



**AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS
IN DISTRICT BANNU**

KHYBER PAKHTUNKHWA

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AA	Administrative Approval
ADP	Annual Development Plan
AOM&R	Annual Ordinary Maintenance and Repair
AP	Advance Para
BDA	Bannu Development Authority
BMC	Bannu Medical College
BOQ	Bill of Quantity
CMD	Chief Minister Directives
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule of Rate
CTR	Central Treasury Rules
C&W	Communication and Works
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
DCR	Deposit and Collection Register
DHO	District Health Officer
GFR	General Financial Rules
GST	General Sales Tax
GGDC	Government Girls Degree College
HRA	House Rent Allowance
IPSAS	International Public Sector Accounting Standards
KPPRA	Khyber Pakhtunkhwa Public Procurement Regularity Authority
LGA	Local Government Act
LCB	Local Council Board
MFDAC	Memorandum for Departmental Accounts Committee
MRS	Market Rates System
MB	Measurement Book
MT&C	Model Term and Condition
NC	Neighborhood Council
NIT	Notice Inviting Tender

PAO	Principal Accounting Officer
PAC	Public Accounts Committee
PC-I	Planning Commission One
PCC	Plain Cement Concrete
P&D	Planning and Development
PAK MDGs	Pakistan Millennium Development Goals
PLA	Personal Ledger Account
PHE	Public Health Engineering
RCC	Reinforced Concrete Cement
RDA	Regional Directorate of Audit
TS	Technical Sanction
TO (F)	Tehsil Officer (Finance)
TO (I)	Tehsil Officer (Infrastructure)
TOR	Tehsil Officer Revenue
U/C	Union Council
V/C	Village Council
WAPDA	Water and Power Development Authority
WSSP	Water Supply and Sanitation Project
WSS	Water Supply Scheme
XEN	Executive Engineer
ZAC	Zilla 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 (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section 37 of Khyber Pakhtunkhwa Local Government Act 2013, require the Auditor-General of Pakistan to conduct audit of the receipts and expenditure of Local Fund of Tehsil / Town Municipal Administrations.

The report is based on audit of the accounts of TMAs in District Bannu for the financial year 2015-16. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa 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 audit findings. Relatively less significant issues are listed in the **Annex-1** of the Audit Report. The Audit observations listed in the **Annex-1** shall be pursued with the Principal Accounting Officer at the DAC level. In all cases where the PAO does not initiate appropriate action, the Audit observations 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 in the light of written replies of the departments. However, in some observations, department did not submit written replies. DAC meetings were not convened despite repeated requests.

The Audit Report is submitted to the Government and Nazim of the respective Local council 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, a Field Audit Office of the Auditor General of Pakistan is responsible to carry out the audit of all District Governments in Khyber Pakhtunkhwa, Municipal Corporations, Municipal Committees and Union Councils. Its Regional Directorate of Audit Bannu has audit jurisdiction of District Governments, TMAs, and UAs of two Districts i.e. District Bannu and Lakki Marwat.

This Regional Directorate has a human resource of 5 officers and staff with a total of 1250 man-days. The annual budget amounting to Rs 11.1890 million was allocated to it during financial year 2016-17. The office is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programs/ projects.

Tehsil Municipal Administration Bannu and Domel perform their functions under Khyber Pakhtunkhwa Local Government Act 2013. It comprises one Principal Accounting Officer (PAO) as provided in Rules 8(1P) of the Khyber Pakhtunkhwa Tehsil and Town Municipal Administration Rules of Business 2015. Financial provisions of the Act establish a local fund for each Tehsil and Town Administration for which annual Budget Statement is authorized by the Tehsil/Town Council in the form of budgetary grants.

a. Scope of Audit

The total expenditure of the Tehsil Municipal Administrations District Bannu, for the Financial Years 2015-16 was Rs 506.224 million. Out of this, RDA Bannu audited an expenditure of Rs 249.255 million which, in terms of percentage, was 49.24% of auditable expenditure.

The total receipts of Tehsil Municipal Administrations Bannu and Domel for the Financial Years 2015-16, was Rs 383.986 million. Out of this, RDA Bannu audited receipts of Rs 383.986 million which, in terms of percentage, was 100% of auditable receipts.

The total of expenditure and receipts of TMA Bannu and Domel for the financial year 2015-16 was 890.21 million. Out of this RDA Bannu and Domel audited transactions of Rs 633.541 million which, in terms of percentage, was 71.17% of auditable amount.

b. Recoveries at the instance of audit

Recoveries of Rs 49.213 million was pointed out during the audit. However, no recovery was affected till finalization of this report. Out of the total recoveries 49.213 million was not in the notice of the executive before audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of Tehsil Municipal Administrations in District Bannu with respect to their functions, control structure 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 compiled data and review of actual vouchers called for scrutiny and substantive testing.

d. Audit Impact

Audit pointed out various irregularities of serious nature besides cases related to weak internal control 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 TMAs.

f. Key audit findings of the report

- i. Irregularities / noncompliance of Rs 225.287 million was noticed in Twenty four cases.¹

Minor irregularities/weaknesses pointed out during the audit are being pursued separately with the authorities concerned, as detailed at Annex-1.

g. Recommendations

- i. Disciplinary actions need to be taken to stop the practice of violation of the rules and regulations in spending the public money.
- ii. Concerted efforts need to be made to recover long outstanding dues.
- iii. All sectors of TMAs need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.
- iv. Deduction of taxes on supplies and contracts need to be ensured.

