



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

**AUDIT YEAR 2014-2015**

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**AUDITOR GENERAL OF PAKISTAN**

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## ABBREVIATIONS AND ACRONYMS

AP	Advance Para
ADP	Annual Development Programme
BOQ	Bill of Quantity
CCO	Chief Coordination Officer
CMO	Chief Municipal Officer
CNG	Compressed Natural Gas
DAC	Departmental Accounts Committee
EOI	Expression of Interest
GFR	General Financial Rules
GST	General Sales Tax
KVA	Kilovolt Amperes
LCB	Local Council Board
LGA	Local Government Act
LMH	Liaqat Memorial Hospital
MC	Municipal Committee
MFDAC	Memorandum for Departmental Accounts Committee
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCC	Plain Concrete Cement
PC-I	Planning Commission-I
RDA	Regional Directorate of Audit
TKPP	Tameer-e-Khyber Pakhtunkhwa
TS	Technical Sanction
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 Kohat 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 finding carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The Audit Observations listed in the Annexure-1 shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of Public Accounts Committee through the next year's Audit Report.

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

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

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 168 of Khyber Pakhtunkhwa Local Government Act 2012 to be laid before appropriate legislative forum.

Islamabad  
Dated:

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

## EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, is responsible to conduct the audit of all District Councils, Municipal Committees (MCs) and Union Councils (UCs). Its Regional Directorate of Audit Kohat has audit jurisdiction of District Councils, Municipal Committees 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 Municipal Committees Kohat for the Financial Year 2013-14 and the findings have been included in the Audit Report.

District Council and Municipal Committees District Kohat 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 total expenditure of the District Council and Municipal Committees, District Kohat, for the financial year 2013-14, auditable expenditure under the jurisdiction of RDA was Rs 310.073 million. Out of this, RDA Kohat audited an expenditure of Rs 108.526 million which, in terms of percentage, was 35% of the auditable expenditure.

The receipts of the District Council and Municipal Committees, District Kohat for the financial year 2013-14, were Rs 122.647 million. Out of this, RDA Kohat

audited receipts of Rs 49.059 million which, in terms of percentage, was 40% of auditable receipts.

The total expenditure and receipts of District Council and Municipal Committees, District Kohat, for the financial year was Rs 432.720 million. Out of this, RDA Kohat audited the expenditure and receipts of Rs 157.585 million.

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

Recovery of Rs 44.09 million was pointed out during the audit. However, no recovery was made till the finalization of this report. Out of the total recoveries Rs 5.295 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 Kohat, 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 audit activity. Audit used desk audit techniques for analysis of compiled data and review of permanent files/record. Desk Audit greatly facilitated identification of high-risk areas for substantive testing in the field.

**d. Audit Impact**

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

**e. Comments on Internal Control and Internal Audit department**

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

One of the basic components of Internal Control System, as envisaged under Para 13 of GFR Volume-I, is Internal Audit which was not found prevalent in District

Council and Municipal Committees, District Kohat. Neither rules for internal audit have been framed nor internal audit report as required was provided to audit.

**f. Key Audit Findings of the report;**

- i. Non production of record of Rs 48.95 million was noted in two cases.<sup>1</sup>
- ii. Irregularity & non-compliance amounting to Rs 1.252 million was noted in one case.<sup>2</sup>
- iii. Weak Internal Controls of Rs 48.996 million was noted in ten cases<sup>3</sup>.

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<sup>1</sup> Para: 1.2.1.1& 1.3.1.1

<sup>2</sup> Para: 1.3.2.1

<sup>3</sup> Para: 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4, 1.2.2.5, 1.2.2.6, 1.3.3.1, 1.3.3.2, 1.3.3.3 & 1.3.3.4

**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. Concerted efforts need to be made to recover long outstanding dues.
- iii. 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.
- iv. Deduction of taxes on supplies and contracts need to be ensured.
- v. Inquiries need to be held to fix responsibility for losses and irregular payments.



