



**AUDIT REPORT
ON THE ACCOUNTS OF
DISTRICT COUNCIL AND MUNICIPAL
COMMITTEES
HARIPUR
AUDIT YEAR 2014-2015**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Developmental Programme
AP	Advance Para
CMO	Chief Municipal Officer
DAC	Departmental Accounts Committee
DDC	District Development Committee
DDO	Drawing & Disbursing Officer
DG	Director General
GFR	General Financial Rule
LGE&RDD	Local Government, Election and Rural Development Department
LGA	Local Government Act
M&R	Maintenance & Repair
MC	Municipal Committee
MFDAC	Memorandum for Departmental Accounts Committee
NHR	Net Hydal Royalty
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
RDA	Regional Directorate of Audit
UA	Union Administration
UC	Union Council
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 (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section 168 of Local Government Act 2012, require the Auditor-General of Pakistan to conduct audit of the receipts and expenditure of Local Fund of District Council and Municipal Committees.

The report is based on audit of the accounts of District Council and Municipal Committees, District Haripur for the Financial Year 2013-14. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar conducted audit on test check basis during 2014-15 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 carrying value of Rs. 1 million or more. 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 observation will be brought to the notice of Public Accounts Committee through the next year's Audit Report.

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

The observations included in this Report have been finalized in the light of written replies of the Departments. 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 168 of Khyber Pakhtunkhwa Local Government Act 2012 to be laid before appropriate legislative forum.

Islamabad
Dated:

(Rana Assad Amin)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, is responsible to conduct the audit of all District Councils, Municipal Committees (MCs) and Union Councils (UCs). Its Regional Directorate of Audit Abbottabad has audit jurisdiction of District Councils, Municipal Committees and UCs of six Districts i.e. Abbottabad, Haripur, Mansehra, Battagram, Kohistan and Tor Ghar.

The Regional Directorate has a human resource of 13 officers and staff, constituting 3939 man days and a budget of Rs 17.195 million was allocated to this office during Financial Year 2014-15. It has the mandate to conduct financial attest audit, audit of sanctions, audit of compliance with authority and audit of receipts as well as the performance audit of entities, projects and programs. Accordingly Regional Director Audit Abbottabad carried out audit of the accounts of District Council Haripur, Municipal Committees Haripur for the Financial Year 2013-14 and the findings included in the Audit Report.

District Council and Municipal Committees District Haripur conduct their operations under Khyber Pakhtunkhwa Local Government Act 2012. Administrative Secretary i.e Secretary Local Government and Rural Development Department, Khyber Pakhtunkhwa is the Principal Accounting Officer for these local bodies. According to financial provisions of the Act the Secretary Local Government and Rural Development Department, Khyber Pakhtunkhwa authorizes the Annual Budget Statement for these local bodies in the form of budgetary grants.

a. Scope of audit

Out of total expenditure of the District Council and Municipal Committees Haripur for the Financial Year 2013-14, the auditable expenditure under the jurisdiction of RDA was Rs 485.437 million. Out of this, RDA Abbottabad audited an expenditure of Rs 266.990 million which, in terms of percentage, was 60% of auditable expenditure.

The receipts of District Council and Municipal Committees Haripur for the Financial Year 2013-14 were Rs 407.647 million. Out of this, RDA Abbottabad audited receipts of Rs 203.823 million which, in terms of percentage, is 50% of auditable receipts.

The total expenditure and receipt of District Council and Municipal Committees, District Haripur, for the Financial Year 2013-14 were Rs 893.084 million Out of this RDA Abbottabad audited the expenditure and receipts of Rs 470.813 million.

b. Recoveries at the instance of audit

Recovery of Rs 22.419 million was pointed out, out of which recovery of Rs 1.860 was affected during 2014-15 at the time of compilation of report. Out of the total recoveries Rs 1.209 million was not in the notice of the executives before audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of District Council and Municipal Committees, District Haripur, with respect to its functions, control structure, prioritization of risk areas by determining their significance and identification of key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. Audit used desk audit techniques for analysis of compiled data and review of permanent files/record. Desk Audit greatly facilitated identification of high-risk areas for substantive testing in the field.

d. Audit Impact

Audit pointed out various irregularities of serious nature to the management. However, no impact was visible as the management failed to reply and the irregularities could not come to the light in the proper forum i.e DAC.

e. Comments on Internal Control and Internal Audit department

The purpose of internal control system is to ensure effective operation of an organization. It consists of measures employed by the management to achieve objectives, safeguard assets, ensure accuracy, timeliness and reliability of financial and accounting information for decision making.

