



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

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
BHU	Basic Health Unit
BOQ	Bill of Quantity
BTR	Black Top Road
CNIC	Computerized National Identity Card
CPWA	Central Public Works Accounts
CPWD	Central Public Works Departmental
CSR	Composite Schedule Rates
DAC	Departmental Accounts Committee
DCR	Demand & Control Register
GFR	General Financial Rules
GI Pipe	Galvanized Iron
HDPE	High Density Polyethylene
KM	Kilometer
KPPRA	Khyber Pakhtunkhwa Public Procurement Regulatory Authority
KVA	Kilo volts amps
LCB	Local Council Board
LGA	Local Government Act
MFDAC	Memorandum for Departmental Accounts Committee
MRS	Market Rate System
NC	Neighborhood Council
NIT	Notice Inviting Tender
NOC	No Objection Certificate
NTN	National Tax Number
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PC-1	Planning Commission-1

PCC	Plain, Cement and Concrete
PEC	Pakistan Engineering Council
PLA	Personal Ledger Account
RDA	Regional Directorate of Audit
SE	Sub Engineer
S/F	Supply and Fixing
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TOF	Tehsil Officer Finance
TOI	Tehsil Officer Infrastructure
TOR	Tehsil Officer Revenue
TS	Technical Sanction
UC	Union Council
VC	Village Council
WAPDA	Water & power Development Authority
WSS	Water Supply Scheme

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections-8 and 12 of the Auditor-General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section 37 of Khyber Pakhtunkhwa Local Government Act 2013, require the Auditor-General of Pakistan to conduct audit of the receipts and expenditure of Local Fund of Tehsil / Town Municipal Administrations.

The report is based on audit of the accounts of TMAs in District Kohat 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 appropriate legislative 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 repeated requests.

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

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

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

The Regional Directorate of Audit Kohat has a human resource of 07 officers and staff with a total of 1953 man-days. The annual budget amounting to Rs 11.996 million was allocated to the RDA during financial year 2017-18. The directorate is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programs and projects.

Tehsil Municipal Administrations in the District Kohat i.e. Kohat & Lachi form 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 Administration for which Annual budget is authorized by the Tehsil Council in the form of budgetary grants.

a. Scope of Audit

The total expenditure of the Tehsil Municipal Administrations Kohat and Lachi in District Kohat for the Financial Year 2016-17 was Rs801.018million. Out of this, RDA Kohat audited an expenditure of Rs640.814 million which, in terms of percentage, was 80% of auditable expenditure.

The total of receipts of Tehsil Municipal Administrations in District Kohat for the Financial Year 2016-17 was Rs343.426million. Out of this, RDA Kohat audited receipts of Rs240.398 million which, in terms of percentage, was 70% of auditable receipts.

The total expenditure and receipts of Tehsil Municipal Administrations in District Kohat, for the Financial Year 2016-17 was Rs1,144.444 million. Out of this, RDA Kohat audited transactions of Rs881.212 million which in terms of percentage was 77% of auditable amount.

b. Recoveries at the instance of audit

Recovery of Rs162.409million was pointed out during the audit. However, no recovery was affected till the finalization of this report. Out of the total recoveries Rs77.591million was not in the notice of the executive before audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of TMAs, with respect to their functions, prioritization of risk areas by determining their significance and key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting the audit. Audit used desk audit techniques for analysis of compiled data and review of actual vouchers called for during scrutiny and substantive testing in the field.

d. Audit Impact

Audit pointed out various irregularities of systematic nature. Cases related to weak internal controls 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.

Another basic component of internal control, as envisaged under section 37(4) of LGA 2013, is internal audit which was not found in place in the domain of TMAs.

f. Key Audit Findings of the report

- i. Irregularity non-compliance were noticed in twenty two cases of Rs 492.175million.¹
- ii. Weak internal controls were noticed in fifteen cases of Rs213.269 million².

g. Recommendations

- i. Concrete efforts need to be made to recover long outstanding dues.
- ii. Inquiries on urgent basis to be initiated against the responsible officers and officials.
- iii. Responsibilities need to be fixed for unauthorized withdrawals and losses sustained by the administration due to overpayments and non-realization of receipts.
- iv. All sections of TMAs need to strengthen internal controls i.e. financial, operational, administrative controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.

¹Paras No. 1.2.1.1 to 1.2.1.13 and 1.3.1.1 to 1.3.1.9

²Paras No. 1.2.2.1 to 1.2.2.10 and 1.3.2.1 to 1.3.2.5

SUMMARY TABLES AND CHARTS

I: Audit Work Statistics

(Rs in million)

S. No	Description	No.	Budget
1	Total Entities in (PAO) in Audit Jurisdiction	02	1,144.444
2	Total formations in audit jurisdiction	02	1,144.444
3	Total Entities in (PAO) Audited	02	881.212
4	Total formations Audited	02	881.212
5	Audit and Inspection Reports	02	881.212
6	Special Audit Reports	--	--
7	Performance Audit Reports	--	--
8	Other Reports (relating to TMA)	--	--

II: Audit Observations Classified by Categories

(Rs in million)

S. No	Description	Amount placed under Audit Observation
1	Unsound asset management	-
2	Weak financial management	492.175
3	Weak Internal controls relating to financial management	213.269
4	Others	-
Total		705.444

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	-	518.127	240.398	122.687	881.212	757.448
2	Amount Placed under Audit Observation /Irregularities of Audit	-	493.338	168.799	43.307	705.444	653.14
3	Recoveries Pointed Out at the instance of Audit	-	31.562	123.723	7.124	162.409	140.942
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

IV: Table of Irregularities pointed out

(Rs in million)		
S. No	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	484.980
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors(accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Quantification of weaknesses of internal control systems.	58.055
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies.	162.409
6	Non production of record	-
7	Others, including cases of accidents, negligence etc.	-
Total		705.444

V: Cost- Benefit

(Rs in million)		
S.No	Description	Amount (Rs in million)
1	Outlay Audited (Item 1 of table 3)	881.212
2	Expenditure on Audit	0.100
3	Recoveries realized at the instance of Audit	-
4	Cost -Benefit Ratio	1:0

CHAPTER-1

1.1 Tehsil Municipal Administrations, District Kohat

1.1.1 Introduction

District Kohathas two Tehsil i.e. Kohat and Lachi. Each Tehsil office is managed by a Tehsil Municipal Officer. Each Tehsil Office has its own Tehsil Officer (Finance), Tehsil Officer (Infrastructure) and Tehsil Officers (Regulation).

