



**AUDIT REPORT
ON THE ACCOUNTS OF
ASSISTANT DIRECTOR LOCAL
GOVERNMENT, ELECTION & RURAL
DEVELOPMENT DEPARTMENT AND
SELECTED VILLAGE COUNCILS /
NEIGHBORHOOD COUNCILS
DISTRICT DIR UPPER**

KHYBER PAKHTUNKHWA

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AD	Assistant Director
AP	Advance Para
B&R Code	Building & Road Code
BOQ	Bill of quantity
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule Rates
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
ETO	Excise & Taxation Officer
GFR	General Financial Rules
IPSAS	International Public Sector Accounting Standards
LCB	Local Council Board
LGA	Local Government Act
LGO	Local Government Ordinance
LG&RDD	Local Government & Rural Development Department
MB	Measurement Book
MC	Municipal Committee
MFDAC	Memorandum for Department Accounts Committee
MRS	Market Rate System
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PATA	Provincially Administrated Tribal Area
PC-I	Planning Commission-I
PCC	Plain Cement Concrete
TR	Treasury Rules
UAs	Union Administrations
VCs	Village Councils
WSS	Water Supply Scheme
ZAC	Zilla Accounts Committee

Preface

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

The report is based on audit of the accounts of Assistant Director LGE&RDD, Dir Upper and 12 VCs/NCs of District Dir Upper for the Financial Year 2015-16. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit on test check basis during 2015-16, with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes the systemic issues and significant audit findings. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The audit observations listed in the Annexure-1 shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of Public Accounts Committee through the next year's audit report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this report have been finalized without written replies of the department. DAC meetings could not be convened despite repeated requests.

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

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, carries out the audit of all District Governments in Khyber Pakhtunkhwa, Assistant Director Local Government, Election & Rural Development Department and Village / Neighborhood councils. Its Regional Directorate of Audit Swat has audit jurisdiction of District Governments, Tehsil Municipal Administrations, AD LGE&RDD and VCs/NCs of five Districts i.e. Swat, Shangla, Dir Lower, Dir Upper and Chitral.

The Regional Directorate has a human resource of 07 officers and staff, with a total of 1750 mandays. The annual budget amounting to Rs 10.618 million was allocated to the RDA during financial year 2015-16. It has the mandate to conduct regularity (financial attest audit, compliance with authority audit) and performance audit of entities, projects and programs. Accordingly Regional Director Audit Swat carried out audit of the accounts of AD LGE&RDD and 12 Village Councils/Neighborhood Councils for the Financial Year 2015-16 and the findings were included in the Audit Report.

Assistant Director LGE&RDD and VCs/NCs of District Dir Upper perform their functions under Khyber Pakhtunkhwa Local Government Act, 2013. Deputy Commissioner in a district is the Principal Accounting Officer (PAO) of the AD LGE&RDD for all salary and non-salary components of the grants administered. The AD LGE&RDD is the Principal Accounting Officer for all developmental grants made available to VCs and NCs according to the Rules of Business of the AD LGE&RDD and VCs/NCs. According to Section 35 of Khyber Pakhtunkhwa Local Government Act, 2013 the annual budget statement for these local bodies is approved by simple majority of the total membership of the respective councils and the schedule of authorized expenditure is authenticated by respective Nazim.

a. Scope of Audit.

The total expenditure of the 122 Village/ Neighborhood Councils in District Dir Upper for the financial year 2015-16 was Rs 30.406 million. Out of

this, the RDA Swat audited an expenditure of Rs 4.048 million which, in terms of percentage was 13% auditable expenditure. Detail is given below:

Detail of V/C Audited

S.No	Tehsil	Total No. of VCs/NCs	Audited Last year	Audited This year	Name of VCs/NCs Audited
1	Dir	56	0	07	Qualandi, Rehankot, Kass, Sawni, Chairgali, , Siratai & Achar Bala,
2	Wari	37	0	00	-
3	Barawal	13	0	01	Shang
4	Kalkot	16	0	04	Patrak, Besho, Maidan, & Barikot

The total expenditure of the Assistant Director Local Government and 12 Village/ Neighborhood Councils, Dir Upper for the Financial Year 2015-16, the auditable expenditure under the jurisdiction of RDA was Rs 194.356.Million. Out of this, RDA Swat audited an expenditure of Rs 116.67. Million which, in terms of percentage, was 60.% of auditable expenditure.

The receipts of 12 Village/ Neighborhood Councils Dir Upper, for the Financial Year 2015-16, were Rs 0 million. Out of this, RDA Swat audited receipts of Rs 0 million which, in terms of percentage, was 100 % of auditable receipts.