¹ Paras No 1.2.1.1 to 1.2.1.19 & 1.3.1.1 to 1.3.1.5

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S. No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	02	890.210
2	Total formations in audit jurisdiction	02	890.210
3	Total Entities (PAO) Audited	02	890.210
4	Total formations Audited	02	890.210
5	Audit & Inspection Reports	02	890.210
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

II: Audit observations regarding Financial Management

(Rs in million)

S. No	Description	Amount Placed under Audit Observation
1	Unsound asset management	0
2	Weak financial management	0
3	Weak Internal controls relating to financial management	0
4	Others	225.287
Total		225.287

III: Outcome Statistics**(Rs in million)**

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total For the years 2015-16	Total for the year 2014-15
1	Outlays Audited	-	257.466	383.986	248.458	890.210	742.123
2	Amount Placed under Audit Observations /Irregularities of Audit	-	141.749	49.334	34.204	225.287	331.988
3	Recoveries Pointed Out at the instance of Audi	-	19.495	30.058	--	49.553	122.986
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 2014-15 pertain to the Municipal Committees audited last year. Since PAOs are the same therefore, these amounts have been included here to show cumulative effect against the PAOs.

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	225.287
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources	0
3	Accounting Errors (accounting policy departure from NAM 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		225.287

V: Cost Benefit**(Rs in million)**

S #	Description	Amount
1	Outlays Audited (item 1 of Table 3)	890.210
2	Expenditure on audit	0.110
3	Recoveries realized at the instance of audit	0
	Cost-Benefit Ratio	1:0

CHAPTER 1

1.1 Tehsil Municipal Administrations in District Bannu

1.1.1 Introduction

District Bannu has two tehsils i.e. Bannu and Domel. Each Tehsil Municipal Administration is managed by a Tehsil Municipal Officer. Each tehsil Officer has its own Tehsil Officer (Finance), Tehsil Officer (Infrastructure) and Tehsil Officer (Regulation). The functions and powers of Tehsil municipal administration shall be to:

- (a) Monitor and supervise the performance of functionaries of Government offices located in the Tehsil and hold them accountable by making inquiries and reports to the district government or, as the case may be, Government for consideration and action;
- (b) Prepare spatial plans for the Tehsil including plans for land use and zoning and disseminate these plans for public enquiry;
- (c) Execute and manage development plans for improvement of municipal services and infrastructure;
- (d) Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including for agriculture, industry, commercial markets, shopping centers; residential, recreation, parks, entertainment, passenger and freight transport and transit stations;
- (e) Enforce municipal laws, rules and bye-laws;
- (f) Prevent and remove encroachments;
- (g) Regulate affixing of sign-boards and advertisements;
- (h) Provide, manage, operate, maintain and improve municipal services;
- (i) Prepare budget, long term and annual municipal development programmes;
- (j) Maintain a comprehensive data base and information system on services in the Tehsil municipal record and archives and provide public access to it on nominal charges;
- (k) Collect taxes, fines and penalties provided under this Act;
- (l) Organize sports, cultural, recreational events, fairs and shows;

- (m) Organize cattle fairs and cattle markets;
- (n) Co-ordinate and support municipal functions amongst village and neighborhood councils;
- (o) Regulate markets and services, issue licenses, permits, grant permissions and impose penalties for violation thereof;
- (p) Manage municipal properties, assets and funds;
- (q) Develop and manage schemes, including site development in collaboration with district government;

1.1.2 Comments on Budget and Expenditure (Variance Analysis)

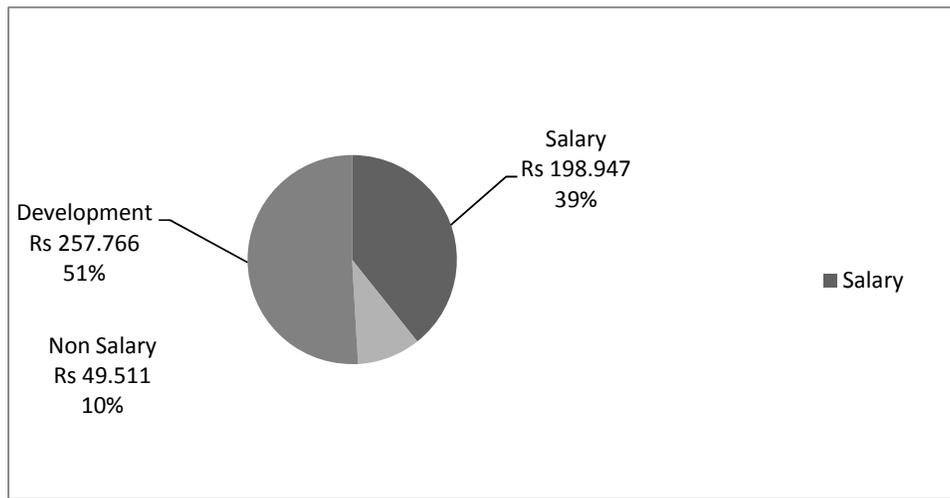
The budget and expenditure position of Tehsil Municipal Administrations of District Bannu for the year 2015-16 is as under:

(Rs in million)

2015-16	Budget	Expenditure	Saving/Excess	%age
Salary	195.94	198.947	+3.007	1.534%
Non-Salary	225.386	49.511	-175.875	78.033%
Developmental	394.763	257.766	-13.361	3.385%
Total	816.089	506.224	-186.229	82.95%

2015-16	Budget Receipts	Actual Receipts	Variance	%age
	383.986	383.986	000	000

Expenditure 2015-16



1.1.3 Comments on the status of compliance with ZAC / PAC Directives

The Audit Reports pertaining to Financial Years 2009-10 to 2014-15 on accounts of Tehsil Municipal Administration/Municipal Committees have not been discussed in PAC/ZAC. The Provincial Assembly 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.

Tehsil Municipal Administration Bannu

1.2 Audit Paras of Tehsil Municipal Administration Bannu

1.2.1 Irregularity & Non compliance

1.2.1.1 Execution of works without Technical Sanction Rs 81.356 million

Para 32 of CPWA code states that no work shall be executed without obtaining T.S and A.A.

Para 89 of CPWD Code Provide that where work or the supply of material is to be given out on contract, the following condition must be observed:

- a. Tender must be invited after the estimate has been technically sanctioned.
- b. No officer may accept any contract which relates to a work not yet technically sanctioned.

TMO, Tehsil Municipal Administration Bannu awarded contracts of Rs 81.356 million on account of execution of various development schemes during 2015-16. Audit observed that the work was executed without technical sanction, which held irregular and unauthorized.

S. No.	Name of works	Estimated cost
1.	Revelation of Road with footpath & drain from Lakki Gate to Zanana Hospital (3400 sft)	35.00
2.	Revelation of Road from Circular road to GHS # 04	
3.	Repair & Renovation of patche at circular road (1000 rft)	
4.	Revelation of Road from Mandan to Grave yard(3000rft)	
5.	Revelation of Road with footpath & drain of Jaman Road	
6.	Revelation of Road with footpath & drain from from Zanana Hospital to Railway road (1800 rft)	
7.	Revelation of Road with footpath & drain from Ghalla Mandi to Mall Mandi (3600rft)	
8.	Play Land Milad Park	19.356
9.	Beautification of Gates	27.00
Total		81.356

Execution of works without obtaining technical sanction is the violation of rules.

The irregularity was reported to the management in February 2017, management replied that T.S will be shown to audit. Request for convening DAC meeting was made 16-03-2017, 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. 12 (2015-16)

1.2.1.2 Unauthorized execution of work Rs. 35.00 million as per Administrative Approval

Para 56 of CPWD Code stipulates that if subsequent to the grant of T.S, material structural alterations are contemplated; orders of the original sanctioning authority should be obtained, even though no additional expenditure may be involved by the alterations.

TMO, Tehsil Municipal Administration Bannu awarded contract of works “Uplift & Beautification of Roads to Issaki Construction Company for Rs.35.00 million at Divisional Headquarter Bannu during 2015-16. Audit observed that the work was not executed according to drawing, design and specification of the project. Through physical verification of sight along with concerned sub-engineer no such footpaths and drains were found, which seem clear violation of the Administrative Approval of the competent authority.

S.No	Name of works	Estimate cost(million)
1.	Revolution of Road with footpath & drain from Lakki Gate to Zanana Hospital (3400 sft)	35.00
2.	Revolution of Road with footpath & drain of Jaman Road	
3.	Revolution of Road with footpath & drain from from Zanana Hospital to Railway road (1800 rft)	
4.	Revolution of Road with footpath & drain from Ghalla Mandi to Mall Mandi (3600rft)	
Total		35.00

Non execution of work as per drawing, design and specification of the project is the violation of rules.

The irregularity was reported to the management in February 2017, management replied that detail reply will be asked and submitted accordingly from the relevant record and branches. Request for convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends execution of work as per approved drawing, design and specification.

AIR Para No. 17 (2015-16)

1.2.1.3 Non-utilization of developmental fund Rs 20.00 million

Para-95 of GFR Vol-I requires that unspent funds are to be deposited into Government treasury before 30th June of each year.

The head of office is personally responsible for the amounts drawn on a bill until paid to the person entitled to receive it at his duty station, properly acknowledged and countersigned the quittance roll in token of check as required under the rule 283 of Treasury Rules Vol.-I.