## 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	432.720
2	Total formations in audit jurisdiction	03	432.720
3	Total Entities (PAO) Audited	01	157.585
4	Total formations Audited	03	157.585
5	Audit & Inspection Reports	03	157.585
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

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

(Rs in million)

S. No	Description	Amount under Audit Observation
1	Unsound asset management	--
2	Weak financial management	2.205
3	Weak Internal controls relating to financial management	48.043
4	Others	48.95
<b>Total</b>		<b>99.198</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	--	28.515	49.059	80.011	157.585	124.260
2	Amount Placed under Audit Observation /Irregularities of Audit	--	3.691	47.196	48.311	99.198	81.279
3	Recoveries Pointed Out at the instance of Audit	--	2.441	41.65	--	44.09	46.342
4	Recoveries Accepted /Established at the instance of Audit	--	--	--	--	--	--
5	Recoveries Realized at the instance of Audit	--	--	--	--	--	--

**Table 4: Table of Irregularities pointed out****(Rs in million)**

<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	1.252
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	--
	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.	48.996
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies.	--
6	Non production of record	48.950
7	Others, including cases of accidents, negligence etc.	--
<b>Total</b>		<b>99.198</b>

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

<b>S.No</b>	<b>Description</b>	<b>Amount</b>
1	Outlay Audited (Items 1 of Table 3)	157.585
2	Expenditure on Audit	0.423
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	1:0

## CHAPTER-1

### 1.1 District Council and Municipal Committees Kohat

#### 1.1.1 Introduction

District Kohat has two tehsils i.e. Kohat and Lachi. There is a District Council and four 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 Kohat 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 District Kohat is 560,000.

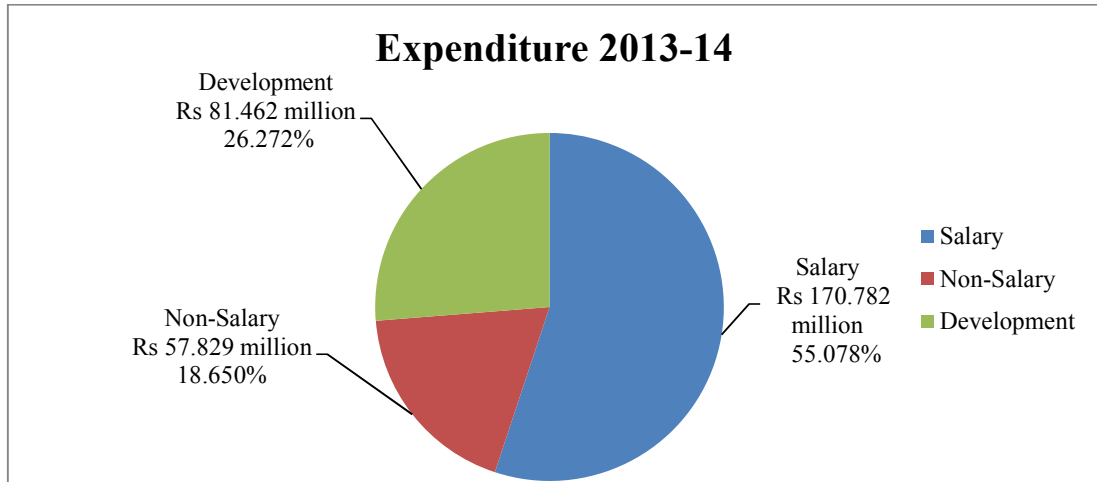
#### 1.1.2 Comments on Budget and Accounts (Variance Analysis)

An amount of Rs 486.647 million was allocated as grant in aid by the Provincial Government to District Council and Municipal Committees of District Kohat. An amount of Rs 122.647 million was realized during the financial year 2013-14. Thus making a total of Rs 609.292 million at the disposal of local councils, against which an expenditure of Rs 310.073 million was incurred by the District Council and Municipal Committees Kohat with a saving of Rs 299.219 million during financial Year 2013-14. Detail is given below

(Rs in million)

