



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

KHYBER PAKHTUNKHWA

AUDIT YEAR 2017-18

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AC	Assistant Commissioner
ADP	Annual Development Plan
AIR	Audit and Inspection Report
AP	Advance Para
BOQ	Bill of Quantity
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule of Rate
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
DDO	Drawing and Disbursing Officer
GFR	General Financial Rules
HRA	House Rent Allowance
KKH	Karakoram Highway
KP	Khyber Pakhtunkhwa
KPPRA	Khyber Pakhtunkhwa Public Procurement Regulatory Authority
LGA	Local Government Act
LGE&RDD	Local Government Election and Rural Development Department
MB	Measurement Book
MFDAC	Memorandum for Departmental Accounts Committee
MOU	Memorandum of Understanding
MRS	Market Rate System
PAO	Principal Accounting Officer
PAC	Public Accounts Committee
PC-I	Planning Commission Proforma-I
PCC	Plain Cement Concrete
RCC	Reinforced Concrete Cement
RDA	Regional Directorate of Audit
TS	Technical Sanction
WSS	Water Supply Schemes
ZAC	Zilla Accounts Committee

Preface

Articles 169 &170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections-8 and 12 of the Auditor General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section 37 of Khyber Pakhtunkhwa Local Government Act 2013, requires 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 Torghar 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 and Town Municipal Administrations. The Regional Directorate of Audit Abbottabad, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of Six District Governments, TMAs and VCs/NCs of six districts i.e. Abbottabad, Torghar, Haripur, Battagram, Kohistan and Tor Ghar respectively.

The Regional Directorate of Audit Abbottabad has a human resource of 10 officers and staff with a total of 2250 man days. The annual budget amounting to Rs 16.695 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 programs and projects.

Tehsil Municipal Administrations in District Torghar i.e. Jubbha and Hassan Zai perform their functions under Khyber Pakhtunkhwa Local Government Act 2013. Each TMA has one Principal Accounting Officer (PAO) as provided in Section 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. Annual budget is authorized by the Tehsil Council in the form of budgetary grants.

a. Scope of Audit

The total expenditures of TMAs, District Torghar for the financial year 2016-17 was Rs 285.467 million. Out of this, RDA Abbottabad audited an expenditure of Rs 153.027 million which, in terms of percentage, is 60% of auditable expenditure.

The total receipts of the TMAs, District Torghar for the financial year 2016-17 were nil.

b. Recoveries at the instance of audit

Recovery of Rs 3.079 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, 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 serious 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 light in 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 domain of TMAs.

f. Key audit findings of the report;

- i. Irregularities & non compliance in 10 cases amounting to Rs 193.555 million were noticed.¹
- ii. Internal control weaknesses in 05 cases amounting to 30.883 million were observed.²

g. Recommendations

- i. Investigation, fixing responsibility and disciplinary action against person(s) at fault besides recovery under intimation to audit.
- ii. Deduction of income tax from contractors needs to be ensured.
- iii. Corrective actions/ Disciplinary actions need to be taken to stop the practice of violation of the rules and regulations in spending the public money.
- iv. Recovery of outstanding rent, vacation of Government property (State land) and lease out properly on market rate basis.

¹ Para No. 1.2.1.1, 1.2.1.2, 1.2.1.3, 1.2.1.4, 1.2.1.5, 1.3.1.1, 1.3.1.2, 1.3.1.3, 1.3.1.4, 1.3.1.5

² Para No. 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4, 1.2.2.5

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S. No.	Description	No.	Budget
1.	Total Entities (PAO) in Audit Jurisdiction	02	285.467
2.	Total formations in audit jurisdiction	02	285.467
3.	Total Entities (PAO) Audited	02	153.027
4.	Total formations Audited	02	153.027
5.	Audit & Inspection Reports	02	153.027
6.	Special Audit Reports	-	
7.	Performance Audit Reports	-	
8.	Other Reports	-	

II: Audit observation Classified by Categories

(Rs in million)

