



**AUDIT REPORT**  
**ON THE ACCOUNTS OF**  
**DISTRICT COUNCIL AND MUNICIPAL**  
**COMMITTEES**  
**HANGU**

**AUDIT YEAR 2014-2015**

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**AUDITOR GENERAL OF PAKISTAN**

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## TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS .....	i
PREFACE.....	iii
EXECUTIVE SUMMARY.....	iv
SUMMARY TABLES and CHARTS.....	viii
I <i>Audit Work Statistics</i> .....	viii
II <i>Audit observations classified by categories</i> .....	viii
III <i>Outcome Statistics</i> .....	ix
IV <i>Table of Irregularities pointed out</i> .....	x
V <i>Cost- Benefit</i> .....	x
CHAPTER-1.....	1
1.1 District Council and MCs, Hangu.....	1
1.1.1 Introduction.....	1
1.1.2 Comments on Budget and Accounts (variance analysis).....	1
1.1.3 Brief comments on the status of compliance with PAC Directives.....	2
1.2 AUDIT PARAS MUNICIPAL COMMITTEE HANGU.....	3
1.2.1 Irregularity & Non- compliance.....	4
1.2.2 Internal Control Weaknesses.....	9
1.3 AUDIT PARA MUNICIPAL COMMITTEE THALL .....	11
1.3.1 Non Production of Record.....	12
1.3.2 Irregularity & Non-compliance.....	13
1.3.3 Internal Control Weaknesses.....	15
1.4 AUDIT PARAS DISTRICT COUNCIL HANGU.....	16
1.4.1 Non Production of Record .....	17
Annexure-1-MFDAC Paras.....	18
Annexure-2-Audit Impact Summary.....	19
Annexure-3-Detail of Non Schedule Item and Non Deduction of Sales Tax.....	20
Annexure-4-Detail of outstanding dues.....	22
Annexure-5-Detail of non recovery of old material cost.....	23
Annexure-6-Detail of non utilization of machinery.....	24
Annexure-7-Detail of non deduction of sales tax.....	25
Annexure-8-Detail of irregular award of contracts.....	26

## ABBREVIATIONS AND ACRONYMS

AP	Advance Para
ADP	Annual Development Programme
BTR	Black Top Road
CCO	Chief Coordination Officer
CMO	Chief Municipal Officer
CNG	Compressed Natural Gas
DAC	Departmental Accounts Committee
DCO	District Coordination Officer
DDO	Drawing and Disbursing Officer
DCR	Demand and Collection Register
FIR	First Information Report
GFR	General Financial Rules
GI	Galvanized Iron
KPPRA	Khyber Pakhtunkhwa Public Procurement Regulatory Authority
KVA	Kilo Volt Amperes
LCB	Local Council Board
LGA	Local Government Act
MC	Municipal Committee
MFDAC	Memorandum for Departmental Accounts Committee
NIT	Notice Inviting Tender
NOC	No Objection Certificate
NSI	Non scheduled Item
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCC	Plain Concrete Cement
POL	Petrol Oil Lubricant
PVC	Poly Vinyl Chloride
RAHA	Refugee Affected and Hosting Areas

RDA	Regional Directorate of Audit
S/F	Supply and Fixing
TKPP	Tameer-e-Khyber Pakhtunkhwa Programme
UCs	Union Councils
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 Hangu 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 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 Khyber Pakhtunkhwa Local Government Act 2012 to be laid before appropriate legislative forum.

Dated:  
Islamabad

**(Rana Assad Amin)**  
**Auditor General of Pakistan**

## **EXECUTIVE SUMMARY**

The Directorate General of 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 Kohat has audit jurisdiction of District Councils, MCs and UCs of three Districts i.e. Kohat, Karak and Hangu.

The Regional Directorate has a human resource of 07 officers and staff, constituting 1953 man days and a budget of Rs 7.764 million was allocated 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 Kohat carried out audit of the accounts of District Council and MCs Hangu for the Financial Year 2013-14 and the findings have been included in the Audit Report.

District Council and Municipal Committees District Hangu perform their functions 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 for these local bodies in the form of budgetary grants.

### **a. Scope of audit**

Out of the total expenditure of the District Council and Municipal Committees Hangu, for the Financial Year 2013-14, the auditable expenditure under the jurisdiction of RDA was Rs 168.978 million. Out of this, RDA Kohat audited an expenditure of Rs 135.182 million which, in terms of percentage, was 80% of the auditable expenditure.

The receipts of District Council and Municipal Committees, District Hangu for the Financial Year 2013-14, were Rs 138.414 million. Out of this, RDA Kohat audited receipts of Rs 55.366 million which, in terms of percentage, was 40% of auditable receipts.

The total expenditure and receipts of District Council and Municipal Committees, District Hangu, for the Financial Year 2013-14 was Rs 307.392 million. Out of this, RDA Kohat audited the expenditure and receipts of Rs 190.548 million.

