERSION**

24. During FY 2012-13, the USAID funded project, executed by the PaRRSA Directorate C & W Department Swat, Rs. 25.168 million was paid. The payment on account of escalation was unauthorized due to:

1. According to S.No 5-A (3) of the contract agreement the base price for calculation of price variation shall be the price prevalent in the month during which tender is submitted. However base rate was not calculated.
2. Neither price notification of the cement and steel was available nor bulletin for change in labour rate was available.
3. S.No 5(A) (6) provides that the amount shall be calculated on the basis of quantity of the item actually consumed in the work but record of consumption was not available.



4. In some cases escalation was paid in the extended period which was not allowed.
25. It was held that the unauthorized payment of escalation was due to financial mismanagement.
26. The irregularity was reported in October 2013. Management stated that detail reply will be furnished after consulting the record.
27. DAC meeting was held in January, 2014 wherein the department stated that escalation charges have been paid as per contractual obligation and standing orders. DAC directed that record should be submitted to audit for verification within 30 days. The record was not produced to the Audit Officer during his visit to the project for the purpose.

#### **DEPARTMENTAL VERSION**

28. The Department explained that in the light of DAC decision the concerned department were requested vide letter No.PaRRSA/ USAID/Fin-112/Vol-III/ 2012-13/43-49 dated 09.01.2014 to provide verified the relevant record from the Audit, however no response has been received so far despite of repeated reminder vide letter No.PaRRSA/USAID /Fin-112/Vol-III/ 2012-13/172-80 dated 21.01.2014. No.PaRRSA/ USAID /Fin-112/Vol-III/ 2012-13/999-10060 dated 13.03.2014, No.PaRRSA/USAID /Fin-112/ Vol-III/ 2012-13/502-10 dated 24.04.2014 and No.PaRRSA/ USAID /Fin-112/Vol-III/ 2012-13/63-72 dated 26.12.2016.
29. However, the concern department will produce the relevant record in the Pre PAC meeting for verification.

#### **PAC OBSERVATION**

30. The Committee observed that unauthorized payment of escalation was made but the person(s) who omitted this illegality no action had been taken by the Department against him, which clearly showed inefficiency on part of the Department.

#### **PAC RECOMMENDATIONS**

31. In view of the above, the Committee directed the Department to conduct inquiry and fix responsibility and Departmental action may also be taken against the person(s) at fault coupled with full recovery involved in the Draft Para duly verified by the Audit. Para stands. Progress be reported to PAC within two months.

DP No. 15.4.5 **NON PRODUCTION OF RECORD OF Rs.5.860 MILLION.**

**AUDIT VERSION**

32. During FY 2012-13, in the PaRRSA USAID funded project, executed by the PaRRSA Directorate C & W Department Swat, an amount of Rs.5.860 million was incurred on the Civil Works of the following three schools. But record in support of expenditure was not provided to audit.

<b><u>Name of School</u></b>	<b><u>Amount</u></b>
GGMS Tiligram	2,179,792
GGMS Shakardara	2,329,684
GGPS Garhai Chuprial	<u>13,51,003</u>
<b><u>Total</u></b>	<b><u>5,860,479</u></b>

33. It was held that non-production of record was violation of rules and violation of Para 17 of GFR Vol-I.

34. The irregularity was reported to the Project Management in October 2013. It was replied that the record is being consulted and reply will be given in due course of time.

35. DAC meeting was held in January, 2014 wherein the DAC showed grave concern for non production of record to DAC. The department was directed to produce original record for verification within 30 days. No progress was intimated till finalization of the report.

**DEPARTMENTAL VERSION**

36. The Department explained that in the light of DAC decision the concern Department were requested vide letter No.PaRRSA/ USAID/Fin-112/Vol-III/ 2012-13/43-49 dated 09.01.2014 to provide verified the relevant record from the Audit, however no response has been received so far despite of repeated reminder vide letter No.PaRRSA/USAID /Fin-112/Vol-III/ 2012-13/172-80 dated 21.01.2014. No.PaRRSA/ USAID /Fin-112/Vol-III/ 2012-13/999-10060 dated 13.03.2014, No.PaRRSA/USAID /Fin-112/ Vol-III/ 2012-13/502-10 dated 24.04.2014 and No.PaRRSA/ USAID /Fin-112/Vol-III/ 2012-13/63-72 dated 26.12.2016.

37. However, the concern department will produce the relevant record in the Pre PAC meeting for verification.

## **PAC OBSERVATION**

38. The Committee observed that the record was not produced to Audit Team, which clearly showed inefficiency on part of the Department.

## **PAC RECOMMENDATIONS**

39. In view of the above, the Committee directed the Audit to conduct detailed audit of the record pertaining to the subject Para. The Department was directed to take departmental action against those who failed to produce record to Audit team. Para stands. Progress be reported to PAC within a month.

DP No.15.4.6 **EXCESS INCORPORATION OF Rs.18.281 MILLION.**

## **AUDIT VERSION**

40. During FY 2012-13, in the Directorate General PaRRSA, under USAID Grant-47 signed PIL No 18 with USAID Mission to Pakistan on 08.05.2012 the PIL included US\$ 617,855 equal to PKR 61.786 million for provision of wireless communication system in the restoration of marginal bunds and guide bunds AT works and Amandara head works USC system. Subsequently record of the scheme was checked in the D.G FDRD wherein it was revealed that actually the scheme was approved for Rs.43.505 million thereby means Rs.18.281 million were excessively incorporated in the PIL.

41. It was held that the excess incorporation was due to financial mismanagement. The irregularity was pointed out to the management in October 2013.

42. DAC meeting was held in January, 2014 wherein the DAC directed for detail verification of technical sanction and PC-1 within 30 days. Audit officer visited and reported that PC-1 cost was Rs 55.61 million but technical sanctions were for Rs 43.500 million.

## **DEPARTMENTAL VERSION**

43. The Department explained that in the light of DAC decision the concern department were requested vide letter No.PaRRSA/ USAID/Fin-112/Vol-III/ 2012-13/43-49 dated 09.01.2014 to provide verified the relevant record from the Audit, however no response has been received so far despite of repeated reminder vide letter No.PaRRSA/USAID /Fin-112/Vol-III/ 2012-13/172-80 dated 21.01.2014. No.PaRRSA/ USAID /Fin-112/Vol-III/ 2012-

13/999-10060 dated 13.03.2014, No.PaRRSA/USAID /Fin-112/ Vol-III/ 2012-13/502-10 dated 24.04.2014 and No.PaRRSA/ USAID /Fin-112/Vol-III/ 2012-13/63-72 dated 26.12. 2016 and soft reminder was also communicated dated 21-07-2017 and no response receive yet.