S. No.	Description	Amount Placed under Audit Observation
1.	Unsound asset management	41.783
2.	Weak financial management	4.324
3.	Weak Internal controls relating to financial management	178.331
4.	Others	0
	Total	224.438

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

S. No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total Current year	Total last year
1.	Outlays Audited	-	137.288	0	15.738	153.026	-
2.	Amount Placed under Audit Observation /Irregularities of Audit	-	178.331	0	4.324	182.655	-
3.	Recoveries Pointed Out at the instance of Audit	-	3.079	-	-	3.079	-
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	186.152
2.	Report cases of fraud, embezzlement, thefts and misuse of public resources.	0
3.	Accounting Errors (accounting policy departure from NAM ³ , 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.	4.324
4.	Quantification of weakness of internal control systems.	30.883
5.	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	3.079
6.	Non production of record	0
7.	Others, including cases of accidents, negligence etc.	0
	Total	224.438

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

S. No	Description	Amount
1	Outlays Audited (item 1 of Table 3)	153.026
2	Expenditure on audit	0.120
3	Recoveries realized at the instance of audit	0
	Cost-Benefit Ratio	1:0

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

1. CHAPTER – 1

1.1 Tehsil Municipal Administration District Torghar

1.1.1 Introduction

District Torghar has two TMAs, TMA Judba, TMA Hassan Zai, each TMA office is managed by a Tehsil Municipal Officer. Each TMA has its own Tehsil Officer (Finance), Tehsil Officer (Infrastructure) and Tehsil Officer (Regulation).

According to section 22 of the 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 expenditure 2016-17 (Variance analysis)

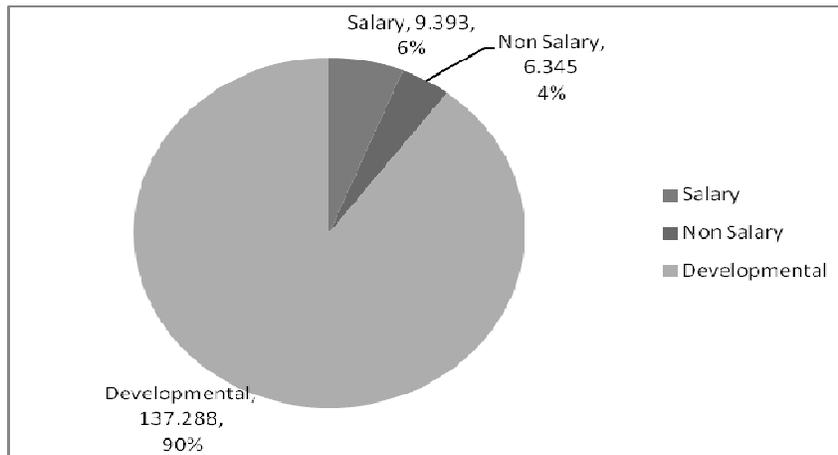
The budget and expenditure position of Tehsil Municipal Administrations in District Torghar for the year 206-17 is as under.

(Rs in million)				
Particulars	Budget	Expenditure	Excess/(Saving)	Percentage
Salary	9.393	9.393	(0)	0
Non Salary	7.622	6.345	(1.276)	(16.76)
Developmental	268.452	137.288	(131.163)	(48.859)
Total	285.467	153.027	(132.441)	

2015-16	Budget Receipts	Actual Receipts	Variation	Percentage
	0	0	0	0

The savings of Rs 132.441 million in all heads of accounts indicate weakness in the capacity of these local institutions to utilize the amounts allocated.

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 Mardan 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.

The TAC (Tehsil Accounts Committee) was notified by the Tehsil Council Torghar.

TEHSIL MUNICIPAL ADMINISTRATION JUDBA

1. Tehsil Municipal Administration Judba

1.2 Audit Paras of Tehsil Municipal Administration Judba

1.2.1 Irregularities / Non-Compliance

1.2.1.1 Irregular cash payment on account of Pay & Allowances Rs.4.324

According to the instruction of Government of Khyber Pakhtunkhwa Finance Department all the payment of salaries to the employees shall be made through their personal bank accounts.