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

Recovery of Rs 31.411 million was pointed out during the audit. However, no recovery was made till the finalization of this report. Out of the total recoveries Rs 0.901 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 Hangu, 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 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 Hangu. Neither rules for internal audit have been framed nor internal audit report as required was provided to audit.

**f. Key Audit Findings**

- i. Non Production of Record worth Rs 56.275 was noted in two cases.<sup>1</sup>
- ii. Irregularities/non-compliance of Rs 54.806 million were noted in six cases.<sup>2</sup>
- iii. Weak internal controls of Rs 31.894 million were noted in three cases<sup>3</sup>.

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<sup>1</sup> Para: 2.2.1.1 & 3.2.1.1

<sup>2</sup> Para: 1.2.1.1 to 1.2.1.3, 1.2.1.5 & 2.2.2.3 to 2.2.2.4

<sup>3</sup> Para: 1.2.2.1, 1.2.2.2 and 2.2.3.1



**g. Recommendations**

- i. Disciplinary action needs to be taken for non production of record as well as violation of the rules and regulations in spending the public money.
- ii. Department need to renew contract agreements of receipts according to rules as to increase revenue.
- iii. Concerted efforts need to be made to recover the long outstanding dues.
- iv. All sectors of MCs/District Council need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.
- v. Deduction of taxes on supplies and contracts needs to be ensured.
- vi. Inquiries need to be held to fix responsibility for losses and irregular expenditures.

## SUMMARY TABLES AND CHARTS

**Table 1: Audit Work Statistics**

**(Rs in million)**

S. No	Description	No.	Budget
1	Total Entities in (PAO) in Audit Jurisdiction	01	307.392
2	Total formations in audit jurisdiction	03	307.392
3	Total Entities in (PAO) Audited	01	190.548
4	Total formations Audited	03	190.548
5	Audit and Inspection Reports	03	190.548
6	Special Audit Reports	--	--
7	Performance Audit Reports	--	--
8	Other Reports (relating to MC)	--	--

**Table 2: Audit observations classified by categories**

**(Rs in million)**

S. No	Description	Amount placed under Audit Observation
1	Unsound asset management	14.600
2	Weak financial management	33.518
3	Weak Internal controls relating to financial management	38.582
4	Others	56.275
<b>Total</b>		<b>142.975</b>

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

<b>S. No</b>	<b>Description</b>	<b>Expenditure on Acquiring Physical Assets Procurement</b>	<b>Civil Works</b>	<b>Receipts</b>	<b>Others</b>	<b>Total for the year 2013-14</b>	<b>Total for the year 2012-13</b>
1	Outlays Audited	-	28.610	55.366	106.572	190.548	47.357
2	Amount Placed under Audit Observation /Irregularities of Audit	-	27.526	25.485	89.965	142.975	28.082
3	Recoveries Pointed Out at the instance of Audit	-	5.926	25.485	--	31.411	17.642
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

**Table 4: Table of Irregularities pointed out**

<b>(Rs in million)</b>		
<b>S. No</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Violation of Rules and regulations, principle of propriety and probity in public operation	60.056
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.	26.644
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies.	-
6	Non production of record	56.275
7	Others, including cases of accidents, negligence etc.	-
<b>Total</b>		142.975

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

<b>S.No</b>	<b>Description</b>	<b>Amount (Rs in million)</b>
1	Outlay Audited	190.548
2	Expenditure on Audit	0.484
3	Recoveries realized at the instance of Audit	-
4	<b>Cost -Benefit Ratio</b>	1:0

## CHAPTER-1

### 1.1 District Council and Municipal Committees, Hangu

#### 1.1.1 Introduction

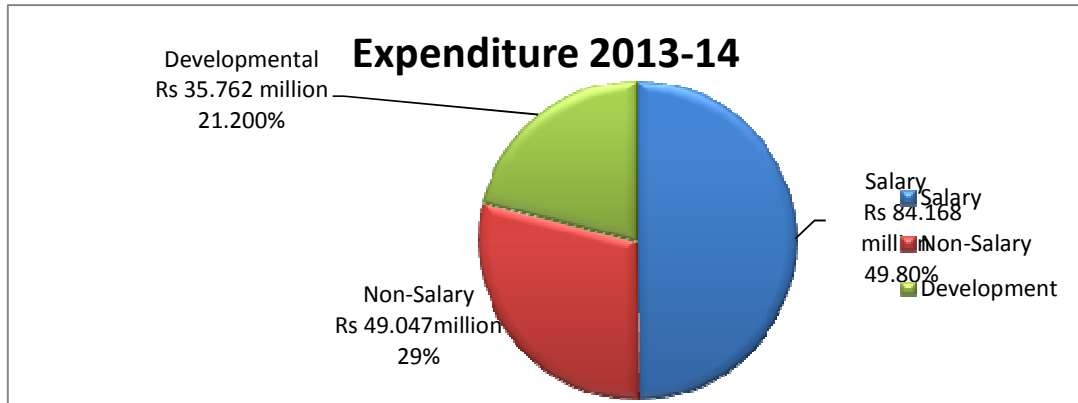
District Hangu has two tehsils i.e. Hangu and Thall. There is a District Council and two Municipal Committees. District Council has a Chief Coordination Officer, District Officer (Finance), District Officer (Infrastructure) and District Officer (Regulation). Municipal Committees have Chief Municipal Officers, Municipal Officers (Finance), Municipal Officers (Infrastructure) and Municipal Officers (Regulation). District Council Hangu has one Drawing and Disbursing Officer (DDO) i-e. Chief Coordination Officer and Chief Municipal Officers are the DDOs of Municipal Committees. According to 1998 population census, the population of Hangu is 315,000.