**PAC RECOMMENDATIONS**

44. The Para was recommended to be settled, subject to verification of record by the VOR Committee in the Provincial Assembly of Khyber Pakhtunkhwa.

**HIGHER EDUCATION, ARCHIVES & LIBRARIES**  
**DEPARTMENT**

<b>Total Draft Paras:</b> _____	<b>19</b>
<b>Examined by the PAC:</b> _____	<b>18</b>
<b>Pending:</b> _____	<b>01</b>

**Settled: ..... 04**

**Verification: .....05**

**Recovery: ..... 06**

**Referred to Sub-Committee: ..... 01**

**Detail Audit: ..... 02**

## **HIGHER EDUCATION DEPARTMENT**

Nineteen (19) Draft Paras, out of 27 Draft Paras, as reflected in the Auditor General's Report for the year 2014-15 against the Department, were examined by the present Public Accounts Committee in its meeting held on 10<sup>th</sup> December, 2018. 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 Hayat, MPA | Member   |
| 5. | Mr. Baber Saleem, MPA            | Member   |
| 6. | Mr. Khushdil Khan Advocate, MPA  | Member   |
| 7. | Dr. Sumaira Shams, MPA           | Member   |

### **LAW, PARLIAMENTARY AFFAIRS AND HUMAN RIGHTS DEPARTMENT**

Mr. Shakeel Asghar,  
Additional Secretary.

### **FINANCE DEPARTMENT**

Mr. Musharaf Khan,  
Additional Secretary.

### **AUDIT DEPARTMENT**

1. Dr. Akbar Ali Khan,  
Director General.
2. Mr. Shahid Ali,  
Deputy Director.
3. Dr. Muhammad Ismail,  
Deputy Director.
4. Mr. Adnan Khan  
Audit Officer.
5. Mr. Khalid Zaman,  
Audit Officer.
6. Mr. Tariq Azim,  
Audit Officer.

## **HIGHER EDUCATION DEPARTMENT**

1. Dr. Muhammad Sarwar,  
Vice Chancellor, (Gomal University).
2. Professor Dr Gul Zaman,  
Vice Chancellor.
3. Dr. Idrees,  
Vice Chancellor, (Hazara University).
4. Dr. Abid Farid,  
Vice Chancellor, (Haripur University).
5. Dr. Muhammad Asif Khan,  
Vice Chancellor, (University of Peshawar).
6. Dr. Jamil Ahmad,  
Vice Chancellor, KUST, (Kohat University).
7. Profesor Dr. Noor Mohammad,  
Pro Vice Chancellor, (UET, Peshawar).
8. Mr. Khuda Bakhsh,  
Additional Secretary.
9. Mr. Aamir Imam,  
Project Director, (UET)
10. Mr. Israr Ullah,  
Director Finance, (Malakand).
11. Mr. Muhammad Iqbal Awan,  
Director Finance, (Gomal University).
12. Mr. Yorid Ahsan Zia,  
Director, (University of Peshawar).
13. Mr. Shoukat Hussain,  
Joint Director, (PAF-IASI).
14. Mr. Jamil-ur-Rehman,  
Deputy Director, Audit, (Hazara University).
15. Mr. Aziz Muhammad,  
Section Officer, (B&A).
16. Mr. Khurram Jamal,  
Treasurer, (Hazara University).
17. Mst. Aisha Salman,  
Treasurer, (University of Peshawar).
18. Mr. Nek Muhammad Khan,  
Treasurer, (UET, Peshawar).

## **PROVINCIAL ASSEMBLY SECRETARIAT**

1. Mr. Amjad Ali,  
Additional Secretary.
2. Mr. Muhammad Younas,  
Deputy Secretary.
3. Mr. Ibrahim Khan,  
Assistant Secretary.
4. Mr. Muhammad Ayaz,  
Assistant Secretary.

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

DP No.5.4.1 **NON-ADJUSTMENT OF ADVANCES OF Rs.18.043 MILLION.**

### **AUDIT VERSION**

3. During FY 2011-12, the Vice Chancellor, University of Malakand failed to recover Rs.18.043 million outstanding against various officers/faculty members on account of advances paid to them for various purchases. The departmental heads were required to submit statements of expenditure duly supported by vouchers by closure of the financial year which was not done.

4. It was held that the irregularity occurred due to weak internal controls and the failure of management to expedite the adjustment of advances.

5. This irregularity was reported to Vice Chancellor of the University in February, 2013. In the DAC meeting held on 27<sup>th</sup> February, 2014 it was decided that adjustments should be made in full and record of all the purchases presented for verification. However, no further progress was reported till finalization of this report.

### **DEPARTMENTAL VERSION**

6. The Department explained that the total amount of outstanding advances was Rs. 1,80,43,938/- as on 30-06-2012 out of which Rs. 43,31,453/- was adjusted during the next financial years 2012-13, while Rs. 64,30,349/- is being adjusted with the account section & RAD office and Rs. 73,82,136/- are still outstanding for which letters have been issued to the concerned staff members for timely adjustment of the balance amount.



## **PAC OBSERVATION**

7. The PAC observed that the advances should have been adjusted within one month, as per University Rules but was not done even after the lapse of six years. Moreover, only adjustment was made with the account office but record was not produced to Audit to check its authenticity.

## **PAC RECOMMENDATIONS**

8. After detailed discussion, the Committee decided that total amount involved in the Draft Para may be adjusted and the Department was directed to produce complete record of adjustment to Audit immediately. The Audit was directed to conduct detail Audit within one month. Para stands. Progress be reported to PAC. For future guidance the University Authorities was directed to ensure adjustment of the advances in time.