2013-14	Budget	Expenditure	Excess (+) / Saving (-)	%age (Saving)
Salary	201.474	170.782	-30.692	15.233
Non-salary	121.582	57.829	-63.753	52.436
Development	286.236	81.462	-204.774	71.540
<b>Total</b>	<b>609.292</b>	<b>310.073</b>	<b>-299.219</b>	<b>49.109</b>
<b>Receipts</b>	<b>104.038</b>	<b>122.647</b>	-	-
<b>Grand Total</b>	<b>713.33</b>	<b>432.72</b>	-	-

The huge savings of Rs 299.219 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 Tehsil Municipal Committees Kohat and Lachi under the LGA 2012, have not yet been discussed in PAC.

**MUNICIPAL COMMITTEE KOHAT**

## **1.2 Audit Paras of Municipal Committee Kohat**

### **1.2.1 Non Production of Record**

#### **1.2.1.1 Non Production of Record-Rs 37.193 million**

According to Section 14(1-b) & (3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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. 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.

Chief Municipal Officer (CMO), Municipal Committee Kohat, executed various works amounting to Rs 37.193 million under TKPP and Gas Royalty Fund during 2013-14 as per detail at annexure-3. Record in support of expenditure was not produced for audit scrutiny despite repeated requests.

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

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

Request for the convening of DAC meeting was made on 4-8-2014 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 besides production of record for audit scrutiny.

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

## **1.2.2 Internal Control Weaknesses**

### **1.2.2.1 Non-recovery of outstanding Government dues on account of rent of property-Rs 22.694 million**

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

Chief Municipal Officer, Municipal Committee Kohat, did not recover rent of Rs 22,694,654 on account of properties of Tehsil Municipal Administration during 2013-14 as per detail at annexure-4.

Non recovery of rent occurred due to weak internal control.

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

Request for the convening of DAC meeting was made on 4-8-2014 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 full recovery and action against the person(s) at fault.

**AP No.4 (2013-14)**

### **1.2.2.2 Non-recovery of water user charges-Rs 12.652 million**

According to Paras 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.

CMO, MC Kohat did not recover long outstanding water users charges amounting to Rs 12,652,708 from the users of water supply schemes upto 30th June, 2014. Detail is given below:



<b>Total connections</b>	<b>Recoverable Amount as on 30-06-2014 (Rs )</b>	<b>Amount Recovered upto 30-06-2014 (Rs)</b>	<b>Outstanding amount (Rs )</b>
5,380	10,281,000	6,956,340	3,324,660
Add Previous year's outstanding			9,328,048
<b>Total</b>			<b>12,652,708</b>

Non recovery of water users charges occurred due to weak internal controls.

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

Request for the convening of DAC meeting was made on 4-8-2014 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.5 (2013-14)**

**1.2.2.3 Loss to Government due to awarding contract at lesser rate- Rs 2.846 million**

According to Para (ii) of terms and condition of the contracts circulated vide Local Government Department, Government of Khyber Pakhtunkhwa letter No. AO-II/LCB/6-11/2013 dated 20-3-2013; the contract for the present year must have an increase over the bid of last year to the tune of 15%.

CMO, MC Kohat awarded contract of cattle fare for Rs 13,550,000 to a contractor for a period of nine months during 2013-14. The same contract was awarded to the same contractor for Rs 19,010,000 during 2012-13. The contract was required to be awarded after applying increase of 15 % for Rs 16,396,125 ( $19,010,000/12 = 1,584,166 \times 9 = 14,257,500 \times 15\%$ ). This resulted in loss to Government of Rs 2,846,125.

Non recovery of receipts at required rate occurred due to weak internal controls.

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

Request for the convening of DAC meeting was made on 4-8-2014 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 making good the loss under intimation to Audit.