The total expenditure and receipts of Assistant Director Local Government & Rural Development Department and 12 Village/ Neighborhood Councils, District Dir Lower, for the Financial Year 2015-16 were Rs 194.356 million. Out of this, RDA Swat audited the expenditure and receipts of Rs116.67 million.

a. Recoveries at the instance of audit

Recovery of Rs 45.412 million was pointed out during the audit. However, no recovery was effected till finalization of this report. Out of the total recoveries, Rs 45.412 million was not in the notice of the executive before audit.

b. Audit Methodology

Audit was conducted after understanding the business processes of Assistant Director Local Government Office and Village/ Neighborhood Councils with respect to its functions, control structure prioritization of risk areas by determining their significance and key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting the audit. Audit used desk audit techniques for analysis of compiled data and review of actual vouchers called for scrutiny and substantive testing in the Regional Directorate of Audit Swat.

c. Audit Impact

Audit pointed out various irregularities of serious nature. Cases related to weak internal were also pointed out to which management has been sensitized. In certain cases management has taken action which may further be verified. However, no impact was visible as the management failed to reply and the irregularities could not come to the light in the proper forum i.e. DAC.

d. 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 AD LGE&RDD and VCs/NCs.

e. Key audit findings of the report;

- i. Non production of record was noted in one case.¹
- ii. Irregularity & Non-compliance of Rs 244.00 million were noted in three cases.²
- iii. Internal Control Weaknesses of Rs 45.412 million was noted in five cases.³

f. Recommendations

- i. Compliance with authority should in variably be ensured and Practice of violation of rules and regulates in spending public money should be stopped.
- ii. Deduction of taxes on suppliers and contracts should be ensured.
- iii. Inquires/ investigation be held forthwith and losses/ wasteful expenditure be recovered from those found guilty..
- iv. All sectors of Assistant Director Local Government Election & Rural Development Department and UCs need to strengthen internal controls i.e. financial, managerial, operational, and administrative and accounting controls etc. to ensure that reported lapses are preempted and fair value for money is obtained from public spending.

¹ Para 1.3.1.1

² Para 1.2.1.1 to 1.2.1.11, 1.3.2.1, 1.3.2.2, 1.4.1.1, 1.4.1.2, 1.5.1.1, 1.6.1.1, 1.6.1.2, 1.7.1.1 & 1.8.1.1

² Para 1.2.2.1to 1.2.2.3, 1.3.3.1, 1.3.3.2, 1.4.2.1, 1.4.2.2, 1.4.2.3, 1.5.2.1 to 1.5.2.4, 1.6.2.1, 1.6.2.2, 1.7.2.1, 1.8.2.1,to 1.8.2.3

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	02	558.691
2	Total formations in audit jurisdiction	121	558.691
3	Total Entities(PAOs) Audited	02	194.356
4	Total formations Audited	13	194.356
5	Audit & Inspection Reports	02	194.356
6	Special Audit Reports	-	
7	Performance Audit Reports	-	-
8	Other Reports	-	-

II: Audit Observations classified by Categories

(Rs in million)

S.No.	Description	Amount Placed under Audit Observation
1.	Unsound asset management	-
2.	Weak financial management	248.949
3.	Weak Internal controls	45.412
4.	Others	-
	Total	294.361

III: Outcome Statistics

(Rs in million)

S. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	Others	Total For the year 2014-15	Total for the year 2013-14
1.	Outlays Audited	-	150.857	-	43.499	194.356	123.220
2.	Amount Placed under Audit Observation /Irregularities of Audit	-	294.361	-	-	294.361	223.358
3.	Recoveries Pointed Out at the instance of Audit	-	45.412	-	-	45.412	1.179
4.	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

Note: The outcome figures reported for the year 2014-15 pertains to the fifteen (15) Village Councils audited last year. Since the PAO is the same therefore, these amounts have been included here to show cumulative effect against the PAO.

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

S. No	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	248.949
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.	45.412
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	-
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	-
	Total	294.361

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

S #	Description	Amount
1	Outlays Audited (item 1 of Table 3)	194.356
2	Expenditure on audit	0.043
3	Recoveries realized at the instance of audit	0
	Cost-Benefit Ratio	1:0

CHAPTER-1

1.1 Assistant Director LGE & RDD and VCs/NCs District Dir Upper

I.I.I. Introduction

District Dir Upper has four (04) Tehsils i.e Dir Upper, Wari, Barawal and Kalkot. There is an Assistant Director Local Government Election & Rural Development Department and 122 VCs/NCs. Each VC/NC has a Secretary. Assistant Director Local Government Election & Rural Development Department is Drawing and Disbursing Officer (DDO) for his office and PAO for Village Councils/Neighborhood Councils of District Dir Upper.