#### 1.1.2 Comments on Budget and Accounts (Variance Analysis)

An amount of Rs 42.818 million was allocated as grant in aid by the Provincial Government to District Council and Municipal Committees of District Hangu. An amount of Rs 138.414 million was realized during the financial year 2013-14. Thus making a total of Rs 181.232 million at the disposal of local councils, against which an expenditure of Rs 168.977 million was incurred by the District Council and Municipal Committees Hangu with a saving of Rs 12.25 million during financial Year 2013-14. Detail is given below:

2013-14	Budget	Expenditure	(Rs in million)	
			Excess (+) / Saving (-)	% age
Salary	84.278	84.168	(0.11)	0.131
Non-salary	48.328	49.047	0.72	1.489
Developmental	48.626	35.762	(12.86)	26.447
<b>Total</b>	<b>181.232</b>	<b>168.977</b>	<b>-12.25</b>	<b>6.759</b>
<b>Receipts</b>	<b>145.766</b>	<b>138.414</b>	-	-
<b>Grand Total</b>	<b>326.998</b>	<b>307.391</b>	-	-

The savings of Rs 12.25 million in all heads of accounts indicate weakness in the capacity of these local institutions to utilize the amounts allocated.



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

The audit reports on the accounts of newly formed District Council and Municipal Committees Hangu under the Local Government Act (LGA) 2012, have not yet been discussed in PAC.

**MUNCIPAL COMMITTEE HANGU**

**1.2 Audit Para of Municipal Committee Hangu**

**1.2.1 Irregularity & Non- compliance**

**1.2.1.1 i. Irregular payment on account of non scheduled items-Rs 21.600 million**

**ii. Non deduction of sales tax-Rs 3.456 million**

According to KPPRA Rules 2014 in case of procurement of complex or specialized goods either of the two methods may be adopted;

(a) pre-qualification of prospective bidders and invitation of bids from the pre-qualified bidders; and

(b) through single envelope two stage method post-qualification-

- i. in the first stage, each bid shall comprise of a single package containing envelope marked as technical proposal;
- ii. the technical proposals will be evaluated in accordance with the evaluation criteria set forth in the bid solicitation document. A list of qualified and unqualified bidders will be formulated at the end of first stage;
- iii. following approval of the results of first stage, financial proposals will be solicited from qualified bidders in the second stage. The bidders will be required to submit financial proposal in a single envelope or package clearly marked as financial proposal in bold and legible letters to avoid confusion; and
- iv. the lowest offer from the qualified bidder shall be accepted for award of the contract and will be the best evaluated bid.

As general practice market analysis were required to be made before the payment for non scheduled items. As clarified by the Collectorate of Sales Tax & Federal Excise, Hayatabad Peshawar vide C.No ST(Tech) Misc. Purchase 06/6097 dated 10.10.2006, the materials supplied by unregistered supplier & used in such services are chargeable to Sales Tax @ 16 % to the Sales Tax Act, 1990.



Chief Municipal Officer (CMO), Municipal Committee (MC) Hangu paid Rs 21,600,000 on account of purchase of Diesel Generators and Submersible Pumping Machinery in various works during the year 2013-14 as detailed in annexure-3.

- i. The Diesel Generators were required to be purchased from the manufacture/ authorized dealer or pre qualified firms to avoid middleman profit.
- ii. Market and rate analysis were not carried out before the purchase of machinery.
- iii. Sufficient time was not provided to the bidders as next day of the publishing the NIT was fixed for bidding.
- iv. Sales tax of Rs 3,456,000 @16% was also not deducted on account of purchase of Diesel Generator & Pumping Machinery.

Irregularity and non deduction of taxes occurred to non compliance of rules of the Government.

When reported in July 2014, it was replied that supply and fixing were exempted if they were scheduled items. Reply was not correct as items were not scheduled items.

Request for convening DAC meeting was made on 04-08-2014 but no response was received from Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March, 2015.

Audit recommends fixing responsibility on the person(s) at fault and recovery of the sales tax.

