



**AUDIT REPORT  
ON THE ACCOUNTS OF  
TEHSIL MUNICIPAL ADMINISTRATION  
IN DISTRICT CHARSADDA  
KHYBER PAKHTUNKHWA**

**AUDIT YEAR 2017-18**

**AUDITOR GENERAL OF PAKISTAN**

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## ABBREVIATIONS AND ACRONYMS

AIR	Audit & Inspection Report
ADP	Annual Development Programme
BOQ	Bill of Quantity
C&W	Communication and Works
CMD	Chief Minister Directives
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
DDC	District Development Committee
DDI	District Development Initiative
FBR	Federal Board of Revenue
GFRs	General Financial Rules
KPPRA	Khyber Pakhtunkhwa Public Procurement Authority
LCB	Local Council Board
LGA	Local Government Act
M <sup>3</sup>	Cubic Meter
MB	Measurement Book
MC	Municipal Committee
MPA	Member Provincial Assembly
NIT	Notice Inviting Notice
PAO	Principal Accounting Officer
PAC	Public Accounts Committee
PC-I	Planning Commission Proforma-I
PCC	Plain, Cement and Concrete
PEC	Pakistan Engineering Council
PFC	Provincial Finance Commission
PHE	Public Health Department
PLA	Personal Ledger Account
RCC	Reinforced Concrete Cement
RDA	Regional Director Audit

SDO	Sub-Divisional Officer
TS	Technical Sanction
TMA	Town Municipal Administrator
TAC	Tehsil Accounts Committee
TMO	Tehsil Municipal Officer
TO (I)	Tehsil Officer (Infrastructure)
TO (R)	Tehsil Officer (Revenue)
U/C	Union Council
WAPDA	Water and Power Development Authority

## **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 Municipal Administrators.

The report is based on audit of the accounts of TMAs in District Charsadda for the financial year 2016-17. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit on test check basis during 2017-18 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 logistic Forum 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 TMAs. DAC meetings were not convened despite 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 Peshawar, on behalf of the Directorate General District Governments Audit, Khyber Pakhtunkhwa carries out the audit of one City District Government, two District Governments, TMAs and VCs/NCs of three Districts i.e. Peshawar, Charsadda and Nowshera respectively.

The Regional Directorate of Audit Peshawar has a human resource of 10 officers and staff with a total of 2500 person days. The annual budget amounting to Rs 17.508 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 the District Charsadda perform their functions under Khyber Pakhtunkhwa Local Government Act 2013. Each TMA has one Principal Accounting Officer (PAO) as provided in Rule 8(1) (P) 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 expenditures of TMO Charsadda, Tangi and Shabqadar in District Charsadda for the Financial Year 2016-17 were Rs 544.567 million. Out of this, RDA Peshawar audited an expenditure of Rs 217.827 million which, in terms of percentage, was 40% of auditable expenditure.

The receipts of TMO Charsadda, Tangi and Shabqadar in District Charsadda for the financial year 2016-17 were Rs 560.937million. Out of this, RDA Peshawar audited receipts of Rs 560.937million which, in terms of percentage, was 100%.

The total expenditure and receipts of TMAs, Shabqadar, Tangi and Charsadda in District Charsadda for the financial year 2016-17 were 1105.504 million. Out of this RDA Peshawar audited transactions of Rs 778.764 million which, in terms of percentage was 70.44% of auditable amount.

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

Recovery of Rs 110.695 million was pointed out during the audit. However, no recovery was affected till finalization of this report.

**c. Audit Methodology**

Audit was conducted after understanding the business processes of TMAs, Charsadda 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, of 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 thus irregularities could not come to the light in the proper forum i.e. DAC and PAC.

**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. Deficiencies were observed in the internal control system as depicted in audit findings.



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 TMAs.

**f. Key audit findings of the report**

- i. Misappropriation / Fraud were found in four cases amounting to Rs 6.863 million<sup>1</sup>
- ii. Irregularities and non-compliance were noted in eighteen cases amounting to Rs 228.613 million<sup>2</sup>
- iii. Internal control weaknesses were noted in nineteen cases amounting to Rs 115.965 million<sup>3</sup>

**g. Recommendations**

- i. Departmental enquiries to be initiated in the reported cases of misappropriation/frauds.
- ii. Fraudulent drawl / misappropriated money may be recovered and deposited in the government treasury.
- iii. Enquiries on urgent basis to be initiated against the responsible officers and officials.
- iv. Internal control weaknesses to be plugged to stop irregularities in public spending.
- v. 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.

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<sup>1</sup>Paras No. 1.4.1.1 to 1.4.1.4

<sup>2</sup>Paras No. 1.2.1.1 to 1.2.1.10, 1.3.1.1 to 1.3.1.3, 1.4.2.1 to 1.4.2.5

<sup>3</sup>Paras No. 1.2.2.1 to 1.2.2.8, 1.3.2.1 to 1.3.2.4, 1.4.3.1 to 1.4.3.7

## SUMMARY TABLES AND CHARTS

### I: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities in (PAO) Audit Jurisdiction	01	1105.504
2	Total formations in audit jurisdiction	03	1105.504
3	Total Entities in (PAO) Audited	01	520.733
4	Total formations Audited	03	520.733
5	Audit and Inspection Reports	03	520.733
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	10.731
2.	Weak financial management	156.432
3.	Weak Internal controls relating to financial management	115.965
4.	Others	68.313
<b>Total</b>		<b>351.441</b>

### III: Outcome Statistics

(Rs in million)

S. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	Others	Total for the year 2016-17	Total for the year 2015-16
1.	Outlays Audited	-	209.150	195.356	116.227	520.733	301.215
2.	Amount Placed under Audit Observation /Irregularities of Audit	-	190.014	78.395	91.032	351.441	708.353
3.	Recoveries Pointed Out at the instance of Audit	-	30.061	60.762	19.872	110.695	106.815
4.	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

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

<b>S.No.</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1.	Violation of Rules and regulations, principle of propriety and probity in public operation	228.613
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	6.863
3.	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	0
4.	Quantification of weaknesses of internal control systems.	115.965
5.	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies	0
6.	Non-production of record	0
7.	Others, including cases of accidents, negligence etc.	0
<b>Total</b>		<b>351.441</b>

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

<b>S.No.</b>	<b>Description</b>	<b>Amount</b>
1.	Outlays Audited (items 1 of Table-3)	520.733
2.	Expenditure on Audit	0.50
3.	Recoveries realized at the instance of Audit	0
4.	Cost-Benefit Ratio	1:0

## **CHAPTER-1**

### **1.1 Tehsil Municipal Administrations, District Charsadda**

#### **1.1.1 Introduction**

District Charsadda has three tehsils i.e. Charsadda, Tangi and Shabqadar. 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).

**According to section 22 of Local Government Act 2013 the functions and powers of TMAs are as under:-**

- (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 Charsadda for the year 2016-17 is as under:

(Rs in million)

2016-17	Budget	Expenditure	Excess/ (Saving)
Salary	222.615	197.769	(24.846)
Non-salary	75.733	43.536	(32.197)
Developmental	466.541	303.262	(163.279)
Total	764.889	544.567	(220.322)

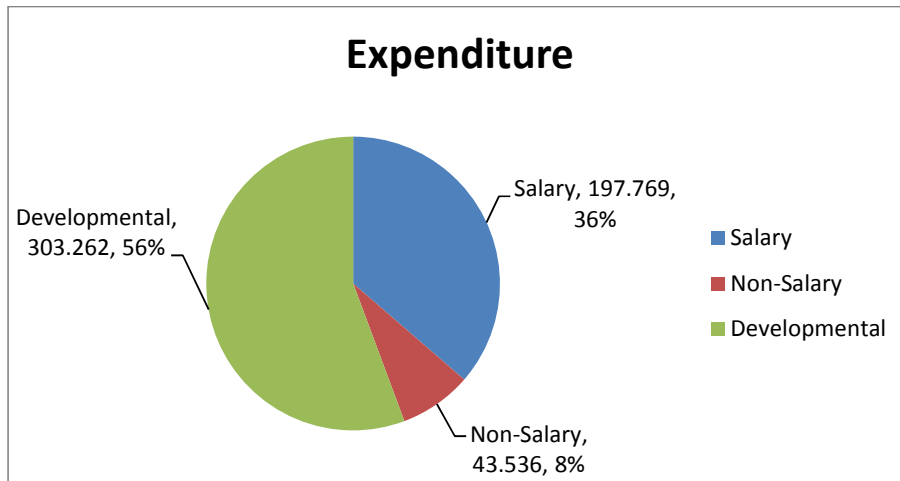
The savings of Rs 220.322 million indicates weakness in the capacity of these local institutions to utilize the allocated budget.

Period	Budgeted receipt	Actual receipt	Variation
2016-17	583.937	560.937	(23)

The savings of Rs 23.000 million indicates weakness in the capacity of these local institutions to utilize the allocated budget.

## Expenditure 2016-17

(Rs in million)



### 1.1.3 Comments on the status of compliance with PAC/DAC Directives

The Audit Reports pertaining to Financial Years 2009-10 to 2015-16 on accounts of Tehsil Municipal Administration/Municipal Committees were submitted to Governor Khyber Pakhtunkhwa but have not yet been discussed in respective Accounts Committees.

**TEHSIL MUNICIPALADMINISTRATION**  
**CHARSADDA**



## **1.2 Audit Paras of TMA Charsadda**

### **1.2.1 Irregularity& non-compliance**

#### **1.2.1.1 Irregular expenditure on repair of transformers–Rs 6.0 million.**

According to CPWD Code Para 2.5 & 2.6, work shall not be started before obtaining Technical Sanction.

According to para-4 of Administrative Approval, work shall be completed within stipulated time.

According para-5 of the Work order, contract agreement be signed with contractor.

According to the N.I.T of the scheme, repair bills shall be verified by local Sub-divisional officer PESCO and S.D.O PESCO shall be informed before starting the repair work on the out of order transformers.

According to the Abridge Condition under the WAPDA Act, 1958, printed on every application form of electricity service connection, before any electrical wiring or energy consuming apparatus is connected to the authorities mains, the same shall be subject to inspection and testing by the authority and the whole of the service line, together with any wire meters and other apparatus installed on the premises of the consumer shall be property of the Authority. Moreover the consumer shall be solely responsible for and shall pay for any loss of or damage to any electric supply lines, main fuses meters and /or other apparatus belonging to the authority on the consumer premises whether caused maliciously or through culpable negligence or default on the part of the consumer or any of his employees or whether arising out, theft or any other cause beyond the control of the authority, always accepting reasonable wear and tear and loss or damages.

Tehsil Municipal Officer, Charsadda during F.Y 2016-17 incurred expenditure of Rs 6,000,000 on account of work “Repair of Transformers at UCs, Hisara Yaseenzai, Utmanzai, Dosehra, Rajjar & Dargai” out of ADP

Scheme 757/150182 for the year 2016-17, at PK-18. The following irregularities were noticed:

1. Repair of transformers was the responsibility of PESCO.
2. The work was not technically sanctioned from PESCO, but a Technical Sanction was placed in file issued from superintending Engineer C&W Circle Mardan.
3. Detailed bills/vouchers were not verified by SDO PESCO local Circle.
4. No inspection report including detail of damaged transformers by TMA and PESCO staff was available on record as required.
5. No proper contract agreement was signed with contractors.
6. Re-checking report of repaired transformers from M&T Lab of PESCO was not obtained.
7. No completion certificate was available on record.
8. PC-1 of the scheme was neither signed by TMO nor approved by the Tehsil Nazim.
9. No record of the scope of damage transformers was available.
10. PC-1 of the scheme was also not approved by the concerned forum, so the scheme was executed on an unapproved PC-1.

The irregularity occurred due to weak internal control.

