



**AUDIT REPORT
ON
THE ACCOUNTS OF
LOCAL GOVERNMENTS &
KARAK DEVELOPMENT AUTHORITY
DISTRICT KARAK**

AUDIT YEAR 2020-21

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AD	Assistant Director
ADP	Annual Development Programme
AGP	Auditor General of Pakistan
APPM	Accounting Practices and Procedures Manual
AIR	Audit and Inspection Report
BD Shah	Banda Daud Shah
BHUs	Basic Health Units
CD	Civil Dispensary
CMD	Chief Minister Directives
CPWA Code	Central Public Works Accounts Code
CTR	Central Treasury Rules
DAO	District Accounts officer
DAC	District Accounts Committee
DC	Deputy Commissioner
DDO	Drawing and Disbursing Officer
DEO	District Education Officer
DDEO	Deputy District Education Officer
DG	Director General
DHO	District Health Officer
INTOSAI	International Organization of Supreme Audit Institutions
LGA	Local Government Act
LGE&RDD	Local Government Election & Rural Development Department
MFDAC	Memorandum for Departmental Accounts Committee
NAC	Neighborhood Accounts Committee
NBP	National Bank of Pakistan
NC	Neighborhood Council
OPD	Outdoor Patient Department
PAC	Public Accounts Committee
PAO	Principal Accounting Officer

PESCO	Peshawar Electric Supply Company
PFC	Provincial Finance Commission
PHED	Public Health Engineering Department
PLA	Personal Ledger Account
RDA	Regional Directorate of Audit
RHC	Rural Health Centre
SDG	Sustainable Development Goals
TAC	Tehsil Accounts Committee
THQ	Tehsil Head Quarter
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TO(R)	Tehsil Officer Revenue
VAC	Village Accounts Committee
VC	Village Council

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 Governments of each District of the Khyber Pakhtunkhwa.

The report is based on audit of the accounts of offices of District Government, Tehsil Municipal Administrations, Assistant Director Local Government, Elections and Rural Development Department Village Councils and Neighborhood Councils and Development Authority, in District Karak for the financial year 2019-20. The Director General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit during 2020-21 on test check basis with a view to report significant findings to the relevant stakeholders. The main body of the audit report includes systemic issues and significant audit findings. Relatively less significant issues are listed in Annex-1 of the Audit Report. The audit observations listed in Annex-1 shall be pursued with the Principal Accounting Officers at the DAC level. In all cases where Principal Accounting Officers do not initiate appropriate action, the audit observations will be brought to the notice of appropriate forum through the next year's Audit Report.

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

Some of the observations included in this report were finalized in the light of written replies of the departments whereas in most of the cases the departments did not submit written replies till finalization of this report. DAC meeting were also not convened despite reminders.

The Audit Report is submitted to the Governor, 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, (amended in 2019) for laying before the appropriate legislative forum.

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit District Governments, Khyber Pakhtunkhwa carries out the audit of Local Governments in 35 districts of Khyber Pakhtunkhwa. Regional Directorate of Audit (RDA) Kohat on behalf of the DG Audit District Government, Khyber Pakhtunkhwa carried out the audit of audit of Local Government of five districts namely; Kohat, Karak, Hangu, Orakzai and Kurram.

This office is mandated to conduct regularity audit (financial attest audit and compliance with authority audit), performance audit and special studies.

Local Governments of District Karak consist of three tiers which perform their operations under Khyber Pakhtunkhwa Local Government Act 2013 (amended in 2019). Financial provisions of the Act describe the Local Consolidated Fund and Public Account for which annual Budget Statement is approved by the respective councils in the form of budgetary grants. Top Tier- the District Government comprises one Principal Accounting Officer (PAO) i.e. Deputy Commissioner for the District Government, who is officer in charge (Administrator) of 76 devolved departments including AD Local Government Election & Rural Development Department. The second Tier- Town/Tehsil Municipal Administrations have one PAO i.e. Town/Tehsil Municipal Officer (Administrator) for each administration. There are three Tehsils administrations in district Karak. The third Tier-village and neighborhood Councils have AD LGE & RDD as Principal Accounting Officer (Administrator) for these councils. There are 61 VCs/NCs in district.

In addition district Karak has one development authority i.e. Karak Development Authority for which secretary LGE&RDD is the PAO.

a. Scope of audit

This office is mandated to conduct audit of 76 formations working under - 6 PAOs. Total expenditure and receipts¹ of these formations were Rs. 5,733.75 million and Rs. 79.053 million, respectively for the financial year 2019-20.

¹ District Government has no receipt

Audit coverage relating to expenditure for the current audit year comprises 15 formations of 6 PAOs having a total expenditure of Rs. 1,413.49 million for the financial year 2019-20. In terms of percentage, the audit coverage for expenditure is 24.65 % of auditable expenditure.

Audit coverage relating to receipt for the current audit year comprises 4 formations of 4 PAOs (KDA & 3 TMAs) having a total receipt of Rs. 79.053 million for the financial year 2019-20. In terms of percentage, the audit coverage for receipt is 100% of auditable receipt.

In addition to this compliance audit report, Directorate of District Audit conducted Financial Attest audits, Performance Audits and special Studies for which reports are being published separately.

b. Recoveries at the Instance of Audit

As a result of audit, a recovery of Rs59.066 million was pointed out in this report. No recovery was affected till finalization of this report.

c. Audit Methodology

Audit was conducted according to INTOSAI guidelines for compliance audit and Financial Audit Manual of AGP.

Audit procedure employed to obtain evidence were inspections, analytical procedures, observations and computations.

d. Audit Impact

As result of Audit no substantial impact was noticed as the management did not convene the DAC meeting. The departments failed to implement corrective measures in shape of financial management and to establish effective internal control system. Therefore irregularities noticed during the current audit were of identical nature as pointed out during the preceding years.

e. Comments on Internal Control

Internal control is designed to address risks and to provide reasonable assurance that, pursuit of entity's mission, its objectives are being achieved.

Comments on the five components of internal control are given below.

The organizational structure followed in the local Government Offices was according to the LGA 2013.

No activity i.e. risks identification, risk evaluation and appropriate responses were carried out in the local government.

Accounts were not reconciled with the DAO by TMAs. No review was carried out of the performances.

Internal and external communications followed Government instructions. However, TMAs did not follow the accounting procedure given in the APPM.

No system of monitoring was found to track the progress of District Government towards its objectives. No internal Auditor was appointed. Annual Review of internal control was also not carried out.

d. Key audit findings of the report

- i. Non compilation/consolidation of accounts of local Governments- Rs101.086 million²
- ii. Unauthorized payments to DDOs instead of crossed cheques to vendors - Rs 193.245 million³
- iii. Unverified payments of arrears of pay and allowances- Rs2.858 million⁴
- iv. Misappropriation was noticed in one case amounting to Rs 7.778 million⁵
- v. Irregularities were noticed in nine cases amounting to Rs232.138million.⁶
- vi. Cases related to values for money were noticed in three cases amounting to Rs48.191 million.⁷
- vii. Others, including non-deposits and non-recovery were noticed in fourteen cases amounting to Rs314.337 million.⁸

² Para 1.2.1

³ Para 1.2.2

⁴ Para 1.2.3

⁵ Para 4.5.1.1

⁶ Para 2.5.1.1 to 2.5.1.3, 3.5.1.1 to 3.5.1.5, 5.5.1.1

⁷ Para 2.5.2.1, 3.5.2.1, 4.5.2.1

⁸ Para 2.5.3.1, 2.5.3.2, 3.5.3.1 to 3.5.3.8, 4.5.3.1, 5.5.2.1 to 5.5.2.3

Minor irregularities/weaknesses pointed out during the audit are being pursued separately with the authorities concerned, as detailed at Annex-1.

Recommendations

- i. TMAs accounts need to be consolidated at DAO.
- ii. All payments need to be made through crossed cheques to vendors.
- iii. Departments need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc. to ensure that lapses of the kind reported in this audit report are preempted and fair value for money is obtained from public spending.
- iv. Departments need to implement all the components of internal control for ensuring effective and efficient utilization of public money.
- v. Strenuous efforts need to be made by the departments to recover outstanding dues on account of rent of shops, revenue contracts and income tax.

CHAPTER-1

Public Financial Management

1.1 Sectoral Analysis

Introduction

After promulgation of Local Government Act, 2013, Local Government elections were held in 2015, which resulted in formation of three tiers of government in each district of Khyber Pakhtunkhwa. On the expiration of tenure of the district councils, tehsil councils and village and neighborhood councils in the province, Local Government, Election and Rural Development department in its notification dated 4th September, 2019 authorized the DCs, TMOs and Assistant Directors Local Government and Rural Development Department to perform functions of respective Nazameen under local Government Act 2013, till formation of new elected local Government.

In the light of LGE&RDD's notification dated 4th September, 2019 District Karakis headed by Deputy Commissioner who is Principal Accounting Officer of the budget grant allocated to the 10 offices devolved at district level. Similarly, Town Municipal Administration is headed by Town Municipal Officer who is the Principal Accounting Officer for the Town Municipal Administration whereas Assistant Director LGE&RDD is the Principal Accounting Officer for Village/Neighborhood Councils.