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

- (i) 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;
- (ii) Prepare spatial plans for the Tehsil including plans for land use and zoning and disseminate these plans for public enquiry;
- (iii) Execute and manage development plans for improvement of municipal services and infrastructure;
- (iv) 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;
- (v) Enforce municipal laws, rules and bye-laws;
- (vi) Prevent and remove encroachments;
- (vii) Regulate affixing of sign-boards and advertisements;
- (viii) Provide, manage, operate, maintain and improve municipal services;
- (ix) Prepare budget, long term and annual municipal development programmes;
- (x) 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;

- (xi) Collect taxes, fines and penalties provided under this Act;
- (xii) Organize sports, cultural, recreational events, fairs and shows;
- (xiii) Organize cattle fairs and cattle markets;
- (xiv) Co-ordinate and support municipal functions amongst village and neighborhood councils;
- (xv) Regulate markets and services, issue licenses, permits, grant permissions and impose penalties for violation thereof;
- (xvi) Manage municipal properties, assets and funds;
- (xvii) Develop and manage schemes, including site development in collaboration with district government;
- (xviii) Authorize officers to issue notice, prosecute, sue and follow up criminal, civil and recovery proceedings against violators of municipal laws; and
- (xix) Prepare financial statements and present them for audit.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

An amount of Rs669.58 million was allocated as budget by the Provincial Government to Tehsil Municipal Administrations of District Kohat. Receipts of Rs343.426 million were realized during the financial year 2016-17. Thus making a total of Rs1,013.006 million at the disposal of Tehsil Municipal Administrations, against which an expenditure of Rs801.018 million was incurred by Tehsil Municipal Administrations of District Kohat, with a savings of Rs211.988 million during Financial Year 2016-17. Detail is given below

Detail of budget and expenditure during financial year 2016-17

(Rs in millions)

2016-17	Budget	Expenditure	Excess / (Saving)	% age
Salary	229.456	158.840	(70.616)	(30.775)

Non-salary	140.038	66.481	-(73.557)	(52.526)
Developmental	643.512	575.697	-(67.815)	(10.538)
Total	1,013.006	801.018	-(211.988)	

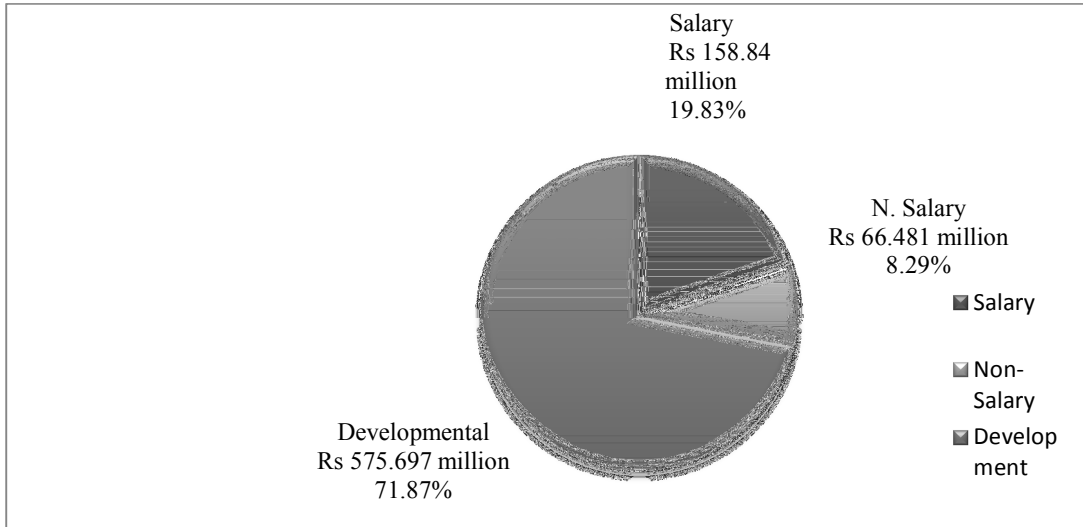
Detail of receipts realized during Financial Year 2016-17

(Rs in millions)

2016-17	Provincial Grant in Aid	Realization from own sources	Total
Receipts	669.58	343.426	1013.006

The huge savings of Rs67.815 million in developmental budget that comes to 10% indicate weakness in the capacity of these local institutions to utilize in time the funds allocated for the developmental activities in District Kohat.

EXPENDITURE 2016-17



1.1.3 Brief 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 Kohat were prepared under Khyber Pakhtunkhwa Local Government Act, 2013 and submitted to Governor Khyber Pakhtunkhwa but have not yet been discussed in PAC. Provincial Assembly of Khyber Pakhtunkhwa vide letter No PA/KP/PAC/GEN. DISTT GOV/17/7935 dated 23.02.2017 has returned the Audit Reports with the remarks that the same may be examined by respective Accounts Committees of councils as provided under Khyber Pakhtunkhwa Local Government Act, 2013. Under the direction of the PAC the reports have been submitted to the District Nazim for placing before the District Accounts Committee constituted under LGA 2013.

TEHSIL MUNICIPAL ADMINISTRATION KOHAT

1.2 Tehsil Municipal Administration Kohat

1.2.1 Irregularity & Non- Compliance

1.2.1.1 Fraudulent award of works -Rs 30.297 million

According to Chapter III Procurement of Works (**Open Tendering Open Competitive Bidding as Principal Method of Procurement**) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 2014, the bid found to be the lowest evaluated bid shall be accepted.

According to procurement planning chapter V (Miscellaneous Provisions) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 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 in accordance with section 22 of the Act.

TMO, Kohat awarded the work "**Construction of Center Median in Chowk**" to contractor for an estimated cost of Rs 30,297,000 under beautification of Divisional Head Quarter fund (Provincial ADP) during 2016-17.

The following audit observations were noticed in tender process:

- i. Bid rate of Rs 30,297,006 including cost of Rs 700,000 was received for item of work Construction of Monument which was a non PC-1 / Administrative Approval item of work. However, the work was awarded to bidder with bid rate of Rs 30,290,656 who quoted Rs zero for the above said item of work. The item was included in BOQ provided to the bidders despite the fact that the said item was not required for execution. Audit is of the view that the financial evaluation committee was required to evaluate the bid by excluding the unapproved item of work as the second bidder rates were lowest if unapproved rate of item of work was excluded from the bid cost. It is pertinent to mention here that the said item of work has not been executed at site. This resulted in fraudulent award of contract.
- ii. TOF did not sign the Bid documents/comparative statements.
- iii. The tender forms of all the bidders were not signed by TMO

- iv. PEC certificate of the successful bidder was not available on record.
- v. Audit is of the view that the work was required to be awarded to the second lowest bidder, whereas, undue favor was granted to the successful bidder.

Fraudulent award of work occurred due to non-compliance of Government rules.

The irregularity was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 20 (2016-17)

- 1.2.1.2 i. Irregular Advance payment - Rs 16.908 million**
- ii. Non-adjustment of Advance payment - Rs 5.090 million**

According to Para 228 of CPWA Code, advance to contractors are as a rule prohibited, and every endeavor should be made to maintain a system under which no payments are made except for work actually done.