The irregularity was pointed out to management in February 2018. Management stated that the repair work was carried out in transformers under CMD fund in the whole constituency of concerned MPA and all codal formalities were observed. The reply is not convincing as there was no qualified staff of electrical engineers and the work was executed beyond the domain of TMA and codal formalities were also not observed.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

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

**1.2.1.2 Loss due to negligence of the management – Rs 150.400 million**

According to Para 23 of General Financial Rules, “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 either on his part or on the part of his subordinate staff.”

Tehsil Municipal Officer, Charsadda acquired 24 kanal and 09 Marla land in 1967 at a total cost of Rs 117,070 for the purpose of weekly cattle fare and were regularly holding cattle fare for generating revenue for Municipal Services of general public. But the land was illegally occupied in 2005 by Higher Education and constructed building for Girls Degree College. Later on the Honorable Additional District Judge No. 1 Charsadda on 13-05-2010 admitted the case with the observation “that only Provincial Local Government Commission has the jurisdiction to resolve the suit dispute. No order as to the cost record of Trial Court has been sent forthwith, while record of this court be countersigned to the record room after its completion.” However the local office failed to approach the same commission. Detail of the market value of property is as under:

<b>S No.</b>	<b>Description</b>	<b>Total Land in Marlas</b>	<b>Rate per Marla</b>	<b>Total Market Value</b>
1	Total Piece of land 24 Kanal and 09 Marlas	428	350000	149,800,000
2	Cost of Boundary Wall	-	-	600,000
<b>Total Loss Rs</b>				<b>150,400,000</b>

Audit also observed the following:

1. It is a very common practice that Administration departments/Law enforcing agencies usually occupying such lands as easy targets which available for municipal services of the public.

2. When such revenue generating sources were illegally occupied and blocked then how could local bodies run and perform municipal services to general public.
3. Some of the examples of illegally occupied land are as under:

S No	Name of TMA	Size of Property	Location	Remarks
1	Charsadda		Bus Terminal Near ChootiPul	Occupied by Police/Rescue
2	Charsadda	24 Kanal	Nowshera Road	Occupied by Higher Education Commission
3	Charsadda	08 Kanal	Near DC Office	Occupied by District Government
4	Charsadda	08 Marlas	Utmanzai Bazar	Occupied by Police Department

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that 1. TMA Land on Nowshera Road: It is stated that this Burning Issue was brought in the notice of high ups but no progress was made. 2. Bus Terminal: Some portion i.e. Main terminal & Restaurant have been handed over to Police Department (PAL) and 1122 (Rescue) on temporary basis by the competent authority i.e. Provincial Government and District Government. The PALs staff has been shifted to some extent to Mardan Road Offices, but some staff is still in the same Terminal. 3. Town Hall: the Hall is occupied by the POLICE. 4. Police Post (TMA Land): Letter will be sent to DPO Charsadda for vacation of the said land and if they showed reluctance then rent will be communicated to the Police Department. The places/lands at S. NO. 2,3 &4 are urgently required for the income generation of TMA, while the compensation of land on Nowshera Road in shape of land or piece of the land alongwith rent since 2005 may be provided. The reply is not convincing.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends immediate action by vacating the college or providing alternate space to TMA Charsadda to establish vegetable market/cattle fare etc for generating revenue.

**1.2.1.3 Irregular/un-authorized award of contract & loss to Govt. receipts Rs. 5.63 million**

Policy guidelines of contracts Para 7 circulated by LGRD- Local Council Board KP vide Number AO-II/LCB/6-11/2013 dated 14-03-2016. 02% penalty will be liable on contractor/firm for late deposit of the monthly installment. If the contractor /firm fails to clear dues by 10<sup>th</sup> of each month to which monthly installment relates, the contract may be cancelled and his security and advances deposited by the contractor shall be forfeited.

According to para-13 of the Model Terms and Condition of the Contracts, the successful bidder within 7 days of the acceptance of his bid, shall execute an agreement on a stamped shall also produce guarantee to two local notable residents having property equalent to the contract amount duly attested by 1st class Magistrate to the satisfaction of the council in case the contractor /firm does not deposit advances or does not enter in to agreement with the specified period the bid shall be considered as cancelled while the earnest money shall be forfeited in favour of the concerned local council.

Policy guidelines of contracts para-16 circulated by LGRD- Local Council Board KP vide Number AO-II/LCB/6-11/2013 dated 14-03-2016, that if it is proved that the schedule has been violated or excess fee/tax has been charged willfully, then the contract/firm as well as defaulting staff shall be liable to pay a penalty up to 11 times of the actual taxes being charged.

Terms & Conditions of contracts for the year 2016-17, of TMA Charsadda. Para-6 says that any bid offer more than 30% above the previous bid, the contractor will deposit money equal to call deposit, otherwise CDR shall be forfeited, contract will be canceled and contractor will be declared as disqualified.

Tehsil Municipal Officer, Charsadda advertised various receipts contracts for 2016-17 in April 2016, including receipt contract for Rickshaw stand fee Charsadda mentioning bid opening dates as 18/4/2016, 21/4//2016, 26/4/2016 &

29/4/2016. First time Bid auction was made on 18-04-2016. The following irregularities were pointed out.

S. No	Auction date	Contractor	Bid offered	Remarks
1	18-04-2016	Kishwar Ali	10,000,000	Refused to take the contract.
2	21-04-2016	Kishwar Ali	4,440,000	Instead of dis-qualification, contract was awarded on a bid less than half of the 1 <sup>st</sup> bid offered.
<b>Loss to Govt. in receipts</b>			<b>5,560,000</b>	Monthly installment@ Rs. 132000 short For one month.
Penalty @ 2% per day			<b>68,640</b>	
<b>Total</b>			<b>5,628,640</b>	

1. CDR of the contractor was not withheld by the TMA and the contractor was also not dis-qualified in violation of para-6 of the term & conditions of contract.
2. The contract was again auctioned on 21-04-2016, and awarded to the said contractor at a bid of Rs. 4,440,000, which loss to Govt Rs.5, 560,000.
3. One monthly installment was short of the contractor but no penalty @ 2% per day Rs.68, 640 was imposed.
4. Contract was not attested from the Judicial Magistrate in violation of the conditions mentioned in para-13 of the above letter.
5. The contractor was over charging tax from schedule rate of TMA from Rickshaw drivers despite many written notices from TMA office and was in violation of para-16 of terms & conditions of contract of TMA office Charsadda but neither penalty @ 11 times of tax collected was imposed nor was contract canceled.
6. Security and advance was also not forfeited by TMA.
7. Two guarantors were also not provided by the contractor in violation of para-13 of the terms & conditions of the contract.

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that the contract of Qinqu/Rackshaw Fee has been

auctioned to the tune of Rs 1000000 on 18-4-2016. The contractor has been served notice to deposit 30% of the contract amount, but he failed to do so. After that his CDR has been forfeited and the contract has once again been auctioned on 21-4-2016 in the best interest of TMA. The bid offered for the said contract on 21-4-2016 was according to the terms & conditions of the contracts of 2016-17. It is further stated that the bid amount has been recovered upto 30-6-2017 and no losses have been given to the TMA. However some erroneously mistakes will not be repeated in the coming official business in future.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

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

**AIR Para No.08/2016-17**

**1.2.1.4 Unnecessary/Wasteful Expenditure on Slaughter House – 3.00 million**

According to Para 23 of General Financial Rules, “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 either on his part or on the part of his subordinate staff.”

Tehsil Municipal Officer, Charsadda incurred expenditure for Rs3,000,000 on repair and renovation of Slaughter House Prang on the special direction of Honorable Deputy Commissioner Mr. Tahir Abbasi during 2014-15, but after that the local office and District Administration failed to functionalize it till 2016-17. Audit observed that all the slaughtering of animals of the district was carried out in houses which seemed an alarming threat for the public lives besides sustaining loss by the local office of TMA. Audit also observed that:

1. Unhygienic slaughtering may entail serious diseases due to uncertified beef/mutton of animals.

2. Revenue generating source of Tehsil Municipal office was paralyzed for ulterior motives.
3. More than one Kanal covered area was lying at the mercy of private persons occupying therein the slaughter house.
4. Deputy Commissioner/DPO/TMO/Legal Advisor and media failed to focus on the significant issue of the district.

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management did not reply.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends the functionalization of the slaughter house to provide certified stamped beef/mutton by the concerned doctors and generating revenue for the local office.

**AIR Para No.18/2016-17**

**1.2.1.5 Overpayment due to excess unnecessary quantity of PCC 1:2:4 for –Rs 2.331 million**

Para 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

Tehsil Municipal Officer, Charsadda overpaid Rs 2331140 in various works due to excess unnecessary quantity of PCC 1:2:4 during 2016-17. Audit observed that according to the quantity of PCC 1:4:8 which was approved in PC-1 and executed in 04 inch thickness, the quantity of PCC 1:2:4 was approved in PC-1 and required in 03 inch thickness. Though the thickness of PCC 1:2:4 was



shown in 03 inch but more unnecessary quantity was shown executed compared to PCC 1:4:8 which caused loss to public exchequer as detailed below:

Name of Scheme	Qty PCC 1:4:8 executed in 4" thickness	Qty PCC 1:2:4 paid	Qty PCC 1:2:4 required in 3" thickness according to PCC 1:4:8 execution	Extra unnecessary Qty shown executed of PCC 1:2:4	Rate of PCC 1:2:4/M3	Overpayment
St Pav at UC Sheikho	71.59	71.17	54.23	16.94	6997	118529
Imp of PCC Road at MeraUmerzai	58.037	47.41	43.96	3.45	7360	25392
SS at SarkiTitara	145.64	127.83	110.33	17.50	6997	122448
Chitralkorona UC GhundaKarkana	131.55	113.62	99.66	13.96	6840	95486
PCC Road at Shamroz Aziz Khel	55.88	62.32	42.33	19.99	6980	135530
SS at SherBahadarKilli	158.87	128	120.35	7.65 M3	6997	53527
SS UC DheriZardad	210.26	174.72	159.29	15.43	5900	91037
SS at UC SarkiTitaraIjara 1	121.29	105.97	91.88	14.09	6997	98588
SS at UC Dargai	-	121.70	-	121.70	4750	578075
SS at Kharbillakorona	84.60	67.78	64.09	3.69	6997.38	25820
SS at Khanmai	195.43	156	148.05	7.95	6991.38	55581
St Pav at Garhi Kaka Khel at Sheikhabad	155.84	127.70	118.06	9.64	6600	63624
SS at FazalRehman UC MeraUmerzai	49.33	44.89	37.37	7.52	6997	52617
Pav of st at HajiabadMeraUmerzai	60.99	59.24	46.20	13.04	6953.88	90679
St pav at TajayKili MC III	132.36	203.98	100.27	103.71	6983	724207
<b>Total Rs</b>						<b>2,331,140</b>

The irregularity occurred due to weak internal control.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be given after checking of relevant record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends inquiry and recovery under intimation to audit.

**AIR Para No.25/2016-17**

**1.2.1.6 Loss due to Payment of Street Lights Electricity Bills without a single Light on Site – Rs 7.722 million**

According to Para 04 of Minutes circulated on 13/01/2016, “In the meeting it was observed that this office has paid the street lights bills to PESCO, while in fact there is not a single light in use. This is a very alarming issue and the concerned engineers are directed to take immediate action and submit their report to the undersigned within one week.”

Tehsil Municipal Officer, Charsadda paid electricity bills to PESCO without consuming electricity as a single light was not installed at site since last 10 years. During 2016-17, it was observed that the department was put to loss of Rs 7721630 which needs recovery as detailed below:

<b>Total Units of Electricity Consumed</b>	<b>Total payment per year made to PESCO</b>	<b>Total period</b>	<b>Total Loss (RS)</b>
Nil	772,163	10 years	7,721,630

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be given after checking of relevant record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends recovery besides fixing responsibility on dealing hands.

**AIR Para No.32/2016-17**

### 1.2.1.7 Loss due to Non imposition of penalty – Rs 2.920 million

Clause-2 of the conditions of the Contract Agreement provides that in the event of contractors failing to complete the work within the stipulated period, he shall be liable to pay as compensation an amount equal to 1% to 10% of the Estimated Cost as shown in the tender.