One of the basic components of Internal Control System, as envisaged under Para 13 of GFR Volume-I, is internal audit which was not found prevalent in District Council and Municipal Committees, District Haripur.

Neither rules for internal audit have been framed nor internal audit report as required was provided to audit.

f. Key audit findings of the report;

- i. Fraud & misappropriation of Rs 1.147 million was noted in two cases.¹
- ii. Irregularity & non-compliance of Rs 22.597 million was noted in five cases.²
- iii. Loss due to weak internal control of Rs 13.549 million was noted in seven cases.³

g. Recommendations

- i. Concerted efforts need to be made to recover long outstanding dues.
- ii. Deduction of taxes on supplies and contracts needs to be ensured.
- iii. Inquiries need to be held to fix responsibility for losses, irregular payments and wasteful expenditure.

¹ Para 1.2.1.1, 1.4.1.1

² Para 1.3.1.1, 1.3.1.2, 1.3.1.3, 1.3.1.4, 1.4.2.1

³ Para 1.2.2.1, 1.2.2.2, 1.3.2.1, 1.3.2.2, 1.3.2.3, 1.3.2.4, 1.3.2.5

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S. No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	01	893.083
2	Total formations in audit jurisdiction	03	893.083
3	Total Entities(PAO) Audited	01	470.813
4	Total formations Audited	03	470.813
5	Audit & Inspection Reports	03	470.813
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

Table 2: Audit observations classified by categories

(Rs in million)

S.No.	Description	Amount Placed under Audit Observation
1	Unsound asset management	-
2	Weak financial management	24.318
3	Weak Internal controls	12.975
4	Others	-
	Total	37.293

Table 3: Outcome Statistics**(Rs in million)**

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total for the year 2013-14	Total for the year 2012-13
1	Outlays Audited	-	141.522	203.823	125.468	470.813	757.029
2	Amount Placed under Audit Observations /Irregularities of Audit		6.813	20.112	10.368	37.293	87.829
3	Recoveries Pointed Out at the instance of Audit		2.307	20.112		22.419	48.430
4	Recoveries Accepted /Established at the instance of Audit						
5	Recoveries Realized at the instance of Audit			1.860		1.860	

Table 4: 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.	4.506
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.	10.368
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies	
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	22.419
	Total	37.293

Table 5: Cost-Benefit**(Rs in million)**

S. No	Description	Amount
1	Outlays Audited	893.083
2	Expenditure on Audit	0.631
3	Recoveries realized at the instance of Audit	1.860
	Cost-Benefit	1 : 2.95

CHAPTER-1

1.1 District Council & Municipal Committees District Haripur

1.1.1 Introduction

District Haripur has two tehsils i.e. Haripur and Ghazi. There is a District Council and two Municipal Committees. District Council has a Chief Coordination Officer, District Officer (Finance), District Officer (Infrastructure) and District Officer (Regulation). Municipal Committees have Chief Municipal Officers, Municipal Officers (Finance), Municipal Officers (Infrastructure) and Municipal Officers (Regulation). District Council Haripur has one Drawing and Disbursing Officer (DDO) i.e. Chief Coordination Officer & Chief Municipal Officers are the DDOs of Municipal Committees. According to 1998 population census, the population of District Haripur is 567,309.

