



**AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS**

IN DISTRICT KARAK

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

BD Shah	Banda Daud Shah
BOQ	Bill of Quantity
TMO	Tehsil Municipal Officer
CMD	Chief Minister Directives
CNIC	Current National Identity Card
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
KP	Khyber Pakhtunkhwa
KPPRA	Khyber Pakhtunkhwa Public Procurement Regularity authority
LCB	Local Council Board
LGA	Local Government Act
LG&RDD	Local Government & Rural Development Department
MFDAC	Memorandum for Departmental Accounts Committee
TMA	Tehsil Municipal Administration
TOR	Tehsil Officer Revenue
TS	Technical Sanction
NC	Neighborhood Council
NIT	Notice for Inviting Tender
NSI	Non Schedule Items
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PC-I	Planning Commission Proforma-I
PCC	Pacca Concrete Cement
PEC	Pakistan Engineering Council
PVC	Poly venial chloride
RDA	Regional Directorate of Audit
UC	Union Council
VC	Village council
WCF	Weekly Cattle Fair

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 Karak 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 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 Director General Audit, District Governments, Khyber Pakhtunkhwa carries out the audit of all Tehsil Municipal Administrations and Town Municipal Administrations. The Regional Directorate of Audit Peshawar, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of District Governments, TMAs and VCs/NCs of three Districts i.e. Kohat, Karak and Hangu respectively.

The Regional Directorate of Audit Kohat has a human resource of 07 officers and staff with a total of 1953 mandays. The annual budget amounting to Rs 10.650 million was allocated to the RDA during 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 in District Karak 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 Administration for which Annual Budget Statement is authorized by the Tehsil Council in the form of budgetary grants.

a. Scope of Audit

The total expenditure of the Tehsil Municipal Administrations in District Karak, for the Financial Year 2015-16 was Rs 186.298 million. Out of this, RDA Kohat audited an expenditure of Rs 149.038 million which, in terms of percentage, was 80% of auditable expenditure.

The total receipts of Tehsil Municipal Administrations in District Karak for the Financial Year 2015-16 was Rs 45.316 million. Out of this, RDA Kohat audited receipts of Rs 36.252 million which, in terms of percentage, was 80% of auditable receipts.

The total expenditure and receipts of Tehsil Municipal Administrations in District Karak, for the financial year 2015-16 was Rs 231.614 million. Out of this RDA Kohat audited transactions of Rs 185.290 million which, in terms of percentage, was 80% of auditable amount.

b. Recoveries at the instance of audit

Recovery of Rs 24.099 million was pointed out during the audit. However, no recovery was effected till finalization of this report. Out of the total recoveries, Rs 2.784 million was not in the notice of the executive before audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of TMAs, District Karak with respect to their 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.

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 TMAs.

f. Key audit findings of the report;

- i. Misappropriation / Fraud were noticed in four cases amounting to Rs 60.209 million¹
- ii. Non production of record was noticed in one case amounting to Rs 5.241 million²
- iii. Irregularities and non compliance were noticed in six cases amounting to Rs 22.343 million³
- iv. Internal control weaknesses were noticed in thirteen cases amounting to Rs 57.626 million⁴

g. Recommendations

- i. Misappropriated money may be recovered and deposited in the government treasury.
- ii. 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.
- iii. Compliance with authority should in variably be ensured and practice of violation of rules and regulations in spending public money should be stopped.

¹ Paras No. 1.3.1.1 to 1.3.1.3 & 1.4.1.1

² Paras No. 1.4.2.1

³ Paras No. 1.2.1.1 to 1.2.1.3, 1.3.2.1, 1.4.3.1 & 1.4.3.2

⁴ Paras No. 1.2.2.1 to 1.2.2.3, 1.3.3.1, 1.3.3.2, 1.4.4.1, to 1.4.4.8

SUMMARY TABLES AND CHARTS

I: Audit Work Statistics

(Rs in million)

S#	Description	No.	Budget
1	Total Entities in (PAO) Audit Jurisdiction	03	231.614
2	Total formations in audit jurisdiction	03	231.614
3	Total Entities in (PAO) Audited	03	185.290
4	Total formations Audited	03	185.290
5	Audit & Inspection Reports	03	185.290
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports (Relating to TMA)	-	-

II: Audit observations classified by categories

(Rs in million)

S#	Description	Amount under Audit Observation
1	Unsound asset management	1.152
2	Weak financial management	74.015
3	Weak Internal controls relating to financial management	49.222
4	Others	21.03
Total		145.419

III: Outcome Statistics

(Rs in million)

S#	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	--	48.593	127.734	8.963	185.290	-
2	Amount Placed under Audit Observation /Irregularities of Audit	--	43.461	96.717	5.241	145.419	-
3	Recoveries Pointed Out at the instance of Audit	--	4.253	14.605	5.241	24.099	-
4	Recoveries Accepted /Established at the instance of Audit	--	--	--	--	--	--
5	Recoveries Realized at the instance of Audit	--	--	--	--	--	--

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

S#	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	22.343
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	60.209
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.	-
4	Quantification of weaknesses of internal control systems.	33.527
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies.	24.099
6	Non production of record	5.241
7	Others, including cases of accidents, negligence etc.	-
Total		145.419

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

S#	Description	Amount
1	Outlays Audited	185.290
2	Expenditure on Audit	0.100
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	1:0

CHAPTER-1

1.1 Tehsil Municipal Administrations, District Karak

1.1.1 Introduction

District Karak has three tehsils i.e. Karak, Takht-e-Nasriti and BD Shah. Each Tehsil office is managed by a Tehsil Municipal Officers. 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;

- Monitor and supervise the performance of functionaries of Government offices located in the Tehsil and prepare spatial plans for the Tehsil including plans for land use and zoning and disseminate these plans for public enquiry;
- Execute and manage development plans for improvement of municipal services and infrastructure;
- Exercise control over land-use, land-subdivision, land development and enforce municipal laws, rules and bye-laws and prevent and remove encroachments;
- Regulate affixing of sign-boards and advertisements;
- Prepare budget, long term and annual municipal development programmes;
- Collect taxes, fines and penalties and organize sports, cultural, recreational events, fairs and shows; organize cattle fairs and cattle markets, co-ordinate and support municipal functions amongst village and neighborhood councils;
- 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 Karak for the year 2015-16 is as under:

(Rs in million)

2015-16	Budget	Expenditure	Excess /(Saving)	%age
Salary	61.052	62.13	1.078	1.77
Non-salary	34.563	19.279	(15.284)	44.22
Developmental	151.166	104.889	(46.277)	30.61
Total	246.781	186.298	(60.483)	24.51