**AP No.3 (2013-14)**

**1.2.2.4 Non-recovery of outstanding Government dues - Rs 2.207 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.

CMO, MC Kohat awarded the contracts of Group Laterines and Weekly Cattle Fare at Rs 1,668,000 and Rs 13,550,000, respectively during 2013-14. However, the local office did not recover Rs 2,207,120 from the contractors as per detail given below:

(Amount in Rs)

S#	Description	Name of contractor	Contract	Amount recovered	Total recoverable amount
1	Group latrine	Zahid Hussain	1,668,000	1,536,880	131,120
2	Weekly cattle fare	Naveed Ahmad	13,550,000	11,474,000	2,076,000
<b>Total</b>					<b>2,207,120</b>

Non recovery from the contractors occurred due to weak internal controls.

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

Request for the convening of DAC meeting was made on 4-8-2014 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.1 (2013-14)**

**1.2.2.5 Non-recovery of taxes-Rs 2.065 million**

According to Local Council Board (LCB) Peshawar letter No. AOII/LCB/9-9/ 2010 dated 28-6-2011, revised rates of various taxes were approved with effect from 1-7-2011.

CMO, MC Kohat did not recover taxes imposed on various types of trades amounting to Rs 2,065,000 during the Financial Years 2013-14. Details are given at annexure-5.

Non recovery of taxes occurred due to weak internal controls.

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

Request for the convening of DAC meeting was made on 4-8-2014 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.7 (2013-14)**

**1.2.2.6 Non-recovery of withholding tax on auction of various contracts - Rs 1.006 million**

Withholding tax collection under section 236A on sale of property was enhanced through Finance Act 2013, from 5% to 10% of the bid amount/sale price w.e.f 01.07.2013.

CMO, MC Kohat awarded various contracts of receipts through auction during 2011-12, 2012-13 and 2013-14 but withholding tax amounting to Rs 1,006,025 was not recovered from the contractors. Detail is given below.

S.No	Contracts	Financial year	Income tax (Rs ) ((Rs
1	Weekly cattle fare	2013-14	677,500
2	Dangerous trade fee	2013-14	10,500
3	Group latrine	2013-14	166,800
4	Food and drink fee	2013-14	22,500
5	Group Latrine	2012-13	72,500
6	Slaughter house	2012-13	20,725
7	Group Latrine	2011-12	17,500
8	Slaughter house	2011-12	18,000
<b>Total</b>			<b>1,006,025</b>

Non recovery of withholding tax occurred due to weak internal controls.

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

Request for the convening of DAC meeting was made on 4-8-2014 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.6 (2013-14)**

**MUNICIPAL COMMITTEE LACHI**

### 1.3 Audit Paras of Municipal Committee Lachi

#### 1.3.1 Non Production of Record

##### 1.3.1.1 Non Production of Record-Rs 11.757 million

According to Section 14(1-b) & (3) of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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. 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.

Chief Municipal Officer, Municipal Committee Lachi executed various works amounting to Rs 11,757,575 under Gas Royalty Fund and special packages during 2013-14 as detailed below. Record in support of expenditure was not produced for audit scrutiny despite repeated requests.

S#	Name of Scheme	Fund	Approved cost (Rs )	Expenditure (Rs )
1	WSS Sumari Payan from Eadam Khawar	Oil & gas royalty	6,200,000	3,241,146
2	Pavement of street and construction of drain in Sur Gul, Jamar Dhand and Chambi	Oil & gas royalty	5,000,000	3,532,203
3	Installation of solar street lights urban Shakardara phase-II	Oil & gas royalty	10,000,000	3,813,000
4	Const: of metetalloid road Zerolo karapai Zairat Tarkhai koroona 2 KM	Special package	6,500,000	1,171,226
<b>Total</b>			<b>27,700,000</b>	<b>11,757,575</b>

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

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

Request for the convening of DAC meeting was made on 8-8-2014 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 besides production of record for audit scrutiny.

**AP No.25 (2013-14)**

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

#### **1.3.2.1 Expenditure without tender –Rs 1.252 million**

According to Rule (1) of chapter II “methods of procurement of goods” of Khyber Pakhtunkhwa Public Procurement Regulatory Authority Rules 2014, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs 100,000 (rupees one hundred thousand).

CMO, MC Lachi spent Rs 1,041,356 and Rs 211,538 on repair of tubewells and repair of transformers respectively during 2013-14. The management did not use open competitive bidding for procurement, in contravention of the above-mentioned rules.