In District Karak, Funds amounting to Rs.5,977.62 million were allocated to 76 formations working under 06 PAOs. Out of which, expenditure of Rs. 5,733.75 million was made resulting into saving of Rs 243.87 million. Receipts of Rs. 79.053 million were collected through these formations (TMAs & KDA) during the financial year 2019-20. Audit coverage relating to expenditure for the current audit year comprises 15 formations of 06 PAOs having a total expenditure of Rs. 1,413.49 million for the financial year 2019-20. In terms of percentage, the audit coverage for expenditure is 24.65% of auditable expenditure. Similarly, audit coverage for receipts is 100%.

According to Section 36(3) of Local Government Act 2013, the District Accounts Officer was required to consolidate accounts of Local Government on quarterly and annual basis. However, District Accounts Officer, Karak did not reflect Rs. 310.406 million into the consolidated financial statement of Local Government, Karak. Similarly, the development expenditure of Rs. 162.818 million was presented under operating expenses, whereas, this should have been presented under the head “Physical Assets and Civil Works”.

District Government, Karak was found lagging behind in many areas envisioned as integral component of the Local Government in the Khyber Pakhtunkhwa Local Government Act 2013 (amended in 2019). The District Government could not establish & maintain Public Fund account as required under section 30 of LGA 2013 (amended in 2019). Similarly, it also failed to prepare, present and approve the budget estimates of receipts from district council for District Government, Karak as required under section 18 of LGA 2013. Most importantly, Finance Department, Khyber Pakhtunkhwa could not provide District Account Office, Karak with prescribed format and necessary trainings to compile the accounts of TMAs and Village/Neighborhood councils and then reflect the same in the consolidated financial statement of the district, which resulted in disclaimer of its accounts by the Auditor General of Pakistan. Moreover, Internal Audit function could not be established as provided in sub section 4 of section 37 of LGA 2013 (amended in 2019), as internal auditors were not posted in the District and Tehsil Councils. In addition, Asset management by District Government was yet another area it could not address as required under section 38 of the LGA 2013 (amended in 2019).

The Local government provided services in the following sectors.

Education

The education sector is one of the major sectors in District Karak like other districts. Statistics show that there are 777 primary, 90 middle, 84 secondary and 17 higher secondary schools in District Karak. The estimated Teacher Student Ratio is 1:41 at primary, 1:63 at middle, 1:27 at secondary and 1:26 at the level of higher secondary schools. District Karak literacy rate is 64% the Gross Enrollment Rate (GER) is 52%, and the Net Enrollment Rate (NER) is

58% at the primary level. On budgetary front, District Education office, Karak succeeded in spending 100% of the District ADP and 89% non-salary budgets.

District Education Offices in Karak enrolled 116056 in boys schools while 77069 students were enrolled in female Government schools. Similarly, annual average of teacher's attendance rate and student attendance rate as per independent Monitoring Unit (IMU) data were approximately 88% & 71% respectively. Furthermore, 75% schools in district Karak were provided with all basic facilities like classrooms, water supply, group latrine, boundary walls and electrification. However, administrative visits of DEO, DDEO and SDEO were 34% against the assigned target.

Health

Health is another important sector of District Karak with a total of 32 health facilities spread across the district among which 19 BHUs, 02 CDs, 04 RHC and 04 THQs/Category-D hospitals.

The Department of Health has established an "Independent Monitoring Unit" for continuous monitoring of the performance of health facilities through its field based Data Collection Assistants and District Monitoring Officers. Department twice examines data collected through various sources to improve efficiency and effectiveness in the business processes of service delivery.

On mother and child health care front, 4,546 babies were born in health centers. Lab investigations and diagnostic facilities were also fully utilized as 36,102 lab tests, 14,347 X-rays, 836 ultrasounds and 328 ECGs were done in both primary and secondary health centers in district Karak. Figures of immunization are also very impressive as 6,226 pregnant women received TT-2 vaccines, 11,415 kids under 12 months received full immunization. 1,541 families were provided family planning services. Human resource data from facility records revealed that these health centers were amply provided with medical officers and paramedics as only very few positions were found vacant. As these facilities were frequently visited by patients so they also generated good revenue from OPD services, indoor patients' treatment and other lab investigations etc.

Social Welfare

In Social Welfare and Women Empowerment sector, budgetary allocations were focused on providing social cushion to the deprived and marginalized segments of society especially, women and children. In the proposed development plan, the department had continued to proceed with its ongoing projects which included schemes for the wellbeing and safeguarding of destitute women, orphans, beggars, drug addicts and special persons.

There was one (1) Dar-ul-Kafala for beggars with the objective to rehabilitate male and females beggars mostly orphan by provision of various services in order to control beggary and to impart vocational training in tailoring. In Karak no beggar were benefited from this facility. Rehabilitation center for drug addicts has 12 beds but patients were not treated due to non-availability of staff during the year. Furthermore various vocational and industrial trainings are provided by the Social Welfare Department. However, keeping in view the spread of drug use and incidence of poverty the efforts made by Social Welfare office are not likely to bring about any visible improvement in the short or long run unless more resources are diverted to this sector.

Municipal Services

Tehsil Municipal Administrations, District Karak did not fulfill some primary requirements envisioned as integral component of the Local Government in the Khyber Pakhtunkhwa Local Government Act 2013 (amended in 2019). The Local Government could not establish & maintain Tehsil Public Fund Account as required under the section 30 of LGA. Similarly, the Tehsil Account Officers were not appointed in TMAs. The accounts of receipts and expenditure were not maintained in such form and in accordance with such principles and methods as the Auditor General of Pakistan prescribed as required under section 36 of LGA. Financial Statements, Finance Account and Appropriation Accounts of the TMAs were not prepared accordingly. Most importantly, Finance Department, Khyber Pakhtunkhwa could not provide District Account Office, Karak with prescribed format and necessary trainings to compile the accounts of TMAs and then reflect the same in the consolidated financial statement of the district, which resulted in disclaimer of its accounts by the Auditor General of Pakistan. Moreover, Internal

Audit function could not be established as provided in sub section 4 of section 37 of LGA 2013, as internal auditors were not posted in the TMAs to support the Council. In addition, Asset management by tehsil councils was yet another area it could not address as required under section 38 of the LGA 2013.

1.2 AUDIT PARAS

1.2.1 Non compilation/consolidation of accounts of Local Governments- Rs101.086 million

According to section 36(3) of Local Government Act 2013, the District Accounts Officer shall, quarterly and annually consolidate the accounts of Local Governments in the district separately for receipts from the Government and local resources and send a copy to the Government, Accountant General and Nazim District Council.

During certification audit of the accounts of the DAO Karak for the financial year 2019-20, audit observed incompleteness and incorrect presentation of the financial statements as the DAO failed to consolidate into the quarterly and annual accounts of the district, the Government and local resources, as required under section-36(3) of the Local Government Act, 2013. Receipts and expenditure of Rs101.086 million and Rs160.759 million respectively, of the TMAs are not reflected in accounts.

Same is the case with the receipts and expenditure of the VCs/NCs, the figures of which were not available at the time of audit.

Provisions of the Local Government Act 2013 by Local Governments in District Karak were not complied.

Due to non-consolidation of accounts of TMAs and VCs/NCs the financial statements of local Government remained incomplete which led to disclaimer of audit opinion.

Necessary action needs to be taken for the consolidation of Local Government Accounts into District Accounts.

1.2.2 Unauthorized payments to DDOs instead of crossed cheques to vendors - Rs 193.245 million

According to 2.3.2.8 of APPM, the accounting system shall improve controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques (to employees/ vender concerned) instead of payment through DDOs.

According to Finance Department Letter No: BO (W&M) /6-5/2019-20 dated 19/02/2020 states that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

District Accounts Officer Karak, paid Rs193,244,434 to various DDOs instead of issuance crossed cheques to Vender/Payees Accounts.

Unauthorized issuance of cheques to DDOs occurred due to weak internal control which leads to disclaimer of audit opinion.

The matter should be investigated and regularized by ensuring payments to the supplier/vendor instead of DDOs as per APPM.

1.2.3 Unverified payments on account of arrears of pay and allowances-Rs2.858million

According to Para 296 of CTR read with Para 75(2) of KP City & District Govt. Budget Rules 2016, the controlling officer shall be responsible for seeing that the expenditure included in the bills, are of obvious necessity and are at fair and reasonable rates. Sanction and the requisite vouchers are all received and in order. The calculation is correct and the grants have not been exceeded over allotment.

During certification Audit of Karak for the year 2019-20 while analyzing HR data it was noticed that arrears of pay and allowances of Rs 2,857,532 was shown made which could not be verified.

Payments of arrears of pay and allowances without supporting documents led to unfair and un-true financial statements which lead to disclaimer of audit opinion.

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

CHAPTER-2

District Government

2.1 Introduction

Under the Khyber Pakhtunkhwa Local Government Act 2013, (amended in 2019) activities of District Government are managed through offices of Deputy Commissioner and District Officers. Each department of the Districts is headed by a District Officer (DO). According to the Rules of Business of District Government 2015, work of the district departments is distributed among the officers, branches, and/or sections in the district departments. Deputy Commissioner is the Principal Accounting Officer for all the devolved departments of the district which includes District Officers Agriculture, Education, Health, Fisheries, Population Welfare, LGE & RDD, Sports, Animal Husbandry, Soil Conservation, Cooperative Society & Social Welfare.