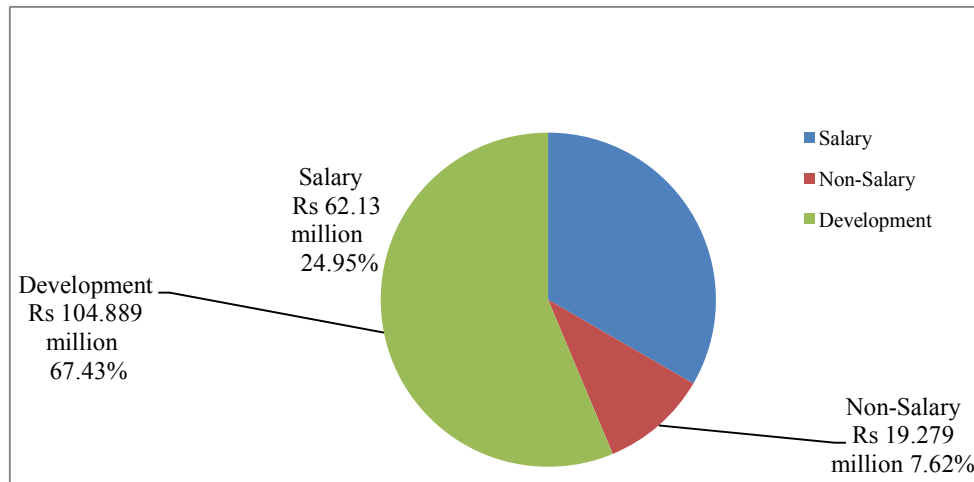
(Rs in million)

2015-16	Budgeted Receipts	Actual Receipts	Variation	%age
	45.316	45.316	0	0

The savings of Rs 60.483 million indicates weakness in the capacity of these local institutions to utilize the allocated budget.

Expenditure 2015-16

(Rs in million)



1.1.3 Comments on the status of compliance with 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 KARAK

1.2 Tehsil Municipal Administration Karak
1.2.1 Irregularity & Non Compliance
1.2.1.1 Non transparent tender process of work-Rs 5.00 million
Non imposition of penalty-Rs 500,000

Accordance to miscellaneous provisions in KPPRA Rules 2014 Clause-30, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

Accordance to miscellaneous provisions in KPPRA Rules 2014 Clause-34 (1), under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice in the national newspaper.

According to Clause 6 of the work order and Clause 2 of the Contract Agreement, penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

TMO Karak incurred an expenditure of Rs 5,000,000 million after awarding the work “Additional work of BTR Matina UC Sabir Abad” was advertised on 14.3.2015 & 13.3.2015. Last date of submission of tender documents and date of opening of tender was given as 23.3.2015 i.e. just nine days in contravention to KPPRA Rules whereas 15 days minimum response time was required to be given. Three bidders participated who sent their tender documents through same courier service having serial numbers in order one after another i.e. 70605907109, 70605907110 and 70605907111, which showed that the tendering process was not transparent.

Moreover, the work was required to be completed on 03.11.2015 but it was completed on 29.03.2016. Thus penalty @10% amounting to Rs 500,000 was required to be imposed, which was not done.

Non-transparency and non imposition of penalty occurred due to weak internal control, which resulted in loss to Government.

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

Audit suggests action against the person(s) at fault.

AIR Para No. 111 (2015-16)

- 1.2.1.2**
- i. Non transparent award of contract of Rs 3.00 million**
 - ii. Irregular expenditure on work-Rs 1.675 million**
 - iii. Non imposition of penalty-Rs 300,000**

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

According to Clause 6 of the work order and Clause 2 of the Contract Agreement, penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

TMO Karak awarded a work “Const: of PCC road from Highway to Iqbal Koroon” to a contractor who offered bid of Rs 2,700,000 as per BOQ. The contractor quoted rates for three items i.e. Clearing & Grubbing of roads, PCC 1:4:8 and PCC 1:2:4 while as per record, work to the tune of Rs 1,032,842 was executed on those items and remaining payment of Rs 1,675,227 was made on items not included in BOQ.

Moreover, the work was awarded to a contractor at Rs 2,700,000 i.e. 10% below while another contractor also offered the same rates but he was rejected with the reason that his signature was different in other documents. On examination of CNIC, tendering form and BOQ audit also found the signature of

another contractor different from each other but undue favour was extended to him. Thus the tendering was not transparent and the whole process was doubtful.

Further, the work was awarded on 20.10.2014 with completion period of six months but the work was completed on 28.8.2015. Thus penalty amounting to Rs 300,000 was not imposed and recovered.

Irregularity occurred due to weak internal control, which resulted in loss to Government.

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

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

AIR Para No. 113 (2015-16)

- 1.2.1.3**
- i. Doubtful award of work-Rs 3.00 million**
 - ii. Non imposition of penalty-Rs 300,000**

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

According to Clause 6 of the work order and Clause 2 of the Contract Agreement, penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

TMO Karak awarded a work "Pavement of street at Jandri" to a contractor for Rs 3,000,000. There was no number given on the electronic form of the successful bidder. There was also no number given of the electronic form on the envelope of the tender documents of the bidder to whom the work was awarded.

Further, other two bidders also quoted 10% below rates but their bids were rejected. The process of awarding work was doubtful.

Moreover, the work was awarded on 17.10.2014 but the contractor failed to complete the work within stipulated time and was delayed till 20.12.2015. The local office did not impose penalty of Rs 300,000 for delay in execution and completion of work.

Doubtful award of contract occurred due to weak internal control, which resulted in loss to Government.

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

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

AIR Para No. 114 (2015-16)

1.2.2 Internal Control Weaknesses

1.2.2.1 Non-recovery of outstanding Government dues-Rs 9.051 million

According to Clause 14 of the Model Terms and Conditions of receipt auction contracts issued by Local Council Board Peshawar, “The successful bidder within seven days of the acceptance of his bid shall produce a surety bond on a stamped paper to the extent of the bid amount and shall execute an agreement with the concerned councils of contract duly attested by a Judicial/Municipal Magistrate to the satisfaction of council. In case, the contractor/firm does not deposit advances or does not enter into an agreement within specified period, the contract shall stand cancelled and loss if any shall be recouped at the risk & cost of the contractor and recoverable under land revenue act, along with blacklisting of the contractor/firm”.

According to Clause 24 of the Model Terms and Conditions of receipt auction contracts “Defaulter Firms, nominee, authority holders will not be allowed to participate in any auction proceedings. The defaulter includes any outstanding amount of the Provincial or Federal Government”.