Functions and powers of Assistant Director, Local Government Election and Rural Development Department.

- i. Providing secretarial support to the Council
- ii. Matters relating to Local Government Commission
- iii. Matters relating to local taxes and local rate
- iv. Coordination and supervision of village and neighborhood councils
- v. Grants, establishment and budget of village and neighborhood councils
- vi. Coordination of activities relating to local council elections, population census and surveys in the district
- vii. Rural Development Works including water supply, rural access roads, embankment and drainage works
- viii. Overseeing registration of births, deaths and marriages in village and neighborhood councils
- ix. Working as interface for knowledge management and communication on local governance issues in the district
- x. Review, evaluation and assessment of local government system, processes and procedures in the district particularly at the village and neighborhood level
- xi. Collection, compilation and dissemination of primary data Training and research in the areas of local governance

Functions and powers of the Village Council or Neighborhood Council:

- i. Functions of the village council and neighborhood council, as the case may be, shall be to:
- ii. Monitor and supervise the performance of functionaries of all government offices located in the area of the respective village council or neighborhood council, including education, health, public health engineering, agriculture, livestock, police and revenue, and hold them accountable by making inquiries and reports to the Tehsil municipal administration, district government or, as the case may be, the Government for consideration and action;
- iii. Provide effective forum for out of court amicable settlement of disputes and, for this purpose, constitute panels of members as conciliators;
- iv. Register births, deaths and marriages;
- v. Implement and monitor village level development works;
- vi. Improve water supply sources, maintain water supply distribution system and take measures to prevent contamination of water;
- vii. Maintain village level infrastructure, footpaths, tracks, streets, prevent and abate nuisances and encroachments in public ways, public streets and public places.
- viii. Maintain and improve collective property including playgrounds, graveyards, funeral places, eid-gah, parks, public open spaces and community centers;
- ix. Identify development needs of the area for use by municipal administration and district government in prioritizing development plans;
- x. Make arrangements for sanitation, cleanliness, disposal of garbage and carcasses, drainage and sewerage system;
- xi. Display land transactions in the area for public information;
- xii. Mobilize community for maintaining public ways, public streets, culverts, bridges and public buildings, de-silting of canals and other development activities;
- xiii. Develop sites for drinking and bathing of cattle;
- xiv. Organize cattle fairs and agriculture produce markets;
- xv. Organize sports teams, cultural and recreational activities;

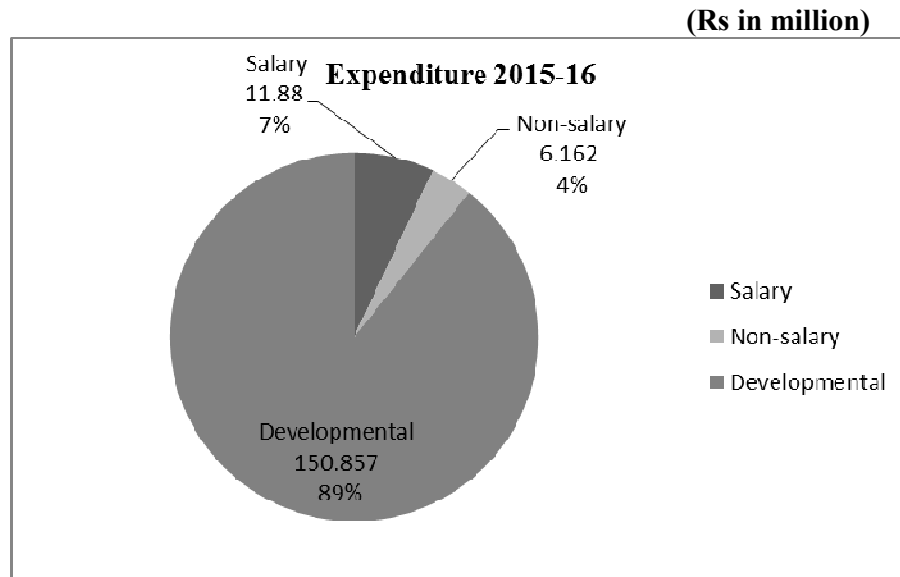
- xvi. Organize watch and ward in the area;
- xvii. Promote plantation of trees, landscaping and beautification of public places;
- xviii. Regulate grazing areas, establish cattle ponds and provide protection against stray animals and animal trespass;
- xix. Consider and approve annual budget presented by the respective Nazim, village council or neighborhood council;
- xx. Facilitate formation of voluntary organizations for assistance in functions assigned to it;
- xxi. Facilitate the formation of co-operatives for improving economic returns and reduction of poverty;
- xxii. Elect an Accounts Committee and review its recommendations on the annual statement of accounts and audit reports; and
- xxiii. Report cases of handicapped, destitute and of extreme poverty to district government.

