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**Financial Attest Audit Report on the
Accounts of
Digital Jobs in Khyber Pakhtunkhwa
Financed by
World Bank, Grant No.TF0A7171
Government of Khyber Pakhtunkhwa
Science & Technology and Information Technology
Department
For the Financial Year 2020-21**

Auditor General of Pakistan Islamabad

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Abbreviations and Acronyms

BPO	Business Process Outsourcing
COVID-19	Corona-virus Disease - 2019
DAC	Departmental Accounts Committee
FBR	Federal Board of Revenue
GFR	General Financial Rules
ISSAI	International Standards of Supreme Audit Institutions
KPITB	Khyber Pakhtunkhwa Information Technology Board
KPRA	Khyber Pakhtunkhwa Revenue Authority
MDTF	Multi Donor Trust Fund
M&E	Monitoring and Evaluation
P&D	Planning and Development
PC-1	Planning Commission Proforma-1
PIU	Project Implementation Unit
PPSD	Project Procurement Strategy Document
PTCL	Pakistan Telecommunication Limited
SOPs	Standard Operating Procedures
YEP	Youth Employment Program

PREFACE

The Auditor-General conducts audits subject to Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The audit of the project "Digital Jobs in Khyber Pakhtunkhwa" financed by the World Bank having Grant No.TF-0A7171 for the Financial Year 2020-21 was carried out accordingly.


The Directorate General Audit, Khyber Pakhtunkhwa conducted audit of the project "Digital Jobs in Khyber Pakhtunkhwa" financed by the World Bank during September, 2021 for the period 2020-21 with a view to reporting significant findings to stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the project. In addition, Audit also assessed, on test check basis whether the management complied with applicable laws, rules, and regulations in managing the project. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the project.

The Report was finalized in light of written replies/ discussion with the Project Management. The Principal Accounting Officer was also requested to convene DAC meeting. However, DAC meeting was not convened till finalization of this report.

The Report consists of two parts. Part-I contains Auditor's Report (Audit Opinion) and Financial Statements. Part-II contains Executive Summary, Management Letter and Audit Findings.

The Report has been prepared for submission to the World Bank in terms of its Grant Agreement No.TF-0A7171 with the Government of Islamic Republic of Pakistan.

Dated: 29/11/2021
Peshawar


(Mahmood Ahmad Khan)
Director General Audit
Khyber Pakhtunkhwa

PART-I

- 1. PROJECT OVERVIEW**
- 2. AUDITOR'S REPORT TO THE MANAGEMENT**
- 3. FINANCIAL STATEMENTS**

PROJECT OVERVIEW

Name of Project	:	Digital Jobs in Khyber Pakhtunkhwa
Sponsoring Authority	:	World Bank
Executing Authority	:	Science & Technology and Information Technology Department Khyber Pakhtunkhwa, through KP Information Technology Board
Grant No.	:	TF-0A7171
PC-I Cost (Original)	:	USD 2.00 million (PKR 256.00 million)
PC-I Cost (1 st Revision on 17.07.19)	:	USD 2.00 million (PKR 280.00 million)
PC-I Cost (2 nd Revision on 18.02.20)	:	USD 5.00 million (PKR 750.00 million)
Date of Commencement	:	17 th October 2018
Actual Date of Commencement	:	17 th October 2018
Date of Completion (as per PC-I)	:	30 th June, 2020
Date of Completion (as per 1 st revised PC-I)	:	30 th June, 2020
Date of Completion (as per 2 nd revised PC-I)	:	30 th June, 2022
Date of Approval by PDWP	:	2 nd August, 2018
Grant Closing Date	:	30 th June, 2022
Grant Utilization Status in 2020-21	:	Rs. 89.400 million
Progressive Expenditure upto Last FY 2019-20	:	Rs. 176.469 million



OFFICE OF THE
DIRECTOR GENERAL AUDIT
KHYBER PAKHTUNKHWA
PESHAWAR

DGA = 9211306
Fax: = 9222417
PBX: = 211250-54

Auditor's Report to the Management (Audit Opinion)

Auditor's Report on the Financial Statements

We have audited the accompanying financial statements of the Project "Digital Jobs in Khyber Pakhtunkhwa", financed by World Bank under Grant No. TF-0A7171 that comprises of Statement of Receipts and Payments, Statement of Comparison of Budget and Actual Amounts together with the notes forming part thereof for the year ended 30th June, 2021.

Management Responsibility

It is the responsibility of project management to establish and maintain a system of internal control, and prepare and present the Statement of Receipts and Payments in conformity with the requirements of Cash Basis IPSAS, Financial Reporting under the Cash Basis of Accounting Standard.

Auditor's Responsibility

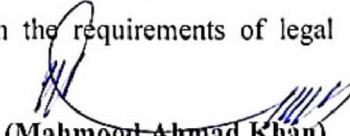
The responsibility of the auditor is to express an opinion on the financial statements based on the audit conducted. We conducted our audit in accordance with the International Standards of Supreme Audit Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit process includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion:

- The financial statements present fairly, in all material respects, the cash receipts and payments by the project for the year ended 30th June, 2021 in accordance with Cash Basis IPSAS, Financial Reporting under the Cash Basis of Accounting Standard.
- The expenditure has been incurred in accordance with the requirements of legal agreements.

Dated: 29/11/2021
Peshawar


(Mahmood Ahmad Khan)
Director General Audit
Khyber Pakhtunkhwa

**FINANCIAL STATEMENTS
OF THE PROJECT
“DIGITAL JOBS IN KHYBER PAKHTUNKHWA”
ASSISTED BY WORLD BANK
FOR THE YEAR ENDED 30TH JUNE, 2021**

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Statement of Comparison of Budget and Actual Amounts	8	ii
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DIGITAL JOBS IN KHYBER PAKHTUNKHWA

Statement of Receipts and Payments

For the Year ended June 30, 2021

Notes	2020-21		2019-20	
	Receipts(Payments) Controlled by Project	Payment by Third Parties	Receipts(Payments) Controlled by Project	Payment by Third Parties
PAK RUPEES				
Receipts				
5	-	-	240,102,652.00	54,896,510
External Assistance- MDTF				
Total Receipts	-	-	240,102,652.00	54,896,510
Payments				
Component -1 - Digital Jobs through Outsourcing :				
6	15,296,358	-	83,010,922	29,748,027
7	11,635,952	-	4,131,883	21,010,881
8	21,000,000	-	12,000,000	-
9	21,619,679	-	7,259,664	1,399,109
Goods (Hardware and Software)				
Non-Consulting Services				
Consultants' Services				
Trainings and Workshops				
Incremental operating cost				
Sub Total	69,551,989	-	106,402,469	52,158,017
Component -2 - Women Empowerment through Inclusion Digital Economy:				
10	2,065,000	-	6,759,924	1,280,000
11	-	-	3,105,000	-
12	5,467,500	-	130,000	-
13	1,640,000	-	-	-
Goods (Hardware and Software)				
Non-Consulting Services				
Consultants' Services				
Trainings and Workshops				
Incremental operating cost				
Sub Total	9,172,500	-	9,994,924	1,280,000
Component -3 - Program Management				
14	8,961,516	-	2,685,339	1,182,844
15	1,714,183	-	1,380,247	275,649
Goods (Hardware and Software)				
Non-Consulting Services (PIU Salaries)				
Consultants' Services				
Trainings and Workshops				
Incremental operating cost				
Sub Total	10,675,699	-	4,065,586	1,458,493
Total Payments	89,400,188	-	120,462,979	54,896,510
Increase (Decrease) in Cash	(89,400,188)	-	119,639,673	-
Cash at Beginning of Year	119,639,673	-	-	-
16	30,239,485	-	119,639,673	-
Cash at End of Year				

The accompanying notes form an integral part of these financial statements and are to be read therewith.



