



**AUDIT REPORT  
ON THE ACCOUNTS OF  
TEHSIL MUNICIPAL ADMINISTRATIONS  
IN DISTRICT CHITRAL  
KHYBER PAKHTUNKHWA**

**AUDIT YEAR 2016-17**

**AUDITOR GENERAL OF PAKISTAN**

## TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS .....	i
Preface .....	ii
EXECUTIVE SUMMARY .....	iii
SUMMARY TABLES & CHARTS .....	vi
I : Audit Work Statistics .....	vi
II: Audit Observations classified by Categories .....	vi
III Outcome Statistics .....	vii
IV: Irregularities pointed out .....	viii
V: Cost Benefit .....	viii
CHAPTER-1 .....	1
1.1 Tehsil Municipal Administrations in District Chitral .....	1
1.1.1 Introduction .....	1
1.1.2 Comments on Budget and Accounts (variance analysis) .....	1
1.1.3 Brief comments on the status of Compliance with PAC/ZAC Directives .....	3
TEHSIL MUNICIPAL ADMINISTRATION CHITRAL .....	4
1.2 Audit Paras Tehsil Municipal Administration Chitral .....	5
1.2.1 Irregularity & non compliance .....	5
TEHSIL MUNICIPAL ADMINISTRATION MASTUJ .....	15
1.3.1 Irregularity & non compliance .....	16
ANNEXURES .....	19
Annexure-1 Detail of MFDAC Paras .....	19
Annexure-2 Detail of Penalty .....	20
Annexure-3 Detail of penalty for late completion of developmental works .....	21

## **ABBREVIATIONS AND ACRONYMS**

AD	Assistant Director
ADP	Annual Developmental Plan
AP	Advance Para
B&R	Building and Roads
CPWA	Central Public Works Account
CMD	Chief Minister Directives
DAC	Departmental Accounts Committee
DDO	Drawing and Disbursement Officer
DG	Director General
FD	Finance Department
LCB	Local Council Board
LGE&RDD	Local Government Election and Rural Development Department
LGA	Local Government Act
MFDAC	Memorandum for Departmental Accounts Committee
MRS	Market Rate Analysis
NCs	Neighborhood Councils
P&D	Planning and Development Department
PLA	Personal Ledger Account
PLS	Profit and Loss Sharing
PPRA	Public Procurement Regulatory Authority
RDA	Regional Directorate of Audit
SDA	Special Drawings Account
TMA	Tehsil Municipal Administration
VCs	Village Councils

## 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 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 account of TMAs in District Chitral 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 finding. 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 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 carries out the audit of all Tehsil Municipal Administrations and Town Municipal Administrations. The Regional Directorate of Audit Swat, on the behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of District Governments, Tehsil Municipal Administrations and VCs/NCs of five Districts i.e. Swat, Shangla, Dir Lower, Dir Upper and Chitral respectively.

The Regional Directorate of Audit Swat has a human resource of 07 officers and staff with the total of 1750 mandays. The annual budget amounting to Rs 10.618 million was allocated to RDA during the financial year 2016-17. The directorate is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programmes and projects.

Tehsil Municipal Administrations Chitral & Mastuj in District Chitral perform their functions under Khyber Pakhtunkhwa Local Government Act 2013. Each TMA has one Principal Accounting Officer (PAO) as provided in Rule 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 Tehsil Municipal Administration Chitral & Mastuj in District Chitral for the Financial Year 2015-16 was Rs 112.597 million. Out of this, RDA Swat audited an expenditure of Rs 78.817 million which, in terms of percentage, is 70% of auditable expenditure.

The total of receipts of Tehsil Municipal Administration Chitral & Mastuj in District Chitral for the Financial Year 2015-16 was Rs 17.212 million. Out of

this, RDA Swat audited receipts of Rs 12.084 million which, in terms of percentage, was 70% of auditable receipts.

The total of expenditure and receipt of Tehsil Municipal Administration Chitral & Mastuj in District Chitral, for the financial year 2015-16 was Rs 129.810 million. Out of this, RDA Swat audited the expenditure and receipt of Rs 90.866 million.