DP No.5.4.2 **NON-FORFEITURE OF SECURITY WORTH Rs.3.647 MILLION.**

## **AUDIT VERSION**

9. During FY 2011-12, the Vice Chancellor, University of Malakand awarded a contract for the construction of Girls Hostel to Al-Saba Construction Company at an estimated cost of Rs43.590 million, which was revised to Rs 63.128 million with a completion time of 18 months. The contract completion period was however extended 07 times but the contractor failed to complete the work even after a lapse of 68 months. Thus, penalty of Rs. 2.400 million was imposed on him. A fact finding committee also suggested that the contract should be rescinded along with forfeiture of his security amounting to Rs. 3.647 million. A total of Rs.6.047 million was recoverable.

10. Poor contract management and undue favour to the contractor by the University management had resulted in the delayed implementation of the project.

11. The matter was reported to the management in February, 2013. University management stated that detailed reply will be furnished after consulting the record.

12. In the DAC meeting held in February, 2014 the University management gave two contradictory statements in that approval to finish the balance work departmentally had been accorded by the competent authority and that the contract cannot be terminated. DAC did not

agree and directed that recovery of penalty and forfeiture of security should be made besides black listing the contractor. No progress was intimated till finalization of this report.

### **DEPARTMENTAL VERSION**

13. The Department explained that the contract of Girls Hostel construction was awarded to contractor M/S Al-Sabha Construction Company at an acceptance/contract price of PKRs. 48.380 million with a completion period of 18 months as per work order No. 80/works dated 01-04-2006. Liquidated damages were imposed, according to general conditions of contract clause-16, sub-clause 43 titled “compensation for delay”.

14. The following options were given as per special conditions of contract clause No. 2A, to:-

1. Rescind the contract and forfeiture of deposited security.
2. Furnish balance works departmentally debiting the contractor with cost thus incurred.
3. Measure up of the work and furnish balance works through other contractor.

15. As there was no alternative faculty building, the Competent Authority accorded approval to furnish balance works departmentally. As the contract has not been terminated, therefore, according to contract clauses there is no provision for forfeiture of retained security.

### **PAC RECOMMENDATIONS**

16. In view of circumstances for delay which were unavoidable and beyond the control of the University at that time, the Committee taking a lenient view recommended to settle the Para with the direction to the Department to avoid such lapses in future.

DP No.5.4.3 **IRREGULAR RETENTION OF Rs.148.688 MILLION.**

### **AUDIT VERSION**

17. During FY 2011-12, different departments and constituent units of the University of Peshawar un-authorizedly retained the collected amount of Rs.148.688 million although they were required to deposit it in the university main account.

18. It was held that weak internal control system resulted in the irregularity and violation of Section 38(3) chapter-IV of the University of Peshawar Act.

19. The matter was pointed out in 2011-12. The University management replied that the matter was under consideration and final decision would be intimated to audit.

20. In the DAC meeting held in March, 2014 it was decided that financial rules should be implemented in letter and spirit and the amount should be deposited into the main university account. Further progress was not reported till finalization of this report.

21. It is recommended that numbered receipt books should be issued to Departments and constituent units by the University, regular returns sought from collecting units along with regular reconciliation of receipts with University and the collection cycle of collecting units watched closely to prevent mishaps.

### **DEPARTMENTAL VERSION**

22. The Department explained that all the amounts mentioned in the Para pertaining to Private funds had been received and deposited into University account.

### **PAC RECOMMENDATIONS**

23. As the Department had deposited all amounts into the University account, hence, the Para was recommended to be settled.

### **DP No.5.4.4 LOSS TO THE UNIVERSITY OF Rs.3.772 MILLION.**

### **AUDIT VERSION**

24. During FY 2011-12, Vice Chancellor, University of Peshawar did not recover house rent allowance or recovered it at lesser rates from the following Vice Chancellors residing in university accommodation which resulted into an accumulated loss of Rs.3.772 million as per detail below:-

<b>S/No.</b>	<b>Name of Vice Chancellor</b>	<b>Amount required to be recovered</b>	<b>Amount recovered</b>	<b>Loss</b>
1.	Dr. Ihsan Ali	Rs.839,450/-	Nil	Rs.839,450/-
2.	Dr. Rasool Jan	Rs.839,450/-	Rs.92,800/-	Rs.746,650/-
3.	Dr. Nasir Jamal	Rs.839,450/-	Rs.149,472/-	Rs.689,978/-
4.	Dr. Nasir Ali Khan	Rs.839,450/-	Rs.136,219/-	Rs.703,231/-
5.	Dr. Farooq Swati	Rs.619,400/-	Nil	Rs.619,400/-
6.	Dr. Jehanzeb Khan	Rs.220,050/-	Rs.46,584/-	Rs.173,466/-
			<b>Total:</b>	<b>Rs.37,72,175/-</b>

25. In addition, the above mentioned Vice Chancellors did not pay water charges, pension contribution and benevolent fund at the prescribed rates as well.

26. This irregularity was pointed out in February, 2014. The University Management replied that partial recovery had been made and for the balance amount reminders had been issued.

27. In the DAC meeting held in March, 2014 the University Management replied that Professor Muhammad Rasool Jan was allowed official accommodation by Governor, Khyber Pakhtunkhwa vide No. SO(HE)6(1)6/GS/10/3021-22 dated 20.12.2011 to retain his official accommodation at House No.R-9 in the University campus subject to deduction of house rent @ HRA of BPS-21 plus 5% maintenance charges. In respect of the remaining Vice Chancellors, the Higher Education department Khyber Pakhtunkhwa has been approached to provide their service terms and conditions so as to proceed further in the matter. DAC directed that recovery should be made within one month.

#### **DEPARTMENTAL VERSION**

28. The Department explained that action on the same had already been under process, partially recovery had been made and the balance amount reminders have been issued.

#### **PAC OBERVATION**

29. The Committee observed violation of the University Rules, Syndicate decision arrived at on 21-03-2009 and Housing Policy of the Government.

#### **PAC RECOMMENDATIONS**

30. In view of the above, it was recommended that the amount of Rs. 37,72,175/- may be recovered from the officers mentioned in the Draft Para. The Department was further directed to calculate the amount till 30-06-2018 and the same may be recovered. Para stands. Progress be reported to PAC within a month.

DP No.5.4.5 **LOSS TO THE UNIVERSITY OF Rs.63.503 MILLION.**

**AUDIT VERSION**

31. During FY 2011-12, Vice Chancellor, University of Peshawar failed to recover Rs.63.503 million in electricity charges of police posts and residences outstanding against the Campus Peace Corps, Police Department.