Counter Signed
Audit Officer
Office of the D.G Audit
Peshawar, Khyber Pakhtunkhwa



Project Manager
Digital Jobs in KP
Khyber Pakhtunkhwa Information
Technology Board (KPITB)
Peshawar, Khyber Pakhtunkhwa

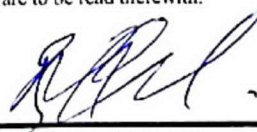
DIGITAL JOBS IN KHYBER PAKHTUNKHWA
Statement of Comparison of Budget and Actual Amounts
For the Year ended June 30, 2021

Note	2020-21		2019-20	
	Budgeted Amount	Actual Amount	Budgeted Amount	Actual Amount
PAK RUPEES				
Receipts				
External Assistance - MDIT	5	289,095,896	-	273,751,000
Total Receipts		289,095,896	-	273,751,000
Payments:				
Component -1				
External Assistance				
Goods (Hardware and Software)	6	16,294,500	15,296,358	126,418,000
Non-Consulting Services	7	15,163,642	11,635,952	30,800,000
Consultants' Services	8	21,023,858	21,000,000	46,000,000
Trainings and Workshops		-	-	-
Incremental operating cost	9	23,809,688	21,619,679	19,656,000
Sub Total		76,291,688	69,551,989	222,874,000
Component -2				
External Assistance				
Goods (Hardware and Software)		105,871,114	-	-
Non-Consulting Services	10	53,624,000	2,065,000	9,360,000
Consultants' Services	11	12,287,200	-	15,100,000
Trainings and Workshops	12	-	5,467,500	5,310,000
Incremental operating cost	13	21,931,740	1,640,000	-
Sub Total		193,714,053	9,172,500	29,770,000
Component -3				
External Assistance				
Goods (Hardware and Software)		-	-	-
Non-Consulting Services (PIU Salaries)	14	11,089,575	8,961,516	17,703,000
Consultants' Services		-	-	-
Trainings and Workshops		-	-	-
Incremental operating cost	15	8,000,580	1,714,183	3,404,000
Sub Total		19,090,155	10,675,699	21,107,000
Total Payments		289,095,896	89,400,188	273,751,000

The accompanying notes form an integral part of these financial statements and are to be read therewith.



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Audit Officer
 Office of the D.G Audit
 Peshawar, Khyber Pakhtunkhwa



Project Manager
 Digital Jobs in KP
 Khyber Pakhtunkhwa Information
 Technology Board (KPITB)
 Peshawar, Khyber Pakhtunkhwa

DIGITAL JOBS IN KHYBER PAKHTUNKHWA

Notes to the Financial Statements

For the Year ended June 30, 2021

1 Reporting Entity

The Financial Statements are for Digital Jobs in Khyber Pakhtunkhwa Project. The financial statements encompasses the reporting entity as defined in the Grant Agreement between the Islamic Republic of Pakistan and the World Bank. The Grant Agreement was signed on October 17, 2018 initially for US\$ 2.0 million. Furthermore additional financing of US\$ 3.0 million were approved by the World Bank and subsequently PC-1 was revised from PKR 280 million to PKR. 750 million The World Bank has signed agreement for additional financing of USD 1.5 million. The project became effective from October 17, 2018 with the closing date of June 30, 2022.

The Project Development Objective is to :

- To train women and underserved youth in digital skills through the Youth Employment Program
- To support women entrepreneurs by expanding the Durshal - Community Innovation Labs network
- To capitalize on the opportunities available in the outsourcing industry and facilitate creation of digital jobs through the Business Process Outsourcing (BPO) industry

The project is implemented through Khyber Pakhtunkhwa Information Technology Board (KPITB)

Financing

The financing is made in the form of Grant based on Standard World Bank terms. The Financing Grant Agreement No is TF0A7171.

2 Certification by Project Management on Application of Funds

It is certified that funds have been applied/expenditure incurred for the purposes intended in the financing agreement.

3 Accounting Convention and Statement of Compliance

These Financial Statements have been prepared in accordance with Cash Basis International Public Sector Accounting Standards (IPSAS). Financial Reporting under the Cash Basis of Accounting.

The accounting policies have been applied consistently throughout the period.

4 Significant Accounting Policies

4.1 Foreign Currency Transaction

Cash receipts and payments arising from transactions in US \$ are recorded in Pak Rupees by applying the US \$ amount at the exchange rate between the Pak Rupee and US \$ on the date of receipts and payments.

4.2 Reporting Currency

All amounts in the financial statements are in Pak Rupees.

4.3 Revenue Recognition

Revenue is recognized on the date of receipt of money by bank or clearance of cheque. Revenue is recognized on gross basis and any related costs are recorded separately

4.4 Recognition of Expenditure

Expenditure is recognized on the date when payment is made or cheque is issued. Financial year to which the payments pertain is determined by the date on which a cheque or payment advice is issued.

4.5 Employee Terminal Benefits

Service benefits of government deputations employees are accounted for in their respective departments while no service terminal benefits are paid to the contractual employees.



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Audit Officer
Office of the D.G Audit
Peshawar, Khyber
Pakhtunkhwa



Project Manager
Digital Jobs in KP
Khyber Pakhtunkhwa Information Technology
Board (KPITB)
Peshawar, Khyber Pakhtunkhwa

DIGITAL JOBS IN KHYBER PAKHTUNKHWA
Notes to the Financial Statements
For the Year ended June 30, 2021

5 External Assistance

External assistance was received in the form of Grant from the World Bank under financing agreement dated October 17, 2018 between the World Bank and Government of Pakistan (GOP) for the purpose of the Digital Jobs in Khyber Pakhtunkhwa Project. The following amounts was received by the Project during the period

		US \$	2020-21 Pak Rupees	US \$	2019-20 Pak Rupees
SOE Procedures	5.1	\$ -	-	\$ 1,548,426.00	240,102,652
Direct Payment	5.2	-	-	352,300.91	54,896,510
		<u>\$ -</u>	<u>-</u>	<u>\$ 1,900,727</u>	<u>294,999,162</u>

5.1 This represents funds transferred by the World Bank to the Digital Jobs in KP Project Designated Assignment Account maintained with the National Bank of Pakistan Main Branch, Peshawar Cantt bearing account No A116 on the basis of withdrawal applications submitted by the project

5.2 Initially after signing the agreement as per the Disbursement Letter from the World Bank, External Assistance in the form of Advance payment to Designated Project Account was not provided. However PKR 54.89 million were received through Direct Payment Method on Account of PIU Salaries, supplies of goods and services from the donor which were directly transferred to the PIU employees and suppliers personal bank accounts. For expenditure like Income tax and Sales tax, Khyber Pakhtunkhwa Information Technology Board used its own funds which were PKR 3.245 million on reimbursable basis during FY 2018-19. The funds of PKR 54.89 million directly paid by the World Bank includes PKR 3.245 million reimbursed in Aug 2019 to KPITB bank account.

5.3 Undrawn External Assistance :

Undrawn Grant at reporting date represent amounts specified in the financing agreement between the World Bank and GOP that the World Bank will disburse for Digital Jobs in KP Project purposes.