**a. Recoveries at the instance of audit**

Recoveries of Rs 14.593 million were pointed out during the audit. However, no recovery was affected till the finalization of this report. Out of the total recoveries, Rs 8.168 million were not in the notice of the executive before audit.

**b. Audit Methodology**

Audit was conducted after understanding the business processes of TMAs, District Government with respect to its functions, control structure, prioritization of risk areas 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 compiled data and review of actual vouchers called for during scrutiny and substantive testing in the field.

**c. Audit Impact**

Audit pointed out various irregularities of serious nature. Cases related to weak internal control 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.

**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, and 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 & non compliance were noticed in nine cases amounting to Rs 146.196 million.<sup>1</sup>
- ii. Internal control weaknesses were noticed in four cases amounting to Rs 18.925 million.<sup>2</sup>

**g. Recommendations**

- i. Action needs to be taken for violation of the rules and regulations in spending the public money.
- ii. Responsibilities need to be fixed for unauthorized withdrawals and losses sustained by the Government or Council due to overpayments and non realization of receipts.
- iii. Deductions of taxes may be ensured and responsibility be fixed for non award of contracts of receipts.
- iv. All sectors of TMA 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.

---

<sup>1</sup> 1.2.1.1, 1.2.1.2, 1.2.1.3, 1.2.1.4, 1.2.1.6, 1.3.1.1, 1.3.1.2, 1.3.1.3,

<sup>2</sup> 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4

## SUMMARY TABLES & CHARTS

### I Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities in (PAO) Audit Jurisdiction	02	257.415
2	Total formations in audit jurisdiction	02	257.415
3	Total Entities in (PAOs) Audited	02	257.415
4	Total formations Audited	02	257.415
5	Audit & Inspection Reports	02	129.810
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	0
2.	Weak financial management	146.196
3.	Weak Internal controls	18.925
4.	Others	0
	<b>Total</b>	<b>165.121</b>

### 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	-	60.400	17.212	52.198	129.810	227.085
2.	Amount Placed under Audit Observation /Irregularities of Audit	-	157.227	6.425	1.469	165.121	103.144
3.	Recoveries Pointed Out at the instance of Audit	-	8.168	6.425	-	14.593	5.441
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 Municipal Committees 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	146.196
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM <sup>3</sup> , 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.	-
4	Quantification of weaknesses of internal control systems.	18.925
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies	-
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	-
	<b>Total</b>	<b>165.121</b>

#### V: Cost Benefit

(Rs in million)

S #	Description	Amount
1	Outlays Audited (item 1 of Table 3)	129.810
2	Expenditure on audit	0.132
3	Recoveries realized at the instance of audit	0
4	Cost-Benefit	1:0

<sup>3</sup> The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS(Cash) compliant.

## **CHAPTER-1**

### **1.1 Tehsil Municipal Administrations Chitral**

#### **1.1.1 Introduction**

District Chitral has two Tehsils i.e. Chitral & Mastuj. Each Tehsil office is managed by a Tehsil Municipal Officer. Each Tehsil 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;
- (r) Authorize officers to issue notice, prosecute, sue and follow up criminal, civil and recovery proceedings against violators of municipal laws; and
- (s) Prepare financial statements and present them for audit.

### 1.1.2 Comments on Budget and Accounts (variance analysis)

The budget and expenditure position of Tehsil Municipal Administrations in District Chitral for the Financial Year 2015-16 is as under:

(Rs in million)