1.1.2 Comments on Budget and Accounts (Variance analysis)

An amount of Rs 104.146 million was allocated as grant in aid by the Provincial Government to District Council and Municipal Committees of District Haripur. An amount of Rs 407.647 million was realized during the financial year 2013-14. Thus making a total of Rs 511.793 million at the disposal of local councils, against which an expenditure of Rs 485.437 million was incurred by the District Council and Municipal Committees Haripur with a saving of Rs 26.356 million during financial Year 2013-14. Detail is given below:

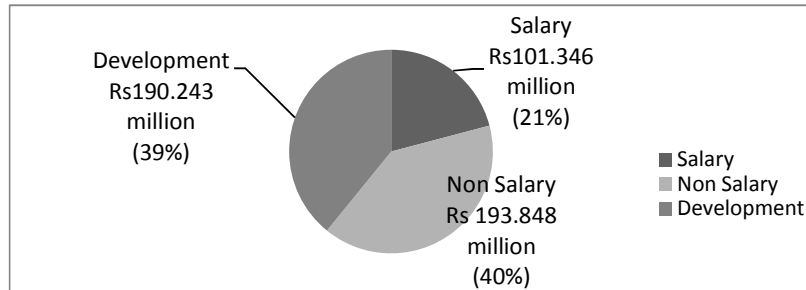
(Rs in million)

2013-14	Budget	Expenditure	Excess/ (Saving)	%age
Salary	106.314	101.346	(4.968)	4.67%
Non-Salary	200.064	193.848	(6.216)	3.11%
Developmental	205.415	190.243	(15.172)	7.39%
Total	511.793	485.437	(26.356)	5.15%
Receipts	485.926	407.647	-	-
Grand Total	997.719	893.084	-	-

The huge savings of Rs 26.356 million in all heads of accounts indicate weakness in the capacity of these local institutions to utilize the amounts allocated.

Expenditure 2013-14

(Rs in million)



Detail is given at Annex - 3

1.1.3 Brief comments on the status of compliance with ZAC/PAC Directives

The audit reports on the accounts of newly formed District Council and Municipal Committees Haripur under the LGA 2012, have not yet been discussed in PAC.

DISTRICT COUNCIL HARIPUR

1.2 Audit Paras District Council Haripur

1.2.1 Fraud and Misappropriation

1.2.1.1 Misappropriation of enlistment fee – Rs 0.434 million

Para 23 of GFR Vol – 1 states that every officer should realize fully that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his own part or any other person subordinate to him.

Chief Coordination Officer District Council, Haripur realized Rs 733,000 on account of enlistment fee from contractors during 2013-14. Out of the total amount Rs 299,100 were deposited into account while the remaining amount of Rs 433,900 (733,000-299,100) was not deposited till the date of audit i.e August 2014. Audit concluded that the amount was misappropriated by dealing hands. Abstract is given below:

S. No.	Category	No of contractors	Rate (Rs)	Total Amount (Rs)
1.	D	64	3,000	192,000
2.	C	58	7,000	406,000
3.	B	12	10,000	120,000
4.	A	01	15,000	15,000
Total				733,000
Amount deposited				299,100
Less deposit				433,900

Misappropriation occurred due to willful negligence.

When pointed out in August 2014, management stated that the case would be taken up with the quarter concern and progress in the matter would be produced to audit. However, no progress was reported.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends investigating the matter for fixing responsibility and disciplinary action against the person (s) at fault besides recovery.

AP 15 (2013-14)

1.2.2 Internal Control Weaknesses

1.2.2.1 Less realization on account of cattle fair – Rs 2.229 million

According to S No XXIX and XXX of the model terms and conditions for the contracts issued vide Government Khyber Pakhtunkhwa LG&RDD No AO-II/LCB/6-11/2013 dated 20-03-2013, the local council shall be entitled to recover all the dues from the securities and guarantors in case of default on the part of contractor due to any reason whatsoever and in any case if the income so received is found less than the contractual amount, the difference shall be recovered from the contractor as arrears of land revenue.

Chief Coordination Officer, District Council Haripur awarded the contract of Cattle Fair to M/S Saif-ul-Irshad for Rs 14,780,770 during 2013-14. The contract was approved by the Secretary Local Council Board for Rs 17,080,000. Award of contract at lesser rates resulted in loss of Rs 2,299,230.

Less realization of receipts occurred due to weak internal controls.

When pointed out in August 2014, management stated that the case would be referred to competent authority for ex-post facto sanction for reduce amount. The reply was not cogent as less recovery resulted in loss to Government.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends investigation fixing responsibility and action against person(s) at fault besides recovery.