**AP No. 03(2013-14)**

**1.2.1.2 Non-realization of revenue on account of CNG & petrol pumps NOC and annual renewal fee-Rs 5.56 million**

According to Government of Khyber Pakhtunkhwa, Local Government Department letter No.AO-II/LCB/2-15/2008 dated 07-04-2008 rate of tax on

installation of CNG and Petroleum/Diesel filling stations in the jurisdiction of MCs at District Hangu as mentioned below:-

Existing Rate of Tax (Rs)		Approved Rate of Tax (Rs)	
NOC Fee	Annual Fee	NOC Fee	Annual Fee
200,000	80,000	200,000	80,000

CMO, MC Hangu did not recover Rs 5,560,000 on account of fee for issuing of NOC and annual renewal fee for the installation of CNG and Petrol Pumps in area falling under the jurisdiction of MC Hangu during 2013-14 as per detail given at annexure-4.

Non realization of receipts occurred to non compliance of Government instructions.

When reported in July 2014, it was replied that the imposition of tax on CNG and Petrol pumps was intimated by Local Council Board (LCB) but due to clerical mistake, the tax was imposed on very high side and the CNG/Petrol Pumps dealers were quite reluctant to pay the outstanding NOC and annual fee despite of repeated requests/notices. Reply was not convincing as the taxes were not collected.

Request for convening DAC meeting was made on 04-08-2014 but no response was received from Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in January, 2015.

Audit recommends fixing responsibility on the person(s) at fault and recovery of outstanding fees.

**AP No.04 (2013-14)**

**1.2.1.3 i. Non recovery of receipt from the contract of load unload tax- Rs 1.70 million**

**ii. Non imposition of penalty- Rs 0.171 million**

According to Para 8 and 26 of the General Financial Rules Volume I, each administrative department to see that the dues of the Government are correctly and promptly assessed, collected and paid into Government Treasury. And According to Sub-Section IV(b) Part-II of the Terms & Conditions of Contract, notified vide Local Government Department Khyber Pakhtunkhwa memo No.AO-II/LCB/6-11/2009 dated 12-01-2009, the contractor will have to deposit the monthly installment on the last day of the month failing which penalty of 1% per day for the late deposit will be imposed.

CMO, MC Hangu awarded the load unload contract for Rs 3,512,000 to a contractor during the year 2013-14. Out of the total auctioned amount the contractor deposited an amount of Rs 1,806,800 upto the month of October 2013 as per DCR of the MC Hangu. The remaining amount of Rs 1,705,200 was still outstanding against the contractor and the local office failed to recover the balance amount along with penalty @ 1% per day of Rs 170,520 till the date of audit i.e July 2014.

Non recovery of receipts occurred due to non compliance of Government rules and instructions.

When reported in July 2014, the department replied that after awarding the contract the contractor concerned started tactics for non depositing the monthly installment and he was time and again informed verbally and through notices to deposit the monthly installments upto the 5<sup>th</sup> of each month as per Agreement deed, but in vain. Resultantly FIR was lodged against the contract for the breach of contract agreement deed. The matter is under investigation and awaiting for litigation process in the court. The contractor is miss interpreting the judgment of August Supreme Court of Pakistan, as well as professional litigation with 5/6 FIR in Police Station Thall against him due to his corrupt practices.

Strict action hereby recommended against the contractor concerned. However the amount was still outstanding and required to be recovered from the contractor concerned.

Request for convening DAC meeting was made on 04-08-2014 but no response was received from Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March, 2015.

Audit recommends recovery of the outstanding amount along with penalty from the contractor and action against the person(s) at fault.

**AP No.06 (2013-14)**

**1.2.1.4 Non deduction of old material cost- Rs 0.901 million**

As per practice in vogue 5% old material cost will be deducted from the contractor bill.

CMO, MC Hangu incurred an expenditure of Rs 18,032,620 for rehabilitation of various water supply schemes including replacing the old machinery and various dias GI pipes in district Hangu during 2013-14. Old material cost @5% was not deducted from the contractor bills, resulting into loss to the government amounting to Rs 901,630 detail given at annexure-5.

Non recovery old material cost occurred due to weak administrative control.

When pointed out in July 2014, the management stated that repair and rehabilitation of Water Supply schemes and distribution system had been replaced and 5% old material cost would be made from the contractors' final bills and would be shown to audit.

Request for convening DAC meeting was made on 04-08-2014 but no response was received from Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March, 2015.

Audit recommends recovery of the old material cost and action against the person(s) at fault.

**AP No.12 (2013-14)**

## **1.2.2 Internal Control Weaknesses**

### **1.2.2.1 Loss to government due to deterioration/non utilization of costly machinery- Rs 14.60 million**

According to Para 151 of GFR Vol.-I, the head of an office entrusted with store should take special care for arranging for their safe custody, for keeping them in good conditions and for protecting them from loss, damage or deterioration. Suitable accommodation should be provided more particularly for valuable and combustible stores.

CMO, MC Hangu spent Rs 14,600,000 on account of purchase of Diesel Generators for various water supply schemes which remain idle due to non availability of POL Budget for the high consumption of these generators. Thus purchase was made without proper need assessment and its operation & maintenance, detail given at annexure-6.