TMO Karak advertised the contract for collection of 2% Mutation Fee and a contractor offered highest bid of Rs 16,100,000 but he did not turn up and his call deposit was forfeited. The contract was re-auctioned and another contractor offered bid of Rs 16,250,000. He deposited cheque as security, which was bounced due to nonsufficient balance in the bank account. As per record & DCR a total collection of Rs 11,921,052 was made remaining an outstanding amount of Rs 5,953,948, which needs to be recovered.

Moreover, contract of Cess Fee was awarded to a contractor for Rs 6,000,000 during 2015-16 but the contractor did not turn up and a sum of Rs 2,497,460 and Rs 600,000 (3,097,460) was outstanding against him under contractual amount and income tax respectively.

Non recovery occurred due to weak internal control, which resulted in loss to Government.

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

Audit suggests recovery at the risk and cost of the contractor besides blacklisting of the contractor.

AIR Para No. 117 (2015-16)

1.2.2.2 Non Recovery of Taxes-Rs 3.036 million

According to rule 45.3 of Local Government Act 2013 chapter-X (Local Government Taxation), All arrears of taxes, rents and other moneys claimable by a local government under this Act shall be recoverable as arrears of land revenue.

According to rule 51(1) of Tehsil Municipal Administration budget rules 2016, the primary obligation of the TO (Regulation) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under the proper receipt head.

TMO Karak during 2015-16 failed to recover accumulated outstanding dues of Rs 3,036,000 on account of new taxes from various natures of businesses (Detail given at annexure-2). No efforts were made by the local office to impose and collect the taxes from the business holders. Resultantly government was put into loss.

Non-recovery of taxes occurred due to weak internal control, which resulted in loss to Government.

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

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

AIR Para No. 98 (2015-16)

1.2.2.3 Loss to Government due to non-leasing out the Commercial Plaza-Rs 1.152 million

According to rule 45.3 of local government act 2013 chapter-X (Local Government Taxation), All arrears of taxes, rents and other moneys claimable by a local government under this Act shall be recoverable as arrears of land revenue.

According to rule 51(1) of Tehsil Municipal Administration budget rules 2016, the primary obligation of the TO (Regulation) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under the proper receipt head.

TMO Karak during 2015-16 failed to lease out commercial plaza comprising of 55 number shops. Thus the Local Government was put to a loss of Rs 1,152,000 as detailed below:

S#	Number of Shops	Rent per Month as Proposed (Rs)	Total Outstanding Period (Months)	Total Recovery (Rs)
1	27 Nos Shops on Ground floor	2,000 per shop	12 Months	648,000
2	28 Nos Shops on Upper floor	1,500 per shop	12 Months	504,000
Total				1,152,000

Non-leasing out of Commercial Plaza occurred due to weak internal controls, which resulted in loss to Government.

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

Audit suggests leasing out the shops besides action against the person(s) at fault.

AIR Para No. 97 (2015-16)

**TEHSIL MUNICIPAL ADMINISTRATION
BANDA DAUD SHAH**

1.3 Tehsil Municipal Administration Banda Daud Shah

1.3.1 Misappropriation / Fraud

1.3.1.1 Fraudulent award of contract resulted in loss to government- Rs 49.880 million

According to Clause 13 of Model Terms and Conditions for the contracts of receipts auctions issued by Local Council Board Peshawar, “If the contractor/firm violates any term and condition of the auction, his contract will be cancelled for the breach of the law/rules and he will be blacklisted and his registration be cancelled”.

According to Clause 14 of the Model Terms and Conditions of receipt auction contracts “The successful bidder within seven days of the acceptance of his bid shall produce a surety bond on a stamped paper to the extent of the bid amount and shall execute an agreement with the concerned councils of contract duly attested by a Judicial/Municipal Magistrate to the satisfaction of council. In case, the contractor/firm does not deposit advances or does not enter into an agreement within specified period, the contract shall stand cancelled and loss if any shall be recouped at the risk & cost of the contractor and recoverable under land revenue act, along with blacklisting of the contractor/firm”.

According to Clause 24 of the Model Terms and Conditions of receipt auction contracts “Defaulter Firms, nominee, authority holders will not be allowed to participate in any auction proceedings. The defaulter includes any outstanding amount of the Provincial or Federal Government”.

TMO BD Shah awarded contract of Entry Fee during 2015-16. Audit observed the following:

1. The official bid started from Rs 50,000 and Mr. Wahid Gul offered highest bid of Rs 2,250,000 but the name of Mr. Haji Muhammad Akbar was entered at the end as highest bidder for Rs 50,000,000, which was

astonishing as neither he deposited call deposit nor he took part in the auction process as evident from the list of 07 number contractors.

2. The contract was awarded fraudulently as TOR & TMO put the name of Mr. Haji Muhammad Akbar in the bid sheet at the end for Rs 5 crore and he did not put his signature on the bid sheet and the contract was also not awarded to him.
3. The TMO stated in the note sheet to forfeit the call deposit of Mr. Haji Muhammad Akbar but nothing was forfeited as he had no call deposit to forfeit. All this was done to kick out the highest bidder Mr. Wahid Gul from the competition.
4. On 25.8.2015, the contract was again advertised onl in “Daily Mashriq” without routing through Information Department and the contract was awarded to Mr. Muhammad Raees for Rs 120,000 putting the Government into loss of Rs 49,880,000 (50,000,000-120,000=Rs 49,880,000)
5. It was also astonishing to note that Mr. Muhammad Raees put his signature on the bid sheet and agreement while he was illiterate as evident from CNIC by putting his thumb impression.
6. Approval from Secretary LCB was not obtained and the CNIC copy of the contractors and their registration etc were not found in record.
7. Signature of the contractor on bid sheet and agreement were totally different from CNIC and Agreement was not signed by Tehsil Nazim and witnesses.
8. Call deposit photocopies were not produced and Print media and video recording was not made.
9. No detail record was produced to audit as per Clause 16 and no recovery of pay & allowances, pension and leave salary was made from the contractor.

The auction process of receipt contracts in TMAs was not fair and transparent and guidelines of LCB were not followed for fair and transparent auction.

Fraudulent award occurred due to weak administrative and internal control.

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

Audit suggests disciplinary action against the person(s) at fault besides making good the loss.

AIR Para No. 145 (2015-16)

- 1.3.1.2**
- i. Fraudulent award of contract-Rs 5.250 million**
 - ii. Non recovery of Rs 750,000**

According to Clause 13 of Model Terms and Conditions for the contracts of receipts auctions issued by Local Council Board Peshawar, “If the contractor/firm violates any term and condition of the auction, his contract will be cancelled for the breach of the law/rules and he will be blacklisted and his registration be cancelled”.