TMO Judba Torghar paid an amount of Rs 4.324 million on account of pay & allowances in cash to the officials during 2016-17. The local office was required to transfer the same into bank accounts of the officials as instructed by the Government.

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

The irregularity was pointed out in January 2018. Management stated that all the salaries will be transferred to banks. Reply is not cogent as cash payment of salaries is irregular.

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

Audit recommends investigation, fixing responsibility and action against the persons at fault.

AIR No 01/TMA Judba/2016-17

1.2.1.2 Irregular execution of schemes 12.180 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 it may be shown that he contributed to the loss by his own action or negligence.

TMO TMA Judbah awarded work for installation of solar panels worth Rs12,180,000 without any proper survey and feasibility and site plan, as per **Annex:2**

Audit is of the view that Judbah is a hilly area where there are no proper markets and streets. It is apprehended that solar systems were distributed among the individuals instead of benefitting community.

The irregularity occurred due to lack of financial control responsibility towards public funds.

The irregularity was pointed out in January 2018. Management stated that detail reply will be submitted after consulting the record. Reply was not cogent as survey and feasibility reports were not found on record.

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

Audit suggests investigation, physical verification of sites and action against the person(s) at fault.

AIR Para No. 05/TMA Judba/2016-17

**1.2.1.3 Irregular execution of schemes behind functional jurisdiction
Rs 10.9 million**

According to Government of Khyber Pakhtunkhwa Planning & Development Rural Development Section, letter No. C/RD/P&DD/6-8/1850-1970/W/E Dated 19th October, 2015. Formulation of District Development Plan & Annual Development Plan 2015-16 in light of P&D Guidelines(2015) for devolved tiers of Local Governments under LGA 2013 read with Annexure – 6

Functional Jurisdiction of Local Government Tiers section 2 Tehsil Municipal Administration, Functional Jurisdiction does not include Construction of Bath Rooms/ Public Latrines & Water Ponds.

TMO TMA Judbah awarded schemes for the construction of Water Ponds and Bath Rooms worth Rs 10,900,000. The schemes were not according to the functional jurisdiction of the local office. Moreover, no site plan, survey and feasibility reports were found on record. detail as per **Annex-3**

The irregularity occurred due to lack of financial control responsibility towards public funds.

The irregularity was pointed out in January 2018. Management stated that the schemes were executed under discretionary powers of tehsil council. Reply was not cogent as guidelines were issued for the functional jurisdiction of TMAs.

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

Audit suggests investigation, physical verification of sites and action against the person(s) at fault.

AIR Para No. 06/TMA Judba/2016-17

1.2.1.4 Non deduction of Sales Tax Rs 2.070 million

According to sales tax act 1990 as amended from time to time sales tax to an extent of 17% of total amount is to be deducted from unregistered firms.

Tehsil Municipal Officer TMA Judbah awarded contracts of developmental schemes to various contractors. The local office was required to deduct sales tax from the contractors on material chargeable to sales tax. Detail as per **Annex-4**

The irregularity was pointed out in January 2018. Management stated that Tor Ghar is sales tax exempted district and relevant exemption documents will be

produced to audit. The reply was not tenable as all the government taxes were applicable.

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

Audit recommends recovery of sales tax and action against the quarter concerned.

AIR Para No. 09/TMA Judba/2016-17

1.2.1.5 Non-recovery of penalty on delay in completion of schemes Rs.1.009 million

Clause-2 of the conditions of the Contract Agreement clearly provides that the contractor has to pay compensation @ 1% per day or maximum 10% of the estimated cost for delay in completion of work.

Tehsil Municipal Officer Judbah executed various developmental schemes with an estimated cost of Rs 10,095,000 during the year 2016-17. Detail as per **Annex-5**.

These schemes could not be completed within stipulated period of time neither time was extension granted nor penalty @10% amounting Rs 1,009,500 was imposed and recovered from the contractors.