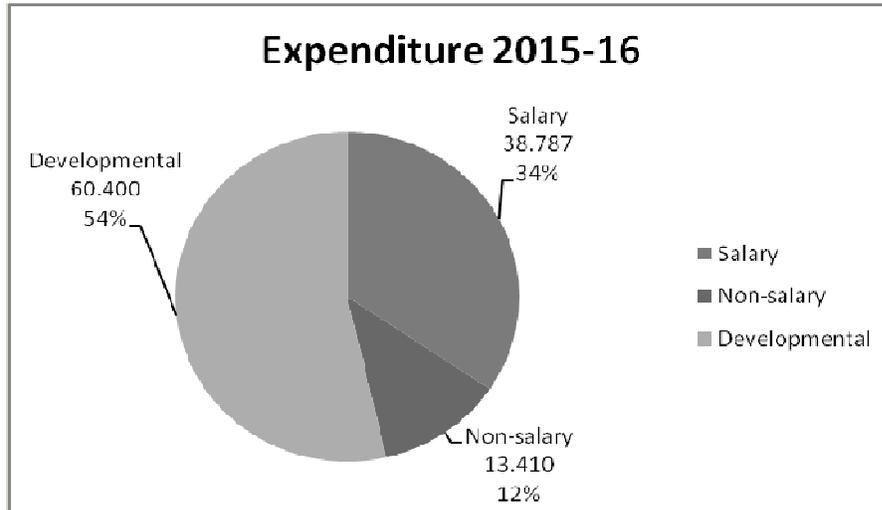
2015-16	Budget	Expenditure	(+)Excess/(-)Saving	% age
Salary	50.296	38.787	-11.509	-22.88%
Non-salary	17.813	13.410	-4.403	-24.71%
Developmental	177.259	60.400	-116.859	-65.92%
<b>Total</b>	<b>245.368</b>	<b>112.597</b>	<b>-132.771</b>	<b>-54.11%</b>
<b>Receipts</b>	<b>12.047</b>	<b>17.212</b>	<b>0.000</b>	
<b>Grand Total</b>	<b>257.415</b>	<b>129.810</b>	<b>-132.771</b>	

2015-16	Budget Receipts	Actual Receipts	Variation	% age
	12.047	17.212	5.165	43 %

The huge savings of Rs 132.771 million in all heads of accounts indicate weakness in the capacity of these local institutions to utilize the amounts allocated.

### Expenditure 2015-16

(Rs in million)



#### 1.1.3 Brief comments on the status of Compliance with PAC/ZAC 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 CHITRAL**

## 1.2 Audit Paras Tehsil Municipal Administration Chitral

### 1.2.1 Irregularity & non compliance

#### 1.2.1.1 Irregular expenditure without Technical Sanction –Rs 29.923 million

According to Para 2.4 of B&R Department Code, no work shall be started without administrative approval, technical sanction and allotment of funds.

Tehsil Municipal Officer Chitral incurred an expenditure of Rs 29,923,064 on various developmental schemes during 2015-16 without obtaining technical sanction from the competent authority as detailed below:

S.No	Name of Scheme	E/Cost (Rs)	Expenditure (Rs)
1	Construction of 1st Floor MC Building Chitral	7,000,000	4,597,258
2	Municipal Road in MC Chitral	20,000,000	19,550,754
3	Street Lights in Chitral Bazar	9,000,000	5,775,052
<b>Total</b>		<b>36,000,000</b>	<b>29,923,064</b>

Audit observed that irregular expenditure with technical sanction occurred due to violation of rules which resulted in irregular expenditure.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 14.02.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

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

**AIR Para No. 29 (2015-16)**

### 1.2.1.2 Loss due to non adjustment of income tax– Rs 3.973 million

According to Finance Department Government Khyber Pakhtunkhwa Notification NO.SO(Dev-II) FD/12-6/14-5 dated 05.01.2015, all Provincial Works Departments, while preparing Cost Estimates of developmental projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System-2013 (MRS-2013) but with 6% less cost to defray the amount added in the rate analysis of all works/construction/supply items to meet withholding tax.