According to Clause-20 of Model Terms & Conditions in which it is stated that in case of offering 30% high bid from last year, the contractor will deposit additional call deposit within two days failing which his contract will be cancelled and his call deposit will be forfeited besides blacklisting him.

TMO BD Shah awarded contract of 2% Mutation Fee during 2015-16. Audit observed the following:

1. TMO BD Shah advertised the said contract and one Mr. Muhammad Akbar offered highest bid of Rs 6,000,000 on 06.07.2015. The contractor was served with a notice on 07.7.2015 to deposit Rs 168,000 as additional

call deposit within two (02) days. But the contractor failed to deposit the same and the local office failed to forfeit the call deposit and failed to blacklist him. He was served with a second notice on 03.11.2015 to deposit 2 months installments i.e. September and October, 2015 for outstanding amount of Rs 1,050,000. Neither the contractor was blacklisted nor call deposit was forfeited besides failing to deposit additional call deposit and 2 months installments, in violation of Terms & Conditions of LCB.

2. The contract was awarded for Rs 6,000,000 vide letter No. CMO/MC/BD Shah/532 dated: 12.8.2015 while an agreement was executed and recovery was made for Rs 5,250,000 from the contractor by putting Government into loss of Rs 750,000.
3. Approval from Secretary LCB was not obtained and the CNIC copy of the contractor and his registration with LCB were not found on record.
4. Signature of the contractor on bid sheet and agreement were totally different from each other and Agreement was not signed by Tehsil Nazim and witnesses.
5. Print media and video recording were not made and the NIT was not routed through Information Department.
6. No detail record was produced to audit as per Clause 16 of the Terms & Conditions of receipts contracts and no recovery of pay & allowances, pension and leave salary for the TMA staff attached was made from the contractor nor its detail were given in the agreement as per Terms and conditions of the contracts.

Fraudulent award occurred due to weak administrative and internal control.

The irregularity was pointed out to the management in February 2017, management stated that reply would be submitted in couple of days, but reply was not submitted. Request for convening DAC meeting was made in February

2017, however meeting of DAC could not be convened till finalization of this report.

Audit suggests disciplinary action against the person(s) at fault besides making good the loss.

AIR Para No. 144 (2015-16)

- 1.3.1.3**
- i. Fraudulent award of work-Rs 2.00 million**
 - ii. Loss to Government-Rs 194,999**

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

TMO BD Shah awarded the work “Pavement of street/PCC at Adam Saz Koroona Azad Banda” with an estimated cost of Rs 2,000,000 to a contractor M/S Haji Gul Nawaz & Sons with his bid of Rs 1,994,999.99. Other two bidders participated in the bid were rejected with the reason quoted that “written 10% below on tender form original call deposit not attached” and “wrong calculation written 10% below on tender form and call deposit not attached” while as per record, both the contractors (who were rejected) wrote “as per bid sheet” on tender form not 10% below rather the successful bidder to whom work was awarded wrote something irrelevant which was fluided and the bid which was rejected with the plea that calculations were wrong, which were not actually wrong but tempered/manipulated by the local office and could be verified by dividing the figures in the total amount column by figures in the unit price column. Thus the work was fraudulently awarded to a contractor of choice and also causing a loss of Rs 194,999.99 (1,994,999.99-1,800,000) to Government exchequer.

Fraudulent award occurred due to weak administrative and internal control.

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

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

AIR Para No. 150 (2015-16)

1.3.2 Irregularity & Non Compliance

1.3.2.1 Non transparent award of contract-Rs 2.00 million

Loss of Rs 140,008

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

TMO BD Shah awarded the work “Street pvt: at Shadi Khan Koroona UC Bahader Khel” to M/S Taj Khattak Bros: at a cost of Rs 1,940,036 during 2015-16. While another contractor M/S Ali Badshah quoted rate of Rs 1,800,028, which was not accepted causing a loss of Rs 140,008 to Government exchequer.

Further, same official signed the comparative statement and detail cost estimate in the capacity of Sub Engineer as well Tehsil Officer (Infrastructure).

Non transparency occurred due to weak administrative and internal control.

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

Audit suggests action against the person(s) at fault.

AIR Para No. 153 (2015-16)

1.3.3 Internal Control Weaknesses

1.3.3.1 Non recovery of Rs 4.758 million

Non recovery of income tax-Rs 706,000

According to Clause 14 of the Model Terms and Conditions of receipt auction contracts issued by Local Council Board Peshawar, “The successful bidder within seven days of the acceptance of his bid shall produce a surety bond on a stamped paper to the extent of the bid amount and shall execute an agreement with the concerned councils of contract duly attested by a Judicial/Municipal Magistrate to the satisfaction of council. In case, the contractor/firm does not deposit advances or does not enter into an agreement within specified period, the contract shall stand cancelled and loss if any shall be recouped at the risk & cost of the contractor and recoverable under land revenue act, along with blacklisting of the contractor/firm”.

TMO B.D Shah awarded contract of Cess Fee for Rs 7,060,000 to contractor during 2015-16 but failed to collect a sum of Rs 4,758,650 on account of outstanding amount of the said contract and a sum of Rs 706,000 on account of income tax from the contractor. Audit also observed the following.

1. Approval from Secretary LCB was not obtained and the CNIC copy of the contractors/registration etc were not found in record.
2. Agreement was not signed by Tehsil Nazim/ witnesses and Call deposit photocopies were not produced.
3. Print media and video recording was not made as per Terms & Conditions of contracts and the auction was not routed through Information Department.
4. No detail record was produced to audit as per Clause 16 of Terms & Conditions of contracts and no recovery of pay & allowances, pension and leave salary of the staff deputed was made from the contractor.

Non recovery occurred due to weak administrative and internal control.

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

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

AIR Para No. 146 (2015-16)

**1.3.3.2 Loss due to non-awarding the contract to lowest bidder-
Rs 1.082 million**

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

TMO, BD Shah awarded the contract of work “Const: of PCC road from Shah Iram Koroona to Shaba Masjid and etc. to a contractor during 2015-16. Audit observed that as per BOQ a contractor M/S Latifullah offered/quoted bid of Rs 1,431,116 but it was not accepted and bid of M/S Alfalah Contractors Pvt: Ltd. of Rs 1,999,996 was accepted despite that his rates were tempered by using ink remover. Thus the contract was awarded to M/S Alfateh irregularly and putting the Government exchequer in loss of Rs 568,880.