1.1.2 Comments on Budget and Accounts (variance analysis)

An amount of Rs 558.691 million was allocated as budget by the District Government to the office of Assistant Director Local Government Election & Rural Development Department and 12 NCs/VCs of District Dir Upper during financial year 2015-16, against which an expenditure of Rs 194.356 million was incurred by the Assistant Director Local Government Election & Rural Development and 12 NCs/VCs Dir Upper with a saving of Rs 364.335 million. Detail is given below:

(Rs in million)				
2015-16	Budget	Expenditure	(+)Excess/(-)Saving	Percentage%
Salary	49.101	11.88	37.221	75%
Non-salary	4.57	1.213	3.357	81%
Developmental	201.15	150.857	50.293	22%
V/Cs	303.87	30.406	273.464	
Receipts	0	0	0	0
G. Total	558.691	194.356	364.335	40%

The savings of Rs 364.335 million indicate weakness in the capacity of these local institutions to utilize the allocated budget.



1.1.3 Brief comments on the status of compliance with PAC Directives.

The Audit Reports pertaining to Financial Years 2014-15 on accounts of Assistant Director Local Government & Rural Development Department, District Dir Upper and 15 Union Councils were prepared under the Khyber Pakhtunkhwa Local Government Act, 2013 and have not yet been discussed in PAC. Provincial Assembly of Khyber Pakhtunkhwa has returned the Audit Reports during February, 2017 with the remarks that the same may be examined by respective Accounts Committees as provided under Khyber Pakhtunkhwa Local Government Act, 2013.

ASSISTANT DIRECTOR LG & RDD DIR UPPER

1.2 Audit Para Assistant Director LGE&RDD, Dir Upper

1.2.1 Irregularity & Non compliance

1.2.1.1 Irregular expenditure without Technical Sanction of- Rs 172.5 million

Para 56 of GFR Vol – 1 states that no work should be commenced without obtaining technical sanction.

Assistant Director LGE&RDD, Dir Upper incurred expenditure of Rs 172,500,000 on account of developmental schemes during 2015-16. Technical Sanctions were not obtained from the competent authority and schemes were executed without any comments on the feasibility and technical aspects of the schemes. Thus the expenditure without technical sanctions was held irregular. Detail is given at Annexure-2.

Audit observed that irregular payment occurred due to weak financial control, which resulted in violation of Government rules/orders.

The irregularity was pointed out to the management in April 2017, but management did not respond to the observation. Request for convening of DAC meeting was made in May 2017, however meeting of DAC could not be convened till finalization of this report.

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

AIR PARA No. 01 (2015-16)

1.2.1.2. Unauthorized expenditure without pre-audit – Rs 69.00 million

According to Local Government Department Government of Khyber Pakhtunkhwa, letter No.AO/LCB/4(I)06/ 2009-10 dated 4.9.2010 no payment shall be made by the local councils unless the bill is pre checked in audit by the staff of Local Fund Audit Department.

Assistant Director LGE&RDD, Dir Upper paid Rs 69,000,000 to the contractors for execution of various Developmental Schemes in 2015-16. During Scrutiny of record it was observed that the payment was made to the contractors without pre audit from local fund audit which was contrary to the above orders which needs justification. Detail is given at Annexure-3.

Audit observed that irregularity occurred due to weak internal control, which resulted in violation of Government orders.

The irregularity was pointed out to the management in April 2017, but management did not respond to the observation. Request for convening of DAC meeting was made in May 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends corrective action under intimation to Audit.

AIR PARA No. 05 (2015-16)

**1.2.1.3 Irregular Award of work after expiry of tender period
Rs30.239 million**

According to para 35 (1) of KPPRA rules 2014, bidder shall be required to submit bids valid for a period specified in the bid documents which shall be sufficient to enable a procuring entity to complete the evaluation and comparison of bids and obtain all necessary approval so that a contract can be awarded within that period.

As per terms and condition of NIT bid will be valid for 90 day.

Assistant Director LGE&RDD, Dir Upper awarded developmental schemes to various contractors with bid cost of Rs 30,239,200 in 2015-16. During Scrutiny of record it was observed that validity period of bidding was 90 days as per NIT condition .but the work order were issued to the contractors after the expiry of tendering/bidding period. Which need justification. Detail is as under.