	2020-21 Amount in US \$	2019-20 Amount in US \$
Total Amount	5,000,000	5,000,000
Advances upto June 30, 2021	1,908,203	1,908,203
Closing Balance (Undrawn)	<u>\$ 3,091,797</u>	<u>\$ 3,091,797</u>

Component - 1 - Digital Jobs through Outsourcing :

6 Goods	Amount in Pak Rupees		Amount in Pak Rupees	
	2020-21		2019-20	
IT Equipment	6.1	794,610	6.1	73,283,265
Furniture for BPO Ready Spaces	6.2	-	6.2	28,768,440
Supply of Generator for BPO Ready Spaces	6.3	5,590,962	6.3	4,697,844
ACs for BPO ready Space	6.4	8,910,786	6.4	6,009,400
		<u>15,296,358</u>		<u>112,758,949</u>

7 Non-Consulting Services	Amount in Pak Rupees		Amount in Pak Rupees	
	2020-21		2019-20	
Paid to Information Department for the Advertisement			7.1	1,949,387
Digital Youth Summit 2019			7.2	18,940,180
BPO Inauguration Ceremony			7.3	1,063,100
BPO Signages and Printing			7.4	1,517,551
Canada Roadshow			7.5	1,361,719
Air Tickets for Generator Inspection and World Incubation Summit			7.6	164,000
Boarding and Lodging Exp for world Incubation Summit			7.7	146,827
HR Cost BPO Ready Spaces	7.8	2,370,333		
HR Cost Platform partnership	7.9	1,115,000		
HR Cost One window Facilitation	7.10	1,442,500		
Marketing & Promotional Activit	7.11	6,708,119		
		<u>11,635,952</u>		<u>25,142,764</u>

8 Consultants' Services	Amount in Pak Rupees		Amount in Pak Rupees	
	2020-21		2019-20	
Payment for 1st Deliverable Development of Platform Partnership	8.1	14,000,000	8.1	4,000,000
Payment for Platform partnership two deliverables FRS and SRS	8.2		8.2	8,000,000
Tech Cnslncy Feasibility framewor	8.3	7,000,000		
		<u>21,000,000</u>		<u>12,000,000</u>

9 Incremental operating cost	2020-21		2019-20	
Internet Services for BPO Ready Space	9.1	2,468,997	9.1	1,204,403
BPO Ready Space Rent	9.2	13,673,238	9.2	6,342,952
POL for Generator	9.3	742,020	9.3	107,155
Advance PSO for Generator POL	9.4	-	9.4	256,000
Utility (Electricity)	9.5	2,478,388	9.5	548,238
Contingency Expenses	9.6	2,257,036	9.6	200,025
		<u>21,619,679</u>		<u>8,658,773</u>

Component -2 - Women Empowerment through Inclusion Digital Economy:

		Amount in Pak Rupees 2020-21		Amount in Pak Rupees 2019-20
10	Non-Consulting Services			
10.1	<i>Gender Inclusive Spaces (GIS)</i>		10.1	8,039,924
10.2	<i>HR Cost Seed Fund</i>	2,105,000		
		<u>2,065,000</u>		<u>8,039,924</u>
Amount in Pak Rupees 2019-20				
11	Consultants' Services			
11.1	<i>KPIITB 3000 Female training on digital Skills 1st</i>		11.1	3,105,000
				<u>3,105,000</u>
Amount in Pak Rupees 2019-20				
12	Trainings and Workshops			
12.1	<i>Mentorship Sessions</i>	5,467,500	12.1	130,000
		<u>5,467,500</u>		<u>130,000</u>
13	Incremental operating cost			
	<i>Honoraria for Shortlisting & Interviews</i>	20,000	13.1	
	<i>Rentals Building</i>	1,620,000	13.2	
		<u>1,640,000</u>		
Component -3 - Program Management				
14	PIU Staff Salaries			
	Communication Manager Salary		14.1	1,549,350
	Monitoring and Evaluation Officer Salary		14.2	1,111,500
	Finance and Accounts Officer Salary		14.3	1,111,500
	Procurement Manager Salary		14.4	95,833
	Pay of PIU Staff	8,961,516		
		<u>8,961,516</u>		<u>3,868,183</u>
Amount in Pak Rupees 2019-20				
15	Incremental operating cost			
	Hon. paid to Committee members for shortlisting	-	15.1	15,000
	Payment made in respect of Meeting held for gender inclusive space in Durshal Peshawar	45,000	15.2	34,350
	Payment for Shields and Panaflex Banners for Advertisements		15.3	81,325
	Honorarium paid to Committee members for Interview of Communications Manager		15.4	30,000
	Refreshment for meetings and events		15.5	145,334
	Rental carpet for one day for BPO Ready Spaces (Opening Ceremony)		15.6	9,995
	PIU Staff TA/DA for official visits	381,080.0	15.7	90,600
	Plants for BPO Ready Space		15.8	37,050
	Office Supplies for PIU		15.9	863,093
	Photography and Videography of Different Event for BPO		15.10	73,500
	Reimbursement of Expenses incurred by KPIITB on Behalf of MDTF		15.11	275,649
	Rented Vehicle	699,710		
	Operational Expenses	106,495		
	Stationery	307,250		
	Miscellaneous	174,648		
		<u>1,714,183</u>		<u>1,655,896</u>
16	Cash and Bank			
		0		0
	Cash in Hand	30,239,485		119,639,673
	Cash at Bank	<u>30,239,485</u>		<u>119,639,673</u>

17 **Authorization for Issue**
These financial statements have been authorized for issue by the respective competent authorities of each component on June 31, 2021

18 **General**
Figures have been rounded off to the nearest rupee.
Comparative figures have been rearranged where necessary for the purpose of comparison.


Counter Signed
Audit Officer
Office of the D G Audit
Peshawar, Khyber Pakhtunkhwa


Project Manager
Digital Jobs in KP
Khyber Pakhtunkhwa Information
Technology Board (KPIITB)
Peshawar, Khyber Pakhtunkhwa

DIGITAL JOBS IN KHYBER PAKHTUNKHWA PROJECT
Statement of Designated US Dollar Account
For the Year Ended June 30, 2021

For period Ending
 Account No.
 Depository Bank
 Address

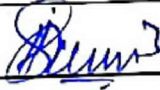
June 30, 2021
 USD Account No. A-116
 National Bank of Pakistan.
 MAIN BRANCH PESHAWAR
 CANTT
 TF A7171

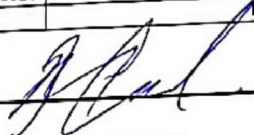
Grant No.
 Currency
 Opening Balance as on 01/07/2020
 World Bank (MDTF) Advance during F. Year 2020-21
Total Funds available
Deduction
 Expenditures Till June 30, 2021
Less: Total Paid
 Balance per Books of Digital Jobs in KP on 30/06/2021
 Balance per Bank Statement of NBP on 30/06/2021
Difference:

US \$	PKR
-	-
1,548,426	240,102,652
1,548,426	240,102,652
-	-
1,353,412	209,863,167
-	-
195,014.07	30,239,485
196,353.13	30,446,985
1,339	207,500

CHEQUES ISSUED BUT NOT PRESENTED UNTIL June 30, 2021

Cheque		RS.	DOLLAR	USD
Date	No.		RATE	AMOUNT
14.02.2020	163981747	37,500	155.0624	241.81
14.02.2020	163981748	30,000	155.0624	193.47
11.03.2020	163981779	22,500	155.0624	145.10
11.03.2020	163981796	25,000	155.0624	161.23
11.03.2020	178979863	25,000	155.0624	161.23
25/05/2021	178980316	22,500	155.0624	145.10
11/06/2021	178979953	22,500	155.0624	145.10
11/06/2021	178979960	22,500	155.0624	145.10
Total		207,500		1,339