Audit observed that non-imposition of penalty occurred due to lack of financial management, which resulted in loss to public exchequer.

The irregularity was pointed out in January 2018. Management stated that penalty would be imposed and recovered under intimation to audit. The reply was not tenable as Government instructions were violated.

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

Audit recommends inquiry and recovery of penalty besides action against the persons at fault.

AIR Para No. 10/TMA Judba/2016-17

1.2.2 Weak Internal Control

1.2.2.1 Irregular award of contracts Rs 1.9 million

TMO TMA Judbah awarded contracts of developmental schemes on receiving offers from single bidders. The local office was required to re-advertise the schemes to obtain economical rates. Details tabulated below:

S.No	Name of work	Name of contractor	Estimated cost	Total number of bidders
1	DWSS Dheri Nusrat Khel	M/S Gulab Zada & Co	100,000	1
2	Ext: DWSS Peza Klash		500,000	1
3	13 No.s Bath Rooms	M/S Deshan Construction	1,300,000	2
		Total	1,900,000	

Audit observed that improper tendering process occurred due to weak internal control, which resulted in breach of law.

The irregularity was pointed out in January 2018. Management stated that detail reply will be submitted after consulting the relevant record. The reply was not tenable as Government instructions were violated.

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

Audit recommends investigation, fixing responsibility and action against the persons at fault.

AIR Para No. 11/TMA Judba/2016-17

1.2.2.2 Irregular award of contract Rs 7.0 million and Loss of Rs 525,000

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 it may be shown that he contributed to the loss by his own action or negligence.

TMO TMA Judbah awarded contract of the scheme package Construction of shingle road Noar Qadeem Khana Asharay to M/S Mukamil Khan on at par rates of BOQ. Scrutiny of the record revealed that the contractor quoted rates 7.5 % below on MRS 2016. However, the rates offered were stroke through and at par was selected. The local office paid the contractor with at par rates and government was put to loss of Rs 525,000.

Audit is of the view that the tender opening authorities manipulated the process to favor the contractors of choice.

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

The irregularity was pointed out in January 2018. Management stated that detail reply will be submitted after consulting the relevant record. The reply was not tenable as Government instructions were violated.

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

Audit recommends recovery, investigation of all the tenders, fixing responsibility and action against the persons at fault.

AIR Para No. 13/TMA Judba/2016-17

1.2.2.3 Irregular award of contracts 5.095 million and Loss due to defective tendering Rs 385,382

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 it may be shown that he contributed to the loss by his own action or negligence.

TMA TMO Judbah awarded the following developmental contracts scrutiny of the record revealed that lowest bidder was ignored and Government was put to loss of Rs 385,382. Detail as per **Annex-6**

Irregular award of contracts occurred due to weak internal control which resulted in loss to Government.

The irregularity was pointed out in January 2018. Management stated that reply would be submitted after consulting the relevant record. Reply was not cogent as offer from lowest bidder was ignored and Government was put to loss.

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

Audit recommends recovery of loss, investigation, fixing responsibility and action against the persons at fault.

AIR Para No. 14/TMA Judba/2016-17

1.2.2.4 Non-allocation of funds for sports, youth and women development – Rs 5.698 million

According to Para 6.5.2 of the Planning & Development Guideline for Devolved Tiers of Local Governments 2015, within the budgetary ceilings allocated by Provincial Finance Commission, Tehsil Council shall allocate financial resources in the Tehsil ADP to the following priority sectors with regard to the offices devolved under Local Government Act 2013 with the following minimum ratio given against each:

- | | |
|---|-----|
| 1. DWSS | 30% |
| 2. Municipal Services (Conservancy/SWM) | 20% |
| 3. Roads | 10% |
| 4. Sports/Youth/Women | 10% |

5. Discretion of Tehsil Council

30%

Tehsil Municipal Officer TMA Judbah approved Rs 56,980,000 on account of Tehsil ADP 2016-17, however, 10% of the Tehsil ADP amounting to Rs 5,698,000 was not allocated to the sports, youth and women development in violation of Government instructions.