TMO, Tehsil Municipal Administration Bannu received Rs 20.00 million approved by Deputy Commissioner Bannu for “ Sanitation and solid waste management” in TMA Bannu under Pak MDGs (Millennium Development Goals) for Community Development Programme during 2014-15 vide A.A No. 556-63/PA/F&P/DDC dated 21.05.2015 as per detail breakup are as under :

S. No	Name of Machineries	Estimated cost
1	Purchase of one Nos Mechanical Sweeper along with Tractor	2,000,000
2	Purchase of one Nos Loader new Holland 640(75HP)	1,750,000
3	Purchase of 5 Nos new Holland Tractors 480(55HP) with trulley complete @1,350,000	6,750,000
4	Purchase Hino Dumper double size for Garbage	6,000,000
5	Purchase of Hand curts 100 Nos	500,000
6	Purchase of water tanker i/c vehicle with all accessories	3,000,000
	Total	20,000,000

Audit observed that supply order vide No791-98/MF was issued on dated 27.08.2015 with condition that the supply of said items be made within 90 days,

but due to court petition PC-1 revised and Re-Administrative Approval was issued by the Deputy Commissioner Bannu vide A.A No 100209/PA/F&P/DDC dated 08.02.2016, but supply was not made after laps one and half year.

The irregularity was reported to the management in February 2017, management replied that some machinery have been garaged in TMA office. Furthermore the entire fund when utilized will be examined by the next audit. Request for convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends justification in the matter along with proper evidences besides inquiry and action against the person (s) at fault.

AP No. 21 (2015-16)

- 1.2.1.4 (i) Award of contracts to defaulters - Rs 13.391 million**
(ii) Non recovery of income tax - Rs 1.934

Government of KPK LG & RDD Local Council Board letter No.AO-II/LCB/6-11/2013 dated 01.06.2015 vide Serial No 24, stated that defaulter Firms, nominee, authority holders will not be allowed to participate in auction proceedings.

TMO, Tehsil Municipal Administration Bannu awarded following contracts valuing Rs 13.391 million to defaulter contractors during 2015-16.

Name of Contractor	Name of Contract	2015-16	Defaulter
Shah Naraz Khan	Cattle Fair Market Bannu City	13,000,000	Cattle fair Market 2014-15
Sher Ahmad Khan	The Bazari Fee	391500	The Bazari 2014-15
Total		13,391,500	

Unauthorized award of contracts occurred due to non-compliance of rules.

The irregularity was pointed out to the management in February 2017, management replied that proper notices have been issued already requested the

DC Bannu /DPO Bannu for recovery under Land Acquisition Act. The process and achievement will be shown to audit. Request for convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends regularization and recover the outstanding amount Rs 1,934,345.

AIR Para No.. 06 (2015-16)

1.2.1.5 Loss to MC on account of irregular award of contract Rs 10.100 million

As per Model Terms and Condition of contracts from Provincial Government serial No. 35, that contracts shall neither be granted beyond one year on any ground whatsoever except those by the Provincial government for the interest of Local Council or large public interest.

TMO, Bannu awarded contract of Cattle Fair Market Bannu City during 2015-16. Audit observed that the contract was awarded on weekly base @ 250,000at decreasing rate (48.07) %vides letter No. 125-28 MF, dated: 08.06.2015 which resulted into loss to TMA of Rs.10,100,000.

S.No	Name of Contractor	Name of Contract	Bid (Previous year)	Amount	Current year amount	Difference
1	Shah Naraz Khan	Cattle Fair Market Bannu	19,250,000*20% increase	23,100,000	13,000,000	10,100,000
Total						10,100,000

Awarding of contract on weekly base and at decreasing rate instead of 20% increase on yearly base is the violation of rules and the TMA was put into loss.

The irregularity was pointed out to the management in February 2017, management accepted and agreed to the audit observations. Request for

convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends necessary justification, and disciplinary action against the person(s) at fault. **AIR Para No.. 25 (2015-16)**

1.2.1.6 Loss due to non-recovery of outstanding - Rs 10.037 million.

Para 8 and 26 of GFR Vol-I states that each administrative department to see that the dues of the government are correctly and promptly assessed collected and paid into government treasury.

TMO, Bannu failed to recover receipts outstanding against various allottee of TMA property during 2015-16 (Detail at Annexure-4).

Non recovery of receipts outstanding due to lack of monitoring by the TMO.

The irregularity was pointed out to the management in February 2017, management admitted the instant recovery and replied that the recovery will be effected accordingly. Request for convening DAC meeting was made 16-03-2017, 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 No.10 (2015-16)

1.2.1.7 Un-authorized payment on account of salaries Rs 9.120 million

Para 10(i) of GFR Vol-I requires that every public officer is expected to exercise the same vigilance in respect to expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of his own money.

TMO, Bannu paid Rs 9.120 million on account of fixed pay of 76 Nos of sanitary staff in excess of the sanction strength @ Rs 10,000 during 2015-16.

Un-authorized payment account of fixed pay in excess of the sanctioned strength is the violation of rules.

The irregularity was pointed out to the management in February 2017, management replied that all the fixed pay employees are appointed against the sanction posts, due to financial hardship faced by this council since long. The reply is not tenable. Request for convening DAC meeting was made 16-03-2017, 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.. 13 (2015-16)

1.2.1.8 Loss to Government due to non-deduction of Sales Tax on Services Rs 7.136millions

Notification of Khyber Pakhtunkhwa, Revenue Authority No. F-16(4) KPRA /Notification /WH/1323 dated 31-08-2015 S.NO 26 states that 15% Services Tax is required to be deducted from services provided by person engaged in contractual execution of work or furnishing supplies.