Moreover, TMO BD Shah awarded the work “Const: of PCC road at Khurram Muhammadzai” to a contractor during 2015-16. Audit observed that as per tender form No. 1248592 of M/S Khyal Naqaz & Sons quoted rate of Rs 1,436,223.75 which was not accepted and contract was awarded to M/S Wahab Construction at a bid of Rs 1,950,000. This resulted in loss of Rs 513,777.

Loss occurred due to weak administrative and internal control.

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

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

AIR Para No. 151&152 (2015-16)

**TEHSIL MUNICIPAL ADMINISTRATION
TAKHT-E-NASRATI**

1.4 Tehsil Municipal Administration Thakht-e-Nasrati

1.4.1 Misappropriation / Fraud

1.4.1.1 Fraudulent award of work resulting into loss -Rs 1.823 million Non recovery of sales tax-Rs 191,162

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

During the course of audit of accounts of TMO Takhte Nasrati, it was noticed that following tempering in the work “Inst: of pressure pumps UC Siraj Khel” was made.

The figure in amount column for item at serial No. 3 was tempered from 533,400 to 5,334,000 by inserting zero (0) at the end. Similarly in the unit rate column for item at serial No. 2 was tempered from 2,500 to 25,000 by inserting zero (0) at the end. After calculation of the figures in the amount column, the total cost comes to Rs 2,176,393, which was tempered to Rs 42,176,393 by inserting 4 at the left.

Thus the bid of Rs 2,176,393 offered by M/S Wahid Ali was tempered and was not accepted and the contract was awarded to M/S Noor Jannat Shah by putting Government exchequer into loss of Rs 1,823,274 (3,999,667-2,176,393).

Further all BOQs of contractors including successful bidder were tempered for unknown reasons.

Moreover, sales tax @17% amounting to Rs 191,162 was also not deducted from the contractor as detailed below.

Items	Amount (Rs)	Sales Tax Due (Rs)
PVC pipe 6” dia	814,484	138,462
Submersible Machine	250,000	42,500
Sign Board	60,000	10,200
Total		191,162

Irregularity occurred due to weak administrative and internal control.

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

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

AIR Para No. 132 (2015-16)

1.4.2 Non Production of Record

1.4.2.1 Non production of auditable record-Rs 5.241 million

Section 14 (3) of the Auditor General's Powers and Terms and Conditions of Service) Ordinance, 2001 provides that any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under the relevant Efficiency & Discipline Rules, applicable to such person.

TMO Takht-e-Nasrati, District Karak failed to produce the following record amounting to Rs 5,241,100 pertaining to the year 2015-16 for audit verification, which resulted into unauthentic and unverified expenditure.

- i. Revenue receipt record of Lorry Adda, Dara Tang for Rs 133,870.
- ii. Revenue receipt record of Lorry Adda, Lawagher for Rs 665,000.
- iii. Revenue receipt record of Lorry Adda, Ambiri Kalla for Rs 1,715,230.
- iv. Revenue receipt record of Entry Fee Takhte Nasrati for Rs 410,000.
- v. Revenue receipt record of Bajri, Rait & shingle etc for Rs 2,317,000.
- vi. Statement of bank Accounts No. 3442-2 and Account No. 4107-8 and Demand and Collection Register (DCR) was neither maintained nor produced to audit.
- vii. Advances register and Establishment Check Register (ECR).
- viii. Record relating to Appointments made during 2015-16.

Non-production of record occurred due to weak administrative and internal control.

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

Audit suggests that the auditable record be produced to audit for verification.

AIR Para No. 121 (2015-16)

1.4.3 Irregularity & Non Compliance

1.4.3.1 Unjustified payment on non approved items-Rs 3.697 million Non recovery of sales tax-Rs 731,955

According to Para 2.86 of B&R Department Code, that an authority granted by a sanction to an estimate must on all occasion be looked upon as strictly, limited by the precise objects for which the estimate was intended to provide.

TMO Takhte Nasrati awarded a work “Inst: of pressure pumps at UC Jahangiri & Latamber”. As per TS and PC-1, PVC blind pipe was declared non justifiable by technical committee. Therefore, payment on the said item was held unjustified and needed recovery of Rs 3,697,620 (3,081,960+615,660).

Moreover, sales tax @17% amounting to Rs 731,955 on various items as per detail given below was not recovered.

Items	Amount (Rs)	Sales Tax Due (Rs)
P/I of PVC blind pipe	3,697,620	628,595
S/F of 2 HP Submersible Machine	418,000	71,060
S/F of Sign Board	190,000	32,300
Total		731,955

Non recovery occurred due to weak administrative and internal control.

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

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

AIR Para No. 134 (2015-16)

1.4.3.2 Irregular award of work and loss of Rs 2.00 million

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

TMO Takhte Nasrati awarded the work “Solarization of streets in Ashraf Khan Koorona, Mohkam Khail UC Nari Panos” to M/S Noor Jannat Shah at a cost of Rs 1,999,978 during 2015-16. Audit observed that as per calculation, total cost of BOQ comes to Rs 1,936,300 quoted by M.A.K Khattak Construction but the work was awarded to M/S Noor Jannat Shah at a cost of Rs 1,999,978 irregularly causing loss to TMA of Rs 63,678.

Irregularity occurred due to weak administrative and internal control.

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

Audit suggests inquiry and action against the person(s) at fault besides making good the loss.

AIR Para No. 133 (2015-16)

1.4.4 Internal Control Weaknesses

1.4.4.1 Loss due to tempering in the bid sheet-Rs 11.189 million Non recovery of sales tax-Rs 840,555

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

TMO Takhte Nasrati awarded a work “Inst: of pressure pumps at UC Warana Ahmed Abad, Metha Khel and Takhte Nasrati” out of CMD fund. The bid of Alfatah Construction Company Rs 3,775,120 was rejected. His bid sheet was tempered in item at serial No. 6 by putting digit 1 at right in unit rate column by making 1900 from 900 and for item at serial No. 8 by putting digit 1 in the unit rate column by making 150000 from 50000 and also for item at serial No. 2, the unit rate was tempered from 1000 to 71000.

Similarly, bid of M/S Mushtaq Khan amounting to Rs 8,850,000 was also turned down.

Furthermore, signatures of beneficiaries on the stamp papers were different in many cases from their signatures in CNIC.

Payments made on account of NSI items were held unjustified by the Competent Authority, which needs to be recovered from the person(s) responsible.

Moreover, sales tax @17% amounting to Rs 840,555 on various items as per detail given below was not recovered, which needs recovery.