Non-allocation of funds for sports, youth and women development occurred in violation of Government instructions.

The irregularity was pointed out in January 2018. Management stated that detail reply would be submitted after consulting the record. Reply was not tenable as Government instructions were violated.

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

Audit recommends investigation and action against persons at fault and allocation of funds for sports, youth and women development.

AIR Para No. 15/TMA Judba/2016-17

1.2.2.5 Irregular payment without rate analysis of Non Scheduled Items Rs 12.180 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 it may be shown that he contributed to the loss by his own action or negligence.

Tehsil Municipal Officer TMA Judbah awarded contracts of developmental schemes to various contractors. The local office was required to

conduct proper rate analysis before making payments of Non Schedule Items. However, payment was made without rate analysis. Detail given at annexure –

Payment without rate analysis occurred due to weak internal control which resulted in violation of rules.

The irregularity was pointed out in January 2018. Management stated that the matter would be investigated and detail reply would be submitted. The reply was not tenable as no rate analysis was provided.

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

Audit recommends investigation and action against the persons at fault.

AIR Para No. 16/TMA Judba/2016-17

**TEHSIL MUNICIPAL ADMINISTRATION
HASSAN ZAI**

1.3 Audit Paras of Tehsil Municipal Administration Hassan Zai

1.3.1 Irregularities and Non Compliance

1.3.1.1 Unnecessary blockage of government money amounting Rs.140.015 million.

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

Furthermore, according to rule 30 of Khyber Pakhtunkhwa Public Procurement 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, Hassan Zai (Kandar) received various developmental grants aggregating to Rs.167,412,538 for execution of developmental works during the financial year 2016-17 as per detail given below:-

S.No	Head of Account	Budget	Funds Utilized	Balance Unutilized
1.	ADP 30% PFC 2016-17	64,623,800	3,744,312	60,879,488
2.	ADP 30% PFC 2015-16	85,387,200	31,055,570	54,331,630
3.	10% hydel profit	17,401,538	9,758,967	7,642,571
	Total:	167,412,538	44,558,849	122,853,689

The local office utilized an amount of Rs. 44,558,849 in execution of various works. However, an amount of Rs.122,853,689 was still lying unutilized with the local office. As a result the local community deprived of the basic facilities. This state of affairs shows that budget estimates are prepared without any future forecasting which resulted in unnecessary blockage of money.

Audit observed that unnecessary blockage of money occurred due to weak financial control.

The irregularity was pointed out in January 2018. Management stated that detailed reply would be furnished within one month after consultation of relevant record. No reply was furnished.

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

Audit recommends investigation and fixing responsibility against the persons at fault.

AIR Para No. 01/TMA Hassan Zai/2016-17

1.3.1.2 Irregular award of contracts - Rs. 7.600 million & awarding undue favor to contractor

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

Tehsil Municipal Officer, Hassan Zai (Kandar) awarded the contract of thirty six (36) schemes regarding provision of Solar Lights in different areas of Hassan Zai Tehsil Kandar at an estimated cost of Rs. 7.600 million during the financial year 2015-16. Audit observed the following shortcomings;

1. Neither any additional call deposit/bank guaranty was obtained from contractor being 45% lowest on estimated cost to safe guard Government interest nor forfeited his earnest money and award of contract to 2nd lowest.
2. No agreement was signed till date of audit i.e., January 2018.
3. Work was not yet started.
4. PC-1 was approved for 24 watt LED, Solar panel 60 watt, battery 65Ah & single arm street light pole whereas tendered quantity as per BOQ, quantity was increased to 36 watt LED, Double Solar panel 60 watt,

Double battery 65Ah & Double arm street light pole without any justification/clarification while the cost remained the same.

5. Rate analysis in respect of solar lights along with accessories was not available on record to verify the cost.
6. As per PC-1 rate for street light pole was Rs50,000 instead of Rs38,653.50 (MRS 2015, item # 15-40-a-1).
7. No provision was provided for excavation in PC-1/BOQ for fixing of street light pole.