S.No	Name of Schemes	Estimated cost	Bid cost
1	PCC Road Nehagdara	5.00	4.366
2	PCC /Wid of RoadGamdat	10.00	6.0162
3	PCC /wid of Road Shahbazay Karo dara	5.00	4.4667
4	PCC /wid of Road Tangisar	10.00	9.9604
5	PCC /wid of Road Ealgal	4.00	3.5479
6	PCC Road Siabn Bindara Shahikot 2.5	2.5	1.882
		36.5	30.2392

Audit observed that irregularity occurred due to weak internal control, which resulted in violation of the KPPRA rules.

The irregularity was pointed out to the management in April 2017, but management did not respond to the observation. Request for convening of DAC meeting was made in May 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends inquiry that why such huge amount of the government lying idle for long period of time.

AIR PARA No. 09 (2015-16)

1.2.2 Internal Control Weaknesses

1.2.2.1 Non Imposition of Penalty for Incomplete Schemes- Rs 22.55 million

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

Assistant Director LGE&RDD, Dir Upper failed to impose penalty of Rs 22,550,000 @ 10% of the estimated cost of Rs 22,550,000 of twenty four (24) schemes which were not completed in stipulated time period. Detail is given at annexure-4.

Audit observed that non imposition of penalty occurred due to weak financial control, which resulted in loss to the public exchequer.

The irregularity was pointed out to the management in April 2017, but management did not respond to the observation. Request for convening of DAC meeting was made in May 2017, however meeting of DAC could not be convened till finalization of this report.

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

AIR PARA No. 02 (2015-16)

1.2.2.2. Loss to Government due to non deduction of income tax in developmental Schemes- Rs 5.556 million

According to Finance Department Government of Khyber Pakhtunkhwa Notification NO.SO (Dev-II) FD/12-6/14-15 dated 21-4.201. Provincial Works Departments, while preparing cost estimates of development projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System (MRS2015) but with 7% less cost to defray the amount added in rate analysis of all work/ construction/supply items to meet withholding tax.

Assistant Director LGE&RDD, Dir Upper executed developmental schemes with bid cost of Rs79,379,068 through various contractors during 2015-16 the payment was made according to Market Rates which include 7% income tax. Deduction of such tax was required from the bills of the contractors as they belong to the tax exempted area and do not pay income tax on these contracts and thus an extra amount of Rs5,556,531 was paid to the contractors. Detail is given at Annexure-5.

Audit observed non deduction of income tax occurred due to weak financial control, which resulted in loss to public exchequer.

The irregularity was pointed out to the management in April 2017, but management did not respond to the observation. Request for convening of DAC meeting was made in May 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery and action against the person at fault

AIR PARA No. 03 (2015-16)

1.2.2.3 Non deposit of income tax – Rs 9.263 million

According to Finance Department Khyber Pakhtunkhwa Notification NO.SO(Dev-II) FD/12-6/2014-15 dated 05.01.2015, the Competent Authority has been pleased to direct that all Provincial Works Departments, while preparing Cost Estimates of developmental projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System-2013 (MRS-2013) but with 6% less cost to defray the amount added in the rate analysis of all works/construction/supply items to meet withholding tax.

According to Para 8 and 26 of the GFR Vol-I, each administrative department is to see that the dues of the Government are correctly and promptly assessed, collected and paid into Government Treasury.

Assistant Director LGE&RDD, Dir Upper deducted income tax amounting to Rs9,263,327 @ 6% from the contractor's bills during 2015-16, but

such amount was not deposited in to government Treasury. Detail is given Annexure-6.

Audit observed that Non deposit of income tax occurred due to weak financial control, which resulted in loss to the Government.

The irregularity was pointed out to the management in April 2017, but management did not respond to the observation. Request for convening of DAC meeting was made in May 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends deposit of Income Tax into Government treasury.

AIR PARA No. 07 (2015-16)

1.2.2.4 Un authorized payment on account of execution of items of work not allowed in TS Rs 5.69 million

Para 2.58 read with Para-2.100 of B&R Code state that before a work is given out on contract, BOQ be prepared and approved for all items of works and due to site requirements only 5% excess over technically sanctioned estimate was allowed.