According to section 13 of the Khyber Pakhtunkhwa Local Government Act 2013, (amended in 2019) the authority and responsibilities of the District Government have been given as under:

(1) The authority of district Government shall comprise the operation, management and control of offices of the departments which are devolved to it; provided that district Government shall exercise such authority in accordance with general policy of Government.

(2) Every order in district Government shall be expressed to be made in the name of the district Government and shall be executed by a duly authorized officer.

(3) The district Government shall be responsible to the people and the Government for improvement of governance and delivery of services within the ambit of authority devolved to it.

Detail of audit planned formations expenditure and receipts:

S.No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs. in million)	Revenue / Receipts audited FY 2019-20 (Rs. in million)
1	Formations	10	4	1,078.156	Nil

2.2 Comments on Budget and Accounts (Variance Analysis)

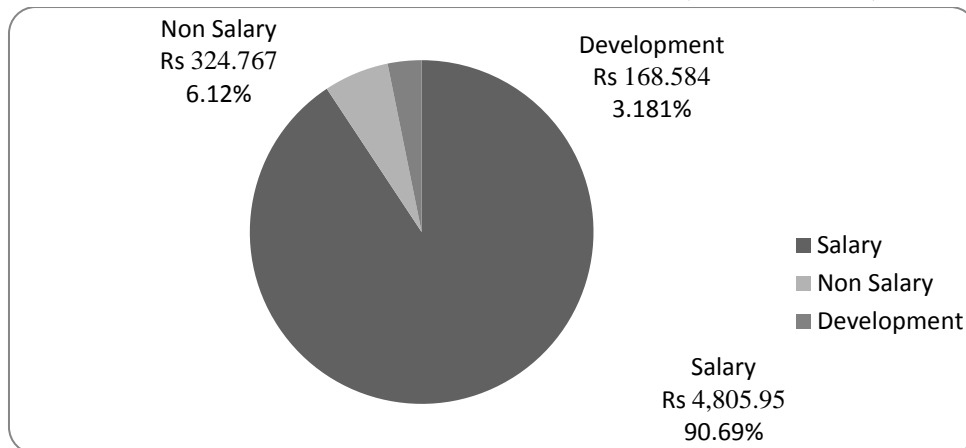
(Rs. in million)

District Government Karak				
2019-20	Budget	Actual Expenditure/ Receipts	(Saving)/Excess	%age
Salary	4,818.045	4,805.953	(12.09)	0.250
Non-salary	325.156	324.767	(0.39)	0.119
Developmental	168.601	168.584	(0.02)	0.010
Total	5,311.802	5,299.304	(12.50)	0.235
Receipts				

The savings of Rs. 12.50 million indicates inefficiency of District Government Departments to utilize the allocated amount.

EXPENDITURE 2019-20

(Rs. in million)



2.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.106.798 million were raised in this audit report. This amount also includes recoverable of Rs. 19.361 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

		(Rs. in million)
S.No.	Description	Amount (Rs.)
1.	Irregularities	
A	Procurement related irregularities	38.661
B	Management of Accounts with Commercial Banks	11.157
2.	Value for money and services delivery issues	30.000
3.	Others, including cases of accidents, negligence etc.	8.204
Total		88.022

2.4 Comments on the status of compliance with District Accounts Committee Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Details of DAC meetings are given below:

S#	Audit Year	DAC Meeting
1	2002-03	Not Convened
2	2003-04	Not Convened
3	2004-05	Not Convened
4	2005-06	Not Convened
5	2006-07	Not Convened
6	2007-08	Not Convened
7	2008-09	Not Convened
8	2009-10	Not Convened
9	2010-11	Not Convened
10	2011-12	Not Convened
11	2012-13	Not Convened
12	2013-14	Not Convened
13	2016-17	Not Convened

14	2017-18	Not Convened
15	2018-19	Not Convened
16	2019-20	Not Convened

2.5 AUDIT PARAS

2.5.1 Irregularities

Procurement related irregularities

2.5.1.1 Irregular release of funds to TMA Karak-Rs 5.00 million

According to S.No 14 (iii), Second Schedule of the Khyber Pakhtunkhwa District Government Rules of Business, 2015, the operational components and business of the “Planning designing, construction, maintenance and repair of Government buildings assigned to District Government” is the responsibility of the Communication and Works department.

DC, Karak released an amount of Rs 5.00 million to TMA Karak for the scheme “Repair and renovation of Government offices and residencies in District Karak” vide release No. 5197/DA/release/GR dated 28.11.2019 out of Gas Royalty 2016-17 (revised during 2019-20) in violation of the above criteria.

Irregularity occurred due to weak administrative and financial control which resulted in violation of Government rules.

When pointed out in July 2020, the management did not reply.

Request for convening DAC meeting was made in August 2020, however meeting of DAC could not be convened till finalization of this report.

Audit recommends justification of the matter and action against the person(s) at fault.

AIR Para No. 2 (2019-20)

2.5.1.2 Loss to Government due to compulsory acquisition charges – Rs 33.661 million

According to section 23(2) of Land Acquisition Act 1894, “In addition to the market-value of the land as above provided, the Court shall award a sum of fifteen per centum on such market-value, in consideration of the compulsory nature of the acquisition, if the acquisition has been made for a public purpose and a sum of twenty-five per centum on such market-value if the acquisition has been made for a Company”.

DC Karak paid an amount of Rs 33,661,043 as 25% compulsory acquisition charges to the land owners without any court order as required under above criteria.

S. No	Project	Payment	25% C.C
1	Approach Road to Oil Refinery Karak	71,035,496	17,758,874
2	Khushal Khan Khattak University	63,608,676	15,902,169
Total		134,644,172	33,661,043

Overpayment was made due weak administrative controls which resulted in loss to Government.

When pointed out in July 2020, the management did not reply.

Request for convening DAC meeting was made in August 2020, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery of 25% compulsory charges and action against the person(s) at fault.

AIR Para No. 4 (2019-20)

Management of Accounts with Commercial Banks

2.5.1.3 Non-deposit of Bank profit into government treasury – Rs11.157 million

According to Government of Khyber Pakhtunkhwa Finance department letter No. 2/3-(F/L)/FD/2007-08/Vol-X dated 10-2-2014 and subsequent reminder dated 16-3-2018 that profit earned on Government fund shall be deposited into Government treasury under the relevant head of account immediately and not later than a week declared by the bank. Failure to comply with these instructions shall be taken seriously and stern disciplinary proceedings will be initiated against the concerned officer/official.

DC Karak received bank profit amounting to Rs 11,157,028 on the Government fund (Production Bonus) lying in the joint bank account of MOL Pak Oil & Gas Company and DC Karak account number NBP 3009423142

during 2019-20 but failed to deposit the same into Government treasury under relevant head of account.

Non-deposit of bank profit into Government treasury occurred due to weak administrative and internal control which resulted in loss to Government.

When pointed out in July 2020, the management did not reply.

Request for convening DAC meeting was made in August 2020, however meeting of DAC could not be convened till finalization of this report.

The amount may be deposited into government treasury under intimation to audit.

AIR Para No. 3 (2019-20)

2.5.2 Value for money and service delivery issues

2.5.2.1 Irregular change of scheme and non-surrender of funds to Federal Government/Cabinet Division-Rs 30.00 million

According to Serial No. 3 (iii) (d) of the SDG Guidelines issued by Government of Pakistan Cabinet Division Development Wing vide Notification No. F.1(3)/2018-19/SO(Dev-II) dated 27.2.2019 read with Serial No. 13 of the terms and conditions of the Administrative approval issued by Deputy Commissioner Karak vide letter No. 3956/DC/DA/DDC dated 23.9.2019 “If the schemes are not started within two months of Administrative Approval, the funds will be immediately surrendered to Federal Government/Cabinet Division.

According to Serial No. 3 (vii) of the above SDG Guidelines, ones the schemes are approved and funds released there shall be no substitution/addition/deletion of schemes.

DC Karak approved a scheme “Construction of three infiltration galleries including pipelines for ZarkiNasrati and SirajKhel, Takht e Nasrati, Chowkara and Khada Banda” with estimated cost of Rs 30.00 million out of sustainable development goals achievement program (SAP) during FY 2019-20. The executing agency (PHED Karak) failed to start the scheme till May 2020 and on 7.5.2020 DC Karak irregularly changed the scheme to “HT/LT extension and distribution of transformer for NA-34 District Karak” to be executed by PESCO Construction Division Bannu as deposit work instead of surrendering the amount to Cabinet Division.

Irregularity occurred due to weak administrative and financial control which resulted in violation of Government rules.

When pointed out in July 2020, the management did not reply.

Request for convening DAC meeting was made in August 2020, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 1 (2019-20)

2.5.3 Others, including cases of accidents, negligence etc.

2.5.3.1 Non-Deposit of receipts on account of rent of shops into Government treasury -Rs 6.106 million

As per Finance Department Khyber Pakhtunkhwa letter NO. BO(RES-II) FD/1-2/2011-12, dated 05.03.2018, “the amount of Rs 6,106,006 available in the account of National Bank of Pakistan may be deposited forthwith through challan under Object Head “C02841-Health Other Receipts being a government money”.

As per serial No. 10 of the Finance Department Austerity Measures for the year 2019-20, “No department shall retain receipts in Bank Accounts but must remit into Provincial Account”.