Irregular award of schemes occurred due to weak administrative controls resulted in violation of rules.

The irregularity was pointed out in January 2018. Management stated that detailed reply would be furnished within one month after consultation of relevant record. No reply was furnished.

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

Audit recommends forfeiture of earnest money, cancelation of contract, re-tender the schemes at risk & cost of defaulter and action against the persons at fault under intimation to audit.

AIR Para No. 02/TMA Hassan Zai/2016-17

1.3.1.3 Irregular execution of work - Rs.2.985 million

According to clause 3 of the work order the work shall be executed strictly according to the specification attached.

Para 178(iii) of GFR Vol.-I states that no work should be commenced or liability incurred in connection with it until administrative approval and sanction has been obtained from the competent authority, a properly detailed design and estimate has been sanctioned and funds to cover the charge have been provided by the competent authority.

Furthermore, according to clause 1 of the contract agreement copies of the specifications, designs, and drawing and scheduled rates should be accompanied with the agreement.

Tehsil Municipal Officer, Hassan Zai (Kandar) completed scheme “Suspension Bridge Sarbagoo H/Zai” during financial year 2016-17 at a cost of Rs2,985,600. The contractor was liable to execute work according to the specification in the light of above mention criteria but in absence of specification/drawings/design how the work was completed and supervised. Thus audit held that expenditure was irregular & unauthentic.

Irregularity occurred due to weak administrative & internal controls, which resulted in violation of rule.

The irregularity was pointed out in January 2018. Management stated that detailed reply would be furnished within one month after consultation of relevant record. No reply was furnished.

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

Audit recommends action against the persons at fault and production of proper design to verify the facts & figures.

AIR Para No. 03/TMA Hassan Zai/2016-17

1.3.1.4 Irregular expenditure without technical sanction – Rs 4.209 million

According to Para 32 of CPWA Code and Para 178 of GFR Volume-I , no work shall be executed without Administrative Approval / Technical Sanction and Budget allotment.

According to Para I of General Instructions issued vide Government of NWFP (Works & Services Department) No. SO (PAC) DAC/48-2008/DERA/W&SD dated 10-3-2008, Technical Sanction should be obtained

prior to commencement of the works as per rules. In future, if the TS is not obtained prior to commencement of scheme then disciplinary action will be initiated against the responsible officer.

Tehsil Municipal Officer, Hassan Zai (Kandar) spent Rs 4,209,457 on a scheme “Const: of PCC link road Tilli Kandow to Tilli” during 2016-17 against the estimated cost of Rs10,024,600. But neither the PC-I was approved nor technical sanction accorded from competent forum.

Irregularity occurred due to weak administrative & internal controls, which resulted in violation of rule.

The irregularity was pointed out in January 2018. Management stated that detailed reply would be furnished within one month after consultation of relevant record. No reply was furnished.

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

Audit recommends action against the persons at fault and production of proper design to verify the facts & figures.

AIR Para No. 04/TMA Hassan Zai/2016-17

1.3.1.5 Loss to Government due to execution of substandard work worth Rs 6.363 million

According to Para 23 of GFR Vol.-I, every Government officer is 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, Hassan Zai (Kandar) allowed payment of Rs.6,363,454 to Sarwar Gul & Co. for the scheme PCC Link Road at village Tilli Kandao to Tilli village during the year 2016-17 as detailed below:

S.No.	Cheque No.	Date	Gross Amount
1	A-390884	02.09.2016	2,153,997
2	A-359081	03.05.2017	4,209,457
Total			6,363,454

There are number of complaints regarding the defective execution of work on record such as usage of substandard material, thickness of road is not upto the mark and after laying of P.C.C it had not been moisturized. The complaints are of December 2016 and an advance para has already been developed to highlight this issue during 2015-16 but it is surprising that not to speak of efforts regarding rectification of defective work or recovery from contractor found on record even further payment has been made to contractor and the work is still in progress which depicts an undue favour to contractor.

