



**AUDIT REPORT
ON THE ACCOUNTS OF
ASSISTANT DIRECTOR LOCAL
GOVERNMENT, ELECTION & RURAL
DEVELOPMENT DEPARTMENT AND
SELECTED VILLAGE COUNCILS/
NEIGHBORHOOD COUNCILS
DISTRICT LAKKI MARWAT**

KHYBER PAKHTUNKHWA

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AIR	Audit & Inspection Report
ADP	Annual Development Program
AD, LGE &RDD	Assistant Director Local Government Election and Rural Development Department
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule of Rate
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
DG	Director General
GFR	General Financial Rules
IPSAS	International Public Sector Accounting Standards
LCB	Local Council Board
LGO	Local Government Ordinance
LG&CD	Local Government and Community Development
MB	Measurement Book
MC	Municipal Committee
MFDAC	Memorandum for Department Accounts Committee
MRS	Regional Directorate of Audit
RDA	Market Rate System
PAO	Principal Accounting Officer
PATA	Provincially Administrated Tribal Area
PC-I	Planning Commission document-I
PCC	Plain Cement Concrete
TKPP	Tameer Khyber Pakhtunkhwa Programme
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
VCs	Village Councils
NCs	Neighborhood Councils
WSS	Water Supply Scheme
ZAC	Zila Accounts Committee

Preface

Articles 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 and Section-37 Local Government Act 2013, require the Auditor-General of Pakistan to conduct audit of the receipts and expenditure of Local Fund of Village Councils, Neighborhood Councils and Assistant Director Local Government.

The report is based on audit of the accounts of Assistant Director Local Government Election and Rural Development Department and Village Councils, Neighborhood Councils in District Bannu for the Financial Year 2015-16. The Directorate General of Audit, District Government, Khyber Pakhtunkhwa, Peshawar conducted audit on test check basis during 2016-17 with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and significant audit findings. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The Audit Observations listed in the Annexure-1 shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this Report have been finalized without getting written replies of the Departments. DAC meetings could not be convened despite repeated requests.

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 37 of Khyber Pakhtunkhwa Local Government Act 2013 to be laid before appropriate legislative forum.

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, carries out the audit of all District Governments in Khyber Pakhtunkhwa, Assistant Director Local Government, Election & Rural Development Department and Village / Neighborhood councils. Its Regional Directorate of Audit Bannu has audit jurisdiction of District Government, Tehsil Municipal Administrations, AD LGE&RDD and VCs /NCs of two Districts i.e. Bannu and Lakki Marwat.

The Regional Directorate Audit has a human resource of 05 officers with a total of 1250 person days available. The annual budget of Rs 11.189 million was allocated to the RDA during financial year 2015-16. It has the mandate to conduct regularity audit (financial attest audit, compliance with authority audit) and performance audit of entities, projects and programs. Accordingly Regional Director Audit Bannu carried out audit of the accounts of AD LGE&RDD and 11 VCs/NCs for the Financial Year 2015-16.

Assistant Director Local Government Election & Rural Development Department and VCs/NCs of District Bannu perform their functions under Khyber Pakhtunkhwa Local Government Act, 2013. Deputy Commissioner in a district is the Principal Accounting Officer (PAO) for the salary and non-salary budget of office of the AD LGE&RDD and VCs/NCs while AD LGE&RDD is the Principal Accounting Officer for the developmental budget of VCs and NCs according to the Rules of Business of the AD LGE&RDD and VCs/NCs. According to Section 35 of Khyber Pakhtunkhwa Local Government Act, 2013 the annual budget statement for these local bodies is approved by simple majority of the total membership of the respective councils and the schedule of authorized expenditure is authenticated by respective Nazim.

a. Scope of Audit

The total expenditure of the 96 Village / Neighborhood Councils in District Bannu for the financial year 2015-16 was Rs. 41.830 million. Out of this, the RDA Bannu audited an expenditure of Rs 4.250 million which, in terms

of percentage, was 10% of auditable expenditure. Detail of VCs/NCs is given below:

Sr. No.	Tehsil	Total No. of VCs	No. of VCs Audited Last year	No. of VCs Audited This year	Name of VCs/NCs
1	Lakki Marwat	73	06	06	Alam Shah Khel, Dara Tang-I, Tittar Khel, Pezu-I, NC-I Lakki & NC-II Lakki.
2	Serai Nourang	23	04	04	NC-I Serai Nourang, NC-II Serai Nourang, Marmandi Azim & Mama Khel.