DC, Karak collected Rs 6,106,006 as rent of 23 shops in front of civil hospital Takht e Nasrati and retained in designated NBP bank account No 40009475943 instead of depositing the same in Government Treasury as advised by Finance Department in their letter and Austerity Measures issued by Finance Department for the Year 2019-20 mentioned above.

Non-deposit of receipts into Government treasury occurred due to lack of Financial and internal control which resulted in loss to Government.

When pointed out in July 2020, the management did not reply.

Request for convening DAC meeting was made in August 2020, however meeting of DAC could not be convened till finalization of this report.

Audit suggests depositing the amount into Government treasury.

AIR Para No. 5 (2019-20)

2.5.3.2 Non-recovery of rent of shops-Rs 2.098 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 “Failure to pay any tax and other money claimable under this Act shall be an offence and all arrears of taxes, rents and other moneys claimable by a local government under this Act shall be recoverable as arrears of land revenue”.

According to Para 26 of GFR Vol-I “it is the duty of the Departmental Controlling Officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account”.

DC, Karak did not recover an amount of Rs 2,097,975 on account of rent of Government commercial shops of Ajmal Market Karak and 23 shops in front of Civil Hospital Takht e Nasrati outstanding up to June, 2020.

Non-recovery of rent of shops occurred due to lack of Financial and internal control which resulted in loss to Government.

When pointed out in July 2020, the management did not reply.

Request for convening DAC meeting was made in August 2020, however meeting of DAC could not be convened till finalization of this report.

Audit suggests recovery of the amount and depositing the same into Government treasury.

AIR Para No. 6 (2019-20)

CHAPTER-3

Tehsil Municipal Administrations

3.1 Introduction

District Karak has three Tehsils i.e. Karak, Takht-e-Nasrati and Banda Daud Shah. The office of a Tehsil Municipal Administration is managed by the Tehsil Municipal Officer. He is assisted by a Tehsil Officer (Finance), a Tehsil Officer (Regulation) and a Tehsil Officer (Infrastructure).

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

- (a) Monitoring and supervising the performance of functionaries of Government offices located in the Tehsil,
- (b) Land management in the Tehsil, provision of municipal services, execution and management of development plans for improvement of municipal services and infrastructure.
- (c) Enforcing municipal laws, rules and bye-laws, Preventing and removing encroachments, regulate affixing of sign-boards and advertisements;
- (d) Financial management of the Tehsil such as, Preparation of budget and annual municipal development programmes, collection of revenue such as taxes, penalties, fines etc. manage municipal properties, assets and funds, and liaise with the district Government in all these matters.
- (e) Maintaining a comprehensive data base and information system on services in the Tehsil municipal record and archives and provide public access to it on nominal charges;
- (f) Organizing sports, cultural, recreational events, fairs, cattle fairs and cattle markets;
- (g) Co-ordinate and support municipal functions amongst village and neighborhood councils;

- (h) Regulate markets and services, issue licenses, permits, grant permissions and impose penalties for violation thereof;

Detail of audit planned formations expenditure and receipts

Sr. No.	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs. in million)	Revenue /Receipts audited FY 2019-20 (Rs. in million)
1	Authorities/Autonomous Bodies etc under the PAO	3	3	161.678	196.775

3.2 Comments on Budget and Accounts (Variance Analysis)

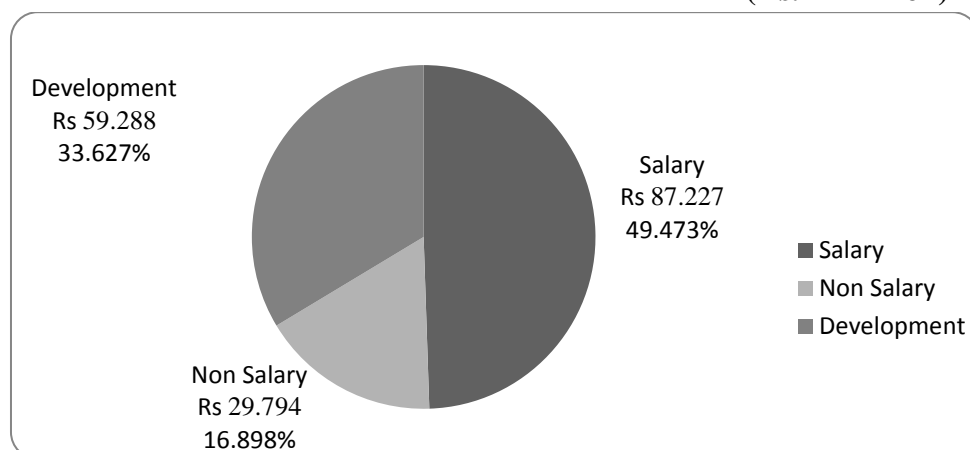
(Rs. in million)

TMAs				
2019-20	Budget	Actual Expenditure/Receipts	Excess/(Saving)	%age
Salary	81.654	87.227	5.57	6.825)
Non salary	34.641	29.794	(4.84)	(13.99)
Development	227.674	59.288	(168.38)	(73.95)
Total	343.969	176.309	(167.66)	(48.74)
Receipts	66.474	63.993	(2.48)	(3.73)

The savings of Rs. 167.66 million indicates inefficiency of the Tehsil Municipal Administrations to utilize the amount allocated.

EXPENDITURE 2019-20

(Rs. in million)



3.3 Classified Summary of Audit Observations

Audit observations amounting to Rs369.438 million were raised in this audit report. This amount also includes recoverable of Rs16.89 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	56.555
B	Management of Accounts with Commercial Banks	26.565
2	Value for money and service delivery issues	3.00
3	Others, including cases of accidents, negligence etc.	283.318
Total		369.438

3.4 Comments on the status of compliance with Tehsil Accounts Committee Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC meetings are given below:

Sr. No.	Audit Year	TAC meeting
1.	2002-03	Not convened
2.	2003-04	Not convened
3.	2005-06	Not convened
4.	2006-07	Not convened
5.	2007-08	Not convened
6.	2008-09	Not convened
7.	2009-10	Not convened
8.	2010-11	Not convened
9	2011-12	Not convened
10	2012-13	Not convened
11	2013-14	Not Convened
12	2016-17	Not Convened
13	2017-18	Not Convened

3.5 AUDIT PARAS

3.5.1 Irregularities

HR/Employees related irregularities

3.5.1.1 Irregular payment/expenditure on account of Salaries/pension from developmental funds Rs 31.298 million.

Para 2 of the Finance Department release order No. BO(PFC-III)/1-5/TMAs-ADP/2018-19/Vol-II dated 27.06.2019 states that the grant for ADP to the Tehsil/Town Administrations shall be credited in their PLAs (non-lapsable) by the Accountant General/District Accounts Officers through internal Transfer entries. The amount shall be utilized only for the execution of Development schemes/activities in accordance with guide lines issued by planning & Development Department and observance of all codal formalities as required under Rules.

TMO Karakincurred expenditure of Rs 31,298,931 out of Tehsil ADP for the year 2018-19 and 2019-20 on account of salaries, pensions and other recurring expenditure during financial year 2019-20.

Irregularity occurred due to weak administrative and financial control which resulted in compromising the developmental activities in the tehsil area.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

Audit suggests corrective measures to prevent non-compliance of Government rules/instruction and action against the person(s) at fault.

AIR Para No. 3 (2019-20)

3.5.1.2 Irregular payment/expenditure on account of Salaries and municipal services from developmental funds - Rs 13.300 million.

Para 2 of the Finance Department release order No. BO(PFC-III)/1-5/TMAs-ADP/2018-19/Vol-II dated 27.06.2019 states that the grant for ADP to

the Tehsil/Town Administrations shall be credited in their PLAs (non-lapsable) by the Accountant General/District Accounts Officers through internal Transfer entries. The amount shall be utilized only for the execution of Development schemes/activities in accordance with guide lines issued by planning & Development Department and observance of all codal formalities as required under Rules.

TMO BD Shah incurred expenditure of Rs13,300,842 out of Tehsil ADP for the year 2018-19 and 2019-20 on account of salaries, pensions and other recurring expenditure during financial year 2019-20.

Irregularity occurred due to weak administrative and financial control which resulted in compromising the developmental activities in the tehsil area.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

Audit suggests corrective measures to prevent non-compliance of Government rules/instruction and action against the person(s) at fault.

AIR Para No. 3 (2019-20)

3.5.1.3 Irregular payment/expenditure on account of Salaries/pension from developmental funds Rs 11.957 million.

Para 2 of the Finance Department release order No. BO(PFC-III)/1-5/TMAs-ADP/2018-19 dated 26.09.2018 states that the grant for ADP to the Tehsil/Town Administrations shall be credited in their PLAs (non-lapsable) by the Accountant General/District Accounts Officers through internal Transfer entries. The amount shall be utilized only for the execution of Development schemes/activities in accordance with guide lines issued by planning & Development Department and observance of all codal formalities as required under Rules.

TMO Takht e Nasrati incurred expenditure of Rs 11,956,726 out of Tehsil ADP for the year 2015-16, 2016-17 and 2019-20 on account of salaries, pensions and other recurring expenditure during financial year 2019-20.

Irregularity occurred due to weak administrative and financial control which resulted in compromising the developmental activities in the tehsil area.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

Audit suggests corrective measures to prevent non-compliance of Government rules/instruction and action against the person(s) at fault.