 Counter Signed
 Audit Officer
 Office of the D.G Audit


 Project Manager
 Digital Jobs in KP
 Khyber Pakhtunkhwa Information Technology
 Board (KPITB)
 Peshawar, Khyber Pakhtunkhwa

NATIONAL BANK OF PAKISTAN
PUNJAB BRANCH (00106)

STATEMENT PERIOD

106/21

BRANCH ACCOUNT NO

11 A7171

NAME OF PROJECT

DIGITAL JOBS IN KER (PHASE I)

REVOLVING FUND ACCOUNT NO

A-116

000

14,772,943.00

95,265.15

DATE	CHIQUE / SBP FSC LETTER NO	DEPOSIT / RECEIPT			PAYMENT / WITHDRAWAL			BALANCE	
		PKR (ACTUAL)	EXCHANGE RATE	USD EQUIV (NOTIONAL)	PKR (ACTUAL)	EXCHANGE RATE	USD EQUIV.	PKR (ACTUAL)	USD EQUIV. (NOTIONAL)
30.04.2021	BALANCE							45,219,028.00	291,618.28
01.06.2021	178980297				60,000.00	155.0624	386.94	45,159,028.00	291,231.34
01.06.2021	178980292				90,000.00	155.0624	580.41	45,069,028.00	290,650.93
01.06.2021	178980320				22,500.00	155.0624	145.10	45,046,528.00	290,505.82
01.06.2021	178980313				22,500.00	155.0624	145.10	45,024,028.00	290,360.72
02.06.2021	178980303				161,560.00	155.0624	1,041.90	44,862,468.00	289,318.82
03.06.2021	178980322				22,500.00	155.0624	145.10	44,839,968.00	289,173.72
03.06.2021	178980319				22,500.00	155.0624	145.10	44,817,468.00	289,028.61
03.06.2021	178980318				22,500.00	155.0624	145.10	44,794,968.00	288,883.51
09.06.2021	178980312				22,500.00	155.0624	145.10	44,772,468.00	288,738.41
10.06.2021	178980314				22,500.00	155.0624	145.10	44,749,968.00	288,593.30
10.06.2021	178980236				51,400.00	155.0624	331.48	44,698,568.00	288,261.82
14.06.2021	178980315				22,500.00	155.0624	145.10	44,676,068.00	288,116.72
16.06.2021	178980347				2,800,587.00	155.0624	18,061.03	41,875,481.00	270,055.69
16.06.2021	178980342				74,419.00	155.0624	479.93	41,801,062.00	269,575.76
16.06.2021	178980340				7,247.00	155.0624	46.74	41,793,815.00	269,529.02
16.06.2021	178980339				11,222.00	155.0624	72.37	41,782,593.00	269,486.65
16.06.2021	178980338				230,917.00	155.0624	1,489.19	41,551,676.00	267,967.47
16.06.2021	178980311				22,500.00	155.0624	145.10	41,529,176.00	267,822.36
16.06.2021	178980317				22,500.00	155.0624	145.10	41,506,676.00	267,677.26
16.06.2021	178980335				2,600.00	155.0624	16.77	41,504,076.00	267,660.49
16.06.2021	178980334				4,840.00	155.0624	31.21	41,499,236.00	267,629.28
16.06.2021	178980333				4,840.00	155.0624	31.21	41,494,396.00	267,598.07
16.06.2021	178980332				12,080.00	155.0624	77.90	41,482,316.00	267,520.16
16.06.2021	178980331				12,040.00	155.0624	77.65	41,470,276.00	267,442.52
16.06.2021	178890330				14,200.00	155.0624	91.58	41,456,076.00	267,350.94
16.06.2021	178980329				201,754.00	155.0624	1,301.11	41,254,322.00	265,049.82
16.06.2021	178980328				65,601.00	155.0624	423.06	41,188,721.00	265,626.76
16.06.2021	178980325				276,797.00	155.0624	1,785.07	40,911,924.00	263,841.69
17.06.2021	178980341				62,669.00	155.0624	404.15	40,849,255.00	263,437.54
17.06.2021	178980305				646,542.00	155.0624	4,169.56	40,202,713.00	259,267.98
18.06.2021	178980350				22,500.00	155.0624	145.10	40,180,213.00	259,122.88
18.06.2021	178980344				3,801,569.00	155.0624	24,516.38	36,378,644.00	234,606.50
18.06.2021	178980343				24,572.00	155.0624	158.47	36,354,072.00	234,448.03
18.06.2021	178980337				1,101,046.00	155.0624	7,100.66	35,253,026.00	227,347.37
18.06.2021	178980336				145,275.00	155.0624	936.88	35,107,751.00	226,410.49
21.06.2021	178980327				279,425.00	155.0624	1,802.02	34,828,326.00	224,608.47
					77,040.00	155.0624	496.83	34,751,286.00	224,111.64

22.06.2021	178979957			22,500.00	155.0624	145.10	31,651,145.00	215,543.11
22.06.2021	178979958			22,500.00	155.0624	145.10	31,643,645.00	215,543.65
23.06.2021	178979959			22,500.00	155.0624	145.10	31,621,145.00	215,402.95
23.06.2021	178979960			477,240.00	155.0624	3,077.73	33,543,905.00	215,329.22
24.06.2021	178979962			22,500.00	155.0624	145.10	33,521,405.00	215,180.11
24.06.2021	178979961			237,682.00	155.0624	1,532.82	33,293,723.00	214,647.20
24.06.2021	178979963			125,895.00	155.0624	811.53	33,157,828.00	213,835.46
24.06.2021	178979962			27,553.00	155.0624	177.75	33,130,275.00	213,657.71
24.06.2021	178979964			122,526.00	155.0624	750.17	33,007,749.00	212,667.54
24.06.2021	178979966			123,993.00	155.0624	799.63	32,883,755.00	212,007.91
24.06.2021	178979967			125,000.00	155.0624	806.13	32,758,756.00	211,261.78
24.06.2021	178979968			96,862.00	155.0624	624.65	32,661,894.00	210,537.11
24.06.2021	178979969			89,737.00	155.0624	578.72	32,572,157.00	210,069.40
24.06.2021	178979970			89,325.00	155.0624	576.05	32,482,832.00	209,482.34
24.06.2021	178979971			89,975.00	155.0624	580.25	32,392,857.00	208,902.09
24.06.2021	178979972			90,000.00	155.0624	580.41	32,302,857.00	208,321.58
24.06.2021	178979973			90,000.00	155.0624	580.41	32,212,857.00	207,741.27
24.06.2021	178979974			90,000.00	155.0624	580.41	32,122,857.00	207,160.86
24.06.2021	178979975			60,000.00	155.0624	386.94	32,062,857.00	206,773.91
24.06.2021	178979977			60,000.00	155.0624	386.94	32,002,857.00	206,386.97
24.06.2021	178979978			60,000.00	155.0624	386.94	31,942,857.00	206,000.03
24.06.2021	178979979			38,032.00	155.0624	245.27	31,904,825.00	205,754.76
24.06.2021	178979980			11,890.00	155.0624	76.68	31,892,935.00	205,678.08
24.06.2021	178979981			9,730.00	155.0624	62.75	31,883,205.00	205,615.34
24.06.2021	178979982			3,330.00	155.0624	21.48	31,879,875.00	205,593.85
24.06.2021	178979983			5,380.00	155.0624	34.70	31,874,495.00	205,559.15
24.06.2021	178979984			4,690.00	155.0624	30.25	31,869,805.00	205,528.92
24.06.2021	178979987			2,363.00	155.0624	15.24	31,867,442.00	205,513.58
24.06.2021	178979988			3,938.00	155.0624	25.40	31,863,504.00	205,483.23
24.06.2021	178979992			284,495.00	155.0624	1,834.71	31,579,009.00	203,653.57
24.06.2021	178979993			46,257.00	155.0624	298.31	31,532,752.00	203,355.26
24.06.2021	178979994			29,872.00	155.0624	192.65	31,502,860.00	203,162.61
25.06.2021	178979956			22,500.00	155.0624	145.10	31,480,380.00	203,017.51
25.06.2021	178979986			72,449.00	155.0624	467.22	31,407,931.00	202,550.29
25.06.2021	178979985			42,176.00	155.0624	271.99	31,365,755.00	202,278.29
25.06.2021	178979976			60,000.00	155.0624	386.94	31,305,755.00	201,891.35
25.06.2021	178979995			667,312.00	155.0624	4,303.51	30,638,443.00	197,557.84
25.06.2021	178979955			123,958.00	155.0624	799.41	30,514,485.00	196,788.44
25.06.2021	178979959			22,500.00	155.0624	145.10	30,491,985.00	196,643.33
25.06.2021	178979954			22,500.00	155.0624	145.10	30,469,485.00	196,498.23
25.06.2021	178960349			22,500.00	155.0624	145.10	30,446,985.00	196,353.13