Items	Amount (Rs)	Sales Tax Due (Rs)
P/I of PVC blind pipe	3,239,445	550,705
S/F of 2 HP Submersible Machine	1,280,000	217,600
S/F of Sign Board	425,000	72,250
Total		840,555

Loss occurred due to weak administrative and internal control.

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

Audit suggests for enquiry and action against the person(s) at fault besides recovery of tax.

AIR Para No. 135 (2015-16)

**1.4.4.2 Loss to government due to non-blacklisting of the contractors-
Rs 8.727 million**

According to Clause 14 of the Model Terms and Conditions of receipt auction contracts issued by Local Council Board Peshawar, “The successful bidder within seven days of the acceptance of his bid shall produce a surety bond on a stamped paper to the extent of the bid amount and shall execute an agreement with the concerned councils of contract duly attested by a Judicial/Municipal Magistrate to the satisfaction of council. In case, the contractor/firm does not deposit advances or does not enter into an agreement within specified period, the contract shall stand cancelled and loss if any shall be recouped at the risk & cost of the contractor and recoverable under land revenue act, along with blacklisting of the contractor/firm”.

According to Clause 24 of the Model Terms and Conditions of receipt auction contracts “Defaulter Firms, nominee, authority holders will not be allowed to participate in any auction proceedings. The defaulter includes any outstanding amount of the Provincial or Federal Government”.

TMO Takhte Nasrati during 2015-16, advertised the following revenue receipts contracts and the contractors mentioned against each offered highest bid in the auction of these contracts but did not turn up. The said contracts were again

auctioned with less bid/amount. The local office failed to black list them by following the terms & conditions/ instructions of LCB. The same practice was adopted every year and due to the reason the contractors are not taking interest in the auction process. Not a single penny has been recovered since long by the local office as risk & cost from any contractor and thus Government was put into loss of Rs 8,727,000.

Moreover, Mr. Gul Naeem offered the highest bids in the following contracts during 2015-16 but did not turn up instead of blacklisting him, he was awarded the same contracts in 2016-17, which shows failure on the part of the TMA by not collecting the amount at risk & cost of the contractor.

S#	Name of Contract	Name of 1 st Contractor	1 st Offered Bid	Final Bid Amount	Amount not recovered as Risk & Cost
1	2% Mutation	Abdul Kash	10,000,000	4,475,000	5,525,000
2	Lorry Adda Hamidan	Gul Naeem	222,000	180,000	42,000
3	WCF Ahmed Abad	Gul Naeem	3,410,000	2,010,000	1,400,000
4	WCF Takhte Nasrati	Gul Naeem	3,110,000	1,350,000	1,760,000
Total					8,727,000

Loss occurred due to weak administrative and internal control.

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

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

AIR Para No. 128 (2015-16)

- 1.4.4.3**
- i. Loss to Government on account of 2% Mutation fee- Rs 5.525 million**
 - ii. Non-recovery of contractual amount and income tax- Rs 1.522 million**

According to Clause 14 of the Model Terms and Conditions of receipt auction contracts issued by Local Council Board Peshawar, “The successful bidder within seven days of the acceptance of his bid shall produce a surety bond on a stamped paper to the extent of the bid amount and shall execute an agreement with the concerned councils of contract duly attested by a Judicial/Municipal Magistrate to the satisfaction of council. In case, the contractor/firm does not deposit advances or does not enter into an agreement within specified period, the contract shall stand cancelled and loss if any shall be recouped at the risk & cost of the contractor and recoverable under land revenue act, along with blacklisting of the contractor/firm”.

According to Clause 24 of the Model Terms and Conditions of receipt auction contracts “Defaulter Firms, nominee, authority holders will not be allowed to participate in any auction proceedings. The defaulter includes any outstanding amount of the Provincial or Federal Government”.

TMO Takhte Nasrati awarded the contract of 2% Mutation Fee during 2015-16. Audit observed the following:

1. A sum of Rs 1,075,000 and Rs 447,500 (Rs 1,522,500) on account of contractual amount and Income tax respectively was not recovered from the contractor.
2. Government was put into loss of Rs 5,525,000 as risk and cost, which was not recovered from the contractor.
3. On 30.6.2015 one Mr. Abdul Kash offered bid of 10,000,000 but did not turn up and his call deposit was forfeited. On 13.8.2015 it was again advertised and besides blacklisting and cancellation of the registration of the above contractor, he again took part in the auction process. On 24.8.2015, he again with the same call deposit and amount took part in

auction. On 04.9.2015 (third time), he again participated in auction with the same call deposit but astonishingly with Rs 600,000 instead of Rs 500,000 as applied in 2nd and 1st auction.

4. In 1st and 2nd auction process, the official bid (sarkari boli) was Rs 4,500,000 while in the final auction it was reduced to Rs 3,700,000, which is beyond understanding.
5. Approval from Secretary LCB was not obtained and the CNIC copy of the contractor/registration etc was not found in record.
6. Signature of the contractor on bid sheet and agreement are different from each other and Agreement was not signed by Tehsil Nazim and witnesses.
7. Call deposit photocopies were not produced to audit and Print media and video recording was not made as per Terms & Conditions of contract approved by LCB.
8. In the 3rd and final advertisement, only one day was given for auction i.e. the advertisement was made on 03.9.2015 and auction was made on 04.9.2015 beside at least 15 days as per KPPRA Rules and 7 working days as per terms and conditions of LCB.
9. The NIT was not published in two leading newspapers and was not routed through Information Department and no detail record was produced to audit as per Clause 16 of Terms & Conditions of contract.
10. No recovery of pay & allowances, pension and leave salary of TMA employees deputed was made from the contractor and Demand and Collection Register was neither maintained nor produced to audit.
11. The agreement was executed with the contractor on 29.10.2015 (18 days late) instead of 07 days as per clause 14 of Terms & Conditions of contract.

Non recovery occurred due to weak administrative and internal control.

The irregularity was pointed out to the management in February 2017, management stated that reply would be submitted in couple of days, but reply

was not submitted. Request for convening DAC meeting was made in February 2017, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 124 (2015-16)

1.4.4.4 Loss to Government on account of cattle fair-Rs 1.760 million

Non-recovery of contractual amount and income tax-Rs 0.459 million

According to Clause 14 of the Model Terms and Conditions of receipt auction contracts issued by Local Council Board Peshawar, “The successful bidder within seven days of the acceptance of his bid shall produce a surety bond on a stamped paper to the extent of the bid amount and shall execute an agreement with the concerned councils of contract duly attested by a Judicial/Municipal Magistrate to the satisfaction of council. In case, the contractor/firm does not deposit advances or does not enter into an agreement within specified period, the contract shall stand cancelled and loss if any shall be recouped at the risk & cost of the contractor and recoverable under land revenue act, along with blacklisting of the contractor/firm”.