AIR Para No. 10 (2019-20)

Management of Accounts with Commercial Banks

3.5.1.4 Unauthorized cash withdrawals from designated bank account-Rs18.052 million

According to 2.3.2.8 of the APPM, the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques.

TMO, Karak drew Rs18,052,676 as cash withdrawals from designated bank account No. 49000000819005 maintained in The Bank of Khyber Karak during 2019-20 as evident from the bank statement.

Unauthorized cash withdrawals from bank account occurred due to lack of administrative and financial control which resulted in violation of Government rules and could lead to misappropriation.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

The matter is reported for inquiry and fixing responsibility on the person(s) at fault.

AIR Para No. 5 (2019-20)

3.5.1.5 Unauthorized cash withdrawals from designated bank account-Rs8.513 million

According to 2.3.2.8 of the APPM, the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques.

TMO, BD Shah drew Rs 8,513,646 as cash withdrawals from designated NBP BD Shah account No. 4074147541 during 2019-20 as evident from the bank statements.

Unauthorized cash withdrawals from bank account occurred due to lack of administrative and financial control which resulted in violation of Government rules and could lead to misappropriation.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

The matter is reported for inquiry and fixing responsibility on the person(s) at fault.

AIR Para No. 4 (2019-20)

3.5.2 Value for money and service delivery issues

3.5.2.1 Non-utilization of developmental funds Rs 3.00 million.

Para 66 of the General Financial Rules Volume 1 lays down that all estimates of revenue and expenditure included in the budget are for the financial year.

TMO Karak failed to utilize funds amounting to Rs 3,000,000 for developmental works “Installation of new and replacement of old pipeline in Karak city” during Financial year 2018-19 and 2019-20 released by the provincial Finance Department vide release No. BO(PFC-III)FD/2-5/TMAs/2018-19 dated 27-02-2019. The amount was credited to PLA of TMA Karak and was still lying unspent till the date of audit in October, 2020.

Non-utilization of developmental funds occurred due Lack of Financial and administrative control which resulted in depriving the Public from the benefit of utilizing the fund.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

Matter is reported for inquiry and action against the person(s) at fault.

AIR Para No. 4 (2019-20)

3.5.3 Others, including cases of accidents, negligence etc.

3.5.3.1 Non-recovery of outstanding Government dues on account of revenue contracts-Rs 5.133 million and Non-recovery of income tax-Rs1.635 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA Budget Rules 2016, the TO(R) shall be responsible to ensure that all revenue dues is claimed, realized and credited immediately into Tehsil Fund under proper receipt head. According to letter No. (Unit-49)/WHZ/2017-18/270, dated 12.07.2017, “the rate of collection of tax on auction u/s 236A is 15% for non-filers”.

TMO, Karak failed to recover the outstanding amount of Rs 5,133,453 on account of various revenue receipts contracts and Rs 1,635,108 on account of income tax from various contractors during 2019-20.

Non-recovery of outstanding Government dues occurred due to lack of Financial and internal control which resulted in loss to Government.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

Audit suggests recovery from the contractors and action against the person(s) at fault.

AIR Para No. 2 (2019-20)

3.5.3.2 Loss to Government due to less realization of receipts-Rs 2.266 million

According to clause 2 of Terms and Condition of the contracts circulated vide Local Government Department, Government of Khyber Pakhtunkhwa letter No. AO-II/LCB/6-11/2019 dated 26-04-2019; the contract for the present year must have an increase over the bid of last year to the tune of 20%.

TMO, Karak did not auction the revenue contracts and departmentally collected receipts for Rs 1,314,990 instead of Rs 3,581,665 on account of various

revenue heads during 2019-20. The receipts were required to be collected with 20% increase over the last year's bid. However, TMO, Karak failed to collect receipts as per criteria above and thus the town administration sustained a loss of Rs 2,266,675. (Detail given at annexure-2)

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

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 6 (2019-20)

3.5.3.3 Unclassified expenditure out of PLA-Rs 103.425 million

According to Para 89(4)(iii) of GFR the head of department / accountant general will jointly be responsible for the reconciliation of figure given in the accounts maintained by head of department.

According to Para 72 of CPWA Code provides that vouchers setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts must support every payment for whatever purpose.

TMO, Karak incurred expenditure for Rs 103,425,077 out of PLA on account of Gas Royalty, Gas Production Bonus, 30% ADP, CMD, Octroi Share, Grants in aid etc during 2019-20. The following irregularities were noticed;

- i. Only cash book was maintained for PLA. No any other accounting procedure was adopted to classify the expenditure.
- ii. The opening balance as on 1-7-2019 was shown as Rs 74,135,682 and closing balance as on 30-6-2019 was shown as Rs 41,617,368 in the cash book. The sources of the balances were not known to audit to verify the available budget in a particular head of account.

- iii. The TMO Karak incurred expenditure without observing the budget to meet a particular purpose out of particular fund.
- iv. The expenditure was not properly reconciled with DAO Karak as there was a difference of Rs 8,525,071 between reconciled figure and the expenditure extracted from SAP/R3. The reconciled expenditure was Rs 103,425,077 whereas, SAP/R3 extracted data of PLA Showed expenditure figure as Rs 94,900,006. Due to this difference, the closing balance of the PLA was unauthentic.

The irregularity occurred due to weak financial and internal control which resulted in unauthentic balances of PLA account and unauthorized expenditure and could lead to misappropriation.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

Audit suggests proper maintenance of accounting record accordingly.

AIR Para No.7 (2019-20)

3.5.3.4 Non-recovery of outstanding Government dues on account of revenue contracts-Rs 6.052million and Non-recovery of income tax-Rs 0.974 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA Budget Rules 2016, the TO(R) shall be responsible to ensure that all revenue dues is claimed, realized and credited immediately into Tehsil Fund under proper receipt head. According to letter No. (Unit-49)/WHZ/2017-18/270, dated 12.07.2017, “the rate of collection of tax on auction u/s 236A is 15% for non-filers”.

TMO, BD Shah failed to recover the outstanding amount of Rs 6,413,416 on account of various revenue receipts contracts and Rs 974,000 on account of income tax from the following contractors during 2019-20.

S#	Particula of contract	Name of contractor	Auction Amount	Recovered Amount	Outstanding amount	Income tax outstanding
1	Entry Fees	Sirajud Din	9,511,000	3,459,250	6,051,750	951,100
2	Cattle Fare Teri	Azmat Ali	820,000	495,334	324,666	13,500
3	Cattle Fare NariPanoos	Sirajud Din	100,000	63,000	37,000	10,000
Total					6,413,416	974,600

Non-recovery of outstanding Government dues occurred due to lack of Financial and internal control which resulted in loss to Government.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

Audit suggests recovery from the contractors and action against the person(s) at fault.

AIR Para No. 2 (2019-20)

3.5.3.5 Non-retention of contracts receipts record-Rs 4.135 million

According to clause 15 of Terms and Condition of the contracts circulated vide Local Government Department, Government of Khyber Pakhtunkhwa letter No. AO-II/LCB/6-11/2019 dated 26-4-2019; the full record of the contract i.e receipts, refund of each month will remain with the local council however contractor/firm access to record will be allowed.

TMO, Banda Daud Shah realized and collected Rs 4,135,084 from the following receipts contracts during 2019-20 but did not retain the record of the relevant receipts as per criteria above.

S.#	Contract	Receipts collected during 2019-20 (Rs)
1	Entry Fees	3,459,250
2	Cattle Fare Teri	495,334
3	Cattle Fare NariPanoos	63,000
4	License Fees	74,000
5	Sign Board	43,500
Total		4,135,084

Non-retention of contracts receipts record occurred due to weak internal control which resulted in violation of Government rules.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 5 (2019-20)

3.5.3.6 Unclassified expenditure out of PLA-Rs 32.062 million

According to Para 89(4)(iii) of GFR the head of department / accountant general will jointly be responsible for the reconciliation of figure given in the accounts maintained by head of department.

According to Para 72 of CPWA Code provides that vouchers setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts must support every payment for whatever purpose.

TMO, BD Shah incurred expenditure for Rs 32,062,588 out of PLA on account of Gas Royalty, Gas Production Bonus, 30% ADP, CMD, Octroi Share, Grants in aid etc during 2019-20. The following irregularities were noticed;

- i. Only cash book was maintained for PLA. No any other accounting procedure was adopted to classify the expenditure.
- ii. The opening balance as on 1-7-2019 was shown as Rs 33,646,471 and closing balance as on 30-6-2019 was shown as Rs 24,010,883 in the cash book. The sources of the balances were not known to audit to verify the available budget in a particular head of account.
- iii. The TMO Karak incurred expenditure without observing the budget to meet a particular purpose out of particular fund.
- iv. The expenditure was not properly reconciled with DAO Karak as there was a difference of Rs 1,550,651 between reconciled figure and the expenditure extracted from SAP/R3. The reconciled expenditure was Rs

32,062,588 whereas, SAP/R3 extracted data of PLA Showed expenditure figure as Rs 30,511,937. Due to this difference, the closing balance of the PLA was unauthentic.

- v. The irregularity occurred due to weak financial and internal control which resulted in

Unauthentic balances of PLA account and unauthorized expenditure and could lead to misappropriation.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

Audit suggests proper maintenance of accounting record accordingly.