(Authorized Signature NBP)

(Authorized Signature SBP)

PART-II

COVERING LETTER TO THE MANAGEMENT

EXECUTIVE SUMMARY

MANAGEMENT LETTER

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 3. Audit Scope and Methodology
 4. AUDIT FINDINGS AND RECOMMENDATIONS
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 - 4.9. Overall Assessment
 - 5 CONCLUSION
- ACKNOWLEDGEMENT
- ANNEXURE



OFFICE OF THE
DIRECTOR GENERAL AUDIT
KHYBER PAKHTUNKHWA
10-Fort Road Peshawar Cantt
DG Audit: 091-9211306 & Fax: 091-9222417
Director Audit: 091-9222525

No. Audit/Admn/HQ/Audit Program/2021-22/229

Dated: 23-08-2021

To

The Project Director,
Digital Jobs in KP,
Peshawar.

Subject: ANNUAL AUDIT OF ACCOUNTS FOR THE FINANCIAL YEAR 2020-21

The Auditor-General of Pakistan conducts audits subject to Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001.

The competent authority has been pleased to assign Annual Audit of accounts record of your office for the Financial Year 2020-21 to the Field Audit Team (FAT) comprising Mr. Ijaz Arif (AO) and Muhammad Javed Afridi (SA) with effect from 23rd August, 2021.

A requisition of record for audit will be provided by the FAT before audit or upon arrival. The audit will cover all the financial matters pertaining to observance of Rules/Regulations, cash management expenditure, receipts, stocks, budgetary controls and store accounts etc during the period.

It is, therefore, requested to extend full co-operation to the visiting audit team in production of record/information as per requisition for audit with the direction to the staff concerned of your office to remain present during audit. Separate room for audit team, Typist, computer along with printer & stationery, photo copies facilities of required record, and necessary logistic support may be provided to the audit team.

Your co-operation in the matter will highly be appreciated in the best interest of public and in discharge of the constitutional responsibility.

(This issues with the approval of Director General Audit)


Director Audit

EXECUTIVE SUMMARY

The Director General Audit Khyber Pakhtunkhwa conducted audit of the Financial Statements of the project "Digital Jobs in Khyber Pakhtunkhwa", financed by the World Bank under Grant No.TF-0A7171 for the financial year 2020-21. The main objectives of the audit were to express an opinion on financial statements of the project, to assess whether the project was managed with due regard to economy, efficiency and effectiveness, to review project performance against the intended objectives, to review compliance with applicable rules, regulations and procedures. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI).

Audit findings:

- Delay in progress of the project
- Wasteful expenditure – Rs. 1.11 million
- Overpayment of rent – Rs. 0.058 million
- Less deduction of taxes – Rs. 0.236 million
- Non-development of a Contract Management Plan
- Non-recovery of operational cost from the BPO operator – Rs. 2.852 million
- Unnecessary expenditure – Rs. 1.080 million
- Improper Assets management – Rs. 0.478 million
- No SOPs in place for the revenue from BPO Operators – Rs.16.459 million

Recommendations:

- Progress may be accelerated so that the project's objectives are achieved in time
- Due diligence may be exercised when incurring expenditure in uncertain situation
- Recovery of taxes and rent may be ensured from the concerned
- Effective contract management may be ensured for timely completion of various assignments
- Operational cost may be recovered from the BPO operator
- All the assets that have not been entered in the register yet and not tagged may be registered and tagged accordingly
- Revenues from the BPO operators are meant for project's sustainability and every effort should be in-place to ensure countering misuse of these funds



OFFICE OF THE
DIRECTOR GENERAL AUDIT
KHYBER PAKHTUNKHWA
PESHAWAR

DGA = 9211306
Fax: = 9222417
PBX: = 211250-54

No.Audit/FAP/FAAR/DJKP/DAC/2020-21/22

Dated: 16/09/2021

To
The Secretary to Government of Khyber Pakhtunkhwa,
Science and Technology & Information Technology Department,
Peshawar.

Subject: Management Letter on account of "Digital Jobs in Khyber Pakhtunkhwa", financed by World Bank under Grant No.TF-0A7171 for the Financial Year 2020-21

This office has recently completed audit of the Financial Statements of the Project "Digital Jobs in Khyber Pakhtunkhwa", financed by World Bank for the Financial Year 2020-21.

While executing the audit, International Standards of Supreme Audit Institutions (ISSAI) adopted by the Auditor General of Pakistan were applied to express audit opinion on the Financial Statements of the Project.

During audit, internal controls and other operational spheres were examined and result thereof in shape of Audit findings are attached for your consideration. The following are the main findings of the report:

- Delay in progress of the project
- Non-development of a Contract Management Plan
- Non-recovery of operational cost from the BPO operator – Rs. 2.852 million
- No SOPs in place for the revenue from BPO Operators – Rs.16.459 million
- Wasteful expenditure – Rs. 1.11 million
- Unnecessary expenditure – Rs. 1.080 million
- Overpayment of rent – Rs. 0.058 million
- Less deduction of taxes – Rs. 0.236 million
- Improper Assets management – Rs. 0.478 million

The issues raised in the Advance Paras annexed with this management letter may please be looked into and remedial measures should be taken besides arrangement of the DAC meeting **within 5 working days** to decide fate of the observations at the earliest, please


Director Audit

1. INTRODUCTION

The Director General Audit Khyber Pakhtunkhwa conducted audit of the project "Digital Jobs in Khyber Pakhtunkhwa". The project was being financed by the World Bank. The project had three different components. The beneficiaries of this project are the youth (18-30 years) in Khyber Pakhtunkhwa. The Khyber Pakhtunkhwa is to be promoted as an outsourcing destination to attract investment and to create digital jobs. The project actually commenced with effect from 17th October 2018, with a completion date of June 2020 and with a PC-I cost of Rs. 256.00 million, which jumped to Rs. 280.00 million with the first PC-I revision. The PC-I has been revised for the second time, with a revised PC-I cost of Rs. 750 million, and a revised completion date of June 30, 2022.

2. AUDIT OBJECTIVES

2.1 The major objectives of the audit were to:-

- i. Attest the Project's Financial Statements.
- ii. Report on compliance with relevant laws, policies and procedures.
- iii. Report on the overall management of the project.

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope

The audit scope included the examination of documents, record, accounts etc. of the Project for the Financial Year 2020-21.