32. It was held that the University management had been unable to enforce its decision.

33. The matter was reported in February, 2013. University management replied that the claim was being prepared to be sent to Secretary Home and Inspector General of Police.

34. In the DAC meeting held in December, 2014 the University Management replied that the matter had been taken up with Police Department whose response was awaited. The DAC directed that recovery should be made within one month. No progress was reported till finalization of this report.

**DEPARTMENTAL VERSION**

35. During the meeting, the Department explained that from February, 2018 all Universities/Institutes/Colleges on the Campus had been asked to contribute towards electricity bill of CPC. Contribution from KMC has been received and case is being followed with other Universities. However, the Provincial Government is requested to help the University of Peshawar in recovery of Electricity bill as being paid by the University.

**PAC RECOMMENDATIONS**

36. After detailed and hectic discussion, the Committee could not reach to a just and fair conclusion therefore, a Sub-Committee comprising of the following was constituted to probe into the matter.

1. Mr. Muhammad Idrees Khan, MPA Chairman
2. Arbab Waseem Hayat, MPA Member

37. The Committee will submit its report within a month time.

DP No.5.4.6 **LOSS DUE TO NON-RECOVERY OF PENALTY–Rs.141.102 MILLION.**

**AUDIT VERSION**

38. During FY 2012-13, Vice Chancellor, University of Engineering and Technology, Peshawar paid mobilization advances of Rs.136.643 million to contractors M/s Shah Zaman, M/s Rustam Khan, M/s Abid Brothers and M/s Liaquatullah did not recover mark-up at the rate of 8% per annum which caused a loss of Rs. 10.931 million nor was the principal amount recovered in all cases in five installments. All four contractors were granted extension in contract period but could not finish the works even in the extension. The Vice Chancellor did not impose penalty of Rs.130.171 million at 10% of contract value of Rs1301.711 million for the delay in completion of work. The contractors were granted favours on non recovery of advance, non recovery of interest and non-imposition of penalty. The loss on account of interest and non imposition of penalty works out to Rs141.102 million.

39. The matter was reported to the management in August, 2013. The Department stated that reply will be furnished after scrutiny of record.

40. In the DAC meeting held in June, 2014 the University Management replied that mobilization advance is interest free as per the guidance given by Pakistan Engineering Council and extensions were granted on genuine grounds. Audit did not agree and DAC directed that record be produced. Relevant record was neither produced nor was further progress intimated till finalization of this report.

**DEPARTMENTAL VERSION**

41. The Department explained that the extension in time period for completion of balance works was granted to the contractors on the following genuine reasons.

42. Floods of July, August 2010 damaged huge part of under construction infrastructural works including fall structures at Flood Channel No. 01. Approach Roads to the site were badly damaged due to which supply of material was delayed tremendously. Skilled and unskilled manpower involved in the construction activities at site returned home and didn't come back for months, due to which delay occurred in completion of works.

43. Pabbi-Cherat Road is passing through site bisecting Jaloza Campus in two parts. For re-alignment of this road, concerned departments were requested and a number of meetings

were held with them to resolve the issue. The same also added to the over-all delay. Explosive materials used in supply of stone pitching were not available during 2010-11 due to over all tight security and law and order situation in the province due which the works were delayed.

44. ISI logistic support Center is situated on Northern side adjacent to the site, who had encroached our site. Settlement of boundary wall issue with them was time consuming task, for which time was required and contractor could not construct boundary wall on the same side resulted in delay.

45. Boundary wall issued with Sarhad Development Authority on southern side of site also added to the delay as contractor work was on hold due to this issue. Keeping in view the above mentioned reasons, contractors were granted extension in time period for completion of construction of infrastructural works. Hence, extension was granted on genuine reasons, therefore, imposition of penalty was not exercised which is not allowed as per FIDIC (International Federation of Consulting Engineering) Council standard bidding documents of contracts.

#### **PAC RECOMMENDATIONS**

46. As the Department was neither fully prepared nor could it produce complete record to the Committee. Therefore, the Para was kept pending till production of record in the next meeting. Para stands.

DP No.5.4.7 **LOSS TO THE UNIVERSITY Rs.1.632 MILLION.**

#### **AUDIT VERSION**

47. During 2011-12, the Vice Chancellor, University of Science & Technology, Kohat paid premium of Rs.1.632 million on the non-schedule item of work premix 2" thick on roads included in BOQ on the basis of market rate as per rate analysis in violation of standard contract documents.

48. It was held that loss occurred due to negligence and violation of rules by the university management.

49. The matter was reported to management in February, 2013. The university did not reply.

50. In the DAC meeting held in December, 2013 the university replied that the payment was made on the basis of market rate analysis and the subject item was removed from the CSR. DAC held that Syndicate had no authority to change schedule items into non-schedule items particularly where there is clear cut loss to the government and directed for recovery. No progress was intimated till finalization of this report.

### **DEPARTMENTAL VERSION**

51. The Department explained that the payment of premix, 2” thick was made @ Rs.7532.50/- per ton with 15% above in the project “construction of various roads at KUST” on the basis of rate analysis of non-schedule items. The subject item was removed from CSR due to the market condition as the rates provided in the CSR were too low then the market that the award of contract was impossible which was considered to be a cause of delay in project execution which would have lead to cost overrun. The BOQ was prepared in April 2008 and the cost analysis of this item is detail below:-

### **Cost Analysis for 1 Ton of pre-mix (Asphalt from plant)**

The cost at plant (Karak)=	Rs.3750/-
Carriage (From Karak to KUST)=	Rs.600/-
Laying charges=	<u>Rs.1600/-</u>
	Rs.5950/-
10% Contractor Profit=	<u>595/-</u>
	<b>=Rs.6545/-</b>
Income tax 6%=	Rs.392/-
<b>Total=</b>	<b>Rs.6937/- per Ton</b>
	=Rs.6935x2.25= Rs.15603.75/- per M <sup>3</sup>
As per CSR 1999 the rate is Rs.3485.32/- per M <sup>3</sup>	
Premium 90%	=Rs.3136.78/-
<b>Total</b>	<b>=Rs.6622/- per M<sup>3</sup></b>

52. So it was not possible to tender this item as Schedule item.

53. To tender this item as Schedule item in May 2008 the only possibility was to give premium 350% (3485.32+350% =RS.15684/- per M<sup>3</sup>) on this item to make it compatible with market rates at that time which was not possible.