Tehsil Municipal Officer Chitral executed 53 developmental schemes with an estimated cost of Rs 66,223,000 during financial year 2015-16 and payment was made on Market Rate System (MRS-2015) which includes 7% income tax. Adjustment of such tax was not made in the bills while estimates were prepared on MRS-2015 which resulted in loss of Rs 3,973,380 as detailed below:

S.No	Name of Scheme	No of schemes	E/Cost (Rs)	Expenditure upto June 16	Income tax (Rs)
1	Tehsil ADP 2014-15	10	8,950,000	6,547,258	537,000
2	Municipal Road in MC Chitral	1	20,000,000	19,550,754	1,200,000
3	Street Lights in Chitral Bazaar	1	9,000,000	5,775,052	540,000
4	District ADP 2014-15	59	22,873,000	15,868,460	1,372,380
5	MDGs Community Development Programme 2014-15	15	5,400,000	5,400,000	324,000
<b>Total</b>		<b>86</b>	<b>66,223,000</b>	<b>53,141,524</b>	<b>3,973,380</b>

Audit observed that non deduction of Income Tax was occurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 14.02.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

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

**AIR Para No. 38 (2015-16)**

**1.2.1.3 Non imposition of penalty on late completion of developmental schemes Rs 2.505 million**

According to Clause 2 of the Contract Agreement, penalty of 1% per day and upto maximum of 10% of the tender cost may be imposed for delay in completion of work.

Tehsil Municipal Officer TMO Chitral did not impose penalty of Rs 2,505,000 @ 10% of the estimated cost of Rs 25,050,000 of eleven schemes which were not completed in time during 2015-16. Detail is given at **Annex-2**.

Audit observed that penalty was not imposed due to undue favour to contractors which resulted in loss to government.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 14.02.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

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

**AP AIR Para No. 39 (2015-16)**

**1.2.1.4 Illegal transfer of developmental fund into private bank account - Rs 57.190 million**

According to Para 7 of GFR Vol-I, unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Finance Department. Further, According to Finance Department Khyber

Pakhtunkhwa letter No.2/3-(F/L)/FD/2007-08/Vol-IX dated 10.2.2014, no funds shall be placed in any commercial banks from the PLAs or Assignment Accounts without prior approval of the Finance Department. Further, Para 26 of GFR Vol-I requires that it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Tehsil Municipal Officer Chitral received Rs 57,190,000 on account of PFC 30% ADP Share for execution of developmental schemes during 2015-16. The amount was withdrawn from PLA and deposited in designated Bank Account of National Bank Chitral No.3051567060 (PLS Account) instead of utilization on developmental schemes from PLA on case to case basis.

Moverover, an amount of Rs 428,762 was credited by the bank as profit on Government funds, which needs deposit into government treasury.

Audit observed that unauthorized retention of public money and non execution of developmental scheme occurred due to weak financial controls, which not only resulted in blockage of public money but also deprived the local community of the benefits of developmental schemes.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 14.02.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

Audit recommends probe into the matter and action against the person(s) at fault.

**AIR Para No. 30 (2015-16)**

**1.2.1.5 Unjustified drawl of Developmental charges from security account of contractors – Rs 1.469 million**

According to Para 395 of the CPWA Code, without special orders of the competent authority, no security deposit should be repaid or retransferred to the depositor, or otherwise disposed of, except in accordance with the terms of his agreement or bond.

Tehsil Municipal Officer, Chitral withdrew Rs 1,469,000 vide Cheque No.804698 dated 02.12.2015 from security account No. 3136-8 (NBP) on account of Developmental scheme for the financial year 2015-16. The account was Security account of Special Package/CMD ADP and call deposits. Audit held that withdrawal from security account of the contractors was unjustified as it reduced the available balance of securities to meet the claims of the contractors. Such expenditure was required to be met out from the Developmental fund account of the Committee.

Audit observed that expenditure incurred from security account due to weak financial control, resulted in violation of rules.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 14.02.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

Audit recommends inquiry and action the person (s) at fault under intimation to audit.

**AIR Para No. 33 (2015-16)**

**1.2.1.6 Illegal transfer of funds from developmental accounts Rs 3.0 million**

According to release orders of Finance Department Khyber Pakhtunkhwa vide No. FD/BO(PFC-II)/3-3/ADP/2014-15 dated 16.10.2015 and 03.11.2015 for the 1<sup>st</sup> and 2<sup>nd</sup> quarter of the financial year 2015-16, the amount shall be utilized only for the execution of developmental schemes in accordance with the

guidelines to be issued by P&D Department and observance of all codal formalities as required under the rules.