AP 04 (2013-14)

1.2.2.2 Loss due to deposit of funds in current account – Rs 1.636 million

According to Government of Khyber Pakhtunkhwa Finance Department notification No 2/3-(F/L)/FD/2007-08/Vol-IX dated 10-02-2014, accounts should be converted to PLS mode and profit earned be deposited in Government Treasury.

Chief Coordination Officer deposited local fund in the current account instead of PLS account during 2013-14. On the other hand, Amount of zilla tax and octroi share was deposited in PLS account in Bank of Khyber @ 6% per

annum. Due to non depositing of local fund in PLS account, the Council sustained loss of Rs 1,636,376 (@6%PA). Detail is given below:

S. No	Month	Closing Balance (Rs)	Interest rate @ 6% PA (Rs)
1	July/ 2013	8,613,902	43,070
2	August/ 2013	14,688,365	73,442
3	September/ 2013	18,546,515	92,733
4	October/ 2013	23,467,769	117,339
5	November/ 2013	23,291,899	116,459
6	December/2013	29,416,238	147,081
7	January/ 2014	36,506,813	182,534
8	February/2014	35,825,821	179,129
9	March/ 2014	34,710,077	173,550
10	April/ 2014	31,892,427	159,462
11	May/ 2014	36,360,846	181,804
12	June/ 2014	33,954,548	169,773
		Total	1,636,376

Uneconomical operation of bank account occurred due weak internal control.

When pointed out in August 2014, management stated that fund would be transferred to PLS account and progress would be shown to audit. The reply was not tenable as non deposit of funds in PLS account resulted in loss to Government.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends appropriate action and recovery of interest amount from the person(s) at fault.

AP 20 (2013-14)

MUNICIPAL COMMITTEE HARIPUR

1.3 Audit Paras Municipal Committee Haripur

1.3.1 Irregularity & Non Compliance

1.3.1.1 Unauthorized expenditure on construction of community centers – Rs 4.506 million

According to guidelines for the release and utilization of developmental funds issued vide Government of Finance Department No SO (DEV-IV)FD/4-3/2013-14/Guidelines dated 02-01-2014, construction of community center was not allowed out of developmental funds under ADP, Tobacco Cess, NHR etc.

Chief Municipal Officer Municipal Committee Haripur incurred expenditure of Rs 4,506,346 on account of construction of community centers out of developmental funds during 2013-14 in violation of Government instructions. The expenditure is therefore held unauthorized.

S. No	Name of scheme	Expenditure
1	Community Center Mohalla Derwaish	478,639
2	Community center Mohalla Ferozpura	1,186,978
3	Community center Mohalla Ramazani	1,192,288
4	Community center Mohalla Kho	1,648,441
	Total	4,506,346

Irregularity occurred due to non compliance of Government instructions, which resulted in wastage of public money.

When pointed out in November 2014, management stated that construction of community centers was dropped from present developmental schemes, however, detailed reply would be furnished after scrutiny of record. The reply was not cogent as construction of community centers was not authorized out of developmental funds.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends investigation fixing responsibility and disciplinary action against person (s) at fault.

AP 53 (2013-14)

1.3.1.2 Non deduction of sales tax on purchase of street light items – Rs 1.020 million

According to Sales Tax Ordinance 2001, 17% sales tax should be recovered from unregistered suppliers.

Chief Municipal Officer Municipal Committee Haripur incurred expenditure of Rs 6,000,000 on account of purchase of street light items in the scheme “Installation and improvement of street lights Central Media and City area Haripur” during 2013-14, however sales tax @ 17% amounting to Rs 1,020,000 was not deducted.

Sales tax was not deducted due to non compliance of rules, which resulted in loss to Government.

When pointed out in November 2014, management stated that GST was not applicable on supply and fixing of items. The reply was not cogent as documentary proof in support of reply was not provided.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends recovery of sales tax and deposit into Government treasury.

AP 47 (2013-14)

1.3.1.3 Loss to Government due to award of contract on lower rates – Rs 5.699 million

According to Local Council Board LG&RD Department, Government of Khyber Pakhtunkhwa letter No. AO-III/LCB/2-1/2010 dated 23-5-2011, the contract for the present year must have an increase over the bid of last year to the tune of 15%.

Chief Municipal Officer MC Haripur awarded the following contracts at lesser rates instead of atleast 15% increase over the bid of last year during 2013-14. Not following the instructions of the Government in award of contract resulted in loss of Rs 5,699,455.