54. The ex- plant rate of premix material was Rs. 3,750/- per ton at that time.



55. It is added that the fluctuating rates of bitumen and crises of non-availability had forced this university to convert the rates from CSR to Non Schedule Item. The above/below on Non schedule Items was allowed to avail benefit of escalation by not allowing the same on labour, bricks, POL, Bitumen. No escalation was allowed in the tender on this award. If above/below were not allowed then escalation were required to be allowed on above mentioned items. The approximately cost of escalation for above mentioned items would have been in Millions if were allowed. KUST did not pay any escalation on Pre-mix.

**PAC OBSERVATION**

56. The Committee observed that Syndicate cannot change Composite Scheduled Rates (CSR) items into Non Scheduled Items (NSI) without permission of the rates advisory Committee of the Khyber Pakhtunkhwa.

**PAC RECOMMENDATIONS**

57. In view of the above, the Committee recommended action leading to recovery of Rs. 16,32,000/- as pointed out by the Audit from the responsible(s) after fixing responsibility, coupled with Departmental action against the person(s) at fault. Para stands. Progress be reported to PAC.

DP No.5.4.8 **LOSS DUE TO PAYMENT ON NON-SCHEDULE RATE INSTEAD OF CSR- Rs.7.577 MILLION.**

**AUDIT VERSION**

58. During FY 2011-12, Vice Chancellor, University of Science & Technology, Kohat paid Rs.12.436 million for 1651 tons 2" thick premix @ Rs.6,550/- per ton as non-schedule item on the basis of rate analysis although the same item was included in CSR 1999 at SNo.16-12-b @ Rs.3485.32 per M3. The higher rate resulted in overpayment of Rs.7.577 million as per detail given below:-

S/No.	Quantity executed	Rate available in CSR	Amount
1.	733.78 M3	3485.32 M3	Rs.2,557,458.10
		Add 90% above	Rs.2,301,712.29
			Rs.4,859,170.39
		Payment made	Rs.12,436,157.50
		Excess payment	Rs.7,576,987.11

59. It was held that the loss occurred due to adoption of unsupported and unreliable rate According to SI No.16-12-b of CSR 1999, premix 2" thick @ 3,485.32 m<sup>3</sup>available.

60. The matter was reported in February, 2013. The university management replied that the payment was made on the basis of market rate analysis and the subject item was removed from the CSR.

61. In the DAC meeting held in December, 2013 the department repeated their earlier stance. DAC held that Syndicate had no authority to change schedule items into non-schedule items particularly where there is clear cut loss to the government and directed for recovery. No progress was intimated till finalization of this report.

### **DEPARTMENTAL VERSION**

62. The Department explained that the payment of premix, 2" thick was made @ Rs.6550/- per ton in the project "construction of various roads at KUST" on the basis of rate analysis of non-schedule items. The subject item was removed from CSR due to the market condition as the rates provided in the CSR were too low then the market that the award of contract was impossible which was considered to be a cause of delay in project execution which will lead to cost overrun. The ex- plant rate of premix material was Rs. 4500/- per ton at that time.

63. It is added that the fluctuating rates of bitumen and crises of non-availability had forced this university to convert the rates from CSR to Non Schedule Item. The above/below on Non schedule Items was allowed to avail benefit of escalation by not allowing the same on labour, bricks, POL, Bitumen. No escalation was allowed in the tender on this award. If above/below were not allowed then escalation were requested to be allowed on above mentioned items.

64. The approximately cost of escalation for above mentioned items is Bricks=0.5%, labour=2%, POL, 2.5%, Bitumen=3.5% Total =8.5% @ 33243310= Rs.282568/-.The KUST syndicate has delegated the power to the Director Works/Project Director to convert any schedule item to Non Schedule item.

## **PAC RECOMMENDATIONS**

65. Para stands, till Verification of Record in support of departmental reply by the Audit within a month.

DP No.5.4.9 **LOSS TO THE UNIVERSITY- Rs.1.182 MILLION.**

### **AUDIT VERSION**

66. During FY 2011-12, the Vice Chancellor, University of Science & Technology, Kohat paid Rs.1.182 million in excess of CSR, 2009 for the item “P/L flooring of Booticena marble 12" x 12" with ¾ "thick” up to 8<sup>th</sup> running bill on the construction of administration block in the project “Strengthening of Kohat University of Science & Technology” as tabulated below:-

S/No.	Qty. Executed	Rates paid Rs/M3	CSR Rate Rs/M3	Difference Rs	Amount Rs		
1	1197.32 M3	1426	1300.03	125.97	1,50,826		
2	882.30 M3	1450	1300.03	149.97	1,32,319		
				Subtotal:	2,83,145		
Total Qty Executed M3	Payment due Rs	Add Cost factor 1.03	Total Rs	Less agreed rebate @ 25.01% below Rs	Net payment required Rs	Payment made Rs	Excess Rs
2079.62 *	2,703,568	81,107	2,784,675	696,447	20,88,228	29,86,711	8,98,483
1300.03						<b>Total</b>	<b>11,81,628</b>

67. The item of work was paid as non scheduled item although it was available in CSR 2009 at S.No.10-49-C @ Rs.1300.03 M<sup>3</sup>.

68. It was held that the overpayment occurred due to adoption of unsupported and unreliable rate.

69. The irregularity was pointed out in February, 2013. The management replied that the rate for the actual work done was not available in the CSR and was therefore paid as non-scheduled item.

70. DAC meeting was held in December 2014. DAC observed that the inclusion of the scheduled item available in CSR 2009 at S.No.10-49-C into non-scheduled was irregular, and directed for recovery of the overpayment. No progress was reported till finalization of this report.

#### **DEPARTMENTAL VERSION**

71. The Department explained that the rates given to CSR 'P/L flooring of Booticena marble 12"X12" with ¾" thick is Rs. 1426 M<sup>3</sup>. The actual work done is 'P/L flooring of Booticena marble 12"X12" with 1" thick. To execute 1" thick marble there is no rate available in CSR. Therefore, the same item was placed as Non-schedule item by the consultant keeping in view the durability and sustainability of the work involved. Therefore, there involved no excess payment.