TMO, Kohat paid an amount of Rs16,908,080 to contractor M/S Crown Enterprises in 1st, 2nd and 3rd Running Bill for the work “Construction of Abbaseen Plaza, Kohat” during 2016-17. The following irregularities were noticed:

- i. The amount was irregularly paid in advance to the contractor as a secured advance against material i.e. cement bags, steel and sand brought at sight; and
- ii. It is astonishing to note that an amount of Rs 2,321,356 as 20% premium and Rs1,253,532 as 9% above was also allowed on the rates of cement bags, steel and sand dumpers. The premium is only allowed on CSR rates.
- iii. Out of the total advance payment, an amount of Rs 11,817,856 was

adjusted in 1st, 2nd and 3rd running bills, while the remaining amount of Rs 5,090,224 was still not adjusted.

Advance payment occurred due to weak administrative and financial control.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

Audit recommends inquiry, adjustment/recovery of advance payment and action against the person(s) at fault.

AIR Para No. 22 & 23 (2016-17)

1.2.1.3 Unauthorized payment for non-schedule items without market rate analysis –Rs 12.233 million

According to KPPRA letter No. KPPRA/M&E/suggestions/4-16/2014-15 /539 dated 22.05.2015, addressed to all Secretaries of the Departments, cost estimates of Non MRS items including Solar Energy and other such new technologies should be rationalized/ revised after careful market analysis by bringing those down for justification and matching to the market rates which results huge losses to the Government.

TMO, Kohat paid Rs 12,233,009 to a contractor M/S TSK Engineering for the work “Installation of Solar Road Lights from Hangu Pattak to Janana Board upto RTC Pindi Road” under non-scheduled items i.e. Solar Panel, Batteries and Street light poles. The non-schedule items rates were allowed without any market analysis to get the economical rates, which caused unauthorized payment of Rs 12,233,009.

Unauthorized payment occurred due to weak administrative and financial control.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 39 (2016-17)

1.2.1.4 Non-transparent tendering process-Rs 10.309 million

According to procurement planning chapter V (Miscellaneous Provisions) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 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 in accordance with section 22 of the Act.

TMO, Kohat tendered the work “Construction of Sasta Bazar” for estimated cost 10.309 million out of provincial ADP during 2016-17.

The following audit observations were noticed in tender process:

- i. The technical evaluation documents of all the bidders were neither signed by TOI nor by TMO.
- ii. The comparative statement of financial evaluation was neither signed by TOI nor by TOF.
- iii. The tender form of Naseeb Gul was not available on record but he attended the bidding process as he signed on bid attendance sheet.
- iv. The work was awarded to “Haji electrical and civil work” but he did not attend the bidding process as evident from the bid attendance sheet.

Non-transparent tender process occurred due to non-compliance of Government rules.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 35 (2016-17)

- 1.2.1.5**
- i. Unauthorized payment-Rs 7.165 million**
 - ii. Suspected misappropriation-Rs 995,904**

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

TMO, Kohat paid Rs 7,165,000 vide 3rd Running bill to M/S Crown Enterprises under work “Construction of Abbaseen Plaza, Kohat”. Following irregularities were noticed:

- i. Out of the total gross amount mentioned above, an amount of Rs 6,912,546 was shown paid to contractor vide Cheque No. A035482 just to clear TMA’s liability of “load unload tax (2012-13)”. The contract of load unload tax was awarded to co-partner of the contractor;
- ii. The remaining amount of Rs 252,454 was not cleared whether it was paid to contractor or paid to Income Tax department under head income tax or deducted as security;
- iii. Deductions to the tune of Rs 1,003,100 was not found made from the bill under head 6% income tax (Rs 429,900) and 8% Security (Rs 573,200);
- iv. While checking the details of “load unload tax” contract in DCR for the year 2012-13, it was noticed that an amount of Rs 5,916,642 was adjusted against PLA Cheque bearing No. A035482. Audit is of the view that the

remaining amount of Rs 995,904 (Rs 6,9012,546- Rs 5,916,642) was misappropriated by the dealing hands.

Unauthorized payment and misappropriation occurred due to weak administrative and internal control.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 26 (2016-17)

1.2.1.6 Un-authorized expenditure - Rs. 7.154 million

According to rule 2 of Bid Solicitation documents chapter V (Miscellaneous Provisions) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 2014, in case of procurement of works, solicitation documents shall contain technical specifications, drawings and designs, bill of quantities and estimated costs whatever applicable.

According to KPPRA letter No. KPPRA/M&E/suggestions/4-16/2014-15/539 dated 22.05.2015, addressed to all Secretaries of the Departments, cost estimates of Non MRS items including Solar Energy and other such new technologies should be rationalized/ revised after careful market analysis by bringing those down for justification and matching to the market rates which results huge losses to the Government.

TMO, Kohat awarded work "Installation of solar street lights at urban area Kohat-I & II" to M/S Total Engineering Solutions during 2016-17. An amount of Rs 7,154,028 was paid to contractor in 2nd Running bill under item of work "Street light poles 20 feet single" with a rate of Rs 40,880. The said item of work was neither included in the BOQ nor any rate were called for/ offered and

accepted or made part of the agreement. The rate applied was not analyzed and were far more than actual market rates.

Unauthorized expenditure occurred due to weak administrative and internal control.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 32 (2016-17)

1.2.1.7 Unauthorized award of works due to non-transparent tendering process-Rs 7.0 million

According to procurement planning chapter V (Miscellaneous Provisions) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 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 in accordance with section 22 of the Act.

According to NIT condition No.4 in case of bidder quoted more than 10% below on engineer cost estimates and the bid is not accompanied with 8% additional security then the bid will be considered as non-responsive and the 2nd lowest bidder will be considered & so on.

TMO, Kohat tendered the work “BTR at village Dawood Khel UC Dhoda” for estimated cost of Rs 3,000,000 out of 30% ADP during 2016-17. The contractor Mr. Aftab Alam quoted 18% below rate on engineer cost estimates. The contractor was required to deposit 8% additional security for Rs 240,000 but he only deposited Rs 24,000. The work was required to be offered to 2nd lowest quoted 17% below rate, instead the work was awarded to Mr. Aftab Alam. Moreover, the tender forms of all the bidders were not signed by TMO.

Similarly, TMO, Kohat tendered the work “BTR at Mandori” for estimated cost 4,000,000 out of 30% ADP during 2016-17. The contractor Mr. Aftab Alam quoted 10% below rate on engineer cost estimates. The contractor failed to deposit 8% additional security for Rs. 320,000. The work was required to be offered to 2nd lowest instead, the work was awarded to Mr. Aftab Alam. Moreover, the tender forms of all the bidders were not signed by TMO.