Non utilization of heavy machinery occurred due to weak internal controls.

When reported in July 2014, Management stated that the supply and fixing of the generator under the project i.e, repair and rehabilitation of water supply schemes at Hangu was proposed and being implemented to reduce the emergent situation of the district Hangu in general and Hangu Urban area in particular with reference to law and order situation. The Generators were not in operation till the date of audit.

Request for convening DAC meeting was made on 04-08-2014 but no response was received from Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March, 2015.

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

**AP No. 15 (2013-14)**

### **1.2.2.2 Non-recovery of water user charges –Rs 13.404 million**

According to Para 8 and 26 of the General Financial Rules Volume I, each administrative department is required to see that the dues of the Government

are correctly and promptly assessed, collected and paid into Government Treasury.

CMO, MC Hangu did not recover the long outstanding water charges amounting to Rs 13,404,846 from the users of water supply schemes upto 30<sup>th</sup> June, 2014. Detail is given below;

S.No	Period	House Connections	Amount (Rs)
01	2013-14	1050 @ Rs 150 PM * 12	1,890,000
02	Previous Year Outstanding	1060 @ Rs 150 PM	11,570,254
03	Less: Recovery in 2013-14	--	(55,408)
<b>Total outstanding amount of water charges</b>			<b>13,404,846</b>

Non recovery of water user charges due to weak internal controls.

When reported in July 2014, management stated that reply would be furnished after consulting the record. However, no progress was intimated.

Request for convening DAC meeting was made on 04-08-2014 but no response was received from Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March, 2015.

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

**AP No. 05 (2013-14)**

**MUNICIPAL COMMITTEE THALL**

### **1.3 Audit Paras of Municipal Committee Thall**

#### **1.3.1 Non Production of Record**

##### **1.3.1.1 Non Production of Record-Rs 13.175 million**

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

CMO, MC Thall paid Rs 5,175,000 and Rs 8,000,000 for the execution of various developmental schemes under RAHA Project and Bonus Fund respectively during the year 2012-13 and 2013-14. Record in support of expenditure was not produced for audit despite repeated requests.

The veracity of the expenditure could not be authenticated due to non production of record.

When reported in August 2013, Management stated that reply would be furnished after consulting the record. Reply was not convincing as the record was available but not produced for audit.

Request for convening DAC meeting was made on 18-08-2014 but no response was received from Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March, 2015.

Audit recommends fixing responsibility on the person(s) at fault under intimation to Audit.

**AP No.27 (2013-14)**



## **1.3.2 Irregularity & Non-compliance**

### **1.3.2.1 Irregular award of contract due to limited competition- Rs 20.40 million**

According to Rule (1) of the methods of Procurement Chapter II of the Khyber Pakhtunkhwa Public Procurement Authority Rules 2014 the procurement entity shall engage in open competitive bidding if the cost of the object to be procured is more than the financial limit which is applicable under rule 10. Procurement from Rs 100,000 to Rs. 2.5 million shall be posted on the procuring entity's website or Authority website or both. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring entity. (2) For all procurement, other than those being covered by rule 10 shall be advertised in print media, appearing in at least one national English and one Urdu daily newspaper with nationwide circulation along with advertising the same either on the procuring entity or Authority website or both. The procuring entity may decide the response time for receipt of bids or proposals including proposals for pre-qualification from the date of publication of an advertisement or notice, keeping in view the contract's complexity, and urgency. However, under no circumstances the response time shall be less than fifteen days for national competitive bidding from the date of publication of advertisement or notice in the national newspaper.

CMO, MC Thall awarded developmental schemes worth Rs 20,400,000 under Oil and Gas Royalty fund as per detail given at annexure-7 during the period 2012-14. According to the NIT published on 15-11-2012, the date for issuance of tender forms was 19-11-2012 and the date of opening of the tender forms was 20-11-2012 i.e next day to the issuance of the tender forms. Same three bidders participated in tendering for every developmental work and one contractor Mr. Jasim Rehman was awarded all the schemes as detail given at annexure-8. Audit holds that neither minimum required 15 days response time was given nor advertisement was published in print media, appearing in at least one national English and one Urdu daily newspaper with nationwide circulation along with advertising the same either on the procuring entity or Authority

website or both in order to achieve the economy and efficiency in the execution of developmental schemes.

Irregular award of developmental schemes occurred due to non compliance of rules.

When reported in August 2014, management did not furnish reply.

Request for convening DAC meeting was made on 18-08-2014 but no response was received from Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March, 2015.

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

**AP No.23 (2013-14)**

### **1.3.2.2 Non deduction of sales tax -Rs 1.021 million**

According to section 3 of Sales Tax Act, 1990 requires to recover the sales tax @ 16% of the value of taxable supplies made by registered persons in the course or furtherance of any taxable activity carried out by him.