Tehsil Municipal Officer, Charsadda failed to impose penalty for Rs 2,920,000 on various schemes awarded in 2016-17 for 03 months as per work order but not completed within stipulated period and continued till February 2018. During 2016-17 audit observed that non-imposition of penalty resulted in loss to public exchequer as detailed below:

S No	Name of Scheme	Date of Work Order	Date of Completion	E/Cost	10% Penalty
1	Imp of Janazgah Muhammad Nari	20/4/2016	21/7/2016	1.0	29,200,000
2	SS at Sheikho	20/4/2016	21/7/2016	3.0	
3	St Pav at MC IV	20/4/2016	21/7/2016	0.25	
4	SS at Meer KiliWardaga	20/4/2016	21/7/2016	3.20	
5	Imp of road at Majokay	20/4/2016	21/7/2016	0.5	
6	St,drain at Sheikhabad Rajar-1	20/4/2016	21/7/2016	3.0	
7	Imp of Road at Rajar 1	20/4/2016	21/7/2016	1.5	
8	Imp of St at MianKilli MC 2	20/4/2016	21/7/2016	1.75	
9	Const of St at MalmaleTarnab	20/4/2016	21/7/2016	3.0	
10	SS at ChitralkoronaGhundaKarkana	20/4/2016	21/7/2016	3.0	
11	Const of Drain at Turangzai	20/4/2016	21/7/2016	1.0	
12	Solid Waste Turnagzai	20/4/2016	21/7/2016	0.5	
13	SS Akram Mama Afzal Khan	20/4/2016	21/7/2016	3.0	
14	St Pav at Moh Haji abadPurdil	20/4/2016	21/7/2016	1.5	
15	St Pav at BabukiliSheikho	20/4/2016	21/7/2016	0.5	
16	Contr of PCC Road Khanmai	20/4/2016	21/7/2016	0.5	
17	Const of Security post MPS	20/4/2016	21/7/2016	2.0	
				29.200	<b>2,920,000</b>

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be given after checking of relevant record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends recovery besides fixing responsibility on dealing hands.

**AIR Para No.33/2016-17**

**1.2.1.8 Loss due to unauthorized tender & Poor Management – Rs 9.966 million**

According to Para 23 of General Financial Rules, “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 either on his part or on the part of his subordinate staff.”

Tehsil Municipal Officer, Charsadda tendered 137 developmental schemes on the basis of MRS 2015 for Rs 194,018,400 except 10% of sports and youth fund valuing Rs 21,557,600 (215,576,000\*10%) on 13 March 2016 against the released fund of Rs 107,788,000 (53,894,000+53,894,000) for financial year 2015-16 and later on 39 schemes were dropped without cogent reasons and 98 schemes were administratively approved for Rs 157,620,000. Audit observed that as the execution of these schemes was made in 2016-17 and even continued in 2017-18 then why the tender was made in crazy hurry on MRS 2015 for unreleased fund of Rs 4,983,2000 (157,620,000-107,788,000). Would the schemes be tendered after release of Rs 49832000 on proper time in 2016-17 on MRS 2016 which was almost 20% below the MRS 2015, the loss of Rs9,966,400 (49,832,000\*20%) could not be sustained by the public exchequer as the item rates were approximately offered at par of MRS 2015. Hence super crazy speed of floating tender of 137 schemes and later on execution of 98 schemes in 2016-17 and 2017-18 on the basis of MRS 2015 instead of MRS 2016 was unauthorized and poor management which not only resulted in loss of Rs 9,966,400 to public exchequer but also delayed the execution of schemes for 02

years which are still in progress in February 2018 till the date of audit (Progress Report enclosed). Example of rates of MRS 2015 on higher side compared to MRS 2016 is as under:

MRS 2015	MRS 2016
Mild steel reinforcement 40 Grade rolled Rs 121,529	Mild steel reinforcement 40 Grade rolled Rs 1,03,529

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be given after checking of relevant record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends recovery of 20% excess payment on MRS 2015 instead of MRS 2016 and fixing responsibility on the persons at fault for poor management due to inordinate delay in execution of schemes.

**AIR Para No.14/2016-17**

#### **1.2.1.9 Irregular Appointment of Junior Clerks/Computer Operator**

According to clause-1 & 8 of Finance Deptt. KPK letter No. BO.1/FD/5-8/2015-16/ Economy Measures dated 26.06.2015, there shall be a complete ban on creation of posts and no appointment shall be made against leave vacancies without prior approval of Finance Department.

Tehsil Municipal Officer, Charsadda appointed junior clerks and computer operators during 2016-17. Audit held the appointment irregular and observed the following:

1. The appointment procedure was not conducted as per criteria of ESTA Code. No marks were allocated for First Division Matric, FA/Fsc, BA/BSc and MA/MSc.

2. Candidates of even 3<sup>rd</sup> division and overage were considered for appointment.
3. Total 246 candidates applied for junior clerk post and 99 for computer operator but no result of marks obtained was prepared of all candidates and directly only 20 candidates were called for interview whereas record of remaining candidates for screening test/ typing test/computer test and working papers was not available to scrutinize the matter.
4. Documents were not scrutinized/verified from the concerned institutions.
5. Computer Degree holders were required to be called for test and interview but diploma holders were called and quality was compromised.
6. Key Punch Operator was appointed in BPS-04 which needs detail inquiry.

The irregular appointment occurred due to weak internal control and loss to the government.

The irregularity was pointed out to management in February 2018. Management did not reply.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

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

**AIR Para No.19/2016-17**

**1.2.1.10 Un-authorized award of contracts / Irregular expenditure on repair of transformers–Rs 8.0 million.**

According to para-1 of Administrative Approval/CPWD code 2.5 & 2.6, work shall not be started before obtaining Technical Sanction. Para-4 of Administrative Approval; work shall be completed within stipulated time.

According para-5 of the Work order, contract agreement be signed with contractor.

NIT condition that repair bills shall be verified by local Sub-divisional Officer PESCO. SDO PESCO shall be informed before dismantling of the out of order transformers. Local Government Department Khyber Pakhtunkhwa, registered contractor should participate in tender process.

According to the Abridge Condition under the WAPDA Act, 1958, printed on every application form of electricity service connection, before any electrical wiring or energy consuming apparatus is connected to the authorities mains, the same shall be subject to inspection and testing by the authority and the whole of the service line, together with any wire meters and other apparatus installed on the premises of the consumer shall be property of the Authority. Moreover the consumer shall be solely responsible for and shall pay for any loss of or damage to any electric supply lines, main fuses meters and /or other apparatus belonging to the authority on the consumer premises whether caused maliciously or through culpable negligence or default on the part of the consumer or any of his employees or whether arising out, theft or any other cause beyond the control of the authority, always accepting reasonable wear and tear and loss or damages.

Tehsil Municipal Officer, Charsadda during FY 2016-17 incurred expenditure of Rs 8,000,000/- on account of work “Repair of Transformers at PK-17, and Khan Mai & Muhammad Nari, Behlola & Tarangzai.” out of CMD scheme No. 762/150720 &ADP Scheme 757/150182 in PK-18 for the year 2016-17. The following irregularities were noticed:

1. Repair of transformers was the responsibility of PESCO.
2. The work was not technically sanctioned from PESCO, but a fake Technical Sanction for CMD scheme of Rs. 4.0 million was placed in file issued from Deputy Director (MM) TESCO HQ Peshawar.
3. According to contractor enlistment certification of LCB-LGRD, the contractor was not authorized to predicate in tender process for Electrical work.

4. No Technical Section for ADP schemes of Rs. 04.00 million were available on record.
5. Detailed bills/vouchers were not verified by SDO PESCO local Circle.
6. No inspection report including detail of damaged transformers by TMA and PESCO staff was available on record as required.
7. Proper contract agreement was not signed with contractors.
8. Re-checking report of repaired transformers from M&T Lab of PESCO was not obtained.
9. PC-1 of the scheme was also not approved by the concerned forum, so the scheme was executed on an unapproved PC-1.
10. Completion time of the scheme as per work order but work orders did not show any target period for completion, which save contractor from imposition of penalty.
11. No completion certificates were available on record.
12. No record of the scrape of damage transformers was available.

The irregularity occurred due to weak internal control.

The irregularity was pointed out to management in February 2018. Management stated that the repair work was carried out in transformers under CMD fund in the whole constituency of concerned MPA and all codal formalities were observed. Reply is not convincing as there was no qualified staff of electrical engineers and the work was executed beyond the domain of TMA and codal formalities were also not observed.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

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

**AIR Para No.02/2016-17**



## 1.2.2 Internal Control Weaknesses

### 1.2.2.1 Less realization of receipts -Rs. 6.67million

According to Rule 51 of TMA Budget Rules 2016, the primary obligation TO(R) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under proper head of account.

Clause 2 of the model term and condition of contracts provide for minimum 20% increase over the previous year bid.

Para 23 of the General Financial Rules Volume I requires 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.

Tehsil Municipal Officer, Charsadda realized an amount of Rs. 16,887,049 from the following contracts which were run departmentally during 2016-17. As per model terms & conditions of the receipt contract, 20% increase was required to be realized over the previous year income/bid which come Rs. 23,135,306. Target for the year 2016-17 was fixed as Rs. 23,586,200, which resulted into less realization of receipts amounting to Rs. 6,699,151. Detail as under:-

Receipt Contract	Income for the year 2015-16	Target for	Actual	Less
		the year 2016-17	Income 2016-17	realized income
Bus stand Charsadda	10711645	12000000	9561145	2438855
Tehbazari Charsadda	2672150	3607200	2070560	1536640
Suzuki Charsadda	2695560	3204000	2367657	836343
water rate Charsadda	834232	1350000	689830	660170
water rate Utmanzai	355538	450000	335315	114685
Map fee Charsadda	1548327	2300000	1538026	761974
Rent of TMA Shops Utmanzai	246690	300000	205116	94884
Slaughter Charsadda	66180	95000	20300	74700
Road roller TMA	112000	200000	70000	130000
Encroachment fine	37100	80000	29100	50900

<b>Total</b>	<b>19,279,422</b>	<b>23,586,200</b>	<b>16,887,049</b>	<b>6,699,151</b>
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Less realization of receipts was due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that some contracts were run departmentally due to non-participating of contractors despite of repeated advertisements due to the following:

1. Bus Stand: Dualization of main road. 2. Suzuki Stand: Tez Rafta Qinchqi, this stand failed. 3. Teh Bazari: as the contract was awarded on 215% above in past from Rs 950000 to Rs 3100000, hence the contract is run departmentally till date. Another reason is due to directions of high-ups regarding removal of encroachments. 4. Map Fee: the difference in income between 2015-16 and 2016-17 is very meagre and could be improved in future. Moreover water rate and rent as well as road roller and encroachment fine are the items which cannot be auctioned 20% or above from the preceding year.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

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

**AIR Para No.06/2016-17**

**1.2.2.2 Loss due to unauthorized payment of Contingency Charges – Rs 2.105 million**

According to Para 10 of General Financial Rules, “Every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. (i) Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money”.

Tehsil Municipal Officer Charsadda un-authorizedly deducted Rs 2,105,297 as contingency charges @ Rs 2.5% against the execution of

developmental schemes during 2016-17. Audit observed that the finance department strictly stopped the deduction of contingency charges in 1998. The unauthorized deduction of contingency charges not only resulted in loss of Rs 2105297 to public exchequer but also compromised on quality execution of work.

It is worth mentioning that the previous rate of contingency charges was 0.5% but later on stopped by the Finance Department, so the deduction of contingency charges at higher rate of 2% (2.5%-0.5%) needs recovery

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be given after checking of relevant record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends recovery besides fixing responsibility on dealing hands.

**AIR Para No.15/2016-17**

**1.2.2.3 Loss Due to Less recovery of Fire Fighting Auctioned Value – Rs 18.705 million**

According to Para 23 of General Financial Rules, “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 either on his part or on the part of his subordinate staff.”