AIR Para No. 6 (2019-20)

3.5.3.7 Unclassified expenditure out of PLA-Rs 124.530 million

According to APPM 2.3.2.2 the information in the accounts and the supporting subsidiary record shall be accurate, representing the actual substance of past events without undue error or omission. This shall include correct and consistent classification of transactions and the recognition of the revenues and expenditure in the correct time period. This objective shall be addressed by regular, complete and up to date bank reconciliation.

TMO, Takht-e-Nasrati incurred expenditure for Rs 55,197,996 out of PLA on account of Gas Royalty, Gas Production Bonus, 30% ADP, CMD, Octroi Share, Grants in aid etc during 2019-20. The following irregularities were noticed;

- i. Only cash book was maintained for PLA. No object wise classification was made to specify the nature of expenditure.
- ii. The opening balance as on 1-7-2019 was shown as Rs77,498,320 and closing balance as on 30-6-2020 was shown as Rs47,714,333 in the cash book. The sources of the balances were not known to audit to verify the available budget in a particular head of account.

- iii. The TMO Takht-e-Nasrati incurred expenditure without observing the budget to meet a particular purpose out of particular fund.
- iv. The expenditures were not properly reconciled with NBP as well as with DAO Karak as both had not maintained any record in support of payments.

Unauthentic balances of PLA account and unauthorized expenditure and could lead to misappropriation.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October 2020, however meeting of DAC could not be convened till finalization of this report.

Audit suggests proper maintenance of accounting record accordingly.

AIR Para No. 7 (2019-20)

3.5.3.8 Non-recovery of receipts –Rs 3.106 million

According to Rule 51 of TMA Budget Rules 2016, the primary obligation TO(R) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under proper head of account.

TMO, Takht-e-Nasrati did not recover an amount of Rs 3,106,457 from the contractors of the receipt contracts on account of contractual amount during 2019-20. The detail is as under:

S. No.	Name of Contractor	Outstanding amount 2019-20	Outstanding amount 2019-20	Total
107	Siraj-ud-din	2,207,800	210,000	2,417,800
	Muhammad Ilyas	147,707	29,950	177,657
	SirajUd Din (Sign Board contrac)	0	511,000	511,000
			Total	3,106,457

Non-recovery of outstanding Government dues occurred due to lack of Financial and internal control which resulted in loss to Government.

When pointed out in October 2020, the management did not reply.

Request for convening DAC meeting was made in October2020, however meeting of DAC could not be convened till finalization of this report.

Audit suggests recovery from the contractors and action against the person(s) at fault.

AIR Para No. 6 (2019-20)

CHAPTER-4

AD LGE & RDD

1.1 Introduction

Assistant Director Local Government, Election and Rural Development Department in District Karak has 61 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 VCs/NCs of the District Karak.

According to section 29 of the Khyber Pakhtunkhwa Local Government Act 2013 the authority and responsibilities of the District Government have been given as under:

Functions and Powers of Assistant Director, LGE&RDD includes:

- i. Providing secretarial support to the Council, matters relating to Local Government Commission
- ii. Coordination and supervision of village and neighborhood councils
- iii. Matters related to local taxes, grants, budget of village and neighborhood councils
- iv. Coordination of activities relating to local council elections, population census and surveys in the district
- v. Rural Development Works including water supply, rural access roads, embankment and drainage works
- vi. Overseeing registration of births, deaths and marriages in village and neighborhood councils
- vii. Review, evaluation and assessment of local Government system, processes and procedures in the district particularly at the village and neighborhood level
- viii. 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 includes:

- i. Monitoring and supervision of 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;
- ii. Providing effective forum for out of court amicable settlement of disputes and, for this purpose, constitute panels of members as conciliators;
- iii. Registration of births, deaths and marriages;
- iv. Implementation and monitoring of village level development works;
- v. Improving water supply sources, maintain water supply distribution system and take measures to prevent contamination of water;
- vi. Maintenance of village level infrastructure, footpaths, tracks, streets, playgrounds, graveyards, funeral places, eid-gah, parks, public open spaces and community centres.
- vii. Identifying development needs of the area for use by municipal administration and district Government in prioritizing development plans;
- viii. Making arrangements for sanitation, cleanliness, disposal of garbage and carcasses, drainage and sewerage system;
- ix. Displaying land transactions in the area for public information;
- x. Mobilizing community for maintaining public ways, public streets, culverts, bridges and public buildings, de-silting of canals and other development activities;
- xi. Organizing cattle fairs and agriculture produce markets;
- xii. Organizing sports teams, cultural and recreational activities;
- xiii. Organizing watch and ward in the area;
- xiv. Promoting plantation of trees, landscaping and beautification of public places;
- xv. Regulating grazing areas, establish cattle ponds and provide protection against stray animals and animal trespass;

- xvi. Considering and approving annual budget presented by the respective Nazim, village council or neighborhood council;
- xvii. Facilitating formation of voluntary organizations for assistance in functions assigned to it;
- xviii. Facilitating the formation of co-operatives for improving economic returns and reduction of poverty;
- xix. Electing an Accounts Committee and review its recommendations on the annual statement of accounts and audit reports; and

Reporting cases of handicapped, destitute and of extreme poverty to district Government.

Detail of audit planned formations expenditure and receipts

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs. in million)	Revenue /Receipts audited FY 2019-20 (Rs. in million)
1	Formations	62	7	55.196	Nil

4.2 Comments on Budget and Accounts (Variance Analysis)

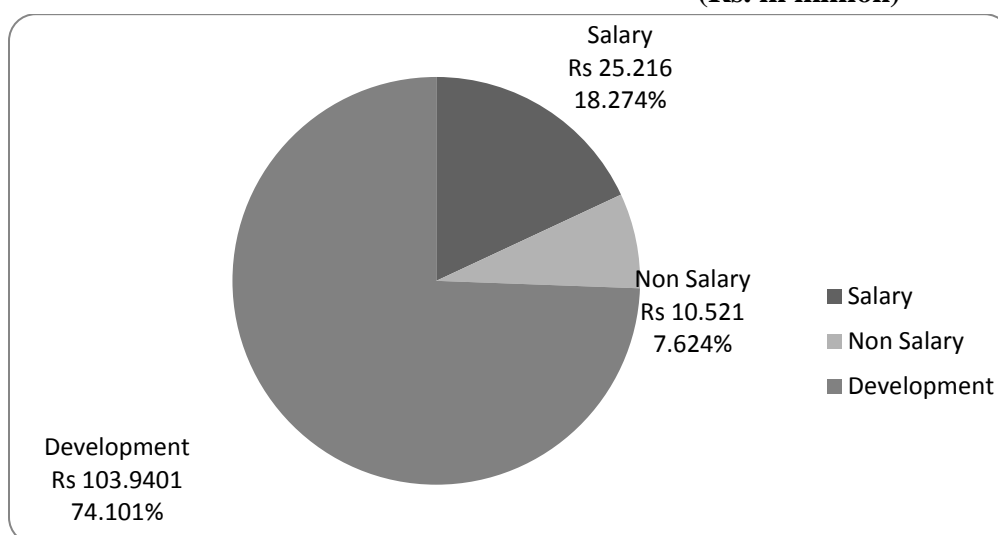
(Rs. in million)

AD LGE&RDD				
2019-20	Budget	Actual Expenditure/Receipts	Excess/(Saving)	%age
Salary	45.073	25.216	(19.857)	44.055%
Non salary	12.003	10.521	(1.482)	12.346%
Development	103.940	103.940	0	0%
Total	161.016	139.677	(21.339)	56.401

The savings of Rs 21.339 million indicates inefficiency of the AD LGE&RDD to utilize the amount allocated.

EXPENDITURE 2019-20

(Rs. in million)



4.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 24.929 million were raised in this audit report. This amount also includes recoverable of Rs1.960 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Fraud, embezzlement and misappropriation	7.778
2	Value for money and service delivery issues	15.191
3	Others, including cases of accidents, negligence etc.	1.960
Total		24.929

4.4 Comments on the status of compliance with Village/Neighborhood Accounts Committee Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs meetings are given below:

Sr. No.	Audit Year	VACs/NACs meeting
1.	2002-03	Not Convened
2.	2003-04	Not Convened
3.	2005-06	Not Convened
4.	2006-07	Not Convened
5.	2007-08	Not Convened
6.	2008-09	Not Convened
7.	2009-10	Not Convened
8.	2010-11	Not Convened
9.	2011-12	Not Convened
10.	2012-13	Not Convened
11.	2013-14	Not Convened
12.	2016-17	Not Convened
13.	2017-18	Not Convened
14.	2018-19	Not Convened
15.	2019-20	Not Convened

4.5 AUDIT PARAS

4.5.1 Fraud, embezzlement and misappropriation

4.5.1.1 Suspected misappropriation on account of others Rs 7.778 million

According to CTR 296 states that the Controlling Officer shall be responsible for seeing that the expenditure included in the bills, are of obvious necessity and are at fair and reasonable rates. Sanction and the requisite vouchers are all received and in order. The calculation is correct and the grants have not been exceeded over allotment. GFR 07 provides that money may not be removed from public account for deposit elsewhere without consent of Ministry of Finance.

CTR 23 provides that Each Head of office is responsible for the amount drawn is duly paid to person entitled to receive it and obtain acquaintance on bill or TR Form-28.