Non transparent award of work occurred due to non-compliance of Government rules.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 10 & 11 (2016-17)

1.2.1.8 Un-authorized execution of excess quantities of work from TS/BOQ-Rs. 5.701 million

According to Para 56 of CPWD Code, if subsequent to the grant of technical sanction, material structural alterations are contemplated, orders of the original sanctioning authority should be obtained, even though no additional expenditure may be involved by the alterations

TMO, Kohat executed the following items of work and paid Rs 5,701,348 to contractor during 2016-17. The quantities executed were over and above to the approved quantities in PC-I/BOQ and TS. The execution and payment of extra quantities were made at the cost of reducing quantities of other items of work dully approved in PC-1/BOQ and TS. The expenditure of Rs 5,701,348 was therefore held unauthorized.

Name of work	Item executed	Quantity as per	Quantity executed	Difference (m)	Rate (Rs/m)	Amount (Rs)
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		TS/BOQ(m)	(m)			
Construction of footpath & drain from cadet college to police station	P/F precast concrete 7000 Psi tuff tiles over bed of 2” &4” thick brick ballast	601.952	4218.76	3616.8	761.69	2,754,888
Construction of green built an& median from cadet college to police station	P/F precast concrete 7000 Psi tuff tiles over bed of 2” &4” thick brick ballast	133.27	4001.59	3868.3	761.69	2,946,460
Total						5,701,348

Unauthorized execution of excess quantities of items of work occurred due to weak administrative and financial control.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 18 (2016-17)

1.2.1.9 Unauthorized execution of work on account of electrification- Rs 2.826 million

According to rule 10 of Khyber Pakhtunkhwa Local government (Site Development Scheme) Rules, 2005, the developer shall submit to MC the detail design and specification of electricity. TMA may sanction design and specifications after obtaining comments from concerned departments and authorities. The electric network shall be implemented in accordance with policy, design and specification as approved by WAPDA or any other agency so notified by Government. The development work shall be commenced after sanction of the above design or specifications.

It was noticed that TMO, Kohat spent Rs 2,826,283 on repair and maintenance of electric transformers during 2016-17. The following irregularities were noticed;

- i. Neither PC-1/design/specification was sent to WAPDA for obtaining comments nor the work was executed in accordance with policy, design and specifications as approved by WAPDA/PESCO.
- ii. The rates of non-scheduled items offered by contractor were accepted without any rate analysis.
- iii. The contractors were not registered with the Pakistan Engineering Council for the said work.
- iv. The contract was subletted to another contractor as evident from the vouchers submitted for payments.
- v. PC-1 was prepared on assumption basis as amount for repair of identified transformer were placed in advance of disorders of specific items.

Unauthorized execution of work occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 15 (2016-17)

1.2.1.10 Fraudulent award of works due to non-transparent tendering process-Rs 2.3 million

According to procurement planning chapter V (Miscellaneous Provisions) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 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 in accordance with section 22 of the Act.

TMO, Kohat tendered the work “Development work at UC Urban-I” for estimated cost 2,300,000 out of 30% ADP during 2016-17.

The following audit observations were noticed in tender process:

- i. The bidder Mr. Muhammad wali Khan quoted 16% below and then reduce to 10% below by overwriting. The TMO evaluated the rates in the comparative statement of all the bidders as 10% below and awarded the work to Mr. Noor Janat Shah by using the toss system.
- ii. The signature of the successful bidder on tender form/agreement was different than CNIC and tender form submitted for another work.
- iii. The tender forms/BOQs of all the bidders were not signed by TMO/TOI.

Fraudulent award of work occurred due to non-compliance of Government rules.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 12 (2016-17)

1.2.1.11 Fraudulent award of works due to non-transparent tendering process-Rs 2.3 million

According to procurement planning chapter V (Miscellaneous Provisions) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 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 in accordance with section 22 of the Act.

According to NIT condition No.11, cutting/ overwriting in the BOQ/Tender form will be termed as defective.

TMO, Kohat tendered the work “Development work at UC Ziarat Sheih Allah Dad” for estimated cost of Rs 2,300,000 out of 30% ADP during 2016-17. The contractor Mr. Khan Amir quoted the lowest rate of 21.1% below but the TMO accepted the rate of Mr. Muhammad Wali Khan quoted originally 18% below rate and then reduced to 22% below by overwriting. The agreement was also not signed by the contractor. Moreover, the tender forms of all the bidders were not signed by TMO.

Fraudulent award of work occurred due to non compliance of Government rules.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 14 (2016-17)

1.2.1.12 Un-authorized execution of NSI items of work -Rs. 1.766 million

According to the Para 3 of technical sanction, non-MRS items were deleted however, if required, the non MRS items may be properly analyzed in accordance with the procedure of MRS and may be approved under clause-12 of the contract agreement before execution.

TMO, Kohat executed the following non schedule items of work and paid Rs 1,766,000 to contractor in various works before obtaining technical sanction as on 25th August, 2017. As above, the non-schedule items were deleted from TS and were required to properly analyze in accordance with the procedure of MRS and also required to be approved under clause-12 of the contract agreement before execution but due to the fact that non schedule items were already executed and paid, the local office ignore the directions received in TS. As a result the amount paid was required to be recovered from the contractor.

Name of work	Item executed	Amount
Construction of footpath & drain at BannuChowk to ISSB	Construction of RCC cover 2.5' *2.5	569,000

Construction of footpath & drain Ghamkol to Gate No. 2 KDA	Construction of rectangular RCC cover 2.5' *2.5"	427,000
Construction of footpath & drain from Peshawar Chowk to Suigas office	Construction of rectangular RCC cover 2" *2"	620,000
Construction of footpath & drain at Tehsil Chowk	Construction of rectangular RCC cover 2" *2"	150,000
Total		1,766,000

Unauthorized execution of non-schedule items of work occurred due to weak administrative and internal control.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 19 (2016-17)

1.2.1.13 Fraudulent and non-transparent tendering process-Rs 1.5 million

According to procurement planning chapter V (Miscellaneous Provisions) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 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 in accordance with section 22 of the Act.

TMO, Kohat tendered and awarded the work "WSS (water Pipes) in PK-38" for estimated cost of Rs 1.5 million out of provincial ADP to contractor "MAT Builders" for bid cost of Rs 1,499,998.91 during 2016-17.

The following audit observations were noticed in tender process:

- i. The unsuccessful contractor "Muhammad Wali" also offered the same bid cost of Rs 1,499,998.91, but during evaluation the total cost of BOQ was changed with red pen to Rs 1,502,028.73 without quoting any reason.

- ii. The signature of the successful contractor was different on tender form as compared to agreement, work order and work bill.
- iii. The work was required to be awarded through Toss as per NIT condition No 4, but the local office fraudulently increased the bid cost of another contractor just to grant undue favor to the desired contractor.

Fraudulent and non-transparent tender process occurred due to weak administrative and internal control.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 36 (2016-17)

1.2.2 Internal Control Weaknesses

1.2.2.1 Non-recovery of outstanding Government dues - Rs 56.783 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA Budget Rules 2016, the TO(R) shall be, to ensure that all revenue dues is claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

TMO, Kohat failed to recover an outstanding amount of Rs 56,783,822 as on 30.6.2017 on account of rent/fee as detailed below.