According to Rule 51 of TMA Budget Rules 2016, the primary obligation TO(R) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under proper head of account.

Tehsil Municipal Officer Charsadda floated tender for auction of Fire Fighting Lorry 1983. The highest bid was offered by M/S Zia Ullah for Rs15,000,000 but the local office failed to recover the auction value from the

successful bidder and the 2% call deposit was also less forfeited for Rs 270,000 (15,000,000\*2%= Rs 300,000-30,000). The local office forfeited Rs 30,000 and re-advertised the firefighting Lorry 1983 and this time the highest bid was offered for Rs 500,000 by the same bidder and deposited Rs 500,000, the less recovery of auction of firefighting Lorry 1983 resulted in loss of Rs 18,705,000 inclusive taxes (19,350,000-645,000) to the department.

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management did not reply.

Request for convening DAC meeting was made in February 2018; however, DAC meeting could not be convened till finalization of this report.

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

**AIR Para No.16/2016-17**

**1.2.2.4 Loss due to unauthorized appointment of contingent paid staff  
– Rs 3.332 million**

According to clause-1 & 8 of Finance Deptt. KPK letter No. BO.1/FD/5-8/2015-16/ Economy Measures dated 26.06.2015, there shall be a complete ban on creation of posts and no appointment shall be made against leave vacancies without prior approval of Finance Department.

Tehsil Municipal Officer Charsadda regularly paid Rs 3,031,897 as salary to contingent paid staff during 2016-17. Audit observed that the appointment of contingent staff was stopped by the Khyber Pakhtunkhwa and payment in this head for Rs 3,031,897 resulted in loss to the department as detailed below:

Month	No of staff appointed	Total Monthly Payment
July 2016	27	216292
August 2016	27	216292
September 2016	27	238460
October 2016	27	276442
November 2016	26	266842
December 2016	28	287962
January 2017	28	287962
February 2017	34	346738
March 2017	28	285356
April 2017	32	315499
May 2017	33	339406
June 2017	31	254646
<b>Total : Rs</b>		<b>3,331,897</b>

Loss occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management did not reply.

Request for convening DAC meeting was made in February 2018; however, DAC meeting could not be convened till finalization of this report.

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

**AIR Para No.17/2016-17**

**1.2.2.5 Loss due to condemnation of road roller on the basis of fake data – Rs 3.250 million**

According to Para 23 of General Financial Rules, “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 either on his part or on the part of his subordinate staff.”

Tehsil Municipal Officer Charsadda provided fake data regarding incurring expenditure on the repair of Road Roller bearing Chassis No. S 108215 for Rs 3,250,000 to Provincial Government for condemnation of the

vehicle. The provincial government without demanding of supporting vouchers and contingent bills of repair, declared the vehicle condemned. Audit observed that the vehicle was usually repaired by the contractor and later the repair expenditure would be adjusted in days of utilizing the road roller. However audit requested time again for provision of vouchers for Rs 3,250,000 on the basis of which the road roller was declared condemned but the local office failed to provide the same. The unauthentic condemnation of precious vehicle resulted in huge loss to the department and the condition of the vehicle needs to be re-examined for repair and to functionalize for generating revenue.

Loss occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management did not reply.

Request for convening DAC meeting was made in February 2018; however, DAC meeting could not be convened till finalization of this report.

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

**AIR Para No.20/2016-17**

**1.2.2.6 Loss due to Non Recovery of Water Charges – Rs 24.116 million**

According to Para 26 of GFR, “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 Charsadda did not recover the water charges for Rs 24115768 from the consumers during 2016-17. Audit observed that the recovery of TMA Tangi was 100% but the local office of TMA Charsadda failed to make ceaseless efforts for recovery of water charges. Thus total arrear outstanding against the consumers is given as under:

S No	Name of Scheme	Outstanding dues
1	Tehsil Charsadda Scheme	484,150
2	Tehsil Charsadda Scheme 2	197,630
3	Charsadda Scheme	962,410
4	Prang Scheme	511,920
5	Utmanzai Scheme	348,110
6	Previous arrears	21,611,548
<b>Total Rs</b>		<b>24,115,768</b>

Loss occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that the recovery was not made due to announcements for waiving up water charges by local leaders, Non replacement of rusted pipes, damages of pipes due to construction of street pavements etc, influence of political leaders and historic flood of 2010. However the recovery shall be speeded up due to registering all cases in the Honorable Court of law.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

The matter is reported to management for immediate recovery.

**AIR Para No.21/2016-17**

#### **1.2.2.7 Loss due to unauthorized excess payment – Rs 2.399 million**

Para 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

Tehsil Municipal Officer Charsadda overpaid Rs 2399205 due to unauthorized execution of work in the scheme of “Improvement of Municipal Road urban area MC Charsadda” to Dawood Construction during 2016-17. Audit observed that available common material from excavation and dismantling of PCC 1:3:6 for quantities of 336.62 M3 (107.70+228.92) were not utilized for formation of embankment and filling which resulted in loss of Rs

185141 (336.62\*550). Moreover PCC 1:2:4 was paid in excess as compared to PCC 1:4:8 which caused loss to public exchequer as detailed below:

Name of Scheme	Qty PCC 1:4:8 executed in 4" thickness	Qty PCC 1:2:4 paid	Qty PCC 1:2:4 required in 3" thickness according to PCC 1:4:8 execution	Extra unnecessary Qty shown executed of PCC 1:2:4	Rate of PCC 1:2:4/M3	Overpayment
Imp MC Urban Road	789.64	982.93	598.21	384.72	5755	<b>2,214,064</b>

The quantity of PCC 1:3:6 was also executed in excess as compared to RCC Pipes supplying and fixing which needs verification. Thus the overall excess payment was made for Rs 2399205 (185141+2214064).

Loss occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be given after checking of relevant record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends recovery of Rs 2,399,205 and verification of PCC 1:3:6 execution for quantity of 1222.70 M3 @ 4985 for Rs 6,095,160.

**AIR Para No.26/2016-17**

#### **1.2.2.8 Non Recovery of Outstanding dues – Rs 1.837 million**

According to Rule 51 of TMA Budget Rules 2016, the primary obligation TO(R) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under proper head of account.



Tehsil Municipal Officer Charsadda failed to recovery Rs 1,837,220 from M/S Bakhtiar Ali awarded various contracts. During 2016-17 audit observed that non-recovery of long outstanding dues resulted in loss to the department as detailed below:

S.No	Name of Contract	Total Amount outstanding
1	Cattle fare Sardheri	639500
2	Cattle Fare Dosehra	396300
3	Bus Stand Charsadda	710500
4	Raksha Fee Sardheri	9720
5	Bus Stop Sardheri	81200
<b>Total Rs</b>		<b>1,837,220</b>

Non recovery was due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that there is no outstanding against the concerned contractor. Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

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

**AIR Para No.34/2016-17**

**TEHSIL MUNICIPAL ADMINISTRATION  
TANGI**

### **1.3 Audit Paras of TMA Tangi**

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

##### **1.3.1.1 Irregular expenditure on repair of transformers–Rs 1.0 million.**

According to para-1 of Administrative Approval/CPWD code 2.5 & 2.6, work shall not be started before obtaining Technical Sanction.

According para-1 of the Work order, contract agreement be signed with contractor.

NIT condition that for repair of transformer, the contractor should be registered with WAPDA, repair bills shall be verified by local Sub-divisional Officer PESCO. SDO PESCO shall be informed before dismantling of the out of order transformers.

According to the Abridge Condition under the WAPDA Act, 1958, printed on every application form of electricity service connection, before any electrical wiring or energy consuming apparatus is connected to the authorities mains, the same shall be subject to inspection and testing by the authority and the whole of the service line, together with any wire meters and other apparatus installed on the premises of the consumer shall be property of the Authority. Moreover the consumer shall be solely responsible for and shall pay for any loss of or damage to any electric supply lines, main fuses meters and /or other apparatus belonging to the authority on the consumer premises whether caused maliciously or through culpable negligence or default on the part of the consumer or any of his employees or whether arising out, theft or any other cause beyond the control of the authority, always accepting reasonable wear and tear and loss or damages.

Tehsil Municipal Officer, Tangi during FY 2016-17 incurred an expenditure of Rs. 1,000,000/- on account of work “Repair of Transformers at UCs, Hisara Nehri” out of CMD Scheme. The following irregularities were noticed:

1. Repair of transformers was the responsibility of PESCO.

2. The work was not technically sanctioned from PESCO.
3. Detailed bills/vouchers were not verified by SDO PESCO local Circle.
4. No inspection report including detail of damaged transformers by TMA and PESCO staff was available on record as required.
5. Contract agreement was not signed with contractor.
6. Contractor was not registered with WAPDA for the said work.
7. Contract was awarded to M/S JDS Govt. contractor but estimates were attached of Habib Ullah & Co
8. Re-checking report of repaired transformers from M&T Lab of PESCO was not obtained.
9. Repair detail proforma was signed from line superintendent of unknown area.
10. No record of the scape of damage transformers was available.

The irregularity occurred due to weak internal control.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be submitted after scrutiny of the record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

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

**AIR Para No.02/2016-17**

**1.3.1.2 Irregular / illegal award of contract contractor & suspicious miss-appropriation of -Rs4.01 million.**

Para 23 of the General Financial Rules Volume I requires 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.

Policy guidelines of contracts para 2 circulated by LGRD- Local Council Board KP vide Number AO-II/LCB/6-11/2013 dated 14-03-2016, Local council shall fix different dates in one advertisement for auction of the contract of local taxes. If no reasonable bid is offered then another advertisement be got published in the renowned and widely circulated newspapers through information department. The same practice shall continue to achieve the maximum increase or up to minimum of 20% over the last year approved bid/income. The Nazim being head of the TMA and TMO being the Principal Accounting Officer as well as concerned elected council shall ensure competition among the bidder to achieve the maximum bid.

According to para-13 of the Model Terms and Condition of the Contracts, the successful bidder within 7 days of the acceptance of his bid, shall execute an agreement on a stamped shall also produce guarantee to two local notable residents having property equalent to the contract amount duly attested by 1st class Magistrate to the satisfaction of the council in case the contractor /firm does not deposit advances or does not enter in to agreement with the specified period the bid shall be considered as cancelled while the earnest money shall be forfeited in favour of the concerned local council

Tehsil Municipal Officer, Tangi advertised various receipts contracts including Bus stand Harichand for 2016-17 in April 2016, mentioning bid opening dates as 25/4/2016, 26/4//2016, 27/4/201, but no bid was received. The bid was again advertised on 03-05-2016, fixing bid opening dates as 24<sup>th</sup>, 25<sup>th</sup> & 26<sup>th</sup> May 2016 but nobody showed interest in bid. Third time bid was advertised on 07-06-2016 mentioning bid opening dates as 20-06-2016, 21-06-2016, 22-06-2016but nobody submitted CDR. Then it was decided to run the contract departmentally through TMA staff, deputing Mr. Muhammad Saleem & Mr. Asghar Khan for recovery. The following irregularities were pointed out.

1. As per report of TMA recovery staff, the contractor staff is making recovery from Bus stand. As per record of TMA, the contract is run

departmentally so the contractor is illegal / unauthorized and in violation of para-2 of the terms & conditions of contract.

2. No contract agreement, security deposits, and guarantors were provided to safeguard the receipts form mis-appropriation by contractor. Violation of para-13 of model terms & conditions of contract.
3. As per report of the recovery staff of TMA, contractor was collecting Rs. 20000/-per day and depositing to TMA Rs. 9000/- per day. Due to this TMA concerned sustained loss of Rs. 4,015,000/- detail as below:

- I. Total income for 2016-17 as per DCR register = Rs. 3,212,360  
Average per day income =  $3,212,360/365=8,800$
- II. Per day recovery by illegal contractor = Rs. 20,000/-  
Per year income required to be deposited= $20,000*365= Rs. 7,300,000/-$
- III. Per day deposit by illegal contractor= Rs. 9000/-  
Per year income required to be deposited= $9000*365= Rs. 3,285,000/-$   
Suspicious mis-appropriation by illegal contractor= $7,300,000-3,285,000=4,015,000$

The irregularity occurred due to weak internal control.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be submitted after scrutiny of the record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends recovery of the amount besides fixing responsibility on the persons at fault.