Irregularity occurred due to non compliance of PPRA rules.

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

Request for the convening of DAC meeting was made on 8-8-2014 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 action against the person(s) at fault

**AP No.28 (2013-14)**



### 1.3.3 Internal Control Weaknesses

#### 1.3.3.1 Loss due to less realization of revenue - Rs 1.617 million

According to Para (ii) of terms and conditions of the contracts circulated vide Local Government Department, Government of Khyber Pakhtunkhwa letter No. AO-II/LCB/6-11/2013 dated 20-3-2013, the contract for the present year must have an increase over the bid of last year to the tune of 15%.

CMO, MC Lachi collected less receipt from the following contracts for the year 2013-14 without calculating 15% increase over the last year approved bid thus sustained a loss of Rs 1,617,486 to MC fund as per detail below.

(Amount in Rs )

Description	Previous year's receipts during 2012-13	Required receipts with 15% Increase	Current year's receipts during 2013-14	Loss
General bus stand	882,000	10,14,300	882,000	132,000
Entry fee Lachi	532,000	611,800	305,650	306,150
2% property tax	1,564,000	1,798,600	624,450	1,179,336
<b>Total</b>		<b>2,424,710</b>	<b>1,812,100</b>	<b>1,617,486</b>

Loss occurred due to weak administrative and internal control.

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

Request for the convening of DAC meeting was made on 8-8-2014 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 making good the loss under intimation to Audit

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

### 1.3.3.2 Non deduction of sales tax-Rs 1.609 million

According to Section 3 of Sales Tax Act, 1990, sales tax @ 17% of the value of taxable supplies made by registered persons is required to be recovered.

CMO, Lachi spent Rs 9,466,024 on supply and fixing of Hand Pump and Pressure Pump in various water supply schemes during the year 2013-14. Neither the sales tax invoices were available on record nor sales tax @ 17% amounting to Rs 1,609,224 were recovered from the contractors as per detail given at annexure-6.

Non-deduction of sales tax occurred due to weak internal controls.

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

Request for the convening of DAC meeting was made on 8-8-2014 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.19 (2013-14)**

### 1.3.3.3 Non-recovery of water user charges-Rs 1.468 million

According to Paras 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.

CMO, MC Lachi did not recover long outstanding water users charges amounting to Rs 1,408,016 from the users of water supply schemes upto 30th June, 2014. Detail is given below:

Total connections	Recoverable Amount as on 30-06-2014 (Rs )	Amount Recovered upto 30-06-2014 (Rs )	Outstanding amount (Rs )
1600	2,008,000	1,100,000	908,000
Add Previous year's outstanding			560,016
<b>Total</b>			<b>1,468,016</b>

Non recovery of water users charges occurred due to weak internal controls.

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

Request for the convening of DAC meeting was made on 8-8-2014 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.17 (2013-14)**

#### **1.3.3.4 Overpayment due to non deduction of voids-Rs 0.832 million**

As per clause 20(d) of the contract agreement, 11% voids were required to be deducted from the contractor's bill.

CMO, Kohat paid Rs 7,565,200 to various contractors for an item of work "supply and spreading of shingle" in various developmental works during 2013-14. Deduction of voids @ 11% amounting to Rs 832,172 was not made. This resulted in loss to public exchequer as per detail given at annexure-7.

Overpayment occurred due to weak internal control.

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

Request for the convening of DAC meeting was made on 8-8-2014 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 under intimation to Audit.

**AP No.22 (2013-14)**

**DISRICT COUNCIL KOHAT**

#### 1.4 Audit Paras of District Council Kohat

##### 1.4.1 Internal Control Weaknesses

##### 1.4.1.1 Less realization of revenue-Rs 1.087 million

According to Para (ii) of terms and condition of the contracts circulated vide Local Government Department, Government of Khyber Pakhtunkhwa letter No. AO-II/LCB/6-11/2013 dated 20-3-2013, the contract for the present year must have an increase over the bid of last year to the tune of 15%.