The total of receipts of Assistant Director Local Government Elections & Rural Development Department and 10 Village Councils for the financial year 2015-16 was Rs Nil. Out of this, RDA Bannu audited receipt of Rs nil which, in terms of percentage, was 0% of auditable receipt.

The total expenditure and receipts of Assistant Director Local Government & Rural Development Department and 11 VCs/NCs of District Lakki Marwat for the Financial Year 2015-16 was Rs 61.918 million. Out of this RDA Bannu audited the transactions of Rs 46.440 million which, in terms of percentage, was 10% of auditable amount.

b. Recoveries at the instance of audit

Recovery of Rs 10.888 million was pointed out during the audit, however, no recovery was affected till finalization of this report. Out of the total recoveries, Rs 10.888 million was not in the notice of the executive before audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of Assistant Director Local Government Elections and Rural Development Department and Neighborhood/Village Councils with respect to their functions, control structure, prioritization of risk area by determining their significance and key controls. This helped auditors in understanding the systems, procedures,

environment, and the audited entity before starting the audit. Audit used desk audit techniques for analysis of complied data and review of actual vouchers called for during scrutiny and substantive testing in the field.

d. Audit Impact

Audit pointed out various irregularities of serious nature. Cases related to weak internal were also pointed out to which management has been sensitized. In certain cases management has taken action which may further be verified. However, no impact was visible as the management failed to reply and the irregularities could not come to the light in the proper forum i.e. DAC.

e. Comments on Internal Control and Internal Audit department

The purpose of internal control system is to ensure effective operation of an organization. It consists of measures employed by the management to achieve objectives, safeguard assets, ensure accuracy, timeliness and reliability of financial and accounting information for decision making.

Another basic component of internal control, as envisaged under section 37 (4) of LGA 2013, is internal audit which was not found in place in the domain of AD LGE&RDD and VCs/NCs.

f. Key audit findings of the report;

- i. Irregularity & Non-compliance of Rs 67.521 million were noted in Nine Cases.¹

g. Recommendations

- i. Corrective actions need to be taken to stop the practice of violation of rules and regulations while spending the public money.
- ii. Deduction of taxes on supplies and contracts needs to be ensured.
- iii. Inquiries need to be held to fix responsibility for losses, irregular payments and wasteful expenditure.

¹Para 1.2.1.1 to 1.2.1.9

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	01	61.918
2	Total formations in audit jurisdiction	97	61.918
3	Total Entities(PAOs) Audited	11	46.440
4	Total formations Audited	11	46.440
5	Audit & Inspection Reports	11	46.440
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

II: Audit Observations classified by Categories

(Rs in million)

S.No.	Description	Amount Placed under Audit Observation
1.	Unsound asset management	-
2.	Weak financial management	-
3.	Weak Internal controls	-
4.	Others	67.521
	Total	67.521

III: Outcome Statistics

(Rs in million)

S. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	Others	Total For the year 2015-16	Total for the year 2014-15
1.	Outlays Audited	5.00	24.487	0	32.431	61.918	78.269
2.	Amount Placed under Audit Observation /Irregularities of Audit	-	56.304	0	11.217	67.521	96.850
3.	Recoveries Pointed Out at the instance of Audit	-	10.196	0	0.692	10.888	10.949
4.	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

Note: The outcome figures reported for the year 2015-16 pertains to the ten (10) Union Councils audited last year. Since the PAO is the same therefore, these amounts have been included here to show cumulative effect against the PAO.

IV: Irregularities pointed out**(Rs in million)**

S. No	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	67.521
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	0
3	Accounting Errors (accounting policy departure from NAM ² , misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	0
4	Quantification of weaknesses of internal control systems.	0
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	0
6	Non-production of record	0
7	Others, including cases of accidents, negligence etc.	0
	Total	67.521

V: Cost benefit Ratio**(Rs in million)**

S #	Description	Amount
1	Outlays Audited (item 1 of Table 3)	61.918
2	Expenditure on audit	11.189
3	Recoveries realized at the instance of audit	0
	Cost-Benefit Ratio	1:0

CHAPTER-1

1.1 AD LG&RDD & VCs/NCs District Lakki Marwat

1.1.1 Introduction

District Lakki Marwat has two Tehsils i. e. Lakki Marwat and Serai Nourang. There is an Assistant Director LGE&RDD and 97 VCs and NCs. Each Village and Neighborhood Council has a Secretary. Assistant Director LGE&RDD is Drawing and Disbursing Officer (DDO) for his office and Village/ Neighborhood Council's Nazim is Drawing and Disbursing Officer for his VC/NC.