AD LG&RDD Karak during 2019-20 an amount of Rs 7,778,222 drew out of District Council budget on account of others A 05270 but no vouchers and contingent bills was produced to audit to verify the authenticity of the expenditure incurred. The amounts seem to be suspected and misappropriated in District Council Karak.

Suspected miss-appropriation occurred due to weak financial and administrative control which resulted in loss to the government exchequer.

When pointed out in December 2020, the management stated that detail reply will be furnished after consulting the records. However no reply furnished till the finalization of report.

Request for convening DAC meeting was made in December 2020, however meeting of DAC could not be convened till finalization of this report.

Audit recommends inquiry into the matter to ascertain the factual position besides action against the person(s) at fault.

AIR Para No. 6 (2019-20)

4.5.2 Value for money and service delivery issues

4.5.2.1 Non utilization of Developmental fund – Rs 15.191million

According to Finance department Khyber Pakhtunkhwa vide release No. FD/BO(PFC-III)/1-6/VCS/NCs/ADP/2017-18 dated 07-11-2018 the fund must be utilized during the financial year 2018-19.

AD LG&RDD Karak failed to utilize the developmental funds worth Rs 15,191,996 lying in the bank accounts of various VCs during the year 2019-20. As a result public of the area were deprived from the benefit of the developmental funds detail given below.

S.No	Name of VC	Bank Account Number	closing balance as on 30-06-2020 (Rs)
1	Nara Banda	NBP PLS 3111916774	7,009,616
2	Bogara	NBP CA 4113762015	3,205,032
3	SirajKhel	NBP PLS 3111916792	4,977,348
Total Non-Utilization of Fund			15,191,996

Non utilization of development fund occurred due to negligence, weak financial control and ill planning.

When pointed out in December 2020, the management stated that detail reply will be furnished after consulting the records. However no reply furnished till the finalization of report.

Request for convening DAC meeting was made in December 2020, 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(2019-20)

4.5.3 Others, including cases of accidents, negligence etc.

4.5.3.1 Non Crediting of Profit on Bank Accounts worth– Rs. 1.960 million

Finance department letter No. 2/3(F/L) FD 2017-18/Vol. ix dated Peshawar the 10th February 2014 provides that Finance Department has from time to time allowed/sanctioned Bank accounts in commercial Bank for various Departments/ Autonomous Bodies/Corporations in KP for particular and specific purposes. Now it has been decided that such accounts may be converted to PLS mode and the profit so earned be deposited in Govt. Treasury under relevant head and not later than a week when declared by the concerned bank.

AD LG&RDD Karak realized bank profit amounting to Rs 1,960,318 during 2019-20 from the operation of various PLS accounts of Village Councils of District Karak. Instead of crediting the bank profit into government treasury the amount of profit was laying in the bank account of the VCs which needs immediate deposit into government treasury detail given below.

S.No	Name of VC	Bank Account Number	Date	Profit (Rs)
1	Nara Banda	NBP PLS 3111916774	20-07-2019	387,020
2	do	Do	11/1/2020	421,079
3	Seikot	NBP 1780-79002930-01	31-12-2019	131,864
4	do	Do	30-06-2020	53,152
5	Tater Khel	NBP PLS 1780-79002919	31-12-2019	174,607
6	do	Do	30-06-2020	86,668
7	LatambarGharbi	BOK PLS 06633-00-6	31-12-2019	81,453
8	do	Do	30-06-2020	71,764
9	SirajKhel	NBP PLS 3111916792	20-07-2019	279,395
10	do	Do	11/1/2020	273,316
Total Profit realized but not deposited into Treasury				1,960,318

Non-deposit of profit occurred due to weak financial and administrative control which resulted in loss to the government exchequer.

When pointed out in December 2020, the management stated that detail reply will be furnished after consulting the records. However no reply furnished till the finalization of report.

Request for convening DAC meeting was made in December 2020, however meeting of DAC could not be convened till finalization of this report.

Audit recommends immediate deposit of profit amount into government treasury and action against the person(s) at fault.

AIR Para No. 2 (2019-20)

CHAPTER-5

Karak Development Authority

5.1 Introduction

Housing is a basic need and thousands of families are struggling to have a roof over their heads. Rapid population growth, scarcity of Government resources, urbanization and the development imbalances between urban and rural areas have compounded the housing problem. In big Cities/Towns this problem has become further worsen.

Karak Development Authority is now working under the Administrative control of Secretary Local Government, Elections and Rural Development Department, Government of Khyber Pakhtunkhwa.

Objectives:

- Launching KDA township Phase-II
- External Electrification in KDA
- Arrangement for solid waste Management, Dumping Ground and Land fill.
- Establishment Separate Grid Station
- Providing of sui Gas facility
- Development of new Tube Wells in existing networking
- Rehabilitation of existing water supply networking system
- Rehabilitation of sewerage system
- Construction of Roads/Rehabilitation of Roads.
- Arrangement of Additional operational equipment/Machinery for the efficient working of maintenance work.
- Construction of Sewerage Treatment Plant(STP)
- Extension & strengthening of power supply (PESCO)
- Disposal of commercial plot/Construction of commercial plaza
- Disposal of non-utility plots in education & health sector etc
- Disposal constructed shop/Flats
- Environmental Beautification.

The Main Functions of this Authority are as under:-

- i. To provide housing facilities in urban areas of District Karak
- ii. To provide infrastructure facilities like water supply, sewerage, drainage, gas, roads and electrification etc, in the housing schemes.
- iii. To execute all developmental schemes in the KDA Township duly financed by the Provincial/District Governments.
- iv. To execute all kinds of deposit works in urban area such as construction of urban roads, water supply schemes, sanitation schemes sewerage drainage, building, parking facilities, development of chowks, development of parks, green belts etc.
- v. Zoning and land use plans.
- vi. Any other objectives/functions assigned by District/Provincial Government.

Detail of audit planned formations expenditure and receipts

Sr No.	Description	Total No.	Audited	Expenditure audited FY 2019-20 (Rs. in million)	Revenue /Receipts audited FY 2019-20 (Rs. in million)
1	Authorities/Autonomous Bodies etc under the PAO	1	1	118.458	15.060

5.2 Comments on Budget and Accounts (Variance Analysis)

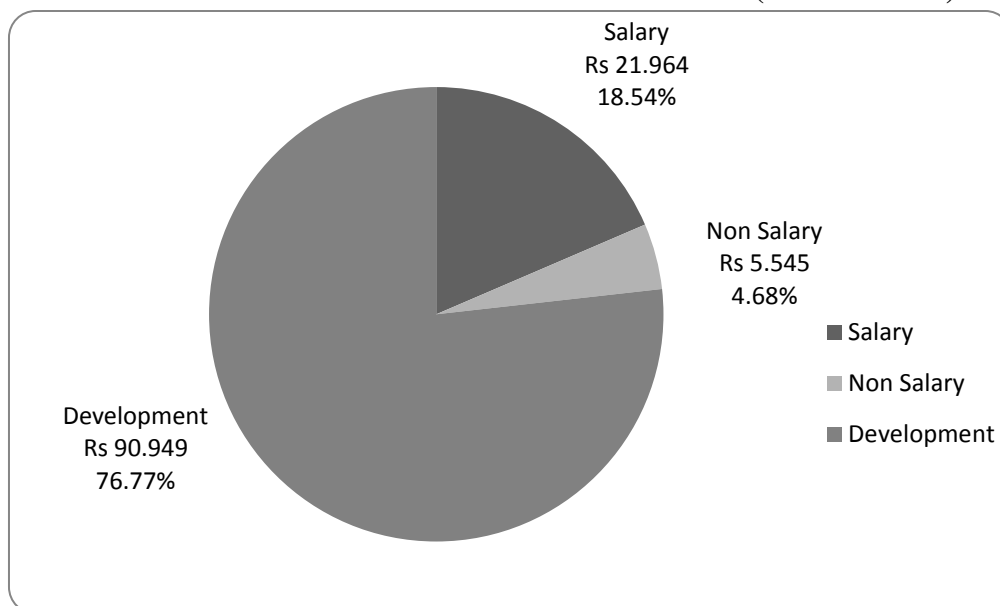
(Rs. in million)

KDA				
2019-20	Budget	Actual Expenditure/Receipts	Excess/(Saving)	%age
Salary	24.397	21.9648	(2.432)	-9.97
Non salary	13.235	5.545	(7.690)	-58.10
Development	123.200	90.949	(32.251)	-26.18
Total	160.832	118.4588	(42.373)	-26.35
Receipts	96.842	15.060	(81.782)	-84.45

The savings of Rs. 42.373 million indicates inefficiency of the Karak Development Authority to utilize the amount allocated.