#### **PAC RECOMMENDATIONS**

72. The explanation of the University was convincing, hence, the Para was recommended to be settled.

DP No.5.4.10 **LOSS TO UNIVERSITY Rs.1.686 MILLION.**

#### **AUDIT VERSION**

73. During 2011-12, the Vice Chancellor, University of Science & Technology, Kohat overpaid Rs.1.686 million in the item of work "S/F of mild steel G-40" in the construction of two academic blocks under the infrastructure development project. Payment was made for 40.506 metric tons @ Rs.82000 per ton instead of approved rate of Rs.28742.41 per ton under S.No.6.15.a CSR 1999.

74. It was held that the overpayment occurred due to adoption of unsupported and unreliable rate which is violation of S.No.6.15.a of CSR 1999.

75. The irregularity was pointed out in February, 2013. The University management stated that due to price fluctuations in the market, no bidders participated since 2004 and with the approval of syndicate scheduled item was changed to non-schedule.

76. In the DAC meeting held in December 2013, the University was directed to make recovery as the Syndicate had no powers to change schedule items into non-schedule ones. No progress was reported till finalization of this report.

### **DEPARTMENTAL VERSION**

77. The Department explained that due to market crises and fluctuation the rates of steel (Billet steel) the contractors / bidders were not participating the tender since 2004. On the demand of the contractor, a pre-bid meeting was held on 30<sup>th</sup> Nov 2004 whereat it was decided to remove the steel from CSR because at that time the average market rates was above Rs.42,000/- per ton (Ex-factory) where as the CSR rates 1999 including 15% allowed premium was Rs. 34,200/- per Ton. Further more for durability of the structure, the university is focusing to use steel manufactured from steel billet where as in the open market, the available steel is of scrap one which is not suitable for the construction of such structure. Therefore, on one side the standard and quality steel to the form of Tender FT -14 steel billet SR 24/30 Size 100x100 in General condition of contract documents Vol-I and again ensured while on the other hand, the university has availed benefit of non allowing escalation of other integral allowed items like Bricks, POL and labour which caused million of rupees if were allowed. This situation remained unchanged till 2009. Hence the university was compelled to follow the past practice in the best public interest.

### **PAC OBSERVATION**

78. The Committee observed that Syndicate cannot change Composite Scheduled Rates (CSR) items into Non Scheduled Items (NSI) without permission of the rates advisory Committee of the Khyber Pakhtunkhwa.

### **PAC RECOMMENDATIONS**

79. In view of the above, the Committee recommended action leading to recovery of Rs. 1.686 million as pointed out by the Audit from the responsible(s) after fixing responsibility coupled with Departmental action against the person(s) at fault. Para stands. Progress be reported to PAC.

DP No.5.4.11 **UNAUTHORIZED EXPENDITURE ON ACCOUNT OF SCIENCE TEACHING ALLOWANCE & BASIC SCIENCE ALLOWANCE Rs. 3.086 MILLION.**

**AUDIT VERSION**

80. During FY 2011-12, the VC University of Science & Technology Kohat, paid Rs.3.086 million as teaching and basic science allowance to the KIMS staff during vacations, which is irregular and unauthorized.

81. It was held that the irregular payment was due to violation of rules.

82. This irregularity was pointed out in February, 2013. The management furnished no reply.

83. DAC meeting was held in December 2014 and directed for the recovery of the amount. No progress was reported till finalization of this report.

**DEPARTMENTAL VERSION**

84. The Department explained that the KUST Institute of medical Sciences (KIMS) and the University remains open for all the students, administrative staff and faculty during summer and the students & faculty regularly visited college/University for research/teaching purpose. Science teaching allowance & Basic Science allowance was not paid during leave and LPR.

**PAC RECOMMENDATIONS**

85. In view of plausible explanation of the Department, the Para was recommended to be settled, subject to verification of record that the University was open and regular classes were held during summer vacations, by the Audit.

DP No.5.4.15 **IRREGULAR EXPENDITURE OF Rs.3.025 MILLION.**

**AUDIT VERSION**

86. During FY 2011-12, the V.C. University of Science & Technology Kohat, incurred an expenditure of Rs.3.025 million on the purchase of lab equipment and debited it to the developmental project "Development of infrastructure at KUST". The item was not approved in the PC-I of the project, which resulted in irregular and unauthorized expenditure.

87. It was held that the irregularity occurred in violation of PC-1 and Para 14.2.2 of Financial Rules 2004.

88. The matter was reported in February, 2013. The University Management did not give any reply.

89. DAC meeting was held in December 2013, which decided that PC-I may be revised from the competent forum for regularization of the expenditure. Further progress was however not reported to audit.

#### **DEPARTMENTAL VERSION**

90. The Department explained that the HEC Islamabad has approved the project in Public Sector Development Party (PSDP) at Planning Commission Division for KUST in the name of “**Development of Infrastructure & Improved educational facilities at KUST**”. The purpose was to develop the infrastructure (class rooms, well equipped Laboratories and offices) and allied facilities for quality higher education at university.

91. The university had approved the Engineering program from its various forums (ASRB, F&PC and Syndicate etc) and started the program at the existing faculties. Being program of the university and having allocation in the project for Laboratory as per requirement of the Engineering Department, expenditure was made in best interest of public after observing all codal formalities during the procurement process.

#### **PAC RECOMMENDATIONS**

92. The Committee taking a lenient view recommended to settle the Para, subject to verification of regularization of revised PC-I from the competent forum by the Audit. Para stands till verification. Progress be reported to PAC within a month.

DP No.5.4.17 **MISAPPROPRIATION OF FUNDS OF Rs.1.293 MILLION.**

#### **AUDIT VERSION**

93. During FY 2010-11, the V.C. Hazara University, released Rs.5.293 million as secrecy fund. Out of this an amount of Rs.4.00 million was shown utilized, however Rs.1.293 million were neither taken on cash book nor utilization shown.

94. It was held that the loss occurred due to negligence on the part of University Management and violation of Para 26 of the Financial Rules.

95. The matter was pointed out in March 2012. The management of the University stated that reply will be given later. Audit requested the University management repeatedly for holding of the DAC meeting however, no DAC meeting was convened till finalization of this report.

#### **DEPARTMENTAL VERSION**

96. The Department explained that all the advances issued for secrecy fund of examination are properly entered in cash book of Examination Department and audited by the audit party.