TMO, Bannu paid Rs 47,576,000 on various developmental works during 2015-16, Sales tax on Service worth Rs7,136,400 was not deducted by department from the contractors as required under reference rules and loss of Rs-7,136,400was given to the Public exchequer(Detail at Annexure-5).

Non-recovery of sales tax on services is occurred due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was reported to the management in February 2017, management replied that reply will be given in detail. Request for convening

DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery of sales tax on services and deposited into Government Treasury.

AIR Para No. 15 (2015-16)

1.2.1.9 Loss due to non-forfeiter of security worth Rs. 4.420 million

Government of KPK LG & RDD Local Council Board letter No.AO-II/LCB/6-11/2013 dated 01.06.2015 vide Serial No iv, states that, the contractor is bound to deposit the monthly installment up to the end of each month. If the contractor failed to deposit the monthly installment within stipulated period of time, then 2% per days will be charged as penalty on amount of installment. "Further if the contractor failed to deposit the monthly installment within 7 days than the contract will be cancelled and the amount already deposited will be forfeited to TMA.

TMO, Bannu awarded contract of 2% Tax on Immovable Property valuing Rs 22,100,000 during 2015-16. The Contractor is failed to deposit Rs. 2,009,090 as monthly installment up to 7th of the following month.

The local office was required to cancel the contract and amount of Rs. 4,420,000 already deposited to be forfeited, which was not done and TMA put into loss of Rs. 4,420,000.

Non cancellation of contract and forfeiture of deposited amounts is occurred due to non-compliance of rules.

The irregularity was pointed out to the management in February 2017, management replied that the record will be examined and detail reply will be submitted as per available record. Request for convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 09 (2015-16)

1.2.1.10 Loss due to non-recovery of receipts - Rs 3.659 million.

Para 8 and 26 of GFR Vol-I states that each administrative department to see that the dues of the government are correctly and promptly assessed collected and paid into government treasury.

TMO, Bannu failed to recover receipts outstanding against various contractors during 2015-16 (Detail at Annexure-1).

Non recovery of receipts outstanding due to lack of monitoring by the TMO.

The irregularity was pointed out to the management in February 2017, management admitted the instant recovery and replied that the recovery will be made accordingly under intimation of audit. Request for convening DAC meeting was made 16-03-2017, 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. 01 &02 (2015-16)

1.2.1.11 Non deposit of income tax into government treasury-Rs 3.568 million

Para 8 and 26 of GFR Vol-I states that each administrative department to see that the dues of the government are correctly and promptly assessed collected and paid into government treasury.

TMO, Bannu paid Rs 47.576 million to the different contractors and consultant on account of execution of various developmental schemes during

2015-16 (Detail at Annexure-2). Income Tax worth Rs 3,568,000 was deducted, however the amount was not deposited in to Government Treasury, which resulted into loss to government of Rs 3.568 million.

Non-deposit of income tax due to weak financial control.

The irregularity was pointed out to the management in February 2017, management replied that the income tax department Bannu will be requested to provide the deposited challan into proper head and will be intimated and shown to the audit. Request for convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends deposit of income tax into Government Treasury and action against the person(s) at fault.

AIR Para No..04 (2015-16)

**1.2.1.12 Un-authorized Payment on account of pay & allowance
Rs- 3.500 millions**

Para 12 of the General Financial Rules Volume I requires that a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

As per Notification issued by Finance Department KPK Peshawar Vide No BO:(PFC-III)/FD/1-2/Grant to LC (TMA)/19-17, dated 30th August,2016, that Local Government is receiving grant for Financially weak TMAs for the payment of salaries. Therefore, decision notified for the payment of salaries charges out of Development Grants is not justify.

TMO, Bannu paid Rs 35.00 million on account of Pay & Allowances out of Developmental Fund(30% PFC Award) during 2015-16 which held irregular.

Pay & Allowances out of Developmental Fund is violation of budget rules

The irregularity was pointed out to the management in February 2017, management replied that as per Secretary LGE notification No. SOB/LG/1-5/LCB/2016/ Vol-II dated 18.08.2016 for utilization of 30% PFC for salary and other liabilities. The reply is not tenable. Request for convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 28 (2015-16)

1.2.1.13 Loss to MC due to departmental collection instead of awarding to the contracts Rs-3.299 million.

As per Sr. 2 of Model Terms & Condition of Local Council Board if no reasonable bid is offered then another advertisement be got published in widely circulated newspapers and the same practice shall continue to achieve the maximum increase of 20% over the last year approved bid.

As per Sr. 1 of Model Terms & Condition of Local Council Board in case any contract could not be auctioned on the due of auction, the concerned head of the council shall report it on same day cogent and plausible reasons for failure in auction process.