CMO, MC Thall paid Rs 6,332,628 on account of Supply & fixing of Poly Vinyl Chloride (PVC) Pipes, and Pumping machinery and water tanks in various water supply schemes executed during the year 2012-13 and 2013-14. Neither the sales tax invoices were produced nor sales tax @ 16% amounting to Rs 1,021,216 deducted from the contractors as per detail in Annexure-8.

Non deduction of sales tax occurred due to non compliance of Government rules.

When reported in August 2014, management did not furnish reply.

Request for convening DAC meeting was made on 18-08-2014 but no response was received from Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March, 2015.

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

**AP No.21 (2013-14)**

### **1.3.3 Internal Control Weaknesses**

#### **1.3.3.1 Non-recovery of long outstanding water user charges –Rs 3.89 million**

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.

CMO, MC Thall did not recover the long outstanding water user charges amounting to Rs 3,886,600 from the user of water supply schemes upto 30<sup>th</sup> June 2014.

Non recovery of water user charges occurred due to weak internal controls. When reported in August 2014, management did not furnish reply.

Request for convening DAC meeting was made on 18-08-2014 but no response was received from Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March, 2015.

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

**AP No. 18(2013-14)**

**DISTRICT COUNCIL HANGU**

#### **1.4 Audit Paras of District Council Hangu**

##### **1.4.1 Non Production of Record**

###### **1.4.1.1 Non Production of record-Rs 4.3 million**

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

CCO District Council Hangu paid Rs 4,310,000 for the execution of various developmental schemes under Oil and Gas Royalty fund during the year 2013-14. Record in support of the expenditure was not produced for audit despite repeated requests.

The veracity of the expenditure could not be authenticated due to non production of record.

When reported in August 2014, Management stated that reply would be furnished after consulting the record. Reply was not convincing as the record was available but not produced for audit.

Request for convening DAC meeting was made on 28-08-2014 but no response was received from Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March, 2015.

Audit recommends fixing responsibility on the person(s) at fault under intimation to Audit.

**AP No. 45(2013-14)**

## ANNEXURES

### Annexure-1

#### DETAIL OF MFDAC

(Rs in million)

S.No	Department	AP No	Caption	Amount (Rs)
1	MC Hangu	07	Loss due to less realization of revenue from 2% Mutation fee	1.092
2		10	Irregular Execution of work and unauthorized payment without Technical Sanction	32.813
3		11	Irregular purchase of Machinery for WSSs	12.431
4		14	Loss to Government due to purchase of substandard Pumping Machinery	7.00
5	MC Thall	16	Loss to the Government due to less realization of revenue	1.270
6		20	Irregular Execution of work and unauthorized payment without Technical Sanction	11.70
7		22	Overpayment on account of allowing higher Rate	0.685
8		24	Irregular Expenditure and unauthorized deduction of contingency	19.422
9		25	Non Utilization of Developmental Fund	1.150
10		26	Un-authorized repair works out of ADP fund	2.475
11		28	Unauthorized payment through Cash transaction	48.168
12		29	Unauthorized Advance payment and non recovery of Interest	4.23
13		35	Irregular expenditure on account of developmental work through Project Leaders	4.20
14	District Council Hangu	37	Irregular expenditure without adopting open Tender system	1.471
15		38	Irregular Payment on account of advance to staff against the expenditure	1.023
16		46	Irregular expenditure on account of Pay and allowances through DDO	7.560

## Audit Impact Summary

S.No	Rules/System/Procedure	Audit Impact
1	The Auditor General has the authority to require any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to transactions to which his duties in respect of audit extent.	DAC meetings could not be convened due to which audit impact is not visible.
2	According to GFR, all dues of the Government should be correctly and promptly assessed, collected and paid into Government Treasury.	-do-
3	According to KPPRA Rules 2014, in case of procurement of complex or specialized goods either of the two methods may be adopted;  (a) pre-qualification of prospective bidders and invitation of bids from the pre-qualified bidders; and  (b) through single envelope two stage method post-qualification.	-do-
4	Sales Tax Act, 1990 requires to recover the sales tax @ 16% of the value of taxable supplies made by registered persons in the course or furtherance of any taxable activity carried out by him.	-do-
5	According to methods of Procurement of the Khyber Pakhtunkhwa Public Procurement Authority Rules 2014, the procurement entity shall engage in open competitive bidding if the cost of the object to be procured is more than the financial limit.	-do-