Functions and powers of Assistant Director, Local Government Election and Rural Development Department.

- i. Providing secretarial support to the Council
- ii. Matters relating to Local Government Commission
- iii. Matters relating to local taxes and local rate
- iv. Coordination and supervision of village and neighborhood councils
- v. Grants, establishment and budget of village and neighborhood councils
- vi. Coordination of activities relating to local council elections, population census and surveys in the district
- vii. Rural Development Works including water supply, rural access roads, embankment and drainage works
- viii. Overseeing registration of births, deaths and marriages in village and neighborhood councils
- ix. Working as interface for knowledge management and communication on local governance issues in the district
- x. Review, evaluation and assessment of local government system, processes and procedures in the district particularly at the village and neighborhood level
- xi. Collection, compilation and dissemination of primary data Training and research in the areas of local governance

Functions and Powers of the Village Council or Neighborhood Council:

- i. Functions of the village council and neighborhood council, as the case may be, shall be to:
- ii. Monitor and supervise the performance of functionaries of all government offices located in the area of the respective village council or neighborhood council, including education, health, public health engineering, agriculture, livestock, police and revenue, and hold them accountable by making inquiries and reports to the Tehsil municipal administration, district government or, as the case may be, the Government for consideration and action;
- iii. Provide effective forum for out of court amicable settlement of disputes and, for this purpose, constitute panels of members as conciliators;
- iv. Register births, deaths and marriages;
- v. Implement and monitor village level development works;
- vi. Improve water supply sources, maintain water supply distribution system and take measures to prevent contamination of water;
- vii. Maintain village level infrastructure, footpaths, tracks, streets, prevent and abate nuisances and encroachments in public ways, public streets and public places.
- viii. Maintain and improve collective property including playgrounds, graveyards, funeral places, eid-gah, parks, public open spaces and community centers;
- ix. Identify development needs of the area for use by municipal administration and district government in prioritizing development plans;
- x. Make arrangements for sanitation, cleanliness, disposal of garbage and carcasses, drainage and sewerage system;
- xi. Display land transactions in the area for public information;
- xii. Mobilize community for maintaining public ways, public streets, culverts, bridges and public buildings, de-silting of canals and other development activities;
- xiii. Develop sites for drinking and bathing of cattle;
- xiv. Organize cattle fairs and agriculture produce markets;
- xv. Organize sports teams, cultural and recreational activities;

- xvi. Organize watch and ward in the area;
- xvii. Promote plantation of trees, landscaping and beautification of public places;
- xviii. Regulate grazing areas, establish cattle ponds and provide protection against stray animals and animal trespass;
- xix. Consider and approve annual budget presented by the respective Nazim, village council or neighborhood council;
- xx. Facilitate formation of voluntary organizations for assistance in functions assigned to it;
- xxi. Facilitate the formation of co-operatives for improving economic returns and reduction of poverty;
- xxii. Elect an Accounts Committee and review its recommendations on the annual statement of accounts and audit reports; and
- xxiii. Report cases of handicapped, destitute and of extreme poverty to district government.