S.No	Receipt head	Outstanding dues on 30.06.2017
1	Rent of municipal property	53,916,085
2	Rent of Kotal Shopping Arcade	793,877
3	Rent of new fruit and vegetable Market	1,767,360
4	Dangerous Trade fee	306,500
Total		56,783,822

Non recovery of outstanding Government dues occurred due to weak internal control.

Non recovery was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 1, 6, 7 & 8 (2016-17)

1.2.2.2 Non-recovery of premium amount of Tehsil Plaza-Rs 38.422 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA Budget Rules 2016, the TO(R) shall be, to ensure that all revenue dues is claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

According to NIT condition No. 6 published in daily “AAJ” on 15-11-2016, the successful bidder shall deposit 100% premium within 15 days. In case of failure, the call deposit shall be forfeited.

TMO, Kohat auctioned 76 shops of Tehsil Plaza on premium basis in December, 2016 for Rs 145,505,000. The amount was required to be deposited within 15 days as per NIT conditions. Only Rs 107,082,500 was recovered from 47 successful bidders till date of audit in January, 2018. The remaining amount of Rs 38,422,500 was still outstanding which needs to be recovered besides forfeiting of the call deposits of the bidders concerned.

Non recovery of outstanding Government dues occurred due to weak internal control.

Non recovery was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 2 (2016-17)

1.2.2.3 Non recovery of new taxes-Rs 18.636 million

According to LCB letter No. AOII/LCB/ 9-9/2010 dated 28-6-2011, revised rates of various taxes were approved with effect from 1-7-2011.

According to Rules 51(1) of the Revenue Receipts Management of the TMA Budget Rules 2016, the TO(R) shall be, to ensure that all revenue dues is claimed, realized and credited immediately into Tehsil Fund under proper receipt head

TMO, Kohat failed to recover new taxes at revised rates amounting to Rs 18,636,000 imposed by Provincial Government of Khyber Pakhtunkhwa on various natures of businesses/trades under the jurisdiction of TMA Kohat upto the financial year 2016-17. Detail given at **Annexure-2**.

Non recovery of new taxes dues occurred due to weak internal control.

Non recovery was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No.5 (2016-17)

1.2.2.4 Non-imposition of penalty - Rs 12.324 million

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

TMO, Kohat awarded the following works to various contractors during May, 2012 and February, 2014. As per work orders, the works were required to be completed within stipulated time period from the date of commencement of the work which were not completed till the date of audit in January 2018. The department failed to impose and collect penalty @ 10% of the estimated cost amounting to Rs 12,324,000 from the contractor for delay in completion of work. Detail given at annexure-3

Non-imposition of penalty occurred due to weak internal control.

Non imposition of penalty was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 24, 28 & 37 (2016-17)

1.2.2.5 Non-recovery of income tax on auction of shops-Rs 7.212 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA Budget Rules 2016, the TO(R) shall be, to ensure that all revenue dues is claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

According to NIT condition No. 7 published in daily “AAJ” on 15-11-2016, the successful bidder shall deposit 10% income tax on premium amount.

TMO, Kohat auctioned 76 shops of Tehsil Plaza on premium basis in December, 2016 for Rs 145,505,000. The 10% income tax amounting to Rs 14,550,500 was required to be deposited as per NIT conditions. Only Rs 7,338,500 was recovered on account of income tax from 47 successful bidders till date of audit in January, 2018. The remaining amount of Rs 7,212,000 was still outstanding which needs to be recovered.

Non recovery of income tax dues occurred due to weak internal control.

Non recovery was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 4 (2016-17)

1.2.2.6 Overpayment by allowing rates over and above than permissible premium-Rs 5.885 million

According to 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 quantities and rates are correctly entered and that all the calculations have been checked arithmetically.

TMO, Kohat overpaid an amount of Rs 5,884,921 to contractor M/S Crown Enterprises during the year 2016-17 under scheme “Construction of

Abbaseen Plaza, Kohat” by allowing 9% above than permissible rate of premium. 20% premium was allowed on CSR 2009, while the contractor was paid 29% above and thus 9% was overpaid to contractor by giving undue favor.

Overpayment occurred due to weak administrative and financial control.

Overpayment was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 21 (2016-17)

1.2.2.7 Less Realization of Receipts-Rs 4.442 Million

According to clause 2 of Terms and Condition of the contracts circulated vide Local Government Department, Government of Khyber Pakhtunkhwa letter No. AO-II/LCB/6-11/2013 dated 14-3-2016; the contract for the present year must have an increase over the bid of last year to the tune of 20%.

TMO, Kohat during 2016-17 departmentally collected receipts for Rs 8,015,185 on different accounts. Detail given at **Annexure-4**

The receipts were required to be collected with 20% increase over the last year’s bid for Rs 12,457,326. However, the local office failed to collect receipts as per criteria above. As a result, Rs 4,442,141 was less collected and the authority was put into loss.

Less recovery of receipts occurred due to weak internal control, which resulted in loss to Government.

Non recovery was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No.3 (2016-17)

1.2.2.8 Overpayment by allowing exaggerated rates - Rs 2.328 million

According to KPPRA letter No. KPPRA/M&E/suggestions/4-16/2014-15/539 dated 22.05.2015, addressed to all Secretaries of the Departments, cost estimates of Non MRS items including Solar Energy and other such new technologies should be rationalized/ revised after careful market analysis by bringing those down for justification and matching to the market rates which results huge losses to the Government.

TMO, Kohat overpaid an amount of Rs 2,327,500 to contractor M/S Total Engineering Solutions for work “Installation of Solar Street Lights at Urban area Kohat-I & II” by allowing exaggerated rates for Solar Panels. The contractor was paid at the rate of Rs 24,300 per Panel, while the maximum rate of 150 watt Solar Panel in market including contractor profit was Rs 11,000, thus Rs 13,300 per Panel was overpaid to contractor.

Overpayment occurred due to weak internal control.

Overpayment was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 31 (2016-17)

1.2.2.9 Loss to Government by accepting higher bid -Rs 1.677 million

According to chapter III procurement of works (Open tendering open competitive bidding as principal method of procurement) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 2014, the bid found to be the lowest evaluated bid shall be accepted.

TMO, Kohat awarded a contract for the work “Installation of Solar Street Lights at Urban area Kohat-I & II” to a contractor M/S Total Engineering

Solutions with total bid amount of 25,650,002.19 million and rejecting the 1st lowest bid of Rs 23,973,250 without any justification. Thus government was put to loss of Rs 1,676,752 by accepting 2nd lowest bidder.

Loss to Government occurred due to weak internal control.