**Annexure-3****(1.2.1.1)****Detail of Non Scheduled Items and Non Deduction of Sales Tax**

<b>S.No</b>	<b>Name of work</b>	<b>NSI Item</b>	<b>Vr.No &amp; Date</b>	<b>Value of NSI Item</b>	<b>Sales Tax</b>
01	Rehabilitation of WSS at Gulshan Colony	Submersible Pump Machinery	4th Running Bill 06-02-2014	1,000,000	160,000
02	-do-	Diesel Generator 60 KVA	-do-	3,650,000	584,000
03	Rehabilitation of WSS at Old Police Line	Submersible Pump Machinery	3rd Running Bill 27-01-2014	1,000,000	160,000
04	Rehabilitation of WSS at Gulshan ColoneyNo.2	Submersible Pump Machinery	4th Running Bill 06-02-2014	1,000,000	160,000
05	-do-	Diesel Generator 60 KVA	-do-	3,650,000	584,000
06	Rehabilitation of WSS at Girls college Hangu	Submersible Pump Machinery	4th Running Bill 06-02-2014	1,000,000	160,000
07	-do-	Diesel Generator 60 KVA	-do-	3,650,000	584000
08	Rehabilitation of WSS at Near Bus Stand	Submersible Pump Machinery	3rd Running Bill 27-12-2013	1,000,000	160,000
09	Rehabilitation of WSS at Umer abad Hangu	Submersible Pump Machinery	4th Running Bill 27-01-2014	1,000,000	160,000



10	Rehabilitation of WSS at Hayatabad Hangu	Submersible Pump Machinery	4th Running Bill 06-02-2014	1,000,000	160,000
11	-do-	Diesel Generator 60 KVA	-do-	3,650,000	584,000
<b>Total</b>				<b>21,600,000</b>	<b>3,456,000</b>

**Annexure-4****(1.2.1.2)****Detail of outstanding NOC/Annual Renewal Fee for CNG/Petrol Pumps for the year 2013-14**

S.No	Name of CNG/Petrol Pump	Outstanding NOC Fee (Rs.)	Annual Fee (Rs.)	Outstanding Amount (Rs.)
01	Mr. Malik Ahmed Hussain S/O Haji Gul, R/O CNG Station	200,000	160,000	360,000
02	Zahida Perveen, CNG Station Near Gul Flour Mill Hangu	200,000	160,000	360,000
03	Shah Hussain Khan S/O Ghulam Hussain Khan, CNG Pump	200,000	160,000	360,000
04	M.Ameen S/O M.Sadeeque Resident of Bahader Banda	200,000	160,000	360,000
05	Abdul Mateen Khan Opposite DCO Office Hangu, CNG Pump	200,000	160,000	360,000
06	Proprietor Al-noor Petrol Pump Hangu Thall Road	200,000	160,000	360,000
07	Proprietor Qazi Petrol Pump Hangu Thall Road	200,000	160,000	360,000
08	Proprietor Fuji Filling Station Opposite Alshifa Medical Centre	200,000	160,000	360,000
09	Proprietor Petrol Pump Kachaa Pakka village Kahi Hangu	200,000	160,000	360,000
10	Proprietor Shell Petrol Pump Near Alfarooq Masjid	200,000	160,000	360,000
11	Proprietor Shahid Petrol Pump near FC Ground	200,000	160,000	360,000
12	Fazal Qayum Petrol Pump Opposite PTC Ground Hangu	200,000	160,000	360,000
13	Proprietor Petrol Pump Village Raisaan	200,000	160,000	360,000
14	Kalaya Filling Station Raisaan	200,000	160,000	360,000
15	Proprietor PSO Pump Samana Road Hangu	200,000	160,000	360,000
16	Proprietor Malik CNG station Kohat road Hangu	0	160,000	160,000
<b>Total</b>		<b>3,000,000</b>	<b>2,560,000</b>	<b>5,560,000</b>

**Annexure-5 (1.2.1.4)****Detail of Non Recovery of Old Material Cost for the year 2013-14**

<b>S.No</b>	<b>Name of Scheme</b>	<b>Name of Contractor</b>	<b>Bill No &amp; Date</b>	<b>Expenditure upto date</b>	<b>5% Cost of Old Materials</b>
01	Rehabilitation of WSS Near Bus Stand	Anwer Sadaat	3 <sup>rd</sup> Running Bill	4,462,782	223,139
02	Rehabilitation of WSS at Gulshan Coloney (machinery)	Fateh Sher	2 <sup>nd</sup> Running Bill	1,000,000	50,000
03	Rehabilitation of WSS at Gulshan ColoneyNo.2 (machinery)	Aftab & Co	2 <sup>nd</sup> Running Bill	1000,000	50,000
04	Rehabilitation of WSS at Girls college Hangu (machinery)	RIF contractor	2 <sup>nd</sup> Running Bill	1000,000	50,000
05	Rehabilitation of WSS at Old Police Line	RIF Contractors	3 <sup>rd</sup> Running Bill	4,927,658	246,382
06	Rehabilitation of WSS Umer Abad	Aftab & Co	4 <sup>th</sup> Running Bill	4,642,180	232,109
07	Rehabilitation of WSS Hayatabad (machinery)	Fateh Sher	2 <sup>nd</sup> Running Bill	1,000,000	50,000
<b>Total</b>				<b>18,032,620</b>	<b>901,630</b>