Audit observed that defective execution of work occurred due to weak managerial control, which resulted in wastage of Government money.

The irregularity was pointed out in January 2018. Management stated that detailed reply would be furnished within one month after consultation of relevant record. No reply was furnished.

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

Audit suggests inquiry regarding physical progress and quality of the schemes and action against the persons at fault.

AIR Para No. 05/TMA Hassan Zai/2016-17

ANNEXURE

Annex-1

Detail of MFDAC Paras**(Amount on Rs)**

S. No	AIR No	Department	Caption	Amount
1	02	TMA Judba	Un authorized payment	0.050
2	03	-do-	Irregular expenditure	0.293
3	04	-do-	Un payment of 2% local council share	1.102
4.	07	-do-	Overpayment due to non adjustment of meterail	0.279
5	08	-do-	Overpayment to Contractor	0.106
6	12	-do-	Loss due to non deduction of rebated rate	0.222
7	06	TMA Hassan Zai	Loss to government due to extravagant expenditure	0.267
Total:				2.319

Annex-2
Para No.1.2.1.2

Irregular Execution of Schemes

S.No	Name of Scheme	Name of contractor	Item chargeable to sales tax	Amount
1	Installation of 16 Nos solar panels U/C Bartoni	M/S Gulab Zada	Complete solar panels	3,000,000
2	Installation of 6 Nos solar panels U/C D/Maira	M/S Gulab Zada	Complete solar panels	1,080,000
3	Installation of 20 Nos solar panels U/C D Kalash	M/S Gulab Zada	Complete solar panels	3,600,000
4	Installation of 16 Nos solar panels U/C D/Maira	M/S Gulab Zada	Complete solar panels	2,880,000
5	Installation of 16 Nos solar panels U/C Nusrat Khel	M/S Gulab Zada	Complete solar panels	1,620,000
			Total	12,180,000

Annex-3
Para No.1.2.1.3

Irregular execution of Schemes

S.No	Name of Scheme	Estimated Cost
1	Construction of Latrine Matta Patay	100,000
2	Construction of Latrine Tuheedabda Bartuni	100,000
3	Construction of Latrine Dour Bartuni	100,000
4	Construction of Latrine 3 No.s Bartuni	300,000
5	Const: of Latrine 2 in Pyand, 4 in Zizari Kuz Kalay, 2 in soral	800,000
6	Const: of Latrine 10 No.s Chargo Hassan Zai	1,000,000
7	Const: of Latrine 9 No.s	900,000
8	Const: of Latrine Dushkand, Karna banda & Haroon Mulla	400,000
9	Const: of Latrine 2 No.s Kalala Abad	200,000
10	Const: of Latrine 2 No.s Kand Bala	200,000
11	Const: of Latrine Char Bala	200,000
12	Const: of Latrine 2No.s Shaltaloo	200,000
13	Const: of Latrine 2 No.s Garwall	200,000
14	Const: of Latrine 17 No.s	1,700,000
15	Const: of Latrine 2 No.s BHU Dour Maira	200,000
16	Const: of Latrine 2 No.s BHU Shagai	200,000
17	Const: of Latrine 2 No.s BHU Palosa	200,000
18	Const: of Latrine 2 No.s BHU Kamser	200,000
19	Const: of Bath Rooms 5 No.s Shatal	500,000
20	Const: of Bath Rooms 2 No.s Godar Bartuni	200,000
21	Const: of Bath Rooms 13 No.s U/C Bartuni	1,300,000
22	Const: of Bath Rooms 6 No.s V/C Mangri Kamser	600,000
23	Const: of 3 No.s water ponds Khan Asharay Kalash	600,000
24	Const: of 2 No.s water ponds Kalash Kalay	300,000
25	Const: of water pond Abdul Ghafar Khan Dambosa	200,000
	Total	10,900,000