Chief Coordination Officer, District Council Kohat collected the following receipts during the year 2013-14 without calculating 15% increase over the last year approved bid thus sustained a loss of Rs 1,087,200 to District council fund as per detail below.

(Amount in Rupees)

Description	Previous year's receipts during 2012-13	Required receipts with 15% Increase	Current year's receipts during 2013-14	Loss
Cattle fare Bilitang	2,650,000	3,047,500	2,204,325	843,175
Pick up adda Gumbat	298,000	342,700	153,400	189,300
Suzuki stand Bilitang	73,500	84,525	29,800	54,725
<b>Total</b>		<b>3,474,725</b>	<b>2,387,525</b>	<b>1,087,200</b>

Loss occurred due to weak administrative and financial control.

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

Request for the convening of DAC meeting was made on 18-8-2014. DAC meeting could not be convened till finalization of this report.

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

**AP No.30 (2013-14)**

## ANNEXURE

### Annexure-1

#### DETAIL OF MFDAC

(Rs in million)

S.No.	Department	AP No	Caption	Amount
1	MC Kohat	2	Loss to government due less recovery on account of weekly cattle fare fee	1.946
2		8	Non-recovery of outstanding Government dues	0.273
3		9	Irregular advance payment and non recovery /adjustment	1.040
4		10	Loss to Government due to non completion of schemes	2.180
5		11	Non utilization of developmental funds	10.890
6	MC Lachi	16	Irregular award of contract	4.738
7		18	Irregular expenditure on account of pumping machinery	5.506
8		21	Unauthorized payment on account of item of work not provided in TS, PC-I and BOQ	11.002
9		23	Unauthorized construction of community centers	1.900
10		27	Unauthorized expenditure without tender	1.027
11	District council Kohat	34	Non utilization of developmental funds	28.672

**Annexure-2****Audit Impact Summary**

<b>S.No</b>	<b>Rules/System/Procedure</b>	<b>Audit Impact</b>
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 terms and conditions of the contracts; the contract for the present year must have 15% increase over the bid of last year.	-do-
4	Withholding tax collection under section 236A on sale of property was required at enhanced rate of 10%.	-do-
5	The procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs 100,000.	-do-

**Annexure-3**  
**(1.2.1.1)**

**Detail of non-production of record**

**(Rs in million)**

<b>S#</b>	<b>Name of Scheme</b>	<b>Fund</b>	<b>Approved cost</b>	<b>Expenditure</b>
1	Pavement of streets and Pressure pumps in UC Urban 5 Khattak Colony	ADP	3.00	1.80
2	Establishment of Islamic Digital Library at Qazi Madrassa Kohat	Oil & gas royalty	5.0	1.86
3	Health Facilities at LMH and DHQ Hospital and repair of damage water supply pipeline	Oil & gas royalty	5.0	2.06
4	Construction of PCC road, drain & Culvert at village Ghorizai Waheed	Oil & gas royalty	4.0	1.770
5	Construction of PCC road, drain & Culvert at village Ghulam Banda	Oil & gas royalty	3.0	1.60
6	Construction of PCC road, drain & Culvert at village Bazeed Khel Mohallah Thakhtikhel	Oil & gas royalty	2.0	1.5
7	Construction of PCC road, drain & Culvert at village Kot Moh Qayyum Koroona	Oil & gas royalty	3.5	1.8
8	Recycle Plant	Oil & gas royalty	40	18.42
9	Water Supply and Sanitation in Urban 6 area	ADP	3.5	2.833
10	Water Supply and Sanitation Program in UC Muhammad Zai	ADP	4.5	3.55
<b>Total</b>			<b>73.5</b>	<b>37.193</b>



**Annexure-4**  
**(1.2.3.1)**

**Detail of outstanding Rent of Property**

(Amount in Rs )