Tehsil Municipal Officer, TMA Chitral illegally transferred an amount of Rs 3,000,000 from 30% developmental funds (PFC) to salaries accounts during financial year 2015-16 in violation of rules referred to above and without approval of the competent authority.

Audit observed that illegal transfer of Developmental fund was occurred in violation of rules which deprived the local community from the benefit of developmental activities.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 14.02.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

Audit recommends recoupment of the amount to developmental funds and regularization from the competent authority.

**AIR Para No. 32 (2015-16)**

## 1.2.2 Internal Control Weaknesses

### 1.2.2.1 Non collection of outstanding water charges –Rs 6.425 million

According to Para 26 of GFR Vol-I, it is the duty of departmental controlling officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the public account.

Tehsil Municipal Officer TMA Chitral, did not recover water user charges amounting to Rs 6,425,523 from 3717 users during the Financial Year 2015-16 as per detail given below:

S.No	Particulars	No. of connection	Water Charges (Rs)
1	Arrears	-	655,930
2	Current 2015-16	3717	5,769,593
Total outstanding amount			6,425,523

Audit observed non recovery of water charges due to weak internal control, which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 14.02.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

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

### AIR Para No. 34 (2015-16)

### 1.2.2.2 Irregular award of contract of Non MRS items without market analysis Rs 9.00 million

According to Khyber Pakhtunkhwa PPRA letter No. KPPRA/M&E/suggestions/4-16/2014-15/539 dated 22.05.2015, addressed to all Secretaries of the Departments, cost estimates of Non MRS items including Solar Energy and

other such new technologies should be rationalized/ revised after careful market analysis by bringing those down for justification and matching to the market rates which results huge losses to the Government.

Tehsil Municipal Officer TMA Chitral awarded works “Installation of Solar Street Light in Chitral Bazar” for estimated cost of Rs 9.00 million during 2015-16. The items of the contracts were Non MRS while the contracts were awarded without market analysis which was irregular.

Audit observed that irregular awarded of contract without rate analysis due to weak internal control, resulted in violation of rules.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 14.02.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

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

**AIR Para No. 42 (2015-16)**

**1.2.2.3 Non execution of schemes involving advance payment –Rs 1.5 million**

According to GFR-23 Vol-I that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Tehsil Municipal Officer Chitral paid Rs 81,0000 to Contractors as advance during 2015-16 against the estimated cost of Rs 1,500,000 for six (6) schemes. The works were not started till date of audit i.e. February, 2017 as

evident from the office record. Neither the works were completed nor advance payment recovered. Detail is given below:

<b>Dated</b>	<b>Name of scheme</b>	<b>E/Cost</b>	<b>Advance Payment without work done (Rs)</b>
9.7.15	Improvement of Madrassa at Nichagh	300,000	200,000
9.7.15	Repair of Bridge at Awi Oveer	200,000	120,000
7.7.15	Const of waiting room Parpish Bridge	200,000	120,000
22.4.15	Repair of AC Office Building Booni	300,000	100,000
	Extension/ repair of Road Nichagh Oveer	500,000	270,000
<b>Total</b>		<b>1,500,000</b>	<b>810,000</b>

Audit observed that non execution of schemes due to weak internal control, resulted in blockage of Government money.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 14.02.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

Audit recommends probe into the matter, fix responsibility, recovery of advance payment and against the person(s) at fault.

**AIR Para No. 41 (2015-16)**

**1.2.2.4 Excess allocation of fund from 30% Tehsil ADP– Rs 2.00 million**

According to Local Government and Rural Development Department letter No. AO/LCB/District Chitral/2014 dated 16.6.2015 approved 5.00 million out of 30% PFC development grant for the year 2014-15, for the construction of 1<sup>st</sup> Floor MC office building.

Tehsil Municipal Officer TMA Chitral Allocated Rs 7,000,000 for the construction of 1<sup>st</sup> Floor MC office building out of 30% PFC developmental grant while the LCB approved for Rs 5.00 million resulting in excess allocation of funds amounting to Rs 2,000,000 without approval of the competent authority.