97. Amount objected by the audit party of Rs. 12,93,000/- was petty advances issued in favor of Controller of Examination for various expenditure an advance payment to supervisory staff for examination hall. All advances have since been adjusted.

#### **PAC RECOMMENDATIONS**

98. In view of plausible explanation of the Department, the Para was recommended to be settled, subject to verification of record of Rs. 1.293 million by the Audit in the Provincial Assembly of Khyber Pakhtunkhwa. Para stands. Progress be reported to PAC.

#### **DP No.5.4.18 UN-AUTHORIZED EXPENDITURE OF Rs.19.152 MILLION.**

#### **AUDIT VERSION**

99. During FY 2010-11, the V.C. Hazara University Mansehra, paid Rs.19.152 million on account of pay & allowances to the re-employed 19 faculty members, beyond 65 years of age. This resulted in unauthorized expenditure.

100. It was held that the lapse occurred due to violation of University Rules by the Management.

101. The irregularity was pointed out in March 2012. The management of the University stated that all superannuated staff has already been terminated. Audit requested the University management repeatedly for holding of the DAC meeting, however, it was not convened till finalization of this report.



### **DEPARTMENTAL VERSION**

102. The Department explained that the Hazara University is situated in this far flung area was facing acute shortage of experienced & qualified faculty to run its academic programs at par with the other well established universities of the country and up to the standard level as per requirements of Higher Education Commission of Pakistan. To meet this need of the university for its smooth functioning, the superannuated faculty members as mentioned in the Para were inducted whom all are on the fixed pay tenure.

103. During the meeting, the Department explained that the appointment of superannuated staff was made under Governor Secretariat letter No.So-III/6(6)7/2003/92-94 dated 20-01-2004 all of them are relieved from duties under HED letter dated 12<sup>th</sup> April, 2013.

### **PAC RECOMMENDATIONS**

104. The explanation of the Department was found plausible duly endorsed by the Audit was accepted, hence, the Para was recommended to be settled.

### **DP No.5.4.19 UNAUTHORIZED EXPENDITURE OF Rs.1.36 MILLION.**

### **AUDIT VERSION**

105. During FY 2012-13, the Vice Chancellor University of Haripur, paid Rs.1.189 million on account of rent of a house hired for the Vice Chancellor in Islamabad @ US\$ 1000 per month on the basis of agreement executed between the owner and the occupant. The VC was paid salary on the basis of MP-II package inclusive of house rent etc. Payment of rent of the house by the university was double and wrongful benefit of the facility. Moreover the Vice Chancellor concerned had already occupied university guest house @ Rs.5,000/- per month.

106. It was held that the unauthorized payment occurred due to negligence and clear cut violation of government and the university rules.

107. The matter was pointed out in April 2014. The University management did not reply to the observation. Audit requested the University management for holding of the DAC meeting; however DAC was not convened till finalization of this report.

## **DEPARTMENTAL VERSION**

108. The Department explained that the University of Haripur is situated adjacent to District jail Haripur which claims the presence of large number of high profile prisoners involved in serious crimes. Dr. Nasser Ali Khan assumed the charge of vice chancellor on 17.01.2014 and did used to live in single room accommodation in university guest house on payment of Rs.5,000/- pm but he was strictly advised by the security agencies to shift in a safe place preferably in Islamabad as they had some serious information of high security concerns. Resultantly an accommodation was located in Islamabad keeping in view the security concerns of the intelligence agencies, the honorable vice chancellor was shifted to hired house however the recovery of Rs.5,000/- pm remained continued inadvertently and was stopped later but no amount of over deduction was refunded to worthy vice chancellor, as far as the use of vehicle is concerned. It is the entitlement of vice chancellor to use one vehicle with no POL limit still the expense of POL of vice chancellor are very economical. It is further added that VC pay package do not include accommodation charges as all the VC have been provided furnished accommodation in addition to their pay package approved by the HEC.

109. The above story narrates that all the arrangements have been made in best university interest and nothing happened wrong or illegal.

## **PAC RECOMMENDATIONS**

110. In view of Higher Education, Archives and Libraries Department Notification No. So(U-I) H.E/15-1/2012 dated 28-03-2012 that the salary package was all inclusive and that the Vice Chancellor had availed dual facility by getting House Rent and also acquiring accommodation at the expense of Government. The Committee therefore, recommended to affect full recovery of Rs. 1.36 million from the officer concerned and its verification by the Audit.

111. The Department was further directed to take departmental action against the Treasurer concerned, who provided illegal facility to Vice Chancellor by ignoring Rules & Regulations.

112. Para stands. Progress be reported to PAC within a month.

DP No.5.4.20 **EXCESS EXPENDITURE OF Rs.3.637 MILLION.**

**AUDIT VERSION**

113. During FY 2012-13, the V.C. University of Haripur, incurred excess expenditure of Rs.3.637 million on the purchase of 20 laptops and 150 desktops in violation of the approved PC-I as detailed below:-

S/No.	Particular	Provision in PC-I	Purchased	Difference	Rates	Amount
01	Laptop	10	20	10	81,197/-	8,11,970/-
02	Desktop	100	150	50	56,509/-	28,25,450/-
<b>Total</b>						<b>36,37,420/-</b>

114. It was held that the excess expenditure was due to violation of PC-1.

115. The matter was pointed out in April 2014. The University management did not reply to the observation. Audit requested the University management for holding of the DAC meeting, however, no DAC was convened till finalization of this report.

**DEPARTMENTAL VERSION**

116. The Department intimated that 10 laptops were purchased from provision of PC-1 as well as 10 laptops were purchased from own sources to cater the initial need of Faculty and management, whereas 150 desktops were purchased from PC-1 where provision of total desktop computers was 265. Since there was no irregularity made and the purchases were made as per PC-1.

**PAC OBSERVATION**

117. Besides, violation of rules while making purchases, the Committee also observed manipulation of office record by the concerned staff of the university which was admitted by the concerned official during the meeting.

**PAC RECOMMENDATIONS**

118. In view of the above, the Committee directed the Audit to verify the relevant record that all laptops and Desktop as mentioned in the Draft Para were purchased in accordance with the Rules or otherwise and physical verification of computers and laptops purchased.

119. The Department was directed to conduct inquiry into the matter of manipulation in the official document for fixing responsibility and initiation of appropriate disciplinary action against the person who manipulated the record.