Assistant Director LGE&RDD, Dir Upper awarded a developmental scheme “Rehabilitation/improvement of PCC road Gangshall Shirangal” to the contractor with estimated cost of Rs 40,000,000 during 2015-16. Scrutiny of record revealed that the local office paid for items of work not allowed by technical sanctioning authority detail is as under:

S.NO	Items of work not allowed	Item of work allowed	Rate of item not allowed	Rate of item allowed	Excess rate	quantity	Over Payment
1	H/Rock	Ordinary soil	479.17	137	342	2262	773,604
2	Soft Rock	Ordinary soil	393.68	137	256.68	14703	3,773,966
3	Shingle Gravel	Ordinary soil	290.89	137	153.89	7433	1,143,864
Total							5,691,434

Audit observed that overpayment occurred due to weak financial control which resulted in loss to public exchequer.

The irregularity was pointed out to the management in April 2017, but management did not respond to the observation. Request for convening of DAC meeting was made in May 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends immediate recovery and action against the person at fault.

AIR PARA No. 08 (2015-16)

1.2.2.5 Loss to Government due to ignoring lowest bid rates – Rs 2.353 Millions

According to S. No. 21.3 (iii) of special power to certain departments under Delegation of Powers, under the Financial Rules 2001, which requires the recording of cogent reasons if the contract is not awarded to the lowest bidder and obtaining prior approval of the competent authority before re-tendering.

Assistant Director LGE&RDD, Dir Upper awarded developmental works with an estimated cost of Rs 18,500,000 to various contractors during 2015-16. During audit, it was observed that the works were not awarded to the lowest bidders and were rejected without any cogent reasons and the Government was Put into loss of Rs 2,353,749. Detail is given below:

S.No	Name of Schemes	E.Cost	Higher rate	Lowest rate	Excess amount
1	PCC Road at Sheringal	2,000,000	1,882,850	1,478,490	404,360
2	Imp/wid/PCC of Zoormandai Road	5,000,000	3,788,000	4,249,000	460,000
3	Imp/wid/ of Road at Jatkool	5,000,000	2,993,750	3,907,240	913,490
4	Ext/Const/ of Quanj Road	1,500,000	1,377,664	952,180	425,484
5	PCC /Wid/of Road at shalgah Nehagdara	5,000,000	4,750,000	3,249,000	150,415
		18,500,000			2,353,749

Audit observed that irregularity occurred due to weak financial control, which resulted in loss to Government.

The irregularity was pointed out to the management in April 2017, but management did not respond to the observation. Request for convening of DAC meeting was made in May 2017, however meeting of DAC could not be convened till finalization of this report.

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

AIR PARA No. 10 (2015-16)

VILLAGE COUNCIL DIR UPPER

1.3 Audit Para Village Council Dir Upper

1.3.1 Non production

1.3.1.1 Non production of auditable record

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

Administrator Village Council Barikot District Dir Upper did not provide any record regarding payment during 2015-16, to audit to verify the expenditure which was contrary to the above orders.

Audit observed that non production of record occurred due to weak administrative control, which resulted in violation of government order.

The irregularity was pointed out to the management in April 2017, but management did not respond to the observation. Request for convening of DAC meeting was made in May 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends production of auditable record, besides action against the person(s) at fault.

AIR PARA No. 01 (2015-16)

1.3.2 Irregularity & Non compliance

1.3.2.1 Unauthorized expenditure without pre-audit - R 4,872,803

- i. According to Local Government Department letter No.AO/LCB/4(I)06/2009-10 dated 4.9.2010 that no payment shall be made by the local councils unless the bill is pre checked in audit by the staff of Local Fund Audit Department.
- ii. According to Finance Department letter No. SO(ESTT)FD/5-14/05/LFA dated 1-08-2005, that the pre-audit of all bills pertaining to execution of Development schemes on behalf of District Government by TMA under KPP etc shall be carried out by Resident Auditors of Local Fund Audit Department.

Administrator Village Council District Dir Upper incurred an expenditure of Rs 4,872,803 under various heads without pre audit from local fund audit during 2015-16, which was contrary to the above orders and needs justification. Detail is given at Annexure-7:

Audit observed that unauthorized expenditure was occurred due to weak internal controls and, which resulted in violation of rules/orders.

The irregularity was pointed out to the management in April 2017, but management did not respond to the observation. Request for convening of DAC meeting was made in May 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends condonation by the competent forum and further compliance under intimation to audit.

AIR PARA No. 01 (2015-16)

ANNEXURE

Annexure-1

Detail of MFDAC Paras

(Rs in million)

S. No	AIR PARA No. No	Gist of Para	Amount	Remarks
1	77	Non deposit of stamp duty	0.596	
2	79	Non deduction of income tax	0.475	
3	84	Blockage of Government money	29.000	The funds have been utilized in the current Financial Year 2016-17.
4	85	Unauthorized deduction on account of TS charges	1.200	Would be discussed in DAC
Total			31.271	

Annexure-2
Para 1.2.1.1

Detail of Schemes without Technical Sanctions.