3.2 Audit Methodology

Audit methodology was devised as per the following terms of reference:

a) Eligibility of expenditure incurred

Expenditure was reviewed to check that funds were expended for authorized purposes only in line with the provisions of PC-I and Contract Agreement.

c) Amount expended was incorporated in the Project Account supported by documents and records.

Expenditure trail was reviewed and with the help of supporting vouchers traced to accounting record and the financial statements.

d) Assessing effectiveness of monitoring and evaluation mechanism

Project internal controls were assessed and test checked for effectiveness.

e) Maintenance of books of accounts

Audit examined the quality and completeness of books of accounts.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 Delay in progress of the project

According to Section 2.01 (i) of the Special Conditions constituent to the Grant Agreement No.TF0A7171 dated 17-10-2019, the recipient of the grant shall ensure that the Project is carried out with due diligence and efficiency.

During audit of the project "Digital Jobs in Khyber Pakhtunkhwa" for the Financial Year 2020-21, it was observed that the targets relevant to various sub-components of the project have not been achieved, despite the fact that the project completion date was June 2022, as detailed in Annexure-A.

Audit held that as the project completion date was June 2022, therefore, slow progress of the project could hinder achievement of its overall objectives.

The lapse occurred due to inefficiency in terms of procuring the consultancies and hiring the PIU staff on time, which resulted in unnecessary delay of the project activities.

When pointed out in August 2021, the management replied that due to the COVID-19 crisis, the project activities were extremely affected, and procurements were delayed, which caused the utilization to slow down considerably. Many activities were delayed due to lockdowns or limited availability of resources. Moreover, the pandemic has also affected the supply chain internationally. Due to the supply-demand gap, the procured goods were taking 50% more time to deliver than the usual delivery time. Trainings and meetings were suffered due to restricted movements, due to which the project activities were delayed.

The hiring of the Project Implementation Unit was initiated in January 2019 and three staff members (PIU) were hired, while hiring process of the remaining resources was stopped by the newly constituted Executive Committee, which asked for changes in their ToRs. The hiring of some staff was scheduled for later as the specific resources were required for a specific project component.

The reply was not satisfactory as all of the project components were not vulnerable to the COVID-19 lockdowns.

The department was requested vide letter dated 16-09-2021 for holding of the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends that the progress may be accelerated so that the project's objectives are achieved well in time.

4.2 Financial Management

4.2.1 Wasteful expenditure on relocation of work stations – Rs. 1.110 million

According to Subcomponent 1.1 of the Component 1 of Clause 9 of the approved PC-I of the project, an additional 200 seat facility will be established with the additional financing, which will result in creation of a total of 550 full jobs through the BPO sector.

According to Para 10 (I) of the General Financial Rules Volume-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the project "Digital Jobs in Khyber Pakhtunkhwa" for the Financial Year 2020-21, it was observed that the PIU has established the required number of work stations inside the office premises in Peshawar. However, the said work stations were relocated to another floor inside the same premises, resulting in a dismantling and relocation expenditure of Rs. 1,115,015/-.

Audit held that the dismantling of the work stations not only resulted in wasteful expenditure but also deprived the KPIT Board of the potential revenue that could have been obtained from the BPO operators during the period in which the work stations remained idle. This was evident from the fact that for the last few months, the potential BPO operators have already been showing interest to rent-in further work stations. However, as on date of Audit i.e. August 2021, these work stations were not yet re-established.

The lapse occurred due to mismanagement of the situation and poor planning, which resulted in wasteful expenditure on relocation of work stations.

When pointed out in August 2021, the management replied that the dismantling of the first floor was done because another BPO Operator "Afiniti" is establishing their facility which would help in creating 150 additional jobs. They would bring in their own investment for procuring their Equipment and Furniture for the establishment of 150 seats facility. The Equipment and Furniture has been relocated to the ground floor. The cost of relocation is approved by the World Bank, copy of the approval annexed.

The reply was not convincing, as keeping in view the fact that the revenue from Affinity for the 1st floor space could not stream-in until the 1st floor's setting-out period of 4 months ends i.e. in September 2021. Therefore, it was not appropriate to forego the revenue that could have been earned from other BPO operators during this period of relocation and re-establishment of the work stations on the ground floor.

The department was requested vide letter dated 16-09-2021 for holding of the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the persons at fault.

4.2.2 Overpayment of rent – Rs. 0.058 million

According to the rental agreement signed with CECOS University on 1st April, 2019; the rent for the 11,761 sq. feet space on first floor will be Rs. 49 per sq. feet, with an annual increase of 5%.

During audit of the project "Digital Jobs in Khyber Pakhtunkhwa" for the Financial Year 2020-21, it was observed that 11,761 sq. feet of space on first floor was rented from CECOS University in its building located in the Industrial Estate Hayatabad Peshawar. As per agreement signed on 1st April, 2019 and valid up to 30th June, 2020, the rate of rent was Rs. 49 per sq. feet, with annual increase of 5%. However, after one year, the Project was charged a rent of Rs. 52 per sq. feet, instead of 51.45 per sq. feet for 9 months from July 2020 to March 2021, resulting in a monthly overpayment of Rs. 6,469/- and total overpayment of Rs. 58,221/- (Rs. 6,469 X 9 months), which resulted into a loss to the Project.

The lapse occurred due to weak internal controls, which resulted in overpayment of rent.

When pointed out in August 2021, the management replied that the excess amount would be recovered and compliance would be ensured in future.

The department was requested vide letter dated 16-09-2021 for holding of the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

4.2.3 Less deduction of taxes – 0.236 million

According to the withholding tax rules of the Federal Board of Revenue, under Section 152(2A) b(ii) of the Income Tax Ordinance 2001, as amended, the withholding of tax on services from companies should be made at the rate of 8% (if filer), while the withholding of tax on services from other than companies should be made at 10%, in case of filer and at 20%, in case of non-filer. Furthermore, sales tax of 15% is levied on the services provided under Classification Code 9846.0000 Event Management Services of the Second Schedule of Appendix-IV of the Khyber Pakhtunkhwa Finance Act 2013, as amended up to Finance Act 2019.

During audit of the project "Digital Jobs in Khyber Pakhtunkhwa" for the Financial Year 2020-21, it was observed that the withholding of advance income tax under the FBR rules and services tax under the KPRA rules was not done as per the prevailing rates, which resulted in less deduction of taxes worth Rs. 236,315/- from the internet service providers (M/S Wateen, NayaTel and PTCL), architecture services provider (Bilal Khan) and event management service provider (M/S Media Reflections), as detailed in Annexure B, which resulted in a loss to the Federal and Provincial exchequers, respectively.

The lapse occurred due to weak internal controls, which resulted in less deduction of taxes.

When pointed out in August 2021, the management replied that in case of Serial No. 1, recovery would be made after consulting the record, while for Serial No. 2, the recovery would be made from their next invoice. Furthermore, for Serial No. 3, the matter would be consulted with KPRA and recovery would be made, if required.

The department was requested vide letter dated 16-09-2021 for holding of the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends that the less deducted advance tax may be recovered from the concerned companies, if they have not yet deposited the required tax with FBR and the consultant may be requested to charge taxes at the required rates and any previous under-taxation may be recovered from the consultant's invoices.

4.3 Procurement and Contract Management

4.3.1 Non-development of Contract Management Plan

According to Annex-I Para 3.7 "Value for Money", and Annex XI Para 2.4 "Contract Management" of the World Bank's "Procurement Regulations for IPF Borrowers" July 2016 revised November 2017 and August 2018; to effectively manage a contract, for contracts identified in PPSD, the Borrower shall develop a Contract Management Plan with key performance indicators and milestone events and shall proactively manage contracts throughout their duration against the Contract Management Plan.