120. Para stands. Progress be reported to PAC within a month.

DP No.5.4.21 **NON-RECOVERY OF ADVANCES OF Rs.2.924 MILLION.**

### **AUDIT VERSION**

121. During 2012-13, the V.C. University of Haripur paid Rs.2.924 million to 31 staff members of the University on account of advances. Neither detail of expenditure was submitted nor the amount surrendered to the main account of the University.

122. It was held that the non-recovery of University fund was due to financial mismanagement and violation of Para 7 of GFR Vol-I.

123. The matter was pointed out in April 2014. The University management did not reply to the observation. Audit requested the University management for holding of the DAC meeting, however no DAC meeting was convened till finalization of this report.

### **DEPARTMENTAL VERSION**

124. The Department explained that the University of Haripur was established on 04.07.2012, all the structure was in shabby condition. To make it viable for students and staff, the competent authority assigned various tasks to various persons and for immediate and smooth functioning they were allowed limited advances. These advances were adjusted accordingly as such no amount was misused.

125. During the meeting, the Department produced a list of adjustment and stated that all advances have been adjusted and no amount was misused. However, complete record was not produced to the Committee.

### **PAC RECOMMENDATIONS**

126. In view of the above, the Committee recommended for detailed audit of all the adjustments and the Department was directed to produce relevant record pertaining to the subject Para.

127. Para stands. Progress be reported to PAC within a month.

DP No.5.4.22 **IRREGULAR EXPENDITURE OF Rs. 2.262 MILLION.**

**AUDIT VERSION**

128. During FY 2012-13, in the Gomal University D.I.Khan, it was observed that an amount of Rs. 2.262 million was paid to the contractors for the work “Construction of Foreign Faculty Guest House” and “Construction of Clinical Research Health Care Centre “out of self-finance fund instead of the developmental project. The payment from irrelevant fund resulted into irregular expenditure.

129. It was held that the irregularity occurred due to violation of Para 12 of GFR Vol-I.

130. The matter was pointed out in April 2014. It was replied that the subject pertains to Finance Section of the Gomal University. Audit requested the University management for holding of the DAC meeting however it was not convened till finalization of this report.

**DEPARTMENTAL VERSION**

131. The Department explained that the civil work is the main component of PC-1 of the project: Improvement & Development of Gomal University D.I.Khan, for which Rs. 142.522 (M) were allocated but due to increase of quantity the cost of building overrun the actual allocation.

132. HEC was requested to re-appropriate the allocation fund of PC-1, vide letter No. GU/VC 55641 dated 24/08/2010. The approval was accorded by HEC for proposed re-appropriation with in approved cost of Rs. 477.902 (M).

133. It was proposed by the University in revised estimates of the civil works that expenditure over and above of the buildings including Guest House for visiting Faculty & Clinical Research Health Center will be met out by University own resources. Since 2/3<sup>rd</sup> share of self finance scheme is the main source of income. Hence the expenditure was made from 2/3<sup>rd</sup> share of self finance scheme after approval and concurrence of the HEC.

134. During the meeting, the Department could not produce relevant record to the Committee in support of its contention. They were neither fully prepared nor could respond to the quarries raised by the Committee.

## **PAC RECOMMENDATIONS**

135. The Department was not in a position to explain the case as to why the cost was enhanced and un-authorized payment was made from the Self Finance Fund, which was not meant for the purpose. Hence, it was recommended to conduct inquiry for fixing responsibility and to initiate action leading to recovery from the person(s) at fault.

136. Para stands. Progress be reported to PAC within a month.

DP No.5.4.23 **IRREGULAR EXPENDITURE OF Rs.9.263 MILLION.**

## **AUDIT VERSION**

137. During FY 2012-13, the Gomal University D.I.Khan, incurred expenditure of Rs.9.263 million on repair & maintenance of the University and WENSUM College. The expenditure was incurred without adopting open tender system and preparation of PC-1 for the works. These works were awarded on market rates without rate analysis instead of CSR.

138. It was held that the irregular expenditure occurred due to violation of rules.

139. The matter was pointed out in April 2014. It was stated that reply will be furnished after verification of original record. Audit requested the University management for holding of the DAC meeting however it was not convened till finalization of this report.

## **DEPARTMENTAL VERSION**

140. The Department explained that: -

1. The payment mentioned in the audit Para as petty repairs are actually “Petty bills” Miscellaneous payments are made through the same cheque book.
2. M&R work has been carried out at different times after the administrative approval of the competent authority e.g. Marbling of stage of the main Hall, False ceiling of multimedia lab: white wash etc. The work has been certified by the internal purchase committee.
3. May be there are some violation of financial rules but it is ensured that there is no embezzlement. Everything has been done in the interest of the institution.
4. It may not be improper to mention that execution of M&R work and purchase through central purchase committee after fulfilling all codal formalities is a very time consuming process. It takes years instead of weeks or months, most of the times even the purpose is lost. Several examples can be quoted.

141. It was stated that for execution of petty M&R work of the University Government contractor was engaged for the period of whole financial year. The M&R works are carried over by the contractor on the approved lowest rates and expenditure incurred out of allocated fund in the Non-Development budget. No.PC-1 was prepared for the petty M&R works and no separate fund is received from HEC or Provisional Government.

142. It was further added that for the civil works the schedule rates have been applied whereas for purchase of sanitary items and electrical items proper quotations were collected by the University purchase committee and lowest rates once approved stand valid up to the expiry of financial year.

### **PAC OBSERVATION**

143. During the meeting, the Department could not produce relevant record to the Committee in support of its contention rather irrelevant advertisement and record was produced.

144. The Department was neither fully prepared nor could respond to the queries raised by the Committee.

145. The Works carried out i.e. Marbling of stage of the main Hall, False ceiling of multimedia lab and white wash etc were new works and not M&R works. The works were carried out without adopting open tender system and preparation of PC-I for the works.

### **PAC RECOMMENDATIONS**

146. In view of the above, the Committee recommended for initiation of action leading to recovery after fixing responsibility coupled with appropriate disciplinary action against the person(s) at fault. The Department must stop such practice forthwith and deal with the responsible strictly under relevant rules instead of going to Syndicate/Senate for its regularization.

147. Para stands. Progress be reported to PAC within a month.

### **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.