S.No	Nature of Property	No. of Shops	Rent recoverable	Rent Recovered	Previous outstanding Rent on 30-06-2013	Outstanding Rent as on 30-06-2014
1	Long Lease (99 Years)	228	1,572,510	284,748	1,336,620	2,624,382
2	Annual Lease	238	8,243,045	2,137,329	5,906,631	12,012,347
3	Municipal Plaza	21	500,845	82,075	470,600	889,370
4	RDD Office Market	14	346,380	25,500	410,697	732,077
5	TMA Market	08	187,550	44,933	180,529	323,146
6	Sabzi Mandi	46	1,864,605	218,882	1,420,554	3,066,277
7	New Bus Stand	76	2,064,940	640,430	1,034,430	2,458,940
8	Sheenghar Plaza	18	240,940	19,530	366,705	588,115
<b>Total</b>		<b>649</b>	<b>15,020,815</b>	<b>3,453,427</b>	<b>11,126,766</b>	<b>22,694,654</b>

**Annexure-5  
(1.2.3.5)**

**Detail of Taxes outstanding against contractors**

**(Amount in Rs )**

<b>Nature of business</b>	<b>Numbers</b>	<b>Tax rate</b>	<b>Amount to be recovered</b>	<b>Amount recovered</b>	<b>Outstanding amount</b>
Motor car bargain	10	25,000	250,000	0	250,000
Motor cycle bargain	5	10,000	50,000	0	50,000
Guest houses	4	5,000	20,000	5,000	15,000
Crokery	13	3,000	39,000	9,000	30,000
Cement block factory	6	20,000	120,000	0	120,000
Property Dealer	54	5,000	270,000	5,000	265,000
Petrol Diesel CNG station	15	50,000	750,000	0	750,000
Private School & College	54	3,000	162,000	102,000	60,000
Marriage Lawn	4	120,000	480,000	0	480,000
Rent A Car	3	15,000	45,000	0	45,000
<b>Total</b>					<b>2,065,000</b>

**Annexure-6****(2.2.3.2)****Detail of non-deduction of sales tax****(Amount in Rs )**

<b>S#</b>	<b>Name of scheme</b>	<b>Item</b>	<b>Amount</b>	<b>Sales tax</b>
1	Instlation of hand pump/presure pump at Uc Lachi rural	Submersible machine	1,820,000	309,400
2	Instlation of submercible pump at Uc at Sumari	Submersible machine	133,247	22,652
3	Instlation of presure pump at WSS Sweri Khwa	Hand pump machine	600,000	102,000
4	Instlation of pumping machinery at Uc Chorlaki	Submersible machine	610,000	103,700
5	Instlation of pumping machinery at Uc Shakardar	Submersible machine	226,416	38,491
6	Instlation of pumping machinery at Uc Darmalak	Submersible machine	859,923	146,187
7	Instlation of pumping machinery at Banda Fathe Khan	Submersible machine	860,096	146,216
8	Instlation of pumping machinery at Uc Shakardara urban	Submersible machine	397,125	67,511
9	Supply of 50 KVA transformer at Lachi urban	Transformer	1,414,007	240,381
10	Supply of 100 KVA transformer at Lachi urban	Transformer	2,545,210	432,686
<b>Total</b>			<b>9,466,024</b>	<b>1,609,224</b>

**Annexure-7****(2.2.3.4)****Detail of overpayment due to non-deduction of voids****(Amount in Rs )**

<b>S.No</b>	<b>Name of work</b>	<b>Quantity Paid</b>	<b>11% Voids Deduction required</b>	<b>Rate</b>	<b>Total Amount of work</b>	<b>Amount of 11% Voids</b>
1	Construction of shingle Road at Sumari	165.62M <sup>3</sup>	18.219 M <sup>3</sup>	561/ M <sup>3</sup>	92,712	10,220
2	BT Road Bagmal Abad uc Sumari	1300.11 M <sup>3</sup>	143.013 M <sup>3</sup>	440.32/ M <sup>3</sup>	572,464	62,971
3	PCC Road at Ghurzindi	101.35 M <sup>3</sup>	11.149 M <sup>3</sup>	561/ M <sup>3</sup>	56,875	6,254
4	PCC Road at Haider khel shakardara	375.05 