1.1.2 Comments on Budget and Accounts (variance analysis)

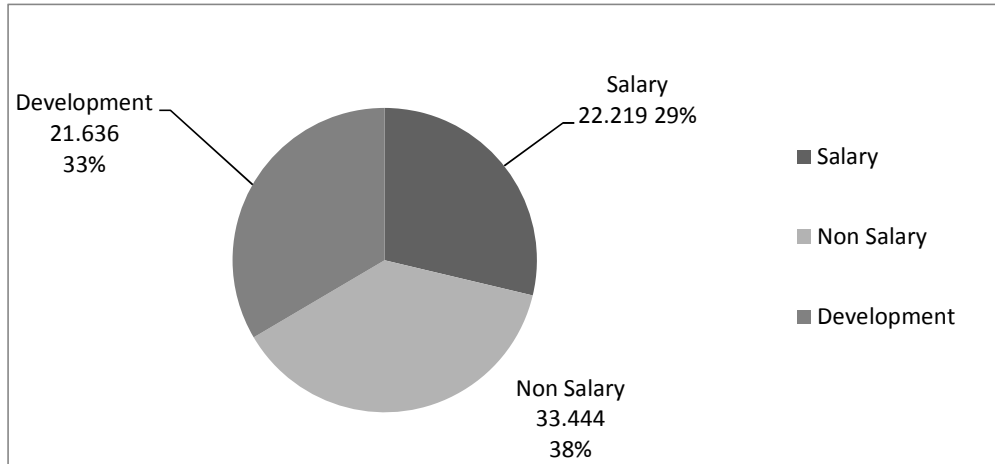
An amount of Rs 285.286 million was allocated as budget by the District Government to the office of Assistant Director Local Government Election & Rural Development Department and 10 NCs/VCs of District Lakki Marwat during financial year 2015-16, against which an expenditure of Rs 77.299 million was incurred by the Assistant Director Local Government Election & Rural Development and 10 NCs/VCs Lakki Marwat with a saving of Rs 207.989 million. Detail is given below:

(Rs in million)				
2015-16	Budget	Expenditure	(+)Excess/(-)Saving	Percentage%
Salary	41.143	22.219	-18.924	46.00%
Non-salary	29.964	29.194	-0.770	02.57%
Developmental	185.588	21.636	-163.952	88%
NCs/VCs	28.591	4.250	-24.341	85%
Total	285.286	77.299	-207.987	73%
Receipts	0	0	0	0
G. Total	285.286	77.299	-207.987	73%

The savings of Rs 207.987 million indicate weakness in the capacity of these local institutions to utilize the allocated budget.

Expenditure 2015-16

(Rs in million)



1.1.2 Comments on the status of Compliance with PAC Directives

The Audit Reports pertaining to Financial Years 2014-15 on accounts of Assistant Director Local Government & Rural Development Department, District Lakki Marwat and 10 Union Councils were prepared under the Khyber Pakhtunkhwa Local Government Act, 2013 and have not yet been discussed in PAC. Provincial Assembly of Khyber Pakhtunkhwa has returned the Audit Reports during February, 2017 with the remarks that the same may be examined by respective Accounts Committees as provided under Khyber Pakhtunkhwa Local Government Act, 2013.

**ASSISTANT DIRECTOR LGE & RDD AND
VILLAGE / NEIGHBORHOOD COUNCILS
LAKKI MARWAT**

1.2 Assistant Director Local Government and VCs / NCs Lakki Marwat

1.2.1 Irregularity & Non compliance

1.2.1.1 Execution of work without Technical Sanction – Rs 46.177 million

Para 32 of CPWA Code Stated that No work shall be executed without obtaining Administrative Approval and Technical Sanction.

Assistant Director LGE&RDD, Lakki Marwat awarded contracts of Rs 46.177 million for construction / rehabilitation of difference black top roads during 2015-16. Execution was started before obtaining technical sanction of each scheme as per detail given below:-

Sr. No.	Name of Work	Estimated Cost
1	Construction / Rehabilitation of Black top road from Wanda Amir to Achu Khel	15,393,000
2	Construction / Rehabilitation of BTR Road from village Nar Azar to Nourang City	15,393,000
3	Construction / Rehabilitation of Road from Indus Highway to Village Kaka Khel	15,391,124
	Total	46,177,124

Audit observed that unauthorized execution of work occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out to the management in April 2017, management stated that reply would be furnished after consulting the record, but reply was not submitted. Request for convening DAC meeting was made in April 2017 however meeting of DAC could not be convened till finalization of this report.

Audit recommends regularization and action against the person(s) at fault.

AIR Para No 01 (2015-16)

1.2.1.2 Non imposition of penalty – Rs 4.618 million

According to clause 2 of the contract agreement, for delay in the completion of work within stipulated period of time, compensation @ 1 % per day subject to maximum of 10% of the estimated cost of the work was required to be recovered.

Assistant Director, LGE&RDD, Lakki Marwat awarded contracts of Rs 46.177 million on account of construction / rehabilitation of difference black top roads during 2015-16. Work was awarded on 19.04.2016 with completion date of 30.06.2017. However, neither the contractors completed the work within stipulated period of time nor applied for extension of time limit. The department did not impose penalty amounting to Rs 4,617,712 as per detail given below.