**AIR Para No.05/2016-17**

**1.3.1.3 Irregular expenditure on repair of transformers–Rs 2.00 million.**

As per NIT condition, para-7 the contractor offering more than 10% below rates shall enclosed CDR @ 10% instead of 2% with tender form.

As per para-11 of the work order, work must be started within seven days after issuance of work order, otherwise contract of scheme would be cancelled.

According to CPWD code 2.5 & 2.6, work shall not be started before obtaining Technical Sanction. Para-4 of Administrative Approval, work shall be completed within stipulated time.

According para-2 of the Work order, contract agreement be signed with contractor.

NIT condition that for repair of transformer, the contractor should be registered with WAPDA, repair bills shall be verified by local Sub-divisional Officer PESCO. SDO PESCO shall be informed before dismantling of the out of order transformers.

According to the Abridge Condition under the WAPDA Act, 1958, printed on every application form of electricity service connection, before any electrical wiring or energy consuming apparatus is connected to the authorities mains, the same shall be subject to inspection and testing by the authority and the whole of the service line, together with any wire meters and other apparatus installed on the premises of the consumer shall be property of the Authority. Moreover the consumer shall be solely responsible for and shall pay for any loss of or damage to any electric supply lines, main fuses meters and /or other apparatus belonging to the authority on the consumer premises whether caused maliciously or through culpable negligence or default on the part of the consumer or any of his employees or whether arising out, theft or any other cause beyond the control of the authority, always accepting reasonable wear and tear and loss or damages.

Tehsil Municipal Officer, Tangi during FY 2016-17 Called tenders for the work "Repair of Transformers at UC Dakhi and UC Tangi." out of ADP 30% PFC during the year 2016-17. The following irregularities were noticed:

S#	Name of contractor	Estimated cost	CDR required	CDR deposited	CDR short
1	JDS Engineering	500,000	50,000	30,000	20,000
2	Madina Construction	1,500,000	150,000	62,000	88,000

1. CDR of the contractors was short Rs 20,000 and Rs 88,000 respectively as both offered rates 41% & 40% below and CDR was required @ 10% of estimated cost. The firms were to be declared as non-responsive but contract was awarded.
2. Repair of transformers was the responsibility of PESCO.
3. The work was not technically sanctioned from PESCO.
4. Contractor was not registered with WAPDA for the said work.
5. Contractor enlistment certification of PEC/LCB-LGRD, for the said contract was not available on record.
6. No inspection report including detail of damaged transformers by TMA and PESCO staff was available on record as required.
7. Contract agreement was neither signed by contractor nor by TMO.
8. Work was not started on the schemes till date of audit ie 23-02-2018, and neither the contract was cancelled nor penalty was imposed on contractors.

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be submitted after scrutiny of the record. Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

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

**AIR Para No.04/2016-17**



## 1.3.2 Internal Control Weaknesses

### 1.3.2.1 Less realization of receipts -Rs. 6.72million

According to Rule 51 of TMA Budget Rules 2016, the primary obligation TO(R) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under proper head of account.

Clause 2 of the model term and condition of contracts provide for minimum 20% increase over the previous year bid.

Tehsil Municipal Officer, Tangi realized an amount of Rs. 29,290,695 from the following contracts during 2016-17. As per model terms & conditions of the receipt contract, 20% increase was required to be realized over the previous year income/bid. Target for the year 2016-17 was fixed as Rs. 36,014,000, which resulted into less realization of receipts amounting to Rs. 6,723,305. Detail as under:-

Receipt Contract	Income for the year 2015-17	Target for the year 2016-17	Actual Income 2016-17	Less realized income
Bus stand Tangi	5,096,000	6,115,000	4,702,740	1,412,260
Bus stand Harichand	4,379,000	5,256,000	3,212,360	2,043,640
Tanga Stand Tangi	22,800	27,000	18,905	8,095
2% property fee Tangi	16,300,000	19,600,000	18,000,000	1,600,000
Cattle fair Tangi	2,900,000	3,481,000	2,286,060	1,194,940
Cattle fair Zaim	1,280,000	1,535,000	1,070,630	464,370
<b>Total</b>	<b>29,977,800</b>	<b>36,014,000</b>	<b>29,290,695</b>	<b>6,723,305</b>

Loss occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be submitted after scrutiny of the record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

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

**AIR Para No.09/2016-17**

**1.3.2.2 Suspected misappropriation in utilization of Sports Fund – Rs 5.040 million**

Para 23 of the General Financial Rules Volume I requires 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.

Tehsil Municipal Officer Tangi, for financial year 2016-17. It was noticed that an expenditure of Rs 5,039,996 was shown incurred on sports activities in various union councils of TMA Tangi. However the local office failed to observe the proper codal formalities and audit apprehended that the subject fund was rather misappropriated which caused loss to public exchequer. Audit also observed the following that:

1. Fund was allocated for promotion of sports in all 12 union councils of local areas of TMA Tangi, whereas more than 50% of the fund was utilized only in one union council of Tangi and some union councils were totally ignored which needs detail inquiry.
2. Fund was paid in advance to members of Tehsil Councils instead of management of the sports.
3. No planning and Standing Operating Procedures (SOPs) was established to be followed for promotion of sports in the local area.
4. No previous record of games was considered to identify types and field of existing games in local area of concerned union councils of TMA Tangi, total number of players and names of prominent players in different

games, availability of playgrounds and its further promotion for permanent continuity of games and mutual competition among the union councils in different games. Progress and satisfactory report of the community.

5. No proper forum/management was established to utilize the fund for promotion of sports in the concerned areas.
6. No registration of local players was carried out to continue sports activities in future but only hired players were shown utilized on payment from outside stations. No sportsman spirit was seen in the events of the local players.
7. Media coverage was not made to ensure the authenticity of such sports events.
8. No reconciliation of fund was made with District Account Office of sports fund.

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be submitted after scrutiny of the record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

The matter is reported to management for detail inquiry and fixing of responsibility on the persons at fault.

**AIR Para No.12/2016-17**

### **1.3.2.3 Loss due to unauthorized execution of work – Rs 2.488 million**

Para 23 of the General Financial Rules Volume I requires 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.

Tehsil Municipal Officer, Tangi unauthorizedly paid Rs 2,487,552 (1694124+666240+127188) in the work “Improvement/Rehabilitation Black Topping Road Lower Canal to Kas Koroona UC 09 Ziarat Killi” to M/S Umar Gul& Sons during 2016-17 which was awarded with estimated cost 90,00,000 and bid cost Rs 6,120,176. Audit observed that the work was executed on already existed road and there was no need of unnecessary items to be paid which resulted in loss to public exchequer as detailed below:

S No	Name of Item	Qty	Rate	Total Loss
1	Leveling& Dressing	7590.98 M3	20	151819
2	Formation Embankment	2126.70 M3	400	850680
3	Sub Base	770.15 M3	700	539105
4	Shoulders & Berms	381.30	400	152520
<b>Total Rs</b>				<b>1694124</b>

Audit also observed the following:

- 1 PCC 1:3:6 quantity was approved in PC-1 for 94.12 M3 but executed on site for 260.68 M3 which resulted unauthorized payment of Rs 666240 (166.56 M3\*4000).
- 2 Wearing Asphalt was not executed on prime coat for a quantity of Rs 127188 (9.084 M3\*14000).

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be submitted after scrutiny of the record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

The matter is reported to management for immediate recovery of Rs 2,487,552.

**AIR Para No.13/2016-17**

**1.3.2.4 i. Irregular/un-authorized award of contract of receipt Rs. 18.00 million**

**ii. Non-imposition of penalty Rs 1.29 million.**

According to para-13 of the Model Terms and Condition of the Contracts, the successful bidder within 7 days of the acceptance of his bid, shall execute an agreement on a stamped shall also produce guarantee to two local notable residents having property equivalent to the contract amount duly attested by 1st class Magistrate to the satisfaction of the council in case the contractor /firm does not deposit advances or does not enter in to agreement with the specified period the bid shall be considered as cancelled while the earnest money shall be forfeited in favor of the concerned local council.

Policy guidelines of contracts para-7 circulated by LGRD- Local Council Board KP vide Number AO-II/LCB/6-11/2013 dated 14-03-2016. 02% penalty will be liable on contractor/firm for late deposit of the monthly installment. If the contractor /firm fails to clear dues by 10<sup>th</sup> of each month to which monthly installment relates, the contract may be cancelled and his security and advances deposited by the contractor shall be forfeited.

According to para-6 (a) of the model terms & conditions of contract, while the successful bidder shall deposit 15% of the value of the contract in advance while in case of Cattle Fair the successful bidder shall deposit 30% of the value of the contract in advance which will be adjusted by the council in the last/final installment of the contract.

Tehsil Municipal Officer, Tangi advertised various receipts contracts for 2016-17, including receipt contract for 02% property tax Tangi. The bid was awarded to highest bidder offering bid value of Rs. 18,000,000/-. The following irregularities were pointed out:

1. Contract agreement was required to be on a judicial stamp paper duly attested by 1st class Magistrate but was neither signed by the contractor nor by TMO, in violation of para-13 of the model terms & conditions of contract.

2. Advance was also not deposited with TMA within 07 days and earnest money was to be forfeited but TMA failed to take action in this regard.
3. Instead of cancelation of contract after 07 days of delay in advance deposit, TMA start correspondence with contractor through notices to deposit advance.
4. Two guarantors from local notable residents having property equivalent to the contract were also not provided by the contractor.
5. No penalty of Rs 1,296,000 @ 2% of outstanding amount of Rs 3,600,000 was imposed on contractor in violation of para-7 of model terms & conditions of contract.

The irregularity occurred due to weak internal control.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be submitted after scrutiny of the record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

The matter is reported to management for recovery.

**AIR Para No.08/2016-17**

**TEHSIL MUNICIPAL ADMINISTRATION  
SHABQADAR**

## 1.4 Audit Paras of TMA Shabqadar

### 1.4.1 Misappropriation/Fraud

#### 1.4.1.1 Misappropriation of Government money of Rs 1.274 million and loss to Government due to weak contract management -Rs 1.499 million

According to rule 3 sub rule-10 (b) of TMA budget rules 2016, as the head of office the TMO shall be responsible for ensuring strict financial control. Further according to rule-3 sub rule-10 (j) of TMA budget rules 2016, TMO shall be responsible for guarding against waste and loss of public money.

Tehsil Municipal Officer, Shabqadar it was noticed that the contract of Property tax was auctioned on 27.06.2016 but highest bid Rs 7,500,000 was not present to the council for approval. Resultantly the contract could not be awarded to the highest bidder M/s Javed Khan and run departmentally for three months. Rs 601,201 was collected departmentally during three months. Hence monthly departmental income was Rs 200,403 as compared to contractor monthly installment of Rs 625,000 indicated misappropriation of money of Rs 1,273,790 (625,000-200,403\*3). Audit held that equal average monthly income was required either collected through contractor or departmental staff, as property tax is collected from Patwari/revenue staff of the area out of the mutation fee at fixed rate of 2%. Audit was of the opinion that if a contractor manage Rs 625,000 monthly installment for TMA after meeting their operational expenditure and earning reasonable profit then why the departmental monthly income was far behind from contractor monthly income for Rs 424,597 monthly? Details are as under:

First offer	Monthly income from contractor	Departmental income for 03 months	Monthly Departmental income	Monthly Difference between income through departmental and contractor	Loss for 03 months
7,500,000	625,000	601,210	200,403	424,597	1,273,790



Further the first bid of the higher bidder M/s Javed Khan of Rs 7,500,000 was not presented to the council for approval. Resultantly the contract was run departmentally for three months. The contract was re-auctioned on 05.09.2016 and awarded to the same contractor for 10 months after approval of council for Rs 6,250,000. The 2<sup>nd</sup> bid of contractor was unauthorizedly reduced to Rs 5,625,000. Actual collection from contractor was Rs 5,587,500, departmental collection was Rs 601,210 and income tax was Rs 562,500. The vetting of bidding process from LCB was not available on record. Hence Government was put to loss of Rs 1,498,790 due to non-accepting of highest bid of contractor as per following details.