Loss to government was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 29 (2016-17)

1.2.2.10 Loss to Government by allowing higher rates - Rs 1.161 million

According to KPPRA letter No. KPPRA/M&E/suggestions/4-16/2014-15/539 dated 22.05.2015, addressed to all Secretaries of the Departments, cost estimates of Non MRS items including Solar Energy and other such new technologies should be rationalized/ revised after careful market analysis by bringing those down for justification and matching to the market rates which results huge losses to the Government.

TMO, Kohat allowed payment of Rs 1,261,197 to contractor M/S Total Engineering Solutions for work “Installation of Solar Street Lights at Urban area Kohat-I & II” by including very high rates for load unload and transportation of Solar Panels in rate analysis. Total amount for load unload and transportation charges allowed for 189 solar panels was Rs 1,261,197 @ Rs 6,773 per solar Panel. Audit observed that maximum charges for load unload and transportation was required to be paid as Rs 100,000. As a result Government was put into loss of Rs 1,161,197.

Loss to Government occurred due to weak internal control.

Non recovery was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 30 (2016-17)

TEHSIL MUNICIPAL ADMINISTRATION LACHI

1.3 Tehsil Municipal Administration Lachi

1.3.1 Irregularity & Non Compliance

1.3.1.1 Irregular retention and non-utilization of fund-Rs 232.269 million

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

TMO, Lachi did not utilize Rs 232,269,954 lying in the PLA on 30th June, 2017. The funds were required to be utilized timely on the developmental schemes. Further, the break up and detail of funds were not known. Audit holds that chances of its mis-utilization and mis-appropriation could **not** be ruled out.

Irregular retention and non-utilization occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 7 (2016-17)

1.3.1.2 Loss to Government due to wasteful expenditure on incomplete schemes-Rs 46.421 million

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

TMO, Lachi paid Rs 46,421,000 to contractors for executing various works/developmental schemes during 2016-17 but the contractors left the schemes incomplete and the public remained deprived of the benefits. Efforts were not made to either complete the schemes on the risk and cost of the contractors or recover losses from the contractors. Detail given at annexure-5

Loss to Government occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 5 (2016-17)

1.3.1.3 Irregular and Doubtful payment - Rs 40.261 million

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

TMO, Lachi withdrew a sum of Rs 38,856,420 on account of pay & allowances etc from various bank accounts during 2016-17 in cash instead of cross cheques and the same was also not entered in cash book. Huge closing balances amounting to Rs 2,605,787 were available in these accounts due to which chances of misappropriation could not be ruled out.

Irregular and doubtful payment occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 16 (2016-17)

1.3.1.4 Doubtful payments - Rs 19.744 million

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

TMO, Lachi paid a sum of Rs 1,404,934 to Mr. Islam, O/M Lachi as arrear of pay & allowances for the year 2014 and 2016 during 2016-17. The local office failed to produce record of the payment made. Thus audit could not verify the authenticity of expenditure incurred.

Further, a sum of Rs 18,338,909 was paid by the local office as previous year liability and loan of TMA Totalai, which could not be verified from record due to non-availability of vouchers.

Doubtful payments occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 14 (2016-17)

1.3.1.5 Irregular expenditure under head electricity charges and repair of transformers -Rs 17.243 million

According to Para 10 (i) of GFR Vol-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.

TMO, Lachi paid Rs 16,500,000 to PESCO under head electricity charges during 2016-17. The electricity bills were not produced to audit for verification and reconciliation with PESCO was also not made.

Moreover, the local office incurred an expenditure of Rs 743,391 as per detail given below without obtaining NOC and rate analysis from PESCO Authorities during 2016-17.

S. No	Name of contractor	Cheque No. & date	Amount (Rs)
1	Mr. Roshan Habib ADP 757	A363805 dt: 23.9.2016	184,391
2	-do- ADP 756/150180	A363805 dt: 23.9.2016	231,000
3	-do-	A 363807 dt: 28.9.2016	328,000
Total			743,391

Irregularity occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 1(2016-17)

1.3.1.6 Unauthorized expenditure on non-approved work-Rs 11.023 million

According to Para 12 of the General Financial Rules Volume-I, a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending

units are expended in the public interest and upon objects for which the money was provided.

TMO, Lachi incurred an expenditure of Rs 11,023,000 on construction of building in Shakardara Hospital up to 2016-17. The work was administratively approved as “Construction of Maternity Centre at C.H Shakardara” but expenditure was incurred on construction of another building in the Civil Hospital Shakardara. Audit holds that neither the work was changed by the Administrative Department nor the scope of work/PC-I was changed by the department/Executing Agency despite the fact that building which was identified and approved was not constructed while expenditure incurred on another building.

Unauthorized expenditure occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 2 (2016-17)

1.3.1.7 Wasteful expenditure on substandard work -Rs 5.984 million and Non-Imposition of penalty-Rs 1.00 million

According to Para 10 (i) of General Financial Rules Volume-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.

TMO Lachi incurred an expenditure of Rs 5,727,279 on account of work “Pressure Pumps at PK-39 Kohat” during 2016-17. As per office order issued by TMO Lachi vide No. 430-442/TMA/TO(I)/Contracts dated 13.9.2017 “The contractor have failed to execute the work in accordance with the specifications and its completion as per stipulated/extended period”. Consequently his contract

was cancelled after payment of Rs 5,727,279. Audit holds that the work executed not according to specification is held substandard and expenditure of Rs 5,727,279 incurred thereupon was wasteful. Moreover, payment of Rs 257,727 made to consultant on this account is also held wasteful, which needs recovery.

Furthermore, Penalty for delay in execution of work amounting to Rs 1,000,000 also needs to be imposed and recovered from the contractor. (Rs 10,000,000 x 10%= Rs 100,000).

Wasteful expenditure and non-imposition of penalty occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 3 (2016-17)

1.3.1.8 Irregular and unjustified payment to consultant-Rs 2.032 million and Non-recovery of tax-Rs 304,910

According to Rule 22, Chapter IV, KPPRA Rules 2014, application of consultancy Services rules, "These rules shall apply only to consulting services, which are of an intellectual and advisory nature and differ from the other types of services directly connected with the procurement of goods and works in which the physical component of the activity is the main function and often involves equipment-intensive assignments.

TMO Lachi paid a sum of Rs 2,032,737 to consultant M/S MAK Engineering Services during 2016-17. Audit observed that the consultant was paid for routine nature of work i.e. construction of PCC Road, drains, pressure pumps, Hand pumps etc, which were not of intellectual and advisory nature.

Further, the MAK Engineering Services as a Business was not allotted any NTN & Sales Tax Registration number during the period concerned. Tax on consultancy amounting to 304,910 @15% was also not deducted.