**Annexure-6 (1.2.2.1)****Detail of Non Utilization of Machinery for the year 2013-14**

<b>S.No</b>	<b>Name of work</b>	<b>Type of Machinery</b>	<b>Vr. No &amp; Date</b>	<b>Value of Machinery</b>
01	Rehabilitation of WSS at Gulshan Colony	Diesel Generator 60 KVA	4 <sup>th</sup> Running Bill 06-02-2014	3,650,000
02	Rehabilitation of WSS at Gulshan ColonyNo.2	Diesel Generator 60 KVA	4 <sup>th</sup> Running Bill 06-02-2014	3,650,000
03	Rehabilitation of WSS at Girls college Hangu	Diesel Generator 60 KVA	4 <sup>th</sup> Running Bill 06-02-2014	3,650,000
04	Rehabilitation of WSS at Hayatabad Hangu	Diesel Generator 60 KVA	4 <sup>th</sup> Running Bill 06-02-2014	3,650,000
<b>Total</b>				<b>14,600,000</b>

**Annexure-7(1.3.2.1)**

**Detail of Irregular Award of Contracts of Developmental Schemes**

<b>S.No</b>	<b>Fund</b>	<b>Name of Scheme</b>	<b>Estimated Cost</b>	<b>Expenditure Incurred</b>	<b>Nos of Contractors Participated</b>
01	Gas Royalty 2012-13	Water Supply Pipe Line Sara Zamaka	2,500,000	2,500,000	1.Jasim Rehman, 2.Tahir Noor. 3.Abdul wadood
02	-do-	PCC road UC urban Thall	2,000,000	2,000,000	-do-
03	-do-	PCC road Naryab-I	1,400,000	1,400,000	-do-
04	-do-	PCC road at Darsamand	1,400,000	1,400,000	-do-
05	-do-	PCC road at Dalan	1,500,000	1,500,000	-do-
06	-do-	PCC road Naryab-II	1,400,000	1,400,000	-do-
07	-do-	Water Tank at Darsamand	1,500,000	1,500,000	-do-
08	-do-	BT road sara khana Thora wari	3,200,000	3,200,000	-do-
09	-do-	BTR road Mitha khel Tora wari	2,000,000	2,000,000	-do-
10	-do-	BTR Road Musali Zari Torawari	2,000,000	2,000,000	-do-
11	-do-	PCC Road Darsamand	1,500,000	1,500,000	-do-
<b>Total</b>			<b>20,400,000</b>	<b>20,400,000</b>	

**Annexure-8**

**(1.3.2.2)**

**Detail of Non Deduction of Sales Tax on Pipes and Machinery for the year  
2013-14**

S.No	Fund	Name of Scheme	Item Supplied	Quantity Meters/Nos	Amount (Rs.)	Sales Tax (Rs.)
01	Gas Royalty	WSS Pipe line Sara Zamaka	S/F 2" PVC Pipes	8700 Meters	2500,000	400,000
02	TKPP	S/F of Engine Pump at sarozai	S/F 2" PVC Pipes	211 Meters	56,337	9,013
			S/F of 24HP Diesel Engine	01 Nos	41,000	6,560
03	-do-	Installation of Hand Pumps at Naryab -I	S/F PVC Pipe 4" dia	217 M	108,924	17,427
			S/F of 2" PVC Pipe dia	217 M	58,254	9,320
04	PWP	Installation of Pressure Pump at Thall	S/F PVC Pipe 6" dia	350 M	567,350	90,776
			Supply of pumps	07 Nos	245,000	39,200
05	-do-	Installation of Pressure pumps at Naryab-I	S/F PVC Pipe 6" dia	370 M	599,770	95,963
06	-do-	Installation of Pressure pumps at Tora wari	S/F PVC Pipe 6" dia	360 M	583,560	93,369
			Supply of pumps	06 Nos	210,000	41,600
07	DADP 25% 2012-13	Installation of HP at Doaba	S/F PVC Pipe 4" dia	326 M	163,000	26,080
			S/F PVC Pipe 2" dia	326 M	87,042	13,926
			S/F Hand Pumps	09 Nos	162000	25,920

08	DADP 2012- 13 savings	Installation of HP at Karbogha	S/F PVC Pipe 4" dia	273 M	136,500	21,840
			S/F PVC Pipe 2" dia	273 M	72,891	11,662
			S/F Hand Pumps	08 Nos	144,000	23,040
09	-do-	Open Well at Sama Banda Karbogha	S/F of 16HP Diesel Engine	01 Nos	45,000	7,200
10	-do-	WSS pipe line zargari	S/F PVC Pipe 4" dia	191 M	95,500	15,280
11	-do-	Open well Karbogha	S/F of 16HP Diesel Engine	01 Nos	45,000	7,200
12	-do-	Supply of plastic Water Tanks 300 Gallons Chapri waziran	Supply of Water Tanks 300 Gallons	15 Nos	245,000	39,200
13	-do-	Laying of Pipe line at Regi Medi Khel Darsamand	Supply of 2" PVC Pipes	579 M	166,500	26,640
<b>Total</b>					<b>6,332,628</b>	<b>1,021,216</b>