<b>First bid/highest bid</b>	<b>Income tax would have been if first bid was accepted</b>	<b>Total Income would have been if first bid was accepted</b>	<b>Actual income (collection from contractor, departmental collection and income tax)</b>	<b>Loss</b>
7,500,000	750,000	8,250,000	6,751,210	<b>1,498,790</b>

Misappropriation of Government money and loss to Government occurred due to weak contract management.

The irregularity was pointed out to management in February 2018. Management stated that the contract was auctioned for 10 months of 2015-16 for Rs 9,200,000 as per terms and condition of local council board clause No----- for the year 2016-17. All the contract be auction 20% increase than the previous year bid. The first auction was less than the previous year bid and the second was approved by the council in below rate of Rs 6,250,000 for 10 months then previous year bid and sent to LCB for vetting. The LCB directed to re auction the contract. The Tehsil Nazim pass the same bid from the council and once again sent to LCB for vetting. The LCB told that elected members of the council well aware of the benefit and loss of the council. In the light of that letter the Nazim sing the agreement with the contractor. The contract was run departmentally for two month through TMA staff. The first month recovery was adjusted departmentally and second month was adjusted in contractual amount and the contract was run for 9 months for Rs 5,625,000.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends probing the matter and making good the loss from the person (s) at fault under intimation to audit.

**AIR Para No.03/2016-17**

**1.4.1.2 Fraudulent purchase of vehicle 1.124 million**

According to rule 3 sub rule-10 (b) of TMA budget rules 2016, as the head of office the TMO shall be responsible for ensuring strict financial control. Further according to rule-3 sub rule-10 (j) of TMA budget rules 2016, TMO shall be responsible for guarding against waste and loss of public money.

Tehsil Municipal Officer, Shabqadar obtained quotation from supplier for Suzuki Cultus 1000 cc model 2017 of Rs 1,124,000. However, the purchased vehicle was 2016 model as evident from the invoice of the supplier price of 2017 model i.e. Rs 1,124,000. Moreover, the shape of 2017 model Suzuki Cultus was changed by the company but the purchased vehicle was in old shape. Audit held that purchase of 2016 model vehicle in price of 2017 model was fraudulent and loss to public exchequer.

Fraudulent expenditure occurred due to negligence of management.

The irregularity was pointed out to management in February 2018. Management stated that that the vehicle Suzuki Cultus was purchased from Suzuki Company Karachi through authorized dealer and no fraud negligence was made. The reply was not convincing.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends detail inquiry into the matter under intimation to audit.

**AIR Para No.09/2016-17**

### **1.4.1.3 Fraudulent tender process of Rs 2.550 million**

According to Rule 30 of the Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services 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.

Tehsil Municipal Officer, Shabqadar shown tendered two works repair and pitching of road at Battagram Chowk and Sanitation scheme at Moran Koroona MC-II funded by saving of PFC during 2016-17 of Rs 2,550,000 (1,500,000+1,050,000). Audit observed that:

1. The bids and tender forms were not signed by the chairman i.e Tehsil Officer (I&S) and one member (sub Engineer) of tender opening committee. The bids were signed by three members of Tehsil council and no officer/official has signed the bids.
2. The signature of contractors in tender forms and bids did not tally each other's which indicate the bids were changed in office. Moreover no attendance sheet of participants of in tender was available on record.
3. Both works were awarded to one contractor at equal rate @ 0.2% below on MRS 2016.
4. The standard bidding documents were not used in tender.
5. The PC-I was not signed by the Tehsil Nazim.
6. The letter written to Information Department for advertisement was not available on record.

Fraudulent tender process occurred due to weak internal controls.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be submitted after scrutiny of office record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends detail inquiry under intimation to audit.

**AIR Para No.15/2016-17**

- 1.4.1.4 i. Doubtful and fraudulent expenditure on account of repair of transformers Rs 1.915 million**
- ii. Non-surrendering of savings Rs1.085 million**

According to Clause (2) of LGA 2013. Functions and powers of the Nazim, Tehsil Council. The Nazim, Tehsil Council shall be personally responsible for any loss flowing from decisions made by him personally or under his directions in violation of any provisions of this Act or any other law for the time being in force and for any expenditure incurred without lawful authority.

Tehsil Municipal Officer, Shabqadar during Financial Year 2016-17 awarded the contract of Repair of Electrical Transformers at U/C PanjPao Shabqadar ADP No. 516 S.No 89, with an estimated cost Rs3,000,000 and with a bid cost of Rs 1,915,000 to M/S M.A.K. Main Arshad Khan lowest bidder. According to the available record, M/S Wajid Ali Electric Workshop repaired the transformers and Haji Shahid Ullah District Member U/C PanjPao, Shabqadar has verified the repaired work and installation of transformers in U/C PanjPao as per detail given below. But according to the 2<sup>nd</sup> & Final bill, quantities claimed by the contractor are quite different from both which clearly depict the fraudulent withdrawal of Rs 1,915,000. Moreover, the local office authority failed to surrender Rs 1,085,000 (3,000,000 – 1,915,000) to Provincial Government KPK.

Name	Nature of Repair	25 KV	50 KV	100 KV	200 KV
Reports submitted by M/S Wajid Ali Electric Workshop about total No. of repaired transformers	HT Coil	1	0	19	16
	LT Coil	1	0	22	16
	Bushes	1	0	14	14
	Transformer Oil	27	0	339	343
Physical progress verified by Haji Shahidullah District Member U/C PanjPao, Shabqadar	HT Coil	0	0	71	0
	LT Coil	0	0	65	0
	Bushes	0	0	34	0
	Transformer Oil	0	0	1108	0
According to 2 <sup>nd</sup> & Final Running Bill, quantity	HT Coil	0	9	72	35
	LT Coil	0	9	66	27

claimed by the contractor	Bushes	0	2	35	25
	Transformer Oil	0	120	1130	838

The irregularity occurred due to weak financial management.

The irregularity was pointed out to management in February 2018. Management stated that that M/s MAK Mian Arshad Khan and M/s Wajid Ali electric workshop are registered with PESCO and both are partners in this matter. Reply is not convincing.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends investigation on high level and strict disciplinary action besides fixing responsibility on persons at fault.

**AIR Para No.17/2016-17**

## **1.4.2 Irregularity& non-compliance**

### **1.4.2.1 Non cancellation of contract-Rs 13.335 million**

According to clause-10 of contract agreement, if the contractor charge fee above the schedule rate then TMO or responsible will impose penalty equal to amount of tax received. If the contractor involved overcharging time and again then his contract will be cancelled with the approval of Provincial Government and his security and advance money will be forfeited.

Tehsil Municipal Officer, Shabqadar failed to cancel the contract of General bus stand amounting to Rs 13,335,000 during 2016-17. Audit observed that:

1. The contractor remained involved in illegal tax collection time and again as one of the tehsil member filed a complaint to human right cell of Peshawar high court which was endorsed to local office on 10.09.2016 which was filed.
2. A resident of Bajor Agency also filed a complained to Tehsil Nazim Shabqadar on illegal tax collection of General bus stand contractor on 29.11.2016 which was filed.
3. The local letter No.2217/TMA/SQR dated 24.10.2016 indicate that union of transporters were also involved in illegal tax collection in General Bus Stand. The same complaint was also made by the contractor of bus stand time and again to TMA. However the TMA failed to take legal action against the violators. Audit was of the opinion that financial burden of double taxation was put on the public and also disturbed the legal tax collection of the successful bidder.
4. The local office issued four notices to contractor on 02.09.2016, 21.09.2016, 26.09.2016 and 05.12.2016 to stop illegal tax collection.
5. The contractor was declared guilty in collecting of illegal tax at various points as per inquiry of TOR and recommended for legal action against the contractor but no action was taken against contractor.
6. The illegal tax collection of contractor was also highlighted in the print media.

7. The Tehsil member also brought the matter of illegal tax collection to the notice of Secretary LGE&RDD on 24.11.2016.

The above stated facts revealed that contractor as well as other private persons was involved in illegal tax collection in the jurisdiction of TMA Shabqadar. However, neither the contract was cancelled nor legal action was taken against the contractor as well as private persons. It is worth mentioning that the contract was not vetted by the LCB.

Non cancellation of contract occurred due to weak internal controls.

The irregularity was pointed out to management in February 2018. Management stated that during 2016-17, several inquiries and court cases was handled by TMA Shabqadar with the contractor of same contract and in the financial year 2017-18 all the illegal tax collection are stopped. The reply was evasive as the contract was not cancelled despite time and again violation of contract agreement by the contractor.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends detail inquiry into the matter under intimation to audit.

**AIR Para No.05/2016-17**

#### **1.4.2.2 Irregular award of contract-Rs 5.745 million**

According to para-13 of the policy guidelines of the local council contracts for 2016-17, the successful bidder shall within seven (07) days of his acceptance of bid shall execute contract agreement on the stamp paper. In case the contractor/firm does not deposit advance or does not enter into agreement within the specified period and bid shall be considered as cancelled while the earnest money shall be forfeited in favor of the concerned local council.

Tehsil Municipal Officer, Shabqadar auctioned the contract of cattle fair Shabqadar on 02.05. 2016 for Rs 5,745,000 for the year 2016-17 and various notices issued to contractor for depositing 30% advance of Rs 2,211,825.

However the contractor failed to deposit the advance money till 19.07.2016 but the contract was not cancelled in violation of policy guidelines.

Irregular award of contract occurred due to non-observance of policy guidelines for contracts.

The irregularity was pointed out to management in February 2018. Management stated that financial year is starting from first July of every year and the contracts be handed over from first July. The said contract was auctioned two months ago before starting the financial year 2016-17 and all the dues were cleared before 30, June 2017. The reply was evasive as guidelines of Provincial Government were violated.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends detail inquiry into the matter under intimation to audit.

**AIR Para No.06/2016-17**

**1.4.2.3 Unauthorized and irregular purchase of vehicle Rs 3.009 million**

Para-c of the Finance Department letter No. BO.1/FD/5-8/2016-17 dated 04.07.2016 state that there shall be complete ban on purchase of new vehicles.

Para-b of Director General LG&RDD office Notification No. Dir (DG) Transport Committee Report 2015-16 dated 14.10.2016 states that There shall be no duplication of purchases, and only those district Government & TMAs shall make procurement of new vehicles where the presently serviceable vehicle do not exist. Further Para-D of said letter states that the proposed purchase of vehicles shall be made out of own source of respective local Government.

Tehsil Municipal Officer, Shabqadar purchased a new Toyota Corolla (GLI) 1300 cc and one Suzuki Cultus 1000 cc for Rs 3,008,500 (1,884,500 +1,124,000) during 2016-17 for the use of Tehsil Nazim and TMO respectively despite the fact that there was complete ban on purchase of new vehicles.



Moreover, the Toyota Corolla (GLI) 1300 cc vehicle of amounting of Rs 1,884,500 was procured despite the fact that there was already another vehicle Toyota corolla 1300 cc bearing No. A-1012 was available in office and was in the use of Tehsil Nazim. Hence purchase of extra vehicles for the Tehsil Nazim was lavish and burden on the meager resources of TMA as Tehsil Nazim was not entitled to retain two (02) 1300 cc vehicle at a time.

Furthermore, the vehicles were purchased from fund provided by Provincial Government which was irregular and violation of Provincial Government instructions.

Audit held the purchase of extra vehicle was irregular, unauthorized and violation of Government standing order.