Audit observed that excess allocation of fund was occurred due to weak internal control, which resulted in violation of rules.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 14.02.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

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

**AIR Para No. 36 (2015-16)**

## **TEHSIL MUNICIPAL ADMINISTRATION MASTUJ**

### **1.3 Audit Paras Tehsil Municipal Administration Mastuj**

#### **1.3.1 Irregularity & non compliance**

##### **1.3.1.1 Illegal transfer of developmental fund into private bank account Rs 41.256 million**

According to Para 7 of GFR Vol-I, unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Finance Department.

Tehsil Municipal Officer TMA Mastuj Chitral received Rs 41,256,000 on account of PFC 30% ADP Share for execution of developmental schemes during 2015-16. The amount was withdrawn from PLA and deposited in designated Bank Account of National Bank Chitral No.306469866 (PLS Account) instead of utilization on developmental schemes from PLA on case to case basis. Moverover, an amount of Rs 230,029 was credited by bank as profit on Government funds, which needs deposit into Government treasury.

Audit observed that unauthorized retention of public money and non execution of developmental scheme occurred due to weak financial controls, which not only resulted in blockage of public money but also deprived the local community of the benefits of developmental schemes.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 07.03.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

Audit recommends probe into the matter and action against the person(s) at fault.

**AIR Para No. 43 (2015-16)**

**1.3.1.2 Irregular expenditure without obtaining Technical Sanction from the competent authority—Rs 5.190 million**

According to Para 2.4 of B&R Department Code, no work shall be started without administrative approval, technical sanction and allotment of funds.

Tehsil Municipal Officer TMA Mastuj incurred an expenditure of Rs 5,190,901 on various developmental schemes during 2015-16 without obtaining technical sanction from the competent authority. Detail is as under:

S.No	Name of scheme	E/Cost (Rs)	Expenditure up to June 2016 (Rs)
1	improve of road from NADRA office to Rahochinar Booni	1,000,000	685,997
2	improve of road booni to charun	1,500,000	662,446
3	impro and const of ujno road tokhow	1,500,000	432,745
4	Improvement of road khot Dagharo Gole	800,000	720,000
5	widening/ improvement of main road shotkhar to ykhdez	700,000	630,000
6	improvement of phashk to zhopo road	700,000	449,713
7	improvement of road rostamandeh/ sha noghor etc brep yarkhun	600,000	530,000
8	cont of road koragh to pawason ph-I	1,200,000	1,080,000
	<b>Total</b>	<b>9,000,000</b>	<b>5,190,901</b>

Audit observed that irregular expenditure with technical sanction occurred due to weak internal control which resulted in violation of rules.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 07.03.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

Audit recommends, obtaining Technical Sanctions from the competent authority besides fixing responsibility for incurring expenditure without Technical Sanction.

**AIR Para No. 44 (2015-16)**

**1.3.1.3 Non imposition of penalty for incomplete schemes- Rs 1.690 million**

According to Clause 2 of the Contract Agreement requires that penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

Tehsil Municipal Officer TMA Mastuj did not impose penalty of Rs 1,750,000 @ 10% of the estimated cost of Rs 16,900,000 of eleven schemes which were not completed in time during 2015-16. Detail is given at **Annex-3**.

Audit observed that penalty was not imposed due to undue favour to contractors which resulted in loss to government.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted on 07.03.2017, but reply was not submitted. Request for the convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this Report.

Audit suggests recovery of penalty and action against the person(s) at fault.