TMO, Bannu operated contracts departmentally during 2015-16, it was observed that the following contracts were carried out on departmental basis instead of awarding the same to the contractors on annual contract base due to which the local council was put into loss of Rs 3,299,373.(Detail attached)

S. No	Name of Contracts	Previous year bid 2014-15 (1)	20% increase (2)	Departmental collection (3)	Loss to MC (2-3)
1	Water Rates	6,525,000	7,830,000	6,141,735	1,688,265
2	Goats sheep Market	3,900,000	4,680,000	3,260,292	1,419,708
3	Malba Fee	350,000	420,000	228,000	192,000
Total					3,299,973

Further audit observed that:

1. The contractor for contract at Sr. No.1 offered 20% above rates on previous year bid but the officer in charge did not accept their offer and sustained a heavy loss to the Department.
2. Any correspondence with higher up regarding non-awarding of contracts were produced to audit as required in above referred criteria.

Departmental collection instead of awarding the contracts is the violation of rules due to which the local council sustained a heavy loss.

The irregularity was pointed out to the management in February 2017, management replied that detail reply will be asked and submitted from the concerned branches accordingly and will be shown to audit. Request for convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends inquiry in the matter and action against the person(s) at fault.

AIR Para No. 23 (2015-16)

1.2.1.14 Non imposition of 2% Penalty account of late deposit of installment Rs.1.968 million

Government of KPK LG & RDD Local Council Board letter No.AO-II/LCB/6-11/2013 dated 01.06.2015 vide Serial No iv, stated that, the contractor is bound to deposit the monthly installment up to the end of each month. If the contractor failed to deposit the monthly installment within stipulated period of time, then 2% per days will be charged as penalty on amount of installment.

TMO, Bannu awarded contract of 2% tax on immovable property for Rs 22,100,000 during 2015-16. The contractor failed to deposit the monthly installment within stipulated period of time. Hence TMA Bannu was required to impose penalty on contractor @ 2% per day which action was not done, resulting in to loss of Rs 1,968,911 (Detail at Annexure-3).

Non recovery of penalty occurred due to non-imposition of agreement conditions.

The irregularity was pointed out to the management in February 2017, management replied that notices for recovery will be issued and result will be shown to audit. Request for convening DAC meeting was made 16-03-2017, 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 (2015-16)

1.2.1.15 Non-imposition of penalty amounting to Rs 1.935 million due non completion of work within stipulated period of time.

Clause- 2 of contract agreement requires the imposition of penalty @ 1 % per day subject to maximum 10% of the estimated cost of the work that remained un-complete/un-finished after the proper dates.

TMO, Bannu incurred expenditure for Rs 14,902,690 on execution of Play Land (Milad Park) during 2015-16. The work was awarded to the Lawari Construction Co. for Rs 19,356,000 vide work order No 5235-42/MF dated 20.05.2015 with condition to complete the work within 12-months, but the work is in progress till to date and the department did not imposed penalty on contractor worth Rs 1,935,600.

S. No	Name Of Contractor	Name of Scheme	Date of work order	Date of Completion	Present status	E/ Cost	Amount of penalty
1	Lawari Construction Co.	Play Land(Milad Park)	20.05.2015	12 Months	In progress	19,356,000	1,935,600
Total							1,935,600

Non imposition of penalty is accrued due to weak internal control caused a loss to Public Revenue and non-observance of agreement conditions.

The irregularity was pointed out to the management in February 2017, management replied that delay was accord due to non-release of fund from the provincial Government. Request for convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends investigation and recovery made from the quarter concerned.

AIR Para No. 27 (2015-16)

1.2.1.16 Un-authorized Payment Rs-1.584 million

As per Notification issued by Finance Department KPK Peshawar Vide No BO:(PFC-III)/FD/1-2/Grant to LC (TMA)/19-17, dated 30th August,2016, that Local Government is receiving grant for Financially weak TMAs for the payment of salaries. Therefore, decision notified for the payment of salaries charges out of Development Grant is not justify.

TMO, Bannu paid Rs 1,230,000 to new Bannu Construction Co and Rs 354,666 to CSI (sanitation) out of 30% PFC Award on loan basis during 2015-16, but did not adjusted again till to date.

S. Nos	Cheque and date	Particular	Amount
1	A-224783/26.8.15	New Bannu Construction Co.	1,230,000
2	A-224784/28.8.15	Yousaf khan (Sanitation)	354,666
Total			1,584,666

Loans and advances out of Developmental Fund is the violation of budget rules.

The irregularity was pointed out to the management in February 2017, management replied that as per Secretary LGE notification No. SOB/LG/1-5/LCB/2016/ Vol-II dated 18.08.2016 for utilization of 30% PFC for salary and other liabilities. Request for convening DAC meeting was made 16-03-2017, 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. 30 (2015-16)

1.2.1.17 Irregular Up gradation and Promotion of TMA employees

Para-2 sub section-C of the promotion policy vide letter No. AOIV/LCB/1-/T-I/2015 dated 29-09-2015 provides that only those class-IV will be considered for up gradation who have rendered **10 years service** in same scale as per Finance Department up gradation policy.