Sr. #	Name of Work	Start Date	Completion Date	Estimated Cost	Penalty
1	Construction / Rehabilitation of Black top road from Wanda Amir to Achu Khel	19.04.2016	30.06.2016	15,393,000	1,539,300
2	Construction / Rehabilitation of BTR Road from village Nar Azar to Nourang City	19.04.2016	30.06.2016	15,393,000	1,539,300
3	Construction / Rehabilitation of Road from Indus Highway to Village Kaka Khel	19.04.2016	30.06.2016	15,391,124	1,539,112
	Total			46,177,124	4,617,712

Non imposition of penalty occurred due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was pointed out to the management in April 2017, management stated that reply would be furnished after consulting the record, but reply was not submitted. Request for convening DAC meeting was made in April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends inquiry besides recovery of amount of penalty and action against the person (s) at fault.

AIR Para No 02, 03, 05 (2015-16)

1.2.1.3 Unauthorized payment without budget and Pre-Audit Rs 4.250 million

Section 33 of Government of Khyber Pakhtunkhwa Local Government Act, 2013 read with Rule 33 of Government of Khyber Pakhtunkhwa TMA Budget Rules 2016 stated that the fund credited to the fund of a local Government shall be expended in accordance with annual budget approved by the respective council.

Section 36 (e) of Government of Khyber Pakhtunkhwa Local Government Act 2013 read with Rule 36 (e) of Khyber Pakhtunkhwa TMA Budget Rules 2016 states that The Accounts Officer mentioned in clauses (a), (b)(c) and (d) shall perform pre-audit of all payments from the respective Fund before approving disbursements of monies.

Secretaries of Ten (10) village councils spent Rs 4.250 million (as per detail given below) without any approved budget. Further neither pre-audit was performed by the Accounts officer for the disbursement made, nor books of accounts (Appropriation Account, Finance Account and Financial Statements), during 2015-16 were prepared.

Payment without approved budget, performing Pre-Audit and non-preparation of books of accounts, is not only the violation of Local Government Act 2013 but also leads to misuse of cheque drawing authority used by nazim and secretary village council.

Sr. No.	Name of Village Council	Amount Spent
1.	Alam Shah Khel	217,031
2.	Dara Tang-I	372,499
3.	Titter Khel Guli Jan	753,875
4.	Pezu-I	451,570
5.	NC-I Lakki Marwat	377,336
6.	NC-I Serai Nourang	309,000
7.	NC-II Serai Nourang	447,000
8.	Marmandi Azim	403,360
9.	Mama Khel	384,475
10.	NC-II Lakki Marwat	533,354
Total		4,249,500

Audit observed that unauthorized payment of Public money occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out to the management in April 2017, management stated that reply would be furnished after consulting the record, but reply was not submitted. Request for convening DAC meeting was made in April 2017 however meeting of DAC could not be convened till finalization of this report.

Audit recommends regularization and action against the person(s) at fault.

AIR Para No 07, 24, 25 (2015-16)

1.2.1.4 Unauthorized opening of account and deposits of Rs 4.157 million

Section 31(1) of Local Government Act 2013, monies credited to a Fund or a Public Account shall be kept in the State Bank, Government treasury, a post office or a bank in such manner as shall be specified by the Government from time to time.

Secretaries of Village Council Alam Shah Khel and Dara Tang-I District Lakki Marwat received Rs 4,156,958 during 2015-16 and deposited in their designated Banks other than NBP/SBP without getting prior permission from Government, which resulted into violation of rules.

Sr. No.	Name of Village Council / Account Title	Name of Bank	Account No	Receipt during 2015-16
1.	Alam Shah Khel	HBL	1169-79004788-03	1,953,479
2.	Dara Tang-I	HBL	1169-79004791-03	2,203,479
Total				4,156,958

Audit observed that unauthorized opening of accounts occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out to the management in April 2017, management stated that reply would be furnished after consulting the record, but reply was not submitted. Request for convening DAC meeting was made in April 2017 however meeting of DAC could not be convened till finalization of this report.

Audit recommends regularization and action against the person(s) at fault.