Contract	2012-13	2013-14 with 15% increase	Contract actually awarded	Loss (Rs)
Bus Stand Haripur	6,210,000	7,141,500	4,500,000	2,641,500
License Fee	785,000	902,750	375,000	527,750
Map Fee	2,645,830	3,042,705	512,500	2,530,205
			Total	5,699,455

Contracts were awarded at lesser rates due to non compliance of Government instructions, which resulted in loss to Government.

When pointed out in November 2014, management stated that ban was imposed on new bus stands and illegal parking were removed. Highest offers were forwarded to LCB, which were approved. The reply was not tenable as approval of lesser rates resulted in loss to Government.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends investigation fixing responsibility and action besides recovery.

AP 28 & 40 (2013-14)

1.3.1.4 Unauthorized engagement of sanitary workers on daily wage basis – Rs 10.368 million

According to Government of Khyber Pakhtunkhwa LGE&RD Department orders issued vide No Secretary/LGE&RDD/2008 dated 18-10-2008, in order to avoid misuse of resources, complete ban was imposed on engagement of daily wagers and work charge employees in the Tehsil and Town Municipal Administration with immediate effect.

Chief Municipal Officer Haripur paid Rs 10,368,000 to 72 sanitary workers engaged on daily wages on account of pay during 2013-14 in violation of Government instructions. Moreover, 38 sanitary workers were already on the payroll of committee concerned and after promulgation of LGA 2012, only 3 Union Councils were left under the jurisdiction of local office. The expenditure is therefore held irregular and wastage of public money.

Moreover, sanitary workers hired on daily wages for sanitation purpose were posted at the residence of Deputy Commissioner Haripur and different branches of the committee in violation of Government instructions issued vide notification No SOR-VI/E&AD/Misc/Updation/09 dated 13-01-2009, which states that no posting/transfer shall be made on detailment basis.

Sanitary workers were hired on daily wages basis in violation of Government instructions, which resulted in loss to the council.

When pointed out in November 2014, management stated that detailed reply would be furnished after verification of record. However, no progress was reported.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends investigation fixing responsibility and corrective measures besides recovery.

AP 32 (2013-14)

1.3.2 Internal Control Weakness

1.3.2.1 Less collection of revenue from contractors – Rs 1.331 million

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

Chief Municipal Officer MC Haripur did not collect complete revenue from contractors of various revenue contracts during 2013-14, which resulted in loss of Rs 1,330,747 to Government as detailed below:

S. #	Name of contract	Bid Amount	Recovered Amount	Less Recovery (Rs)
1	License Fee (Food & Dangerous Trade)	375,000	275,004	99,996
2	Bus Stand Fee Haripur	4,500,000	3,549,087	950,913
3	Fee for approval of Building/ construction plan	1,223,506	1,121,606	101,900
4	Sign Board Fee	2,200,000	2,066,750	133,250
5	Tehbazari Fee	300,000	255,312	44,688
	Total	8,598,506	7,267,759	1,330,747

Less recovery was made due to weak internal controls, which resulted in loss to Government.

When pointed out in November 2014, management stated that detailed reply would be furnished after verification of record. However, no progress was reported.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends recovery of principal amounts alongwith penalty in light of contract agreement.

AP 27 (2013-14)

1.3.2.2 Non recovery of monthly installments – Rs 2.157 million

According to S No V(a) and (b) of terms and conditions of contracts issued vide Government of Khyber Pakhtunkhwa LG&RD Department Local Council Board No AO-II/LCB/6-11/2013 dated 20-03-2013, If the contractor fails to clear dues by 10th of next month, the contract may be cancelled and his security and advances deposited should be forfeited.

Chief Municipal Officer Municipal Committee Haripur awarded contract of Bus stand to contractor Babar Rahman at Rs 4,500,000 during 2013-14 without obtaining 20% advance amount and security. The contractor did not deposit monthly installments for the months of August to October 2013. The contract was cancelled and departmental recovery was started w.e.f. 12-11-2013. However, neither recovery was made nor action was taken against defaulting contractor. Non recovery of monthly installments resulted in loss of Rs 1,977,039 as detailed below:

Month	Principal Amount	Penalty	Total
August 2013	409,091	373,394	782,485
September 2013	490,091	249,551	658,642
October 2013	490,091	126,821	535,912
November 2013 (11 days)	179,700	0	179,700
Total	1,568,973	749,766	2,156,739

Principal amount and penalty was not recovered due to weak internal controls, which resulted in loss to Government.