Para-2 sub section-i vide letter No. AOIV/LCB/1-/T-I/2015 dated 29-09-2015 provides to ensure proper service structure for the Non-PUGF staff at each local council.

As per Civil Servants Seniority rules 1993, Initial appointment on the recommendation of selection authority through open advertisement should be made.

Examination of the service books of TMA Bannu employees during 2015-16, it was observed that up-gradation and promotion of employees were granted without observing the rules and policy matters (Detail at Annexure-6). The following irregularities were noticed:

1. In majority cases rapid promotion were granted, but seniority in service cadre, or post to which an employee is promoted was not followed by the department.
2. Initial appointment was not made on the recommendation of selection authority through open advertisement.
3. Service length requisite for promotion was not followed by the department.
4. Service structure was not maintained for any cadre /category of service.
5. Cadre change violation was frequently observed under many cases by the department.

6. Requisite qualification/experience for the said job were not available in their service record to authenticate the validity of appointment

Appointment, Promotion and up gradation of posts without observing service rules, is the violation Government prescribed and standing rules.

The irregularity was pointed out to the management in February 2017, management accepted and agreed to the audit observations. Request for convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends proper justification beside inquiry be conducted and action against the person (s) at fault.

AIR Para No. 19 (2015-16)

1.2.1.18 Non maintenance of leased/rented property records.

Section 126 of Khyber Pakhtunkhwa Local Government Ordinance, 2001 provides that in case of any loss of property of the local government, the responsibility for such loss shall be fixed by the concerned local government and the amount of the loss shall be recovered from the defaulting person and a report to this effect shall forthwith be submitted to the concerned council in the meeting next following.

TMO, Bannu allotted property on rent / lease basis since long. During scrutiny of property records for the year 2015-16, it was observed that property record was not properly maintained by the local office (Detail at Annexure-7). The following irregularities were noticed:

1. Measurement of land of shops, plazas and markets are not available in the office record to authenticate the actual size occupied by the allottee and fresh construction made by them.
2. In majority cases annual agreements deed/ leases have been expired, but was neither cancelled nor renewed with a same allotte.
3. Map, drawing design specification of shops, plazas, and markets etc. were not found attached in the office file concerned.

4. On scrutiny as per demand register, 36 numbers of rented/leased allottee files were not available in their office record (statement attached).
5. In majority cases the bazari (chapat) have been illegally converted/constructed in to proper shop/plaza, and there was no advertisement, auction proceeding and approval from the competent authority were found attached in their office record.

Non maintenance of the proper record and illegal encroachment is the violation of rules due which local council may be put into heavy loss.

The irregularity was pointed out the management in February 2017, management accepted and agreed to the audit observations. Request for convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends that proper records and complete files may be updated, and non-maintenance of proper records needs justification beside inquiry be conducted and action against the quarter concerned.

AIR Para No.. 20 (2015-16)

1.2.1.19 Non preparation of Appropriation, Finance accounts and Financial Statements

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 168 of Local Government Act 2012, require the Auditor-General of Pakistan to conduct audit of the receipts and expenditure of Local Fund of District Council and Municipal Committees.

TMA Bannu Budget and expenditure position for the year 2015-16 is given as under:

Head of Accounts	Budget for the year 2015-16	Revised Budget for the year 2015-16
Opening Balance on 1st July, 2015	1,000,000	--
Receipt during the year	220,849,000	327,240,347
Total Receipt	221,849,000	327,240,347
Total Expenditure	278,250,000	220,070,774
Closing Balance on 30 th June, 2016	(-)56,401,000	107,169,573

Audit observed that Appropriation Account, Finance Accounts and Financial Statement were not prepared and submitted to audit to authenticated allocation and as well grant-wise analysis of the expenditures.

Non preparation /maintenance of Appropriation Account, Finance Account and Financial Statement for year 2015-16 are violation of rules.

The irregularity was pointed out the management in February 2017, management replied that it has been noted for future guidance and will be examined by the next audit. Request for convening DAC meeting was made 16-03-2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends preparation of Appropriation Account, Finance Account and Financial Statement for year 2015-16 and be produced to audit.

AIR Para No. 22 (2015-16)

Tehsil Municipal Administration, Domel

1.3 Audit Paras Tehsil Municipal Administration Domel

1.3.1 Irregularity & Non compliance

1.3.1.1 Execution of Works without Technical Sanction Rs 5.898 million

Para 32 of CPWA code states that no work shall be executed without obtaining T.S and A.A.

Para 89 of CPWD Code Provide that where work or the supply of material is to be given out on contract, the following condition must be observed:

- a. Tender must be invited after the estimate has been technically sanctioned.
- b. No officer may accept any contract which relates to a work not yet technically sanctioned.

TMO, Domel incurred expenditure Rs 5.443 million on account of installation of pressure pumps during 2015-16. Audit observed that the work was executed without technical sanction, which held irregular and unauthorized.

Name of works	Estimated cost	Expenditure
Installation of 6" dia pressure pumps in U.C khander khan khel(out of Tehsil ADP) for the year 2015-16.	5.898 (m)	5.443 (m)

Execution of works without obtaining technical sanction is the violation of rules.