AIR Para No 01 (2015-16)

1.2.1.5 Loss to Government due to non-deduction of Sales Tax on Services – Rs 3.673 million

Sr. No. 26 of Government of Khyber Pakhtunkhwa Revenue Authority notification No F-16(4) KPRA / Notification / WH / 1323 dated: 31.08.2015 states that 15% service tax on service is required to be deducted from the services provided by the person engaged in contractual execution of work or furnishing supplies.

Assistant Director LGE&RDD, Lakki Marwat spent Rs 24,486,927 on different developmental schemes during 2015-16. Sales tax on services worth Rs 3,673,039 as per detail given below was not recovered.

Sr. No.	Name of Work	Estimated Cost
1	Construction / Rehabilitation of Black top road from Wanda Amir to Achu Khel	13,392,069
2	Construction / Rehabilitation of BTR Road from village Nar Azar to Nourang City	8,014,680

3	Construction / Rehabilitation of Road from Indus Highway to Village Kaka Khel	3,080,178
Total		24,486,927
Sales Tax on Services @ 15%		3,673,039

Loss was occurred due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was pointed out to the management in April 2017, management stated that reply would be furnished after consulting the record, but reply was not submitted. Request for convening DAC meeting was made in April 2017 however meeting of DAC could not be convened till finalization of this report.

Audit recommends inquiry besides recovery of amount and action against the person (s) at fault.

AIR Para No 04 (2015-16)

1.2.1.6 Non deposit of income tax – Rs 1.836 million

The rate of recovery of income tax on contracts were 7.5% w.e.f. 01.07.2015 vide Assistant Commissioner Circular No. WHU-XII/Bannu/434 dated: 11.08.2014.

Assistant Director LGE&RDD, Lakki Marwat spent Rs 24,486,927 on account of construction / rehabilitation of difference black top roads during 2015-16. Income Tax was deducted from the bills of suppliers but was not deposited in to Government Treasury as per detail given below.

Sr. No.	Name of Work	Expenditure	Penalty
1	Construction / Rehabilitation of Black top road from Wanda Amir to Achu Khel	13,392,069	1,004,405
2	Construction / Rehabilitation of BTR Road from village Nar Azar to Nourang City	8,014,680	601,101
3	Construction / Rehabilitation of Road from Indus Highway to Village Kaka Khel	3,080,178	231,013
Total		24,486,927	1,836,519

Non deposit of income tax occurred due to misappropriation and refers to weak internal, which resulted in to loss to Government.

The irregularity was pointed out to the management in April 2017, management stated that reply would be furnished after consulting the record, but reply was not submitted. Request for convening DAC meeting was made in April 2017 however meeting of DAC could not be convened till finalization of this report.

Audit recommends inquiry besides deposit of the amount of income tax in Government Treasury and action against the person(s) at fault.

AIR Para No 06 (2015-16)

1.2.1.7 Irregular and un-economical expenditure - Rs 1.621 million and non-deduction of income tax / sales tax / stamp duty Rs 0.311 million

Para 01 Chapter-II of KPPRA Rules 2014 requires that, “the Procuring entity shall use open competitive bidding as the principal method of procurement of goods over the value of Rs 100,000.

Chapter-V of KPPRA Rules 2014 requires that, “A procuring entity shall announce in an appropriate manner all proposed annual procurement and shall proceed accordingly without splitting or regrouping of any procurements so planned.

09 Secretaries of Village Council spent Rs 1,621,118 on account of major repair of office building, purchase of various items without adopting open competitive bidding during 2015-16.

Audit further observed that:

- i. Financial Sanction for the incurrence of the expenditure was also not obtained from Competent Authority.
- ii. Work/procurement was splitted to avoid open competitive biddings.

- iii. Measurement book was not maintained.
- iv. Items were purchased on exaggerated rates than that of market rates, which resulting in to loss of thousands.
- v. Income tax worth Rs 105,373 & Sales tax worth Rs 176,208 were not deducted / recovered from the bills of suppliers.
- vi. Rs 16,212 as Stamp duty was not deducted from the bills of suppliers.
- vii. Computer was purchased by Secretary Dara Tang-I for Rs 70,500 whereas payment of Rs 80,000 was made vide cheque No. 29725376 dated: 26.04.2016. Thus overpayment of Rs 9,500 was made.
- viii. Similarly furniture items were purchased by Secretary Dara Tang-I for Rs 81,500 whereas payment of Rs 98,000 was made vide cheque No. 29725378 & 29725379 dated: 26.04.2016. Thus overpayment of Rs 16,500 was made.
- ix. Item so purchased were not taken on stock register.

Audit observed that irregular expenditure occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out to the management in April 2017, management stated that reply would be furnished after consulting the record, but reply was not submitted. Request for convening DAC meeting was made in April 2017 however meeting of DAC could not be convened till finalization of this report.

Audit suggests regularization besides recovery of taxes and action against the person(s) at fault.

AIR Para No 06, 09, 11, 12, 14, 17, 20, 22, 23 (2015-16)

1.2.1.8 Unauthorized payment on unapproved items worth Rs 0.946 million

Government of Khyber Pakhtunkhwa Finance department vide letter No. BO(PFC-III)FD/1-6/ADP/15-16 dated: 05.01.2016 allocated Rs 500,000 for each village council for Purchase of furniture/office rent/computer with printer/stationery.

Secretary of following VCs / NCs spent Rs 701,011 on items which are not included in positive sectors during 2015-16.

Sr. No.	Name of VC/ NC	Nature of items	Amount
1	Titter Khel Guli Jan	Entertainment charges, News Papers, Major repair of rented building, prize distribution	465,191
2	Pezu-I	Entertainment charges, purchase of UPS/batteries	127,800
3	NC-I Lakki Marwat	Repair of rented building	53,670
4	NC-II Serai Nourang	Purchase of crockery and payment of financial assistance	15,000
5	Marmandi Azim	repair of rented office building and purchase of solar panels	39,350
6	NC-II Lakki Marwat	Major repair, plantation and purchase of crockery items	244,585
Total			945,596

Audit observed that unauthorized payment occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out to the management in April 2017, management stated that reply would be furnished after consulting the record, but reply was not submitted. Request for convening DAC meeting was made in April 2017 however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery and action against the person(s) at fault.

AIR Para No 08, 10, 15, 16, 19, 21 (2015-16)

1.2.1.9 Loss to Governments due to Non-deduction of income tax on honoraria - Rs 79,095

Honoraria Allowance is liable to deduction of income tax according to clarification of Commissioner Income Tax Zone, Peshawar letter No. 3259-60/2002-2003 dated: 13.06.2002.

In violation of above Secretaries of 10 Village Council paid Rs 1,581,900 during 2015-16 on account of Honoraria to Nazims, Naib Nazim and Councilors without deducted income tax @ 5% worth Rs 79,095 as per detail given below.

Sr. No.	Name of Village Council	Amount Paid	Income Tax
1.	Alam Shah Khel	182,400	9,120
2.	Dara Tang-I	153,000	7,650
3.	Titter Khel Guli Jan	191,300	9,565
4.	Pezu-I	131,000	6,550
5.	NC-I Lakki Marwat	139,200	6,960
6.	NC-I Serai Nourang	163,000	8,150
7.	NC-II Serai Nourang	153,000	7,650
8.	Marmandi Azim	153,000	7,650
9.	Mama Khel	153,000	7,650
10.	NC-II Lakki Marwat	163,000	8,150
Total		1,581,900	79,095

Audit observed that non deduction of income tax occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out to the management in April 2017, management stated that reply would be furnished after consulting the record, but reply was not submitted. Request for convening DAC meeting was made in April 2017 however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery of amount and action against the person(s) at fault.

AIR Para No 13 (2015-16)

ANNEXURES

Annex-1

Detail of MFDAC PARAS

(Rs in million)

S. No	AIR No	Department	Caption	Amount
1.	07	AD LGE & RDD	Doubtful expenditure	0.677
2.	08		Unauthorized expenditure	0.442
3.	09		Non deduction of sales tax / income tax	0.070
4.	10		Irregular appointment	0.000
5.	11		Unauthorized retention of money	0.139
6.	02	VC / NC	Irregular & unauthorized payment	0.460
7.	03		Payment without rent agreement	0.460
8.	05		Irregular payment on account of rent	0.203
9.	06		Non acknowledgement	0.460
10.	18		Non acknowledgement	0.050
11.	26		Unauthorized issuance of open cheques	0.450
12.	27		Discrepancies noticed in cash book	0.000