During audit of the project "Digital Jobs in Khyber Pakhtunkhwa" for the Financial Year 2020-21, it was observed that the consultancy for the assignment "Business Process Outsourcing Work Platform" was awarded to M/S Cyber Vision International on 21-02-2020 for a contract price of Rs. 48 million for a period of 12 months and that of "Women Empowerment through Digital Skills" was awarded to M/S DEMO & Tech Valley JV on 03-03-2021 for a contract price of Rs. 15.66 million for a period of 12 months. However, Contract Management Plans have not been developed and resultantly both the consultants could not complete their assignments within the 12 months period. The contracts have been extended up to 30-06-2021 in the Procurement Committee meeting held on 04-02-2021, but it is important to mention here that as on the date of audit i.e. 27th August, 2021, both the assignments were still incomplete.

Audit held that the delay in completion of the assignments hindered the overall progress of the project.

The lapse occurred due to ineffective contract management, which resulted in non-completion of the assignments by the consultants.

When pointed out in August 2021, the management replied that the performance of different consultants was monitored against the deliverables described in the contract. Each consultant has submitted a detailed report against every deliverable which was reviewed by the concerned team at KPITB for approval. Payment against a deliverable was only released after the approval of the concerned deliverable.

The reply was not convincing as it is not always necessary that the consultant's deliverable(s) are timely and according to the contract. Therefore, the Contract Management Plan is a useful tool that helps the PIU to plan and monitor on how and when the deliverable(s) should have been submitted by the consultant.

The department was requested vide letter dated 16-09-2021 for holding of the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends ensuring effective contract management for timely completion of various assignments.

4.3.2 Non-recovery of operational cost from the BPO Operator – Rs. 2.852 million

According to Para-D (Page-4) of the separate Contracts executed with M/S SMSAMI, "the BPO Operator shall pay USD 55 per seat per month as Operational Cost of the BPO Ready Facility to KPITB from the date of possession of the BPO Ready Facility. The Operational Cost shall be payable in PKR by the 5th day of each month or on the subsequent working day in case of public holiday. Inter-Bank USD to PKR conversion rates on the due date shall be applicable".

During audit of the project "Digital Jobs in Khyber Pakhtunkhwa" for the Financial Year 2020-21, it was observed that an amount of Rs. 2,852,507/- was outstanding against the BPO operator M/S SMSAMI, as per the statement provided by the PIU (Annexure-C).

Audit held that non-recovery of the total amount of Rs. 2,852,507/- was a loss to the KPIT Board.

The lapse occurred due to inadequate contract management, which resulted in non-recovery of the operational cost.

When pointed out in August 2021, the management replied that the COVID-19 pandemic hit the businesses of the BPOs severely; non-recovery of rental amount was affected due to this reason. The matter has been taken up with the concerned and the amount will be recovered.

The department was requested vide letter dated 16-09-2021 for holding of the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

4.3.3 Wasteful expenditure of rent – Rs. 1.080 million

According to Section 2.01 (i) of the Special Conditions, constituent to the Grant Agreement No.TF0A7171 dated 17-10-2019, the recipient of the grant shall ensure that the Project is carried out with due diligence and efficiency.

During audit of the project "Digital Jobs in Khyber Pakhtunkhwa" for the Financial Year 2020-21, it was observed that according to the revised PC-I, one "Durshal Access" center was required to be established under the project which would be a publicly accessible facility and would provide outreach to the local community. District Swat was selected for establishing the Durshal Access Center and accordingly a building was rented in Ibrar Plaza Mingora Swat for a monthly rent of Rs. 270,000/-. However, the building was rented from December 2020, while progress on establishing the Durshal Center was only initiated in April 2021, which means that the building was left idle for 4 months, resulting in wasteful rental payments of Rs. 1,080,000/- (Rs. 270,000 X 4 months), which resulted in a loss to the project.

The lapse occurred due to poor planning, which resulted in wasteful expenditure.

When pointed out in August 2021, the management replied that the location and building for Durshal Access was most feasible and was available on very nominal monthly rent that was why the building was rented out while it was available.

The reply was not convincing as once the facility was rented then the establishment of Darshal Access center in that facility should have been initiated.

The department was requested vide letter dated 16-09-2021 for holding of the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

4.4 Asset Management

4.4.1 Improper assets management – Rs. 0.478 million

According to GFR Volume II Para 148, the officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

During audit of the project “Digital Jobs in Khyber Pakhtunkhwa” for the Financial Year 2020-21, it was observed that 01 Camera and 36 Fire Extinguisher equipment valuing Rs. 478,886/- were purchased, however, entry of these assets could not be made in the assets register and the assets were not tagged.

Audit held that the non-tagging of assets as inappropriate safeguarding of assets.

The lapse occurred due to violation of rules and regulations, which resulted in improper assets management.

When pointed out in August 2021, the management replied that compliance would be ensured in future.

The department was requested vide letter dated 16-09-2021 for holding of the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends that safeguarding of the project’s assets may be given priority. The assets may be properly recorded in the electronic/ manual register and tagged properly.

4.5 Monitoring and Evaluation (M&E)

The PIU has been regularly reporting the progress to the World Bank and P&D Department Khyber Pakhtunkhwa. Hence, the monitoring & evaluation is properly done.

4.6 Compliance with Grant / Loan Covenants

The project implementation was in accordance with the grant covenants.

4.7 Environment

The Project had no negative environmental impacts.

4.8 Sustainability

The project is likely to attract investments. After completion of the project, it will not only facilitate the Government departments in expanding their digitalization process but will help absorb the local digitally skilled talent pool within the province. Hence, the project is sustainable; however, it is important that the revenues generated from the project are properly safeguarded from misuse or utilization elsewhere.

4.8.1 Non-development of SOPs for the revenue from BPO Operators – Rs. 16.459 million

According to the revised PC-I of the project, the Sub-Component BPO Ready Space will contribute to the sustainability of the project by collection of per work station fee from the BPO operators.

During audit of the project “Digital Jobs in Khyber Pakhtunkhwa” for the Financial Year 2020-21, it was observed that a revenue of Rs. 16,459,636/- was earned from the BPO Operators which was credited into the bank account of KPIT Board. However, there were no procedures or SOPs in place as to how that revenue would be safeguarded from being spent for the KPITB’s operations. Furthermore, there was no clear guidance on ensuring that the same revenue is invested in profitable opportunities so that the size of this sustainability fund could be increased.

Audit held that non-existence of guidelines in this matter could result in spending of these funds.

The lapse occurred due to financial mismanagement, which resulted in non-development of standard operating procedures.

When pointed out in August 2021, the management replied that the matter would be consulted with the management and action would be taken as per the decision of the management.

Audit is of the view that the revenues from BPO operators are meant for project’s sustainability and every effort should be made to ensure safeguarding and counter misuse of these funds.

The department was requested vide letter dated 16-09-2021 for holding of the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends that proper guidelines may be defined for safeguarding the revenue and bank statement showing the balances of this fund as on 30-06-2021 may be produced to Audit.