Irregular and unjustified payment and non-recovery of tax occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 4 (2016-17)

1.3.1.9 Unverified payment - Rs 1.548 million and Non-deduction of old material cost - Rs 800,000

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

TMO, Lachi awarded a work “Replacement of rising main pipeline at Lachi” to Mr. Haji Akbar contractor with an estimated cost of Rs 2,500,000 during 2016-17. The following audit observations were noticed;

- i. 5% old material cost amounting to Rs 125,000 was not deducted from the contractor.
- ii. 17% GST amounting to Rs 425,000 was also not deducted from the payment.
- iii. 10% penalty amounting to Rs 250,000 was not deducted from the contractor as the work order was issued on 10.10.2016 and the work was not completed till date of audit.
- iv. PEC registration was expired.

- v. Exact location of the scheme could not be verified.
- vi. Advance payment of Rs 2,360,880 was made to the contractor for supply of pipe only.
- vii. GI pipe amounting to Rs 2,425,244 was claimed in 2nd running bill while invoice amounting to Rs 876,932 was available on record and invoice of Rs 1,548,312 was missing.

Unverified payment and non-deduction of old material cost occurred due to weak administrative and financial control.

Unverified payment was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 13 (2016-17)

1.3.2 Internal Control Weaknesses

1.3.2.1 Loss to Government on account of Weekly Cattle Fair Lachi-Rs 40.634 million

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

TMO, Lachi awarded contract of Weekly Cattle Fair Lachi to Mr. Azmat Ali Shah for Rs 3,600,000 during the year 2016-17. The following audit observations were noticed;

- i. The local office failed to impose 11 times penalty amounting to Rs 39,600,000 as per clause 16 & 20 of Terms and Conditions of the revenue contracts because the contractor was overcharging and a proof in this regard along with application submitted by local was also ignored by the then TMO.
- ii. The contract was given on 6% below instead of 20% above as required causing loss of Rs 1,034,299 (Last year bid Rs 3,861,916 x 20% above comes to Rs 4,634,299. So Rs 4,634,299-Rs 3,600,000=Rs 1,034,299).
- iii. Call deposit photocopy of the successful bidder was not attached.
- iv. Proper approval from Tehsil Council was not obtained.
- v. Agreement was not signed by TMO and witnesses.

Loss to Government occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 10 (2016-17)

- 1.3.2.2**
- i. Non-transparent tendering of works-Rs 11.69 million**
 - ii. Loss due to not awarding the contracts to the lowest bidders-Rs 1.289 million**

According to chapter III procurement of works (Open tendering open competitive bidding as principal method of procurement) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 2014, the bid found to be the lowest evaluated bid shall be accepted.

TMO Lachi did not award various development schemes to the lowest bidders as detailed below during 2016-17, which resulted in loss of Rs. 1,289,050 to the Government exchequer. Detail given at annexure-6

Further, the record revealed that more number of sealed tenders were received as per note sheets placed in files while less number of participants were shown in the comparative statements of various works. In addition, various contractors were shown toss winners in the comparative statements and as per note sheets, but as per record/ tender forms bids were not tie among bidders, which also created doubts. Thus in light of the above, the tendering process was also held non transparent for works costing Rs. 11.69 million.

Irregular and doubtful payment occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 21 (2016-17)

1.3.2.3 Non-deduction of sales tax on Taxable Items-Rs 6.387 million

According to Section 3 of Sales Tax Act 1990, to recover the sales tax @ 17% of the value of taxable supplies made by registered persons in the course or furtherance of any taxable activity carried out by him.

TMO, Lachi incurred expenditure on supply of HDPE, GI Pipes etc during the year 2016-17 as per detail given below. Neither sales tax invoices were produced nor was sales tax @ 17% amounting to Rs 6,387,121 deducted from the contractor's bills, which needs recovery.

S#	Name of Scheme	Sub item of Work	Amount (Rs)	Sales Tax (Rs)
01	S/I of Pipeline Chorlakki Bund Banda, Nari Banda Spin , Shakardara Rural-1	S/I of HDPE & GI Pipe	18,132,873	3,082,588
02	WSS Shakardara	S/I of GI, PVC Pipe and accessories	---	3,304,533
Total				6,387,121

Non-deduction of sales tax occurred due to weak administrative and financial control.

Non deduction of sales tax was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 20 (2016-17)

1.3.2.4 Non-recovery of outstanding Government dues on account of water rates-Rs 2.670 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA Budget Rules 2016, the TO(R) shall be, to ensure that all revenue dues is claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

TMO, Lachi failed to recover Rs 2,670,690 on account of water charges during the year 2016-17 from 2,329 water user connections as detailed below. This indicates not only the failure of the department to recover previous outstanding dues but also shows the fruitless efforts to recover the current dues, which needs to be recovered and deposited into Government treasury.

Total Connections	Annual Outstanding Arrears (Rs)	Recovery Made (Rs)	Net Outstanding Arrears 30-06-2017 (Rs)
2,329	3,633,240	962,550	2,670,690

Non-recovery of water charges occurred due to weak internal and financial control.

Non recovery was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 8 (2016-17)

1.3.2.5 Non recovery of advances-Rs 1.729 million

According to Para 8 and 26 of the General Financial Rules Volume-I each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

TMO, Lachi paid Rs 1,729,000 as advances to the various officers/ officials of the local office during 2016-17 but the same was not yet recovered till date of audit in January, 2018. Detail given at **Annexure-7**.

Non-recovery of advances occurred due to weak internal and financial control.

Non recovery of advances was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 9 (2016-17)

ANNEXURES

Annexure-1

Statement showing detail of MFDAC Paras

(Rs in million)

S.No	AIR Para No	Caption	Amount (Rs)
TMA KOHAT			
1	9	Non-recovery of 25% increase in rent of shops	145,592
2	16	Non/Less recovery of professional tax from contractors	120,000
3	17	Non recovery of stamp duty	75,000
4	25	Loss to government	683,175
5	33	Irregular advance payment	537,190
6	34	Irregular payment on account of Malba removal	377,820
7	38	Loss to government due to non-deduction of income tax	481,770
TMA LACHI			
8	6	Unauthorized expenditure on items not provided in PC-I & BOQ	178,451
9	11	Doubtful payment	500,000
10	12	Loss to Government	267,400
11	15	Doubtful payment	792,505
12	17	Non recovery of tax on consultancy	320,372
13	18	Non deduction of 11% Voids from contractor's bill	600,571
14	19	Non imposition of 10% penalty	118,000

Annexure-2
(Para No.1.2.2.3)