**AIR Para No. 45 (2015-16)**

## ANNEXURES

### Annexure-1

#### Detail of MFDAC Paras

(Rs in million)

S.No	AP No.	Name of TMA	Caption	Amount	Remarks
1	31	Chitral	Unauthorized retention of excess amount received on account of developmental work amounting to Rs 210,000	0.210	
2	35	Chitral	Non deduction of professional tax – Rs 362,200	0.362	
3	37	Chitral	Loss due to non deposit of DPR fund, Stamp duty Rs 236,330	0.236	
4	40	Chitral	Overpayment due to non deduction of 10% void Rs 103,940	0.103	
5	46	Mastuj	Overpayment due to allowing higher rates than approved– Rs 176,688	0.176	
6	47	Mastuj	Non recovery of Advance Payment Rs 289,000	0.289	
7	48	Mastuj	Loss due to non deposit of DPR fund and Stamp duty Rs 150,900	0.150	
8	49	Mastuj	Overpayment due to non utilization of available material at site – Rs 287,659	0.287	
9	50	Mastuj	Irregular release of additional security before completion of works – Rs 1.777 million	1.77	Would be discussed in DAC
10	51	Mastuj	Non execution of work and Blockage of Government money amounting to Rs 150,000	0.150	
<b>Total</b>				<b>3.733</b>	

**Annexure-2**

**Para No. 1.2.1.3**

**Detail of Penalty**

<b>S. No.</b>	<b>Name of Scheme</b>	<b>Estimated Cost (Rs)</b>	<b>Expenditure up to June 16</b>	<b>Date of Comm</b>	<b>Time of completion</b>	<b>Status</b>	<b>10% Penalty (Rs)</b>
1	Gove Road at Brep	800,000	416,537	5.6.15	6 months	up	80,000
2	Constt: of Waiting Room Drosh/Garam Chashma Ada	1,500,000	644,000	5.6.15	6 months	up	150,000
3	Repair of Pipe line at Shedi	500,000	352,405	5.6.15	3 months	UP	50,000
4	WSS at Seen	400,000	117,084	5.6.15	6 months	up	40,000
5	Link Road at Barum Bala	100,000	59,965	5.6.15	6 months	up	10,000
6	Road at Sha char Oveer	300,000	145,957	5.6.15	6 months	up	30,000
7	Constt: of Road at Aspar Bala Domel	1,000,000	423,288	5.6.15	6 months	up	100,000
8	Improvement of Road at Chikisar Yarkhoon	200,000	115,695	5.6.15	6 months	UP	20,000
9	Municipal Road in MC Chitral including Road at Jughoor, Danin, Bzi Mndi, balach, Zargarandeh, Sabakarabad	20,000,000	19,550,754	18.3.15	12 months	up	2,000,000
10	Improvement of sawardu Arandu Road	250,000	163,000	5.6.15	6 months	up	25,000
<b>Total</b>		<b>25,050,000</b>	<b>21,988,685</b>				<b>2,505,000</b>

**Annexure-3**

**Para No.1.3.1.3**

**Detail of penalty for late completion of developmental works**

S.No	Name of Scheme	Date of Work order	Date of completion	Actual date of completion	Estimated Cost (Rs)	Expenditure	10% Penalty (Rs)
1	Improve of approach road sonoghur bridge right side	21.4.15	22.8.15	UP	200,000	159,508	20,000
2	Const of road shaper mali sor laspur	9.7.15	30.8.15	UP	400,000	107,730	40,000
3	Improvement of phashk to zhopo road	31.3.15	30.8.15	UP	700,000	449,713	70,000
4	Completion of pedestrian bridge ghoru parkosap	7.7.15	30.6.15	10.10.15	350,000	315,000	35,000
5	Improvement of link road lot dok booni	7.4.15	30.8.15	24.4.16	300,000	270,000	30,000
6	Repair of irrigation channel bumbagh	16.4.15	22.8.15	18.9.15	500,000	319,930	50,000
7	Impr of makina to lalani road	13.5.15	1.10.15	30.7.16	200,000	200,000	20,000
8	Protection wall chuinj	13.5.15	1.9.15	up	500,000	314,353	50,000
9	Repair of gaht road	13.5.15	30.8.15	UP	500,000	267,766	50,000
10	Impro of road booni to charun	10.3.16	30.6.16	UP	1,500,000	662,446	150,000
11	Improvement of Municipal Roads	20.3.15	30.6.15	up	11,750,000	11,750,000	1,175,000
<b>Total</b>					<b>16,900,000</b>	<b>14,816,446</b>	<b>1,690,000</b>