According to Clause 24 of the Model Terms and Conditions of receipt auction contracts “Defaulter Firms, nominee, authority holders will not be allowed to participate in any auction proceedings. The defaulter includes any outstanding amount of the Provincial or Federal Government”.

TMO Takhte Nasrati awarded contract of “Weekly Cattle Fair Takhte Nasrati” during 2015-16. Audit observed the following:

1. Government was put into loss of Rs 1,760,000 as risk and cost, which was not recovered from the contractor as the contract was auctioned on 30.6.2015 and one Mr. Gul Naeem offered highest bid of Rs 3,110,000 but did not turn up.

2. A sum of Rs 324,500 on account of contractual amount and Income tax amounting to Rs 135,000 was not recovered from the contractor.
3. Approval from Secretary LCB was not obtained and the CNIC copy of the contractor/registration etc was not found in record.
4. Signature of the contractor on bid sheet and agreement are totally different from each other and Agreement was not signed by Tehsil Nazim.
5. Call deposit photocopies were not produced and Print media and video recording was not made as per Terms & Conditions of contract.
6. The NIT was not published in atleast two national newspapers and was not routed through Information Department and no detail record was produced to audit as per Clause 16 of Terms & Conditions of contract.
7. Demand and Collection Register was neither maintained nor produced to audit.

Loss occurred due to weak administrative and internal control.

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

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

AIR Para No. 126 (2015-16)

1.4.4.5 Loss due to manipulating in the BOQ-Rs 2.133 million

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

TMO Takhte Nasrati awarded a work “Installation of pressure pumps U/C Shnawa Gudi Khel & Chowkara” to a contractor at a cost of Rs 8,774,809.4 during 2015-16. Audit observed that rates quoted by M/S Abdur Rehman Government contractor was manipulated. Unit rate for item at serial No. 8 was manipulated from 7,500 to 75,000 and in the amount column from 127,500 to 1,275,000. The total cost was manipulated from Rs 6,640,908 to 886,640,908 by inserting 88 figure on the right side with 6,640,908. Thus the lowest rate of Mr. Abdur Rahman amounting to Rs 6,640,908 was made highest and not accepted and Government exchequer was put into loss of Rs 2,133,901 (8,774,809-6,640,908).

Loss occurred due to weak administrative and internal control.

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

Audit suggests Inquiry and action against the person(s) at fault.

AIR Para No. 131 (2015-16)

- 1.4.4.6**
- i. Loss to government-Rs 1.400 million**
 - ii. Non-recovery of contractual amount and income tax-Rs 0.603 million**

According to Clause 14 of the Model Terms and Conditions of receipt auction contracts issued by Local Council Board Peshawar, “The successful bidder within seven days of the acceptance of his bid shall produce a surety bond on a stamped paper to the extent of the bid amount and shall execute an agreement with the concerned councils of contract duly attested by a Judicial/Municipal Magistrate to the satisfaction of council. In case, the contractor/firm does not deposit advances or does not enter into an agreement within specified period, the contract shall stand cancelled and loss if any shall be

recouped at the risk & cost of the contractor and recoverable under land revenue act, along with blacklisting of the contractor/firm”.

According to Clause 24 of the Model Terms and Conditions of receipt auction contracts “Defaulter Firms, nominee, authority holders will not be allowed to participate in any auction proceedings. The defaulter includes any outstanding amount of the Provincial or Federal Government”.

TMO Takhte Nasrati awarded contract of “Weekly Cattle Fair Ahmed Abad” during 2015-16. Audit observed the following:

1. Government was put into loss of Rs 1,400,000 as risk and cost, which was not recovered from the contractor as the contract was auctioned on 30.6.2015 and one Mr. Gul Naeem offered highest bid of Rs 3,410,000 but did not turn up. The said contractor again applied on 06.7.2015 due to non blacklisting in 1st auction.
2. A sum of Rs 402,000 (2,010,000- 1,608,000) on account of contractual amount and income tax amounting to Rs 201,000 was not recovered from the contractor.
3. Approval from Secretary LCB was not obtained and the CNIC copy of the contractor/registration etc was not found in record.
4. Signature of the contractor on bid sheet and agreement are totally different from each other and Agreement was not signed by Tehsil Nazim.
5. Call deposit photocopies were not produced and Print media and video recording was not made as per Terms & Conditions of contract.
6. The NIT was not published in atleast two national newspapers and was not routed through Information Department and no detail record was produced to audit as per Clause 16 of Terms & Conditions of contract.
7. Demand and Collection Register was neither maintained nor produced to audit.

8. The same receipt contract was auction for Rs 2,854,000, Rs 994,000 and Rs 2,010,000 during 2013-14, 2014-15 and 2015-16 respectively, which was less than 2013-14.

Loss occurred due to weak administrative and internal control.

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

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

AIR Para No. 127 (2015-16)

**1.4.4.7 Loss due to manipulation in the bid sheet-Rs 1.441 million
Non deduction of sales tax-Rs 224,445**

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

TMO Takhte Nasrati awarded a work “Installation of pressure pumps at UC Takhte Nasrati District Karak” to a contractor at a cost of Rs 3,998,589. Audit observed that rates quoted in BOQ by M/S Abdur Rahman Kada Baji Khel were tempered as detailed below:

1. The contractor quoted Rs 348,048 and Rs 2,100 in the unit rate column at S. No.2, which was tempered to Rs 2,700.
2. Item at S. No. 6 was tempered from 975 to 2975 and in amount column from 388791 to 1388791 by putting 1 at right.
3. Item at S. No. 8 was tempered from 7500 to 17500 by putting 1 at right side and from 45000 to 145000 in the amount column.
4. Item at S. No. 9 was manipulated from 7500 to 75000 and in the amount column from 45000 to 450000.

Similarly, for sub head No.2, pressure pump type-B rates were tempered and manipulated.

Thus the total bid of Rs 2,556,904.32 of M/S Abdur Rahman Kada Baji Khel was manipulated and rejected and rate of Rs 3,998,589 of M/S Nadir Khan & Sons was accepted causing a loss of Rs 1,441,684 to Government exchequer.

Moreover, sales tax @17% amounting to Rs 224,445 on various items as per detail given below was not recovered.

Items	Amount (Rs)	Sales Tax Due (Rs)
P/I of 5" PVC blind pipe	1,120,266	190,445
S/F of 1.1 KW or 2 HP Submersible Machine @Rs 30,000	150,000	25,500
Sign Board	50,000	8,500
Total		224,445

Loss occurred due to weak administrative and internal control.