Statement showing non collection of New Taxes during the year 2015-16

S No	Nature of business	Numbers	Tax rate (Rs)	Annual Demand (Rs)	Total amount to be recovered for 6 years (Rs)	Recovered amount (Rs)	Outstanding amount on 30-6-2017 (Rs)
1	Property Dealer	20	5,000	100,000	600,000	320,000	280,000
2	Private School & College	60	3,000	180,000	1,080,000	825,000	255,000
3	Crockery Center	12	3,000	36,000	216,000	105,000	111,000
4	Motor car bargain	15	25,000	375,000	2,250,000	0	2,250,000
5	Motor cycle bargain	10	10,000	100,000	600,000	10,000	590,000
6	Guest houses	4	5,000	20,000	120,000	30,000	90,000
7	Marriage Lawn	4	120,000	480,000	2,880,000	0	2,880,000
8	Catering service	15	8,000	120,000	720,000	0	720,000
9	Cement block factory	4	20,000	80,000	480,000	140,000	340,000
10	Rent A Car	2	15,000	30,000	180,000	0	180,000
11	Petrol Diesel CNG station 2011-12	40	30,000	120,000	11,200,000	260,000	10,940,000
12	Petrol Diesel CNG station 2012-17	40	50,000	2,000,000			
Total					20,326,000	1,690,000	18,636,000

Annexure-3
(Para No.1.2.2.4)

Statement showing detail of non-recovery of penalty

work	Contractor	Estimated cost Rs (m)	Work order	Required date of completion	status	Penalty Rs (m)
Installation of Solar Street Lights at Urban area Kohat-I & II	M/S Total Engineering Solutions	28.50	08.02.2014	07.08.2014	In progress	2.85
Installation of Solar Road Lights from HanguPattak to Janana Board upto RTC Pindi Road	TSK Engineering	14.00	08.02.2014	30.06.2014	In progress	1.40
Construction of Abbaseen Plaza, Kohat	M/S Crown Enterprises	80.745	30.05.2012	31.12.2016	In progress	8.074
Total		123.245				12.324

Annexure-4
(Para No.1.2.2.7)

Statement showing detail of less realization of receipts

Contract	Receipts collected departmentally during 2015-16 (Rs)	20% Increase (Rs)	Required collection after applying increase (Rs)	Receipts collected departmentally during 2016-17 (Rs)	Loss (Rs)
Parking fee New Bus Stand	4,432,895	886,579	5,319,474	4,529,970	789,504
Parking fee old Bus Stand	2,882,640	576,528	3,459,168	1,031,100	2,428,068
Group Latrine	1,510,000	302,000	1,812,000	1,168,450	643,550
Slaughter House	469,150	93,830	562,980	454,490	108,490
Pick up addaGumbat	327,075	65,415	392,490	324,500	67,990
Suzuki Stand Billitang	51,345	10,269	61,614	35,175	26,439
New Taxes	708,000	141,600	849,600	471,500	378,100
Total	10,381,105	2,076,221	12,457,326	8,015,185	4,442,141

Annexure-5
(Para No.1.3.1.2)

Statement showing detail of incomplete schemes

S#	Name of work	E. Cost (Rs)	Expenditure (Rs)
1	Constn: of S/Dara Urban Tarki Chowk, ChorlakiYadgar and yaseen shop Pakka Chow	9.46	7.81
2	Constn: of mottled/PCC saghri Bori Shakardara 0.5 KM UC S/Dara Rural-I	2.5	1.39
3	Constn: of Mottled road ZaroloKarapaiZiaratTarkhai Korona UC Shakardara Rural-I	6.5	5.04
4	Constn: of BTR road from S/Dara to BoriSaghri	10.00	2.20
5	Reh: of S/DaraChorlaki Road	5.00	1.13
6	Street Pavement at Village Chorlaki	4.00	2.041
7	Constn: of Mottled road Chashmai	10.00	5.38
8	Constn of mottled road at Hassan banda	5.00	3.28
9	Constn : of street at village Walai	2.00	1.65
10	Street pavement at QamarDhand	2.00	0.49
11	Reh: of Sudal Road	5.00	4.03
12	Constn: of Causeway at Jabbi	4.00	1.96
13	Constn: of community center at Jabbi	1.5	0.85
14	P/Pumps at PK-39	1.00	4.62
15	Hand Pumps at PK-39	7.3	3.34
16	Transformer 6/50KVA. Transformer 8/100 KVA	5.00	1.21
Total			46.421

Annexure-6
(Para No.1.3.2.2)

Statement showing detail of non-transparent tendering process

S#	Name of scheme	Lowest bidder	To whom awarded	Loss(Rs)	E/cost (Rs)
1	PCC Road Darwazai Banda, H/Pumps U/C Mandori	M/S Zahidullah 28% below	M/S Imtiaz Khan @10% below	153,000	0.850
2	PCC Road culvert at LachiBala&Payan	M/S Zahidullah @19%	M/s Peace Associates @10% below	133,200	1.480
3	S/F of H/P in UC Sudal	M/S Khan Amir & sons @35% below	M Yousaf @10% below	185,000	0.740
4	S/F of H/Pumps in UC Sharakdara Rural-I	M/s ZahidUllah @24%below	@10% below	259,000	1.850
5	Constn:/ Rep of street at Lachipayan	M/s ZahidUllah @22%below	M/s Peace Associates@10% below	59,500	0.850
6	Major Rep: W/S & electrification of BHU KhadarKhel UC Mandori	M/s ZahidUllah @22% below	M/s Imtiaz Khan@10% below	88,800	0.740
7	PCC road mohallah Jalal Abad Mandori, Constn: of cause way at MohmandiMandori	M/s ZahidUllah @25% below	M/s Imtiaz& sons @10% below	220,000	1.480
8	Repair & Maint: of ChashmajaatDarmalak	M/s ZahidUllah @16% below	M/s Banochi& Co @10% below	88,800	1.480
9	Electrificaitn, w/s, sanitary & building repair BHU Doli Banda UC Sudal	23.75% below	M/s Imtiaz& sons @10 below	101,750	0.740
10	Constn: of Ponds at Sarkidhal, Protection Bund for Agree Land RehanKor, Pakka UC Shakardara Rural -II				0.370
11	Consn: of Ponds at UC Shakardara Rural-I				0.370
12	Resdp/Maint: of BHU Ali KoohLachi Rural				0.740
Total				1,289,050	11.69

Annexure-7
(Para No.1.3.2.5)

Statement showing detail of advances

S#	Name of Payee	Month	Amount (Rs)
1	Roman, SE	7/2016	99,000
2	Tehsil Nazim	8/2016	99,000
3	Mehar Ali	9/2016	100,000
4	WaheedIqbal	9/2017	50,000
5	RafaqatRaheem, SE	9/2017	99,000
6	M. Yunas	8/2017	30,000
7	NazirMehmood, Tehsil NaibNazim	8/2017	250,000
8	M. Alam	5/2017	90,000
9	---	6/2017	90,000
10	TOR	4/2017	50,000
11	Bashir, SE	4/2017	58,000
12	Tehsil Nazim	4/2017	450,000
13	Yunas, Clerk	3/2017	25,000
14	---	3/2017	30,000
15	Basir, SE	1/2017	20,000
16	Hidayatullah	12/2016	20,000
17	---	11/2016	10,000
18	Basir, SE	10/2016	60,000
19	Basir, SE	9/2016	99,000
Total			1,729,000