The irregularity was pointed out to management in February 2018. Management stated that that purchase of vehicles was made on direction/policy issued by the Provincial Government vide notification No. Dir, (LG) Transport committee report 2015-16 dated 14.10.2016. It is further stated the vehicle were purchased from authorized company. The vehicle No. A-1012 Toyota Corolla was declared condemned by the vehicle examiner Charsadda and no irregularity was made. The reply was not convincing as ban was not relaxed by the Finance Department. Moreover, if the vehicle A-1012 was condemned in 2010 then why it was retained in TMA Shabqadar till date of audit i.e. 19.02.2018 after lapse of 9 years and POL of Rs 175,383 was drawn on the same vehicle during 2016-17.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends disciplinary action against the person (s) at fault besides immediate surrender the new vehicle to the Department concerned for its proper utilization.

**AIR Para No.07/2016-17**

**1.4.2.4**        **i.        Irregular expenditure of Rs 14.095 million**  
                  **ii.        Non imposition of penalty of Rs 1.630 million**

According to para-56 of CPWA code, the work should not be started/executed without technical sanction.

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, Shabqadar paid Rs 11,800,000 in a work improvement of drainage system and desalting of different channel/drain sand construction of dust bins at Tehsil Shabqadar to a contractor M/s MAK Mian Arshad on 30.06.2017 up to 11<sup>th</sup> running bill without according technical sanction from competent authority. Moreover penalty of Rs 1,400,000 @ 10% was not imposed as work was awarded to contractor on 01.02.2016 with the completion time of six months i.e. 01.08.2016. However, the work was not completed till 30.06.2017. The estimated cost of work was Rs 14,000,000.

Similarly expenditure of Rs 2,294,598 was incurred in another work Repair of Janazagah at UC Panjao during 2016-17 but Technical sanction accorded by TOI Town-I Peshawar instead of Engineer at LCB without mentioning authority and scale of the officer/official. Moreover, the work was awarded to contractor 17.10.2016 with the time limit of six months i.e 17.04.2017. However, the work was completed on 05.06.2017 as per completion report. The completion date was tempered in completion report and early date was written but the late completion of work was clear from the note sheet of file. The local office failed to impose late penalty of Rs 230,000 (2,300,000\*10/100).

Irregular expenditure and non imposition of penalty occurred due to weak internal controls.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be submitted after scrutiny of office record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends imposition of penalty depositing into Government treasury under intimation to audit besides action against the person (s) at fault.

**AIR Para No.10/2016-17**

- 1.4.2.5**
- i. Irregular expenditure on account of repair of Transformers- Rs 1.915 million**
  - ii. Non-recovered sales tax Rs 325,550.**

According to Chief Minister KPK letter No. SOV / CMS / KPK / E&P / 2016/14586 dated 11.11.2016 addressed to all Chief Executives PESCO KPK, TMA will carry out repair of Transformers in cases in which TMA has already transferred the funds. The repair may be outsourced through PESCO pre-qualified/approval workshops and quality oil and accessories should be used to avoid recurrent repair.

According to SOPs for execution of repair of transformers Scheme, “On receipt of written report from Zilla Council member regarding a damage transformer the representative of PESCO will personally inspect the transformer and will write the detail of transformer i.e. Make, Serial No, PO No, Date and Year of manufacturing location capacity and fault in separate register to be maintained for this purpose. And after repair the transformer will be checked by the committee including representative of PESCO, Zilla council member and representative of the owner of workshop and will sign the job/ inspection report. Approved PESCO Workshop will provide warranty for one year as PESCO SOP. The repaired transformers will be installed at the same location by the concerned SDO PESCO and in the presence of representative of Deptt/TMA concerned.

Tehsil Municipal Officer, Shabqadar during Financial Year 2016-17 awarded the contract of Repair of Electrical Transformers at U/C PanjPao Shabqadar ADP No. 516, S/No 89 to M/S M.A.K. Main Arshad Khan with a total cost of Rs 1,915,000. Audit observed that:

1. The local office authority collected the CNICs and signatures/initials of the local inhabitants of U/C PanjPao who verified the installation of repaired transformers but it is clear from their CNICs that these inhabitants are permanently residents and belong to other places/UCs of Shabqadar and Mohmand Agency.
2. The contractor has no license of category-E from Electric City (Energy and Power) Department KPK as required.
3. Written report from Tehsil member U/C PanjPao, District Shabqadar regarding repairing their damaged transformers as required under SOP, were not available on the record.
4. Report regarding inspection by PESCO and the detail of transformer i.e. Made, Serial No, PO No date and year of manufacturing, location capacity and fault in separate register was not maintained as required.
5. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
6. Neither the local office authority ensured the repair work through M&T Lab of PESCO, nor the damage and repair work was carried out from the authorized/Approved workshops of PESCO.
7. The claim of repair was not verified by local SDO, PESCO and Tehsil Nazim nor the repaired transformers were rechecked from M&T Lab before installation.
8. Rs 95,750 as 5% cost of the replaced/condemn parts of transformers, was not recovered from the contractor.
9. Sales tax @ 17% amounting to Rs 325,550 was not recovered from the contractor as non-scheduled items were purchased and installed in the transformers. Moreover, no market price analyses were found on the record.

Audit is of the view that the fund has been miss-appropriated by the dealing hands.

The irregularity was pointed out to management in February 2018, the Management replied that Present address of UC is Pir Qilla Panjpao and permanent Address Mohmand Agency. It is stated that electric license of category E of the contractor concerned, has availed and also registered with PESCO (Copy attached) SOP already placed in each file of Transformers. Made, Serial No. PO No in various damages and verification attested by PESCO already attached in the file each proforma. Verified by D/M and PESCO concerned member. Wajid Ali and MAK Mian Arshad are approved registered with PESCO workshop. Para 5 is already clear. Shifting of transformer each by Rs.5000 + 6000 is claimed by contractor but the TMA has not given the said amount condemn parts, is not available rate is also lowest, already comparison with other TMA sales Tax has deducted as per policy. Reply is not convincing.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends inquiry and investigation on high level besides fixing responsibility on the person (s) at fault.

**AIR Para No.18/2016-17**

### 1.4.3 Internal Control Weaknesses

#### 1.4.3.1 Loss to Government due to weak financial & contract management-Rs 8.291 million

According to rule 3 sub rule-10 (b) of TMA budget rules 2016, as the head of office the TMO shall be responsible for ensuring strict financial control. Further according to rule 3 sub rule-10 (j) of TMA budget rules 2016, TMO shall be responsible for guarding against waste and loss of public money.

Tehsil Municipal Officer, Shabqadar during Financial Year 2016-17 targeted receipt amount Rs 13,335,000 for the contract General bus stand on the basis of weak performance of previous year i.e. 2015-16 and ignoring the actual receipts of 2013-14 of Rs 13,059,482. The targeted receipt in the said contract for 2016-17 was required of Rs 21,626,498 after inclusion of year wise increase as per following details.

Income for 2013-14	15% Increase for 2014-15	Target receipts for 2014-15	20% increase for 2015-16	Target receipts for 2015-16	20% increase for 2016-17	Target receipts for 2015-16	Target given in budget and achieved	Loss
13,059,482	1,958,922	15,018,404	3,003,681	18,022,085	3,604,417	21,626,502	13,335,000	8,291,502

Audit was of the opinion that setting of target on the basis of weak performance of previous year was in the interest of contractors rather than TMA. It is worth mentioning here that another contract i.e. property tax was awarded to contractor on the basis average previous three years collection. However said three year average formula was not applied in the contract of bus stand which resulted in loss to Government.

The loss occurred due to weak financial and contract management

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be submitted after scrutiny of office record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends detail inquiry into the matter under intimation to audit.

**AIR Para No.02/2016-17**

#### **1.4.3.2 Non recovery of income tax-Rs 1.214 million**

According to Section-236(A) of Income Tax Ordinance, 2001 income tax @ of 10% shall be collected from the contractors at the time of award of contracts.

Tehsil Municipal Officer, Shabqadar during Financial Year 2016-17 failed to recover income tax of Rs 1,214,183 from the contractor M/s Asif Khan in the contracts General Bus stand and cattle fair Shabqadar during 2016-17. Income tax of Rs 1,908,000 (1,333,500+574,500) was required to be collected from the contractor. However, Rs 693,817 (484,908+208,909) was recovered from the contractor. Out of the balance amount of Rs 1,214,183 (1,908,000-693,817), Rs 1,000,000 was shown deposited by the contractor in Government treasury. However, the particular of contracts were not mentioned in bank/FBR challans to authenticate that tax deposited was for these particular contracts or otherwise? No record was available in local office for remaining amount of Rs 214,183 (1,214,183-1,000,000). Moreover, the local office requested the tax authorities for verification of income tax deposit challans but neither FBR responded to TMA nor tax was recovered till date of audit i.e. 12.02.2018.

Income tax was not recovered due to weak internal controls.

The irregularity was pointed out to management in February 2018. Management stated that the income tax was challenged by the contractor in Peshawar High Court. However, the decision of court came against the contractor. The contractor requested the court that he will deposit the remaining income tax in income tax office Charsadda and challans are available in TMA record. The same challan will be verified from income tax department and will be send with the relevant record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends immediate recovery of income tax/verification of challans for balance amount from FBR under intimation to audit.

**AIR Para No.04/2016-17**

**1.4.3.3 Non recovery of outstanding amount against contractor-Rs 1.359 million**

According to clause-6 (a) of policy guidelines for auction of local council contracts, the successful bidder shall deposit 15% of the value of the contract in advance while in case of Cattle Fair the successful bidder shall deposit 30% of the value of the contract in advance which will be adjusted by the council in the last/final installment of the contract. The eleven installments shall however be worked out on the full bid amount of the contracts without deduction of the advance from the bid amount. The first installment shall be paid by the end of July 2015 and rest of the installments on last date of the month, to which it relates. Further according to clause-7, 2% penalty per day will be liable on contractor/Firm for late deposit of the monthly installment. If the contractor/firm fails to clear dues by 10th of each month to which monthly installment relates, the contract may be cancelled and his security and advances deposited by the contractor shall be forfeited

During audit of accounts of TMA Shabqadar for 2016-17 it was noticed that Rs 247,101 was outstanding against the various contractors of own source receipts till date of audit i.e. 15.02.2018. The local office neither recovered the amount nor cancelled the contracts at risk and cost of contractors. Late penalty amounting to Rs 1,111,955 was required to be imposed on defaulter contractors as per policy guideline which was not done. Detail is given at annexure 2.

Non recovery of Government money occurred due to weak internal controls.



The irregularity was pointed out to management in February 2018. Management stated that detail reply will be submitted after scrutiny of office record.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends immediate recovery of outstanding amount along with late penalty

**AIR Para No.11/2016-17**

**1.4.3.4 Doubtful Expenditure on account of installation of street lights Rs4.500 million and loss to TMA Shabqadar Rs 300,000**

Para 220 & 221 of CPWA Code Provides that “The Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically”.

According to Clause 7.5 of Planning and Development Guidelines (2015) for devolved tiers of Local Governments under LGA 2013, the development projects shall be completed within the stipulated time period with no throw forward liabilities.

According to clause-20 of Minutes of meeting of the Review Committee for MRS-2015 KPK and other issues related to procurement of work circulated vide Chief Minister Secretariat KPK letter No. SOVI/CMS/KPK/1-13 / 2016 / 4264-70 dated 08-04-2016 and KPPRA Rules-2014, “The bidders who quote their bids of more than 10% Below should be asked to submit a call deposit equal to 8% of the bid cost and this additional security will be released to the contractor in four installments i.e. 25% on completion of 25% of the project, 50% to be released up to 50% completion, 75% to be released upon 75% completion and remaining amount to be released after completion of the project. In case the bidder quotes more than 10% below the Engineer Estimates and the bid is not accompanied by the additional Security, then the bid will be considered as non-responsive and the 2<sup>nd</sup> lowest bidders and so non will be considered accordingly”.