Annex – 4
Para No. 1.2.1.4

Non deduction of Sales Tax

S.No	Name of Scheme	Name of contractor	Item chargeable to sales tax	Amount	Sales Tax @ 17%
1	Installation of 16 Nos solar panels U/C Bartoni	M/S Gulab Zada	Complete solar panels	3,000,000	510,000
2	Installation of 6 Nos solar panels U/C D/Maira	M/S Gulab Zada	Complete solar panels	1,080,000	183,600
3	Installation of 20 Nos solar panels U/C D Kalash	M/S Gulab Zada	Complete solar panels	3,600,000	612,000
4	Installation of 16 Nos solar panels U/C D/Maira	M/S Gulab Zada	Complete solar panels	2,880,000	489,600
5	Installation of 16 Nos solar panels U/C Nusrat Khel	M/S Gulab Zada	Complete solar panels	1,620,000	275,400
			Total	12,180,000	2,070,600

Annexure – 5
Para No. 1.2.1.5

Detail of non-imposition of penalty

Name of scheme	Date of work order	Reqd date of completion	Actual Date of Completion	Estimated Cost	10% Penalty
PCC Drain Dada Seri Qayum mian	04/08/2015	30/12/2015	09/02/2017	300,000	30,000
Ext: DWSS Peza Klash	20/05/2015	20/08/2015	30/11/2016	500,000	50,000
DWSS Moray Bar Cham	03/04/2017	30/06/2017	WIP	500,000	50,000
DWSS Moray Qala	03/04/2017	30/06/2017	30/11/2017	500,000	50,000
DWSS Dheri Nusrat Khel	03/04/2017	30/06/2017	30/11/2017	100,000	10,000
Construction of 5 bathrooms	03/04/2017	30/06/2017	03/11/2017	500,000	50,000
Pavement of street Khaya Balkot	03/04/2017	30/06/2017	03/11/2017	500,000	50,000
Construction of 2 water ponds Khan Asharay Kalish	03/04/2017	30/06/2017	03/11/2017	300,000	30,000
Construction of boundry wall shah dag	03/04/2017	30/06/2017	19/07/2017	300,000	30,000
Package No. 10	17/02/2017	17/04/2017	19/05/2017	395,000	39,500
Package No. 05	17/02/2017	17/04/2017	03/11/2017	400,000	40,000
Construction of 2 B/Rooms Shaltalo	22/03/2016	22/05/2016	08/02/2017	200,000	20,000
Package no.12	17/02/2017	17/04/2017	03/11/2017	1,300,000	130,000
Package no. 13	17/02/2017	17/05/2017	17/12/2017	1,700,000	170,000
Package no. 07	17/02/2017	17/04/2017	03/11/2017	1,400,000	140,000
Pavement of street Mulim Bartuni	03/04/2017	31/06/2017	03/11/2017	200,000	20,000
DWSS Masjid Kamsari	03/04/2017	31/06/2017	03/11/2017	300,000	30,000
PCC Street Bizo Dag	03/04/2017	31/06/2017	12/07/2017	300,000	30,000
DWSS Sandro Harnail	03/04/2017	31/06/2017	19/07/2017	400,000	40,000
Total				10,095,000	1,009,500

Annex-6
Para No. 1.2.2.3

Irregular award of Contracts

S.No	Name of scheme	E/Cost	Lowest bidder	Approved bidder	Difference	Loss (Rs)
1	Installation of 16 no.s solar panels U/C Bartoni	3,000,000	MS Mir Salam 10% below	MS Gulab Zada 1% below	9%	270,000
2	WSS Mulyano Pizza Bartuni	700,000	M/S Said Zawar 14% below	M/S Abdul Khaliq 11.16% below	2.84%	19,880
3	Package No.10	395,000	M/S Shafqat Shireen 19% below	M/S Gulabzada 10% below	9%	35,550
4	Widening Repair of Karor Guddar Road	1,000,000	M/S Rahim Sons Rs.852,043	M/S Abdul Khaliq Rs.904,995	52,952	52,952
5	Pavement of street Dor Maira	200,000	Mukamil Khan 14 % below	M/S Gulab Zada 11.5 % below	3.5%	7,000
	Total	5,295,000				385,382