4.9 Overall Assessment

Although the consultancy firms for the development of online outsourcing platform and one-window facilitation facility have not delivered any tangible output yet, the overall progress of the project is satisfactory. The BPO Ready Facility has been developed to generate jobs in the digital field, for which agreement has been made with a BPO operator. This project has currently created 170 jobs and is likely to create more than 550 jobs by end of 2021. Other components such as training of women under the women empowerment component and the incubation of female led start-ups have shown significant progress.

i. Relevance

The project was in line with Government Sectoral policies.

ii. Efficacy

The infrastructure for the effective implementation of the project has been established. Agreement for Online Platform for outsourcing freelancing assignments, one-window facilitation, training of women on Digital Skills under KP-YEP and BPO operator has been entered into with Consultants. Progress on components such as Seed Fund and Durshal Access Center Swat will soon be initiated.

iii. Efficiency

The project was expected to be implemented efficiently. However, due to COVID-19 restrictions and lockdowns the project has faced certain constraints and the progress was disturbed. However, the project is expected to be executed efficiently during 2021-22 because almost all the constraints have been removed.

iv. Economy

The project is expected to be completed within the allocated budget and time.

v. Effectiveness

The project is likely to be effective if all the consultants could deliver their output in time.

vi. Compliance with rules

The overall implementation of the project was in compliance with rules; however in some cases deviation from rules was made.

vii. Performance Rating of the Project

The performance rating of the project was satisfactory.

viii. Risk Rating of the Project

The risk rating of the project was medium.

5. CONCLUSION

The project is likely to achieve its objectives. The overall progress of the project was satisfactory. The Consultancy Firms for the development of online outsourcing platform will likely deliver the platform by end of 2021. The training of women on employable digital skills will soon be completed. The BPO Ready Facility has been developed and is likely to generate more than 550 jobs by end of 2021. The progress on developing one window facilitation platform has been accelerated while the Durshal Access Center Swat will soon be functional. Consultant for the Seed Fund component has been hired and it is expected that start-ups will start getting the necessary finances in near future.

5.1 Key issues for the future:

The key Issues that could hamper project performance and achievement of intended objectives were:

- a. The effective implementation of the procurement plan needs to be ensured.
- b. Contract Management Plan needs to be developed so that the consultant's progress could be effectively monitored.
- c. The PC-I targets may be pursued.
- d. Some of the project staff was not hired, which need to be hired.
- e. The overall funds were less utilized as compared to the budget allocation. The available funds need to be utilized as per PC-I allocation.
- f. Taxes may be deducted from the payments to the suppliers

5.2 Lessons Learned:

The effective implementation of the project should be ensured by timely carrying out the activities as planned in the PC-I.

ACKNOWLEDGEMENT

We wish to express our appreciation to the management and staff of the Project “Digital Jobs in Khyber Pakhtunkhwa” for the assistance and cooperation extended to the audit team during this assignment.

Annexure-A

S. No.	Sub-Component	PC-I target up to 30-06-21	Progress Achieved up to 30-06-21	Impact	Remarks
01	BPO Ready Space	Creating 550 jobs and renting out 550 seats to BPOs Expenditure of Rs. 75 million which means that the platform should have been developed by now	140 seats are currently rented out & 140 jobs created The consultant has been paid Rs. 20 million worth of the deliverables out of the total 48 million contract which means that only 42% of the progress is made	Creation of 410 jobs is delayed and revenue of 410 seats is lost	The target has not been achieved yet
02	Platform Partnership		The consultant has been paid Rs. 7 million worth of the deliverables out of the total 26.5 million contract which means that only 26% of the progress is made	Achievement of the estimated job target of 500 digital jobs is delayed	The contract previously valid up to Feb 2021 has been extended till June, 2021 but the objective is still not achieved
03	One-Window Facilitation Platform	Expenditure of Rs. 22 million	The Swat Durshal excess center is not yet operational	The benefits of ease of doing business in KP for the potential investors are yet to be reaped	The target has not been achieved yet
04	Durshal Access Center	Expenditure of Rs. 140 million	The Swat Durshal excess center is not yet operational	Expected service delivery is delayed	The target has not been achieved yet
05	Women Empowerment through Digital Skills	Should have been completed during 2019-20	The consultant has been paid approx Rs. 8.5 million worth of the deliverables out of the total 15.66 million contract which means that only 55% of the progress is made	The training of 1500 women out of total target 3000 is not done yet and assessment of their employability is pending	The contract previously valid up to Feb 2021 has been extended till June, 2021 but the objective is still not achieved
06	Seed Fund	Expenditure of Rs. 50 million	The consultancy has not been awarded yet	The process of providing necessary finances to the needy start-ups/tech business is delayed	The target has not been achieved yet
07	PIU Staff	It is evident from allocations given in PC-I that all the recruitment should have been completed during 2020-21	Majority of the PIU staff has been hired during Feb, 2021.	Progress was delayed in certain components	The target has not been achieved yet

Annexure-B

I. The withholding tax has been withheld at 3% instead of 8% from the internet service providers which has resulted in less deduction of Rs. 123,446/-

Amount in Rupees					
Service Provider	Voucher No / Date	Amount	Tax Recoverable @ 8%	Tax Withheld	Difference
Wateen Internet	BPV-0083 / 29.09.20	233,025	18,642	6,991	11,651
PTCL	BPV-0082 / 29.09.20	246,003	19,680	7,380	12,300
Wateen Internet	BPV-0098 / 15.12.20	77,675	6,214	2,330	3,884
Nayatel	BPV-0097 / 15.12.20	104,223	8,338	3,127	5,211
PTCL	BPV-0096 / 15.12.20	246,003	19,680	7,380	12,300
Wateen Internet	BPV-0093 / 15.12.20	155,350	12,428	4,661	7,767
Wateen Internet	BPV-117 / 17.02.21	72,920	5,834	2,188	3,646
Wateen Internet	BPV-112 / 17.02.21	155,350	12,428	4,661	7,767
Nayatel	BPV-108 / 29.01.21	72,917	5,833	2,188	3,645
Nayatel	BPV-128 / 11.03.21	77,304	6,184	2,319	3,865
Wateen Internet	BPV-124 / 11.03.21	77,675	6,214	2,330	3,884
Nayatel	BPV-141 / 19.04.21	73,443	5,875	2,203	3,672
Wateen Internet	BPV-140 / 19.04.21	77,675	6,214	2,330	3,884
Wateen Internet	BPV-151 / 25.05.21	77,675	6,214	2,331	3,883
Nayatel	BPV-150 / 25.05.21	73,560	5,885	2,207	3,678
Wateen Internet	BPV-166 / 11.06.21	77,675	6,214	2,331	3,883
Nayatel	BPV-161 / 11.06.21	78,524	6,282	2,356	3,926
PTCL	BPV-158 / 11.06.21	492,000	39,360	14,760	24,600
Total		2,468,997	197,519	74,073	123,446

2. Architect Bilal Khan was paid Rs. 360,000/- vide voucher No. BPV-148 dated 17-05-2021 for his consultancy. However, advance income tax of Rs. 36,000/- was withheld from him @ 10% despite the fact that he was a non-filer and tax should have been withheld @ 20% instead.

Total Invoice Value	Tax @ 20%	Tax Withheld	Difference
360,000	72,000	36,000	36,000

3. Market Reflections was awarded services contract under sub-component "Marketing & Outreach" wherein the contractor was required to provide marketing and events management services to the Project. In their invoices dated 25-02-2021, the service provider has charged a services tax of 8% instead of 15% on the amounts related to the event management services which has resulted in under-taxation of Rs. 76,868/-;

Total Invoice Value	Value of Event Mgt Services	Tax @ 15%	Tax Charged	Difference
2,804,850	1,098,123	164,718	87,850	76,868

Note:

It is important to mention that the Khyber Pakhtunkhwa Sales Tax on Services (Withholding) Regulation, 2020 requires that the tax amount so calculated shall be withheld from within the invoice value and paid to the Government accordingly. Hence recovery of any under-charging of tax from Media Reflections should not be over and above the contract value but should be withheld within their invoices value.