Tehsil Municipal Officer, Shabqadar during Financial Year 2016-17 incurred expenditure Rs4,500,000 on account of installation of street lights polls in different areas of District Shabqadar. As per Progress Report. TMO Shabqadar incurred irregular and doubtful expenditure Rs 2,325,000 on account of “Installation of Street Lights Polls from main chowk to Michni Chowk” and Rs 2,175,000 on account of “Installation of Street Lights Polls from main choek to Matta Road” without any physical progress which clearly depicts undue favour to contractor.

Moreover, TMO Shabqadar awarded the contract “Installation of street lights polls from main chowk to Michini Road Shabqadar Bazaar” to M/S Naveed Khan quoted 38% below rate by ignoring M/S Ghulam& Co quoted the lowest rate 46% below and M/S Khalid Zaman, quoted the 2<sup>nd</sup> lowest 39.05% rates thus putting TMA Shabqadar into a loss of Rs375,000 as per detail given below.

S #	Bidder Name	Bid Amount Rs	Bidder rate of Above/Below	Amount of Above/Below
1	M/S Ghulam& Co	3,750,000	46%	<b>1,725,000</b>
2	M/S Khalid Zaman		39.05%	1,464,375
3	M/S Naveed Khan		38%	<b>1,425,000</b>
<b>Total Loss to TMA/Government</b>		(1,725,000-1,425,000) =		<b>300,000</b>

Non recovery of Government money occurred due to weak internal controls.

The irregularity was pointed out to management in February 2018. Management stated that PC-1 has been framed according to the CSR 2016 only. Street light rates are according to the market rate after analysis. Reply is not convincing.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends inquiry and investigation on high level besides fixing responsibility on the person (s) at fault.

**AIR Para No.20/2016-17**

**1.4.3.5 Doubtful expenditure Rs 9.328 million and non-recovering sales tax Rs1.586 million**

According to Clause (2) of LGA 2013, Functions and powers of the Nazim, Tehsil Council. The Nazim, Tehsil Council shall be personally responsible for any loss flowing from decisions made by him personally or under his directions in violation of any provisions of this Act or any other law for the time being in force and for any expenditure incurred without lawful authority.

According to Clause (7) of Work Orders issued to contractor concerned, “Final payment will be made according to funds released on production of satisfactory certificate of the concerned Council Member”

Tehsil Municipal Officer, Shabqadar during Financial Year 2016-17 awarded the contracts of “Installation of Hand pumps in various U/Cs of District Shabqadar” to various contractors. Details are given at annexure 3. Audit further observed that:

1. It is astonishing to note that all the contractors installed 10 Nos hand pumps in all U/Cs without requirements and needs of the local inhabitants.
2. No reports from UC/Council Members about requesting to the District Nazim for installation of hand pumps, requirement for installation of total number of hand pumps and places in which the pumps are require to be installed in their U/Cs, were found on the record which clearly depicts just to withdrawal of money from the exchequer.
3. History of the previous installed hand pumps in U/Cs concerned since last three (3) years, was not found on the available record as PHE Department, C&W Department and AD Local Government & RDD Charsadda were also engaged in installation of hand/pressure pumps in various U/Cs of District Shabqadar.
4. Satisfactory Certificates of the concerned Council/U/C Member about satisfactory completion of the scheme, were not found on the record.
5. Sales tax @17% amounting to Rs1,585,740 (Rs 9,327,884 x 17%) was not recovered from the contractor as Installation of hand/pressure

pumps are non-scheduled items and TMO Shabqadar failed to provide Market Rate Analysis of the purchased and installed items.

Non recovery of Government money occurred due to weak internal controls.

The irregularity was pointed out to management in February 2018. Management stated that all the hand pumps are installed as per the demand/requirements of the residence. PC-1 has framed as per the demand of U/Cs requirements and approved in the Tehsil Council. Tehsil Nazim has provided certificate and the work have carried out under the supervision of the member of Tehsil Council. Satisfactory Completion Certificates are attached. According to CSR Item No. (24-01), Rates of mobilization of the plant etc is 30,256/- and the TMA has given 5000/- per no. only. Reply is not convincing.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends immediate inquiry on high level and immediate recovery of sales tax Rs 1,585,740 on high level besides fixing responsibility on the person (s) at fault

**AIR Para No.22/2016-17**

**1.4.3.6 Non-recovering of penalty amount from the contractors  
Rs 2.210 million**

According to Clause 2 of the Contract Agreement, penalty @ 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, Shabqadar during Financial Year 2016-17 awarded sanitation and street pavement works to various contractors under PFC fund. The contractors failed to complete the schemes within stipulated period and TMO Shabqadar failed to recover penalty amount Rs 2,210,000 from the contractors. Detail is given at annexure 4.

Non recovery of Government money occurred due to weak internal controls.

The irregularity was pointed out to management in February 2018. Management stated that all the schemes has completed within stipulated period. The extension of the time has been granted by the competent authority, TOI, TMO and Tehsil Nazim in the interest of public.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report. Reply is not convincing.

Audit recommends immediate recovery of Rs 2,210,000 and strict disciplinary action besides fixing responsibility on the person (s) at fault.

**AIR Para No.23/2016-17**

**1.4.3.7 Non recovery of staff salary and pension contribution from contractors-Rs 2.203 million**

Para-14 Policy Guidelines for the auction of local council's contracts states that the receipt of contractual amount shall be normally issued by the employees of the Local Councils and not by employees/agent of the contractor/firm concerned. However, if the local council concerned cannot afford to provide work force required for the job, then only supervisory staff will be given to strictly watch financial transaction and ensure transparency.

Para-25 of Policy Guidelines for the auction of local councils contracts for 2016-17 states that at the time of execution of agreement with the contractors the name and designation of the staff, be clearly mentioned. The contractor shall be bound to pay all the expenses of such employee/employees. The official staff shall use the prescribed uniform. The contractor shall be bound to provide list of Pakistani Nationality agent/staff to local council for record.

Para-26 states that the Government has allowed 48 days earned leave to every employee, therefore 48 days leave salary shall be deducted from the present contractor irrespective of the fact whether official has availed the leave or

otherwise. The substitute if appointed against the leave vacancy will also be paid by the contractor.

Para 27 states that the contractor shall also pay leave salary, pension contribution to the employees, along with other valid charges and stationery/forms.

Para 28 states that the pension contribution will be payable by the contractor each month for all the staff working with (contractor) and the same be worked out at 33% of the minimum and maximum of the pay scale of the post held by the employee concerned plus other emoluments which are included for calculation of pension.

During audit of TMA Shabqadar it was noticed that recovery of Rs 2,202,720 on account of salary and pension contribution of employees was not made from the receipts of contractual amount. The policy guidelines of provincial Government for auction of contracts was violated due to defective contract agreements as name and designation of employees were not mentioned in said agreements. Resultantly pay and pension contribution was not deposited into TMA fund and chance of misappropriation could not be ruled out. Detail is given at annexure-5.

Non recovery of staff salary occurred due to weak internal controls.

The irregularity was pointed out to management in February 2018. Management stated that detail reply will be given after scrutiny of the record. Reply is not convincing.

Request for convening DAC meeting was made in February 2018, however, DAC meeting could not be convened till finalization of this report.

Audit recommends fixing responsibility on the person (s) at fault and recovery the amount.

**AIR Para No.26/2016-17**

**ANNEXURES**

**Annexure-1**

**DETAIL OF MFDAC PARAS**

**Rs in million**

<b>S#</b>	<b>AP #</b>	<b>Caption</b>	<b>Amount</b>
1	183	Unjustified execution of work	0.702
2	194	Irregular expenditure	0.500
3.	146	Doubtful payment of pay to lady supervisor	0.767
4	155	Defective tendering process	0.470
5	159	Irregular award of contract	0.325
6	208	Unnecessary execution of work	0.445

**Annex-2**  
**AIR Para No. 1.4.3.3**

**Non recovery of outstanding amount against contractor-Rs 1.359 million**

<b>s #</b>	<b>Name of contract</b>	<b>Name of contractor</b>	<b>Due date</b>	<b>Delays in day</b>	<b>Amount Outstanding</b>	<b>Penalty</b>	<b>Total Amount</b>
1	Road roller	M/s Roaid Ali	30.06.2017	225	28,601	128,705	157,306
2	Cattle fair Shabqadar	M/s Asif Khan	30.06.2017	225	81,000	364,500	445,500
3	Property Tax	M/s Javed Khan	30.06.2017	225	137,500	618,750	756,250
<b>Total</b>					<b>247,101</b>	<b>1,111,955</b>	<b>1,359,056</b>



**Annex-3**  
**AIR Para No. 1.4.3.5**

**Detail of Doubtful expenditure Rs 9.328 million and non-recovering sales tax  
Rs1.586 million**

<b>S. No</b>	<b>Name of Scheme</b>	<b>E.Cost</b>	<b>Physical Progress</b>	<b>Expenditure</b>	<b>Sales tax not recovered</b>
1	Installation of hand pump at MC-I	1,300,000	100%	971,100	165,087
2	Installation of hand pump at MC-II	1,300,000	100%	995,794	169,285
3	Installation of hand pump at MC-III	1,300,000	100%	819,000	139,230
4	Installation of hand pump at U/C Haji Zai	1,300,000	80%	806,000	137,020
5	Installation of hand pump at U/C Katozai	1,300,000	100%	932,490	158,523
6	Installation of hand pump at U/C Hassan Zai	1,300,000	100%	806,000	137,020
7	Installation of hand pump at U/C Rashakai	1,300,000	60%	869,700	147,849
8	Installation of hand pump at U/C Matta Mughal Khel	1,300,000	100%	793,000	134,810
9	Installation of hand pump at U/C DaulatPura	1,300,000	100%	793,000	134,810
10	Installation of hand pump at U/C Kangra	1,300,000	70%	774,800	131,716
11	Installation of hand pump at U/C Panjpao	1,300,000	100%	767,000	130,390
<b>Total</b>		<b>14,300,000</b>		<b>9,327,884</b>	<b>1,585,740</b>

**Annex-4**  
**AIR Para No. 1.4.3.6**

**Detail of Non-recovering of penalty amount from the contractors**

<b>S. No as per P/R</b>	<b>Name of Scheme</b>	<b>E. Cost</b>	<b>Physical Progress</b>	<b>Expenditure</b>	<b>Financial progress</b>	<b>Penalty amount</b>
25	supply and installation of street light poll from main chowk to katozai	3750000	80%	2,362,500	70%	375,000
26	Supply and installation of street light poll from main chowk to Michni Road	3750000	NIL	2,325,000	NIL	375,000
27	Supply and installation of street light poll from main chowk to Peshawar road	3750000	70%	2,325,000	70%	375,000
28	supply and installation of Street light poll from main chowk to Matta Road	3750000	NIL	2,175,000	NIL	375,000
76	Beautification of Different chowks at Tehsil Shabqadar	1700000	70%	1,071,000	40%	170,000
86	installation of hand pump at U/C Haji Zai	1300000	80%	806,000	80%	130,000
89	installation of hand pump at U/C Rashakai	1300000	60%	869,700	60%	130,000
92	installation of hand pump at U/C Kangra	1300000	70%	774,800	30%	130,000
94	Desilting of different drain at MC-I and MC-II	1500000	60%	885,000	40%	150,000
<b>TOTAL</b>						<b>2,210,000</b>

**Annex-5**  
**AIR Para No. 1.4.3.7**

**Detail of Non recovery of staff salary and pension contribution from contractors-  
Rs 2.203 million**

<b>S #</b>	<b>Name of Contract</b>	<b>Average no of employees/ Supervisory staff</b>	<b>BPS</b>	<b>monthly pay</b>	<b>pension contribution (Minimum + Maximum*3/100)</b>	<b>Pay &amp; Pension for one month</b>	<b>Total for the year</b>
1	Property Tax	1	11	37,431	14,262	51,693	620,316
2	General bus Stands	1	11	35,408	14,262	49,670	596,040
3	Cattle fair	1	11	39,546	14,262	53,808	645,696
4	Rishka stand	1	4	19,262	9,127	28,389	340,668
<b>Total</b>							<b>2,202,720</b>