S, No	Name of Schemes	Estimated Cost
1	Rehabilitation/Improvement and PCC Road from Hayagai Gharabi	14.50
2	PCC/WID /of Road Balakore to Shaga	10.00
3	Black topping of road at Kass Wari	10.00
4	Rehabilitation/ improvement and PCC at bin Dara	20.00
5	PCC Road Bandan	5.00
6	Improvement/Wid/Blacktopping of Bagh Kalay Hattan	10.00
7	Improvement/Wid/ PCC road at jablook	10.00
8	PCC/Wid /of Road Sankore	5.00
9	PCC Road Osorai,Kohai,Rango	5.00
10	Rehabilitation/improvement and PCC Road of Shahkar Karo Dara	5.00
11	PCC road Hayat Kalay	5.00
12	PCC/Wid/of road Kalgana Karodara	5.00
13	PCC/Wid/of road Tingraikarodara	5.00
14	PCC/Wid/of road Salobik	5.00
15	Ext/ Const: of Sona Road Doogdara	3.00
16	Rehabilitation/improvement and PCC Road Guli Bagh	5.00
17	Rehabilitation/improvement and PCC Road from 2Km at Bin Dara	20.0
18	Rehabilitation/improvement of Nangrai Road	5.00
19	Imp/Wid /BTR of Ghwarijo	10.00
20	PCC Road at Doon Serai	5.00
21	PCC/Wid /of Road Shahbazay Kardara	5.00
22	Ext/Const:of Road Shalban ,Nissan Banda	5.00
Total		172.5

Annexure-3
Para 1.2.1.2.

Detail of expenditure without Pre-audit

S.No	Name of Schemes	Expenditure (Million)
1	Rehabilitation of Bridge Shanokass	1.50
2	PCC/Wid /of Road Balakore to Shaga	10.0
3	Black topping of road at Kass Wari	10.0
4	PCC Road Bandan	5.00
5	PCC Road at Sheeringal	2.00
6	PCC/Wid /of Road Sankore	5.00
7	Imp/Wid/PCC of Road Banday Patay	1.00
8	PCC/Wid/of road Kalgana Karodara	5.00
9	PCC/Wid/of road salobik	5.00
10	Ext/ Const: of Sona Road Doogdara	3.00
11	Rehabilitation/improvement of Nangrai Road	5.00
12	PCC Road at Doon Serai	5.00
13	Ext/Const/ of Quanj Road	1.5
14	Ext/Const:of Road Shalban ,Nissan Banda	5.00
15	Imp: wid of Shinagar Road	5.00
Total		69.000

Annexure-4
Para 1.2.2.1

Detail of penalty

S#	Name of Schemes	E.Cost	Date of Work order	Period of Completion	Penalty
1	Rehabilitation/Improvement and PCC Road from Hayagai Gharabi	14.50	20-3-2015	30-6-2015	1,450,000
2	Const: of Shingle road at jabbar	20.0	20-3-2015	30-6-2015	2,000,000
3	Rehabilitation/improvement and PCC road of Battan Katoor	5.00	20-3-2015	30-6-2015	500,000
4	Rehabilitation of Brdge Shanokass	1.5	31-3-2016	30-6-2016	150,000
5	Rehabilitation/Improvement and P-CC Road Patawoo	5.00	20-3-2015	30-6-2015	500,000
6	Rehabilitation/Improvement and PCC Road Ganshall Sheringal	40.00	20-3-2015	30-6-2015	4,000,000
7	PCC/Wid/of road Balakore to Shaga	10.00	6-4-2016	31-12-2016	1,000,000
8	Black topping of road at Kass Wari	10.00	6-4-2016	31-12-2016	1,000,000
9	Rehabilitation/improvement at bin Dara	20.00	20-3-2015	30-6-2015	2,000,000
10	Rehabilitation/Improvement and PCC Road Qadir Abad to Marttoning	5.00	20-3-2015	30-6-2015	500,000
11	Improvement/Wid/Blacktoppingof Bagh Kalay Hattan	10.00	31-3-2016	31-12-2016	1,000,000
12	Improvement/Wid/ Pcc road at jablook	10.00	7-4-2016	31-12-2016	1,000,000
13	Rehabilitation/improvement and PCC of Akhgram to Goor Kand	5.00	20-3-2015	30-6-2015	500,000
14	Rehabilitation/improvement and PCC Road of Shahkar Karo Dara	5.00	20-3-2015	30-6-2015	500,000
15	PCC road Hayat Kalay	5.00	31-3-2016	30-6-2016	500,000
16	PCC/Wid/of road Kalgana Karodara	5.00	6-4-2016	30-6-2016	500000
17	PCC/Wid/of road Tingraikarodara	5.00	6-4-2016	31-12-2016	500,000
18	Ext/ Const: of Sona Road Doogdara	3.00	3-3-2016	30-6-2016	300,000
19	Rehabilitation/improvement and PCC Road from 2Km at Bin Dara	20.0	20-3-2015	30-6-2015	2,000,000
20	Rehabilitation/improvement and PCC Road Rambail to maloo khan	5.00	20-3-2015	30-6-2015	500,000
21	Rehabilitation/improvement of Nangrai Road	5.00	3-3-2016	30-6-2016	500,000