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

Audit suggests inquiry and action against the person(s) at fault besides making good the loss.

AIR Para No. 136 (2015-16)

1.4.4.8 Non-recovery of income tax from revenue receipt contracts- Rs 1.312 million

According to Rule 45.3 of Local Government Act 2013, chapter-X (Local Government Taxation), all arrears of taxes, rents and other moneys claimable by a local government under this Act shall be recoverable as arrears of land revenue.

According to rule 51(1) of Tehsil Municipal Administration budget rules 2016, the primary obligation of the TO (Regulation) shall be to ensure that all

revenue due is claimed, realized and credited immediately into the Tehsil Fund under the proper receipt head.

According to section 153(1) (a) of the Finance Act 2014, 10% Income Tax should be collected on account of contracts awarded through auction.

TMO Takhte Nasrati failed to recover income tax from the contractors of revenue receipts contracts and thus Government was put into loss of Rs 1,312,223 during 2015-16 as per detail given below, which needs recovery.

S#	Name of Contract	Name of contractor	Contractual Amount (Rs)	Income Tax due (Rs)
1	Lorry adda Lawagher	Unknown	665,000	66,500
2	Lorry adda Ambiri Kalla	Amin Khan	1,715,230	171,523
3	Entry Fee	Unknown	410,000	41,000
4	Rait, Bajri etc	---do---	2,317,000	231,700
5	WCF Ahmed Abad	Abdul Hamid	2,010,000	201,000
6	Lorry adda Hamidan	---do---	180,000	18,000
7	2% Mutation	Mir Syed	4,475,000	447,500
8	WCF Takhte Nasrati	Abdul Hamid	1,350,000	135,000
Total				1,312,223

Non recovery occurred due to weak administrative and internal control.

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

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

AIR Para No. 122 (2015-16)

ANNEXURES

Annexure-I

Detail of MFDAC

(Rs in million)

AP No	Department	Caption	Amount	Remarks
99	TMA Karak	Non-deposit of income tax and sales tax into Government Treasury	0.362	
100		Irregular/doubtful payment on account of Advertisement charges	0.834	
101		Misappropriation	0.062	
102		Unauthorized age relaxation	0	
103		Doubtful payment	0.342	
104		Wasteful expenditure	6.950	Expenditure incurred on account of salaries of staff, which is inevitable in nature.
105		Irregular/ doubtful payment on account of arrear of pay & allowances	0.291	
106		Doubtful payment on account of daily wages staff	1.296	The department pledged to provide the deficiencies pointed out in the Para.
107		Doubtful payment on account of POL	0.132	
108		Doubtful payment on account of fog spray	0.271	
109		Doubtful cash withdrawal from bank account	33.978	Entries have now made in the cash book while expenditure was of emergent nature.
110		Overpayment on account of Pay & Allowances	0.347	

112		Irregular and doubtful expenditure and non imposition of penalty	4.40	Change of scheme was regularized by the DDC.
115		Unauthorized execution of work without TS and non imposition of penalty	2.2	The TS has now been accorded.
116		Non transparent tender of work	1.00	The work was related to school and was of emergency nature.
118		Overpayment on account of excess quantity	0.448	
119		Irregular tendering of work	0.327	
120		Non utilization of developmental funds		
142		Non production of auditable record	0	
143		Non-recovery of income tax from revenue receipt contractors	0.782	
147		Doubtful expenditure	0.536	
148	TMA BD Shah	Doubtful/unauthorized expenditure without pre audit	11.603	Provision of pre audit by the local fund audit was not made in the rules, which was assigned to them later on.
149		Fraudulent award of contract of work	0.300	
154		Loss due to irregular award of work	0.307	
155		Non transparent tendering of work	0.109	
156		Irregular expenditure on non schedule items without rate analysis, Non deduction of sales tax and Non imposition of penalty	1.10	Rate analysis provided later on.
123	TMA Takht-e-Nasrati	Non-recovery from revenue receipts contracts	0.415	
125		Loss to Government and non-recovery of income tax from revenue receipts contract	0.06	
129		Difference in cash book and bank statement	5.188	Reasons for difference provided now, which are justifiable.
130		Non deduction of voids	0.199	

137		Non utilization of developmental funds	38.00	The fund was released in the last month of the financial year and was utilized in the subsequent year.
138		Irregular/doubtful payment on account of payment to legal advisors	0.240	
139		Doubtful/unauthorized expenditure without pre audit	1.837	Provision of pre audit by the local fund audit was not made in the rules, which was assigned to them later on.
140		Suspected Misappropriation	0.306	
141		Irregular/doubtful payment	0.331	

Annexure-2

(Para No. 1.2.2.2)

(Detail of non recovery of new taxes)

Nature of business	Numbers	Tax rate	Amount required to be recovered per Annum	Outstanding amount since 2011 (6 years)
Motor cycle bargain	2	10,000	20,000	120,000
Furniture Factory	4	10,000	40,000	240,000
Doctor Clinic	3	10,000	30,000	180,000
Poltary Farm	4	10,000	40,000	240,000
Service station	6	2,000	12,000	72,000
Private Hospital	3	15,000	45,000	270,000
Jewelry House	8	3,000	24,000	144,000
Refrigeration agency	2	2,000	4,000	24,000
Riksha and chingi Bargain	1	12,000	12,000	72,000
Printing press	2	2,000	4,000	24,000
Tyre Dealer	2	2,000	4,000	24,000
Vetarnary Clinic	4	1,500	6,000	36,000
Tailaring Shop	8	1,000	8,000	48,000
ShutringGodown	2	2,000	4,000	24,000
Medical stores	12	1,000	12,000	72,000
Electric stores	3	1,000	3,000	18,000
Hotels	6	1,500	9,000	54,000
Electronic shop	2	1,000	2,000	12,000
Beaf Shop	10	1,500	15,000	90,000
Welding works	5	1,000	5,000	30,000
Ice factory	3	2,500	7,500	45,000
Super store	5	1,000	5,000	30,000
Cigeratte Agency	1	1,500	1,500	9,000
Mobile franchise	4	8,000	32,000	192,000
Mobile shops	10	1,500	15,000	90,000
X-Ray Plants	2	1,000	2,000	12,000
Bricks dealers	2	1,000	2,000	12,000
Sanitary stores	2	1,000	2,000	12,000
Wood working centre	3	1,000	3,000	18,000
Baking industries	2	1,000	2,000	12,000
Diesel/Petrol Agencies	3	15,000	45,000	270,000
CNG station	3	30,000	90,000	540,000
Total				3,036,000