When pointed out in November 2014, management stated that nothing was outstanding against the contractor concerned. The reply was not cogent as the contract was run by contractor upto 12-11-2013, however, monthly installments were not paid.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends investigation fixing of responsibility and recovery of penalty.

AP 45 (2013-14)

1.3.2.3 Non recovery of shops rent- Rs 2.713 million

According to Clause 2 of rent agreement, if the tenant failed to deposit rent for three consecutive months, TMA should take possession and auction out the shop.

According to S. No. 1 of Government of KPK, LGE&RD Department No AO/LCB/1-66/07 dated 06-06-2006, all shops whether on rent or lease owned by TMA should be put to open auction on completion of agreement period.

Tehsil Municipal Officer Haripur did not recover Rs 2,713,344 on account of shops rent from various tenants till 30-06-2014. It was observed that rent was outstanding for more than 6 years, however neither shops were re-auctioned nor efforts were made to recover long outstanding amounts from defaulting tenants.

Moreover, according to clause 2 of contract agreement, period of agreement was three years. However, shops were not put to open auction on completion of agreement period.

Audit observed that shops rents were not collected due to weak internal controls, which resulted in loss to Government.

When pointed out in November 2014, management stated that recovery would be made within two or three months. The reply was not cogent as rent of outstanding for so many time, however no serious action was taken for recovery. Moreover, the shops were required to put to open auction, which was not done.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends investigation, fixing responsibility and action besides recovery of outstanding amounts.

AP 44 (2013-14)

1.3.2.4 Non recovery of staff salaries from contractors – Rs 1.571 million

According to S No (x) of the terms & conditions of contracts issued vide Government of Khyber Pakhtunkhwa LGE&RD Department No AO-II/LCB/6-11/2013 dated 20-03-2013, the receipt of the contractual amount shall be issued by the employees of local council and not employees/agent of the contractor/firm concerned.

S No xxiv to xxvi of the aforementioned terms & conditions requires that the contractor shall be bound to pay all expenses including pay, leave salaries, pension contribution alongwith other valid charges of employees working with contractor.

CMO Municipal Committee Haripur did not recover staff salaries amounting to Rs 1,571,455 from contractors of revenue collection during 2013-14 as detailed below:

S. No	Name of contract	Salaries	Pension Contribution	Leave Salary	Total (Rs)
1	2% Property Tax	323,820	53,915	40,477	418,212
2	License Fee	171,492	24,718	21,436	217,646
3	Sign Board Tax	311,112	53,915	38,889	403,916
4	Building Plan Tax	264,948	42,396	33,118	340,462
5	Tehbazari Tax	151,308	20,998	18,913	191,219
	Total	1,222,680	195,942	152,833	1,571,455

Salaries and other amounts were not recovered due to weak management control, which resulted in loss to Government.

When pointed out in November 2014, management stated that no employee was deputed with contractors for recovery. The reply was not tenable as the contractor or his representative were not allowed to issue receipt of contractual amount and only employee of the local council was authorized to issue receipt.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends recovery under intimation to audit.

AP 46 (2013-14)

1.3.2.5 Less recovery from Property Tax contractor – Rs 1.912 million

Para 23 of GFR Vol – 1 states that every officer should realize fully that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his own part or any other person subordinate to him.

CMO Municipal Committee Haripur awarded contract of “2% Property Tax” @ Rs 10,848,653 against the approved highest bid of Rs 11,750,000 during 2013-14. The local office recovered Rs 249,000 departmentally during the month of July 2013. Less recovery resulted in loss of Rs 652,347 as detailed below:

Recovery from contractor	Departmental recovery	Total	Bid Cost	Loss
10,848,653	249,000	11,097,653	11,750,000	652,347

Income tax @ 10% amounting to Rs 1,084,872 was recovered instead of Rs 1,109,765, resulting in less recovery of Rs 90,128.