EXPENDITURE 2019-20

(Rs. in million)



5.3 Classified Summary of Audit Observations

Audit observations amounting to Rs. 120.055 million were raised in this audit report. This amount also includes recoverable of Rs. 20.855 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	99.2
2	Others, including cases of accidents, negligence etc	20.855
Total		120.055

5.4 Comments on the status of compliance with Public Accounts Committee Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of PAC meetings are given below:

Sr. No.	Audit Year	PAC meeting
1.	2002-03	Not Convened
2.	2003-04	Not Convened
3.	2005-06	Not Convened
4.	2006-07	Not Convened
5.	2007-08	Not Convened
6.	2008-09	Not Convened
7.	2009-10	Not Convened
8.	2010-11	Not Convened
9	2011-12	Not Convened
10	2012-13	Not convened
11	2013-14	Not Convened
12	2016-17	Not Convened
13	2017-18	Not Convened
14	2018-19	Not Convened
15	2019-20	Not Convened

5.5 AUDIT PARAS

1.5.1 Irregularities

A. Management of Accounts with Commercial Banks

5.5.1.1 Unauthorized retention of balance in designated bank accounts and irregular expenditure Rs. 99.200 million

According to Para 1 & 2 of the finance department letter No. 2/3(F/L)/FD/2018/Vol-XII dated 3.07.2019 provides that Since Current Financial Year 2018-19 stand closed on 30 June 2019, hence it is imperative to reconcile the closing balances in all designated bank accounts falling in the purview of the department concerned with respective budget/Development Section of Finance Department latest by 15th July 2019 along with duly verified bank statement for 2018-19. This reconciliation process per-se the rules & instructions already invoked shall be the prime responsibility of each PAO, Controlling Authority and DDO in respect of bank accounts falling under their purview. Moreover, balance in the bank accounts if any, remaining on June 30th 2019 shall not be available for use without its prior revival by Finance Department during financial year i.e. 2019-2020. In case of no response by the target date, the funds available in their designated bank accounts shall stand frozen and no further transaction could be made out their designated bank account by the department concerned.

According to Para 3 of the aforesaid letter, failure to comply with these instructions shall be taken seriously and stern disciplinary proceedings will be initiated against the concerned department/offices.

PD Karak Developmental Authority had opening bank balances worth Rs. 99,200,000 in their designated bank account as on 01.07.2019, the amount was transferred to the Authority by DC Karak for developmental purpose out of district ADP for 2018-19 with the direction for completion of developmental schemes before closing of the financial year 2018-19. Audit observed that;

1. PD Karak Developmental Authority could not utilize the amount during 2018-19 and deposited the same in his designated bank account.

2. The amount was unauthorizedly spent on various district developmental schemes during 2019-20 without revival of the fund from District Finance Department.
3. The amount so spent was also held unauthorized as in District Government setup the responsibility for executions of Developmental Schemes falls on TMAs, PHE, and C&W Department and AD Local Government.
4. No reconciliation of the actual expenditure was carried out with District Account Office and District Finance Office.
5. Profit worth Rs 3,909,246 earned on the amount in question was also not transferred to the District Government.

Unauthorized retention of money in designated bank account occurred due to weak administrative, financial and internal control which resulted in violation of Government rules.

When pointed out in December, 2020, the management did not reply.

Request for convening DAC meeting was made in December, 2020, however meeting of DAC could not be convened till finalization of this report.

The matter is reported for inquiry and fixing responsibility on the person(s) at fault.

AIR Para No. 9 (2019-20)

5.5.2 Others, including cases of accidents, negligence etc.

5.5.2.1 Non recovery of outstanding dues on account of non-user charges-Rs 17.787 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.

Project Director KDA, Karak failed to recover non user charges amounting to Rs 17,786,970 from the allottees of plots during 2019-20, which needs to be recovered. Detail is as under:

S. No.	Category	No. of Plots	Rate per year	Amount due
1	1 Kanal	224	10,000	2,240,000
2	10 Marla	150	7,000	1,050,000
3	7 Marla	174	5,000	870,000
4	5 Marla	153	5,000	765,000
5	3 Marla	37	5,000	185,000
	Total	738		5,110,000
Arrears as on 30 th June, 2019				12,676,970
Grand Total				17,786,970

Non recovery of outstanding dues occurred due to weak internal control which resulted in loss to Government.

When pointed out in December, 2020, the management did not reply.

Request for convening DAC meeting was made in December, 2020, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery of non-user charges from the individuals concerned.

AIR Para No. 1 (2019-20)

5.5.2.2 Unauthorized withheld of amount under head overhead charges- Rs 1.848 million

According to Government of Khyber Pakhtunkhwa LGE&RDD, Local Council Board letter No. AO(Planning)/LCB/Gen; Inst;/4-10/2019, dated 31.01.2019 “contingencies may be deleted from all PC-Is”

Project Director KDA, Karak during 2019-20 withheld an amount of Rs 1,848,000 from various contractors under head 1.5% overhead charges. The same was provided in PC-I which was stopped by government as per letter mentioned above.

Unauthorized withheld of amount occurred due to weak financial and internal control which resulted in violation of Government rules.

When pointed out in December, 2020, the management did not reply.

Request for convening DAC meeting was made in December, 2020, however meeting of DAC could not be convened till finalization of this report.

Audit recommends depositing of withheld amount into Government treasury.

AIR Para No. 3 (2019-20)

5.5.2.3 Overpayment to contractor by allowing higher rates -Rs 1.220 million

According to para 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

PD KDA, Karak paid an amount of Rs 1,220,135 to contractor M/S Nadir Khanover and above the permissible rates in BOQ and PC-I in a work “Installation of pressure pumps at various locations UC Shnawagudi Khel” during the year 2019-20. The detail is as under:

Item of work	Rate paid	Rate as per BOQ/ PC-I	Difference Per unit	Qty paid	Over Payment
Providing & installing PVC blind/ strainer in tube well 5" dia	2,600	1,500	1,100	1,072.85	1,180,135
Supplying and fixing of 2 HP submersible machine	35,000	30,000	5,000	8	40,000
Total					1,220,135

Overpayment occurred due to weak administrative and internal control which resulted in loss to Government.

When pointed out in December, 2020, the management did not reply.

Request for convening DAC meeting was made in December, 2020, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery of the overpayment and deposited into Government treasury.

AIR Para No. 4 (2019-20)

ANNEXURES

Annexure -1

Detail of MFDAC Paras

(Rs. in million)

S. No	AIR No.	Department	Gist of Para	Amount
1	7	DC Karak	Un-authorized expenditure without open tender system	1.194
2	8	-do-	Irregular and unauthorized expenditure under head conference/ seminars/ workshops	1.999
3	9	-do-	Non-disbursement of relief compensation to affectees	1.779
4	10	-do-	Doubtful expenditure on account of POL charges	0.120
5	11	-do-	Non-Deposit of receipts on account of fines into Government treasury	0.099
6	1	DHO Karak	Loss to Government due to overpayment to government servant	0.216
7	2	-do-	Loss to Government due to non-maintenance of residential buildings	2.712
8	3	-do-	Loss to Government due to non-achieving of receipt targets	16.064
9	4	-do-	Irregular drawl of funds without actual supply of medicines	3.395
10	5	-do-	Un-authorized expenditure without open tender system	1.190
11	6	-do-	Overpayment due to allowing higher rates	0.095
12	7	-do-	Irregular Expenditure on Purchase of medicine	35.718
13	8	-do-	Loss to Government on account of transportation of goods	0.631
14	1	TMA Karak	Non-accountal of profit earned on Bank account	1.598
15	8	-do-	Loss to Government due to less deduction of Income Tax	0.275
16	7	TMA BD Shah	Unauthorized Advance payment to TMA officials	0.674
17	1	TMA TakhteNasrati	Irregular delay in completion of development scheme within stipulated time period and non imposition of penalty	9.350
18	2	-do-	Overpayment to contractor on account of	3.798

			below adjustments	
19	3	-do-	Unauthorized withheld under head overhead charges	0.831
20	4	-do-	Unauthorized and irregular award of contract without 8% additional security	7.500
21	5	-do-	Overpayment to contractor due to allowing excess quantities and higher rates	0.268
22	8	-do-	Irregular retention and non-utilization of fund-	47.714
23	9	-do-	Non recovery /Adjustments of unauthorized advance payment to TMA Officials	0.210
24	3	AD LGE &RDD	Irregular Expenditure on account of POL Charges of Vehicle	0.302
25	4	-do-	Irregular and doubtful cash withdrawal from bank account	1.407
26	5	-do-	Suspected misappropriation on account budget head others (A05270) distract council	7.778
27	6	-do-	Irregular Expenditure on account of Others	0.584
28	2	KDA	Non completion of developmental schemes within stipulated time period and non-imposition of penalty	6.6
29	5	-do-	Un-authorized expenditure due to non-conducting of rate analysis of non-schedule items- Rs 3.069 million.	3.069
30	6	-do-	Unauthorized expenditure on items not provided in PC-I & BOQ-Rs 3.219 million	3.219
31	7	-do-	Non-recovery of outstanding Government dues on account of water rates- Rs 0.847 million	0.847
32	8	-do-	Blockage of Government fund on account of payment to SNGPL-Rs 5.00 million	5.00
33	10	-do-	Irregular and Unauthorized procurement on account of hiring of vehicles/ machinery- Rs 30.1588 million	30.158

Annexure-2
Para 3.5.3.2

Detail of less realization of receipts

Contract	Receipts collected/auction value during 2018-19 (Rs)	20% Increase (Rs)	Required collection after applying increase (Rs)	Receipts collected departmentally during 2019-20 (Rs)	Loss (Rs)
Cattle fare Latamber	2,600,000	520,000	3,120,000	1,133,500	1,986,500
LariAddaLatamber	310,011	62,002	372,013	139,230	232,783
LariAddaRehmantabad	17,550	3,510	21,060	13,230	7,830
LariAddaMithaKhel	57,160	11,432	68,592	29,030	39,562
Total	2,984,721	596,944	3,581,665	1,314,990	2,266,675