22	Imp/Wid /BTR of Ghwarijo	10.00	7-4-2016	31-12-2016	1,000,000
23	PCC Road at Doon Serai	50.00	7-4-2016	31-12-2016	500,000
24	Ext/Const/ of Quanj Road	1.5	7-4-2016	31-12-2016	150,000
		270.5			22,550,000

Annexure-5
Para 1.2.2.2.

Detail of 7% income Tax

S.No	Name of work	E.Cost	Bid Cost	7% income Tax
1	Const: of shingal road at jabbar	20.00	19,940,000	1,395,800
2	PCC/Wid of road balakore to shaga	10.00	7,878,730	551,511
3	Rehabilitation/improvement and PCC of Akhgram to Goor Kand	5.00	4,930,000	345,100
4	Rehabilitation/improvement and PCC from shaga to swat	5.00	4,950,000	346,500
5	Rehabilitation/improvement and PCC Road of Shahkar Karo Dara	5.00	4,956,541	346,957
6	Imp/Wid/PCC Road at Sundrawal	5.00	3,695,210	258,664
7	PCC Road at Hayat Kalay	5.00	3,559,640	249,174
8	Rehabilitation/improvement and PCC Road from 2Km at Bin Dara	20.0	19,949,889	1,396,492
9	Rehabilitation/improvement and PCC Road Rambail to Malook Khan	5.00	4,559,938	319,195
10	Rehabilitation/improvement and PCC Road of Battan katroo Dir	5.00	4,959,120	347,138
		85.00	79,379,068	5,556,531

Annexure-6
Para 1.2.2.3

Detail of income Tax not Deposited

S. No	Name of Schemes	E.Cost	Amount of 6% Income Tax deducted
1	Rehabilitation/Improvement and PCC Road from Hayagai Gharabi	14.50	4,635,003
2	Rehabilitation of Bridge Shanokass	1.50	77,922
3	Rehabilitation/Improvement and PCC Road from Gansall shirngal	40.00	2,557,987
4	PCC Road at Sheringal	2.00	141,721
5	Imp/wid/pec road at jablook	10.00	57,869
6	Rehabilitation/Improvement and PCC Road from Markhano to Dawjanjo Kair Dara	20.00	293,454
7	PCC Road at Karakar Bindara	1.00	61,504
8	Rehabilitation/Improvement and PCC Road from BHU Amlook nar to Sail Kass	20.00	1,279,790
9	Imp/Wid/PCC of Road Banday Patay	1.00	22,837
10	PCC Road at Doon Serai	5.00	135,240
Total		115.00	9,263,327

Annexure-7
Para 1.3.2.1

Detail of unauthorized expenditure of VCs

S.No	Name of UC	Head	Expenditure (Rs)
1	Qualandi	Remuneration/Salaries	170,000
		Operational /non salaries	379,850
2	Kass	Remuneration/Salaries	0
		Operational /non salaries	384,854
3	Swani Bala	Remuneration/Salaries	0
		Operational /non salaries	365,500
4	Achar Gali	Remuneration/Salaries	238,600
		Operational /non salaries	499,745
5	Patrak	Remuneration/Salaries	0
		Operational /non salaries	212,440
6	Besho	Remuneration/Salaries	0
		Operational /non salaries	410,250
7	Maidan	Remuneration/Salaries	0
		Operational /non salaries	400,535
8	Shango	Remuneration/Salaries	0
		Operational /non salaries	411,250
9	Chargali	Remuneration/Salaries	0
		Operational /non salaries	439250
10	Seratai	Remuneration/Salaries	0
		Operational /non salaries	400285
11	Rehankot	Remuneration/Salaries	178,330
		Operational /non salaries	381,914
Total			4,872,803