Moreover, the local office recovered Rs 1,169,725 departmentally in the month of July 2014. The amount was paid to contractor instead of depositing into the committee revenue.

Less recovery and payment of departmental recovery to contractor resulted in loss of Rs 1,912,200.

When pointed out in November 2014, management stated that contracts were sent to LCB for approval soon after auction process and handed over to contractor after obtaining approval of LCB. The reply was not cogent as less recovery and payment of departmentally collected amount to contractor resulted in loss to Government.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends investigation and recovery.

AP 36 (2013-14)

MUNICIPAL COMMITTEE GHAZI

1.4 Audit Paras Municipal Committee Ghazi

1.4.1 Fraud and Misappropriation

1.4.1.1 Misappropriation of developmental fund – Rs 0.713 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.

CMO Ghazi paid Rs 712,705 to contractors on fake bills during 2013-14, as the contractors failed to start work at site. Audit observed that payment to contractors without work done was misappropriation of Government funds. Detail as under:

S. No	Name of scheme	Amount paid
1	Construction of Janazgah Kupri Nara Amazai	248,452
2	PCC road Dohra Serikot	464,253
	Total	712,705

Misappropriation occurred due to willful negligence, which resulted in loss to Government.

When reported in November, management replied that construction of road Dohra Serikot was in progress and the work done was damaged due to heavy rain which would be restored. The scheme ‘Construction of Janazgah Kupri Nara Amazai’ was stopped due local dispute. The reply was not cogent as damage report and documentary evidence in support of reply was not produced.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

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

AP 64(2013-14)

1.4.2 Irregularity & Non Compliance

1.4.2.1 Loss to Government due to award contract at lesser rates – Rs 1.004 million

According to LCB letter No. AO-III/LCB/2-1/2010 Dated Peshawar, the 23/5/2011 the contract for the present year must have an increase over the bid of last year to the tune of 15%.

During the audit of MC Ghazi for the year 2013-14, it was observed that loss to government of Rs 1,004,770 occurred due to not increasing 15% over the bid of last year in the auction of contract, “Ada Fee”. The detail is as following;

2011-12	Required income during 2012-13	Actual income during 2012-13	Loss
1,450,000	1,667,500	1430355	237,145
2012-13	Required income during 2013-14	Actual income during 2013-14	
1,667,500	1,917,625	1,150,000	767,625
Total			1,004,770

Contract was awarded at lesser rates due to weak management controls, which resulted in loss to Government.

When reported in November, management replied that detailed reply would be furnished after consultation of record. However, no progress was reported.

Request for convening DAC meeting was made on 19.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

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

AP 57 (2013-14)

ANNEXURES

Annexure-1

Detail of MFDAC Paras

(Rs in million)

S No	AP No	Department	Gist of Para	Amount
1.	06	District Council Haripur	Wasteful expenditure on incomplete schemes	0.722
2.	26	Municipal Committee Haripur	Loss to Government due to non deduction of RTA tax	0.135
3.	30	-do-	Unauthorized detailment of staff	0.600
4.	55	Municipal Committee Ghazi	Loss to Government due to non imposition of penalty	0.400
5.	65	-do-	Loss to Government due to allowing higher rates	0.294

Annexure-2

Audit Impact Summary for the financial year 2013-14

S. No.	Rules/System/Procedure	Audit Impact
1	According to contract agreement, the local council shall be entitled to recover all the dues from the securities and guarantors in case of default on the part of contractor due to any reason whatsoever.	DAC meeting could not be convened, therefore audit impact is not visible
2	According to Financial and Treasury rules all dues of the government should be correctly and promptly assessed, collected and paid into Government Treasury.	Do
3	According to Government of Khyber Pakhtunkhwa, accounts should be converted to PLS mode and profit earned be deposited in Government Treasury.	Do
4	According to contract agreement, the contract for the present year must have an increase over the bid of last year to the tune of 15%.	Do
5	According to contract agreement, If the contractor fails to clear dues by 10 th of next month, the contract may be cancelled and his security and advances deposited should be forfeited.	Do
6	According to Government of KPK, LGE&RD Department, all shops whether on rent or lease owned by TMA should be put to open auction on completion of agreement period.	Do