The irregularity was pointed out the management in January 2017, management stated the reply would be furnished after consulting the record. However, the reply was not received. Request for convening DAC meeting was made 07.02.2017, 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. 18 (2015-16)

1.3.1.2 Loss to Government due to Non Deduction of Sales Tax on Services Rs 3.421 millions

Notification of Khyber Pakhtunkhwa Revenue Authority No. F-16 (4) KPRA /Notification /WH/1323 dated 31-08-2015 S.NO 26 states that 15% Services Tax is required to be deducted from services provided by person engaged in contractual execution of work or furnishing supplies.

TMO, Domel paid Rs 28,810,175 on various developmental works during 2015-16, Sales tax on Service worth Rs3,421,526 was not deducted by department from the contractors as required under reference rules and loss of Rs-3,421,526 was given to the Public exchequer (Detail at Annexure-4).

Non-recovery of sales tax on services is occurred due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was pointed out to the management in January 2017, management stated the reply would be furnished after consulting the record. However, the reply was not received. Request for convening DAC meeting was made 07.02.2017, however, meeting of DAC could not be convened till finalization of this report..

Audit recommends recovery of sales tax on services and deposited into Government Treasury under intimation to audit.

AIR Para No. 20 (2015-16)

1.3.1.3 Loss due to non-recovery of outstanding - Rs 2.460 million.

Para 8 and 26 of GFR Vol-I states that each administrative department to see that the dues of the government are correctly and promptly assessed collected and paid into government treasury.

TMO, Domel failed to recover receipts outstanding Rs 2,460,799 against various allottee of TMA shops and plots etc. during 2015-16 (Detail at Annexure-1).

Non recovery of receipts outstanding due to lack of monitoring by the TMO.

The irregularity was pointed out to the management in January 2017, management stated the reply would be furnished after consulting the record. However, the reply was not received. Request for convening DAC meeting was made 07.02.2017, 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. 02 &03 (2015-16)

1.3.1.4 Non deposit of income tax into government treasury-Rs 2.160 million

Para 8 and 26 of GFR Vol-I states that each administrative department to see that the dues of the government are correctly and promptly assessed collected and paid into government treasury.

TMO, Domel paid Rs 28.810 million to the different contractors on account of execution of various developmental schemes during 2015-16 (Detail at Annexure-2). Income Tax worth Rs 2,160,763 was deducted, however the amount was not deposited in to Government Treasury, which resulted into loss to government of Rs 2.160 million.

Non-deposit of income tax due to weak financial control.

The irregularity was pointed out the management in January 2017, management stated the reply would be furnished after consulting the record.

Request for convening DAC meeting was made 07.02.2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends deposit of income tax into Government Treasury and action against the person(s) at fault.

AIR Para No. 10 (2015-16)

1.3.1.5 Non deduction of income tax-Rs 1.275 million

Para 8 and 26 of GFR Vol-I states that each administrative department to see that the dues of the government are correctly and promptly assessed collected and paid into government treasury.

TMO, Domel paid Rs 17.00 million to the different contractors on account of execution of various developmental schemes during 2015-16 (Detail at Annexure-2 & 3). Income Tax worth Rs 1,275,000 was not deducted, which resulted into loss to government of Rs 1.275 million.

Non-deduction of income tax due to weak financial control.

The irregularity was pointed out to the management in January 2017, management stated the reply would be furnished after consulting the record. However, the reply was not received. Request for convening DAC meeting was made 07.02.2017, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No.11 (2015-16)

ANNEXURE

Annex-1

Detail of MFDAC Paras

(Rs in millions)

S. No	AP No	Department	Caption	Amounts
1.	03	TMA Bannu	Loss to Federal Government due to non-recovery of Income Tax	0.233
2.	05	-do-	Non deposit of DRP Fund	0.029
3.	07	-do-	Loss to MC on account of non-recovery of Rent	0.318
4.	14	-do-	Unauthorized payment	0.810
5.	16	-do-	Unauthentic / Irregular expenditure amounting	0.890
6.	26	-do-	Un authorized appointment and salary payment	000
7.	31	-do-	Misappropriation and irregular payment of	0.581
8.	32	-do-	Non deduction of sales tax worth	0.557
9.	24	-do-	Irregular awarding of contracts on account of weakly base	0.456
10.	01	TMA Domel	Non recovery of departmental dues	0.215
11.	05	-do-	Un economical purchase of item	0.861
			Non deduction of sales tax	0.103
12.	06	-do-	Non deduction of sales tax	0.320
13.	07	-do-	Non deduction of income tax	0.125
14.	08	-do-	Doubtful and irregular expenditure	0.204

15.	09	-do-	Non deposit of DRP Fund	0.105
16.	12	-do-	Loss to Federal Government dues	0.197
17.	13	-do-	Loss due to non forfeiture of security	0.500
18.	14	-do-	Loss due non deposit of 2% penalty	0.294
19.	19	-do-	Non deduction of professional tax	0.048
20.	21	-do-	Non maintenance of requisite record register	0
21.	22	-do-	Un-authorized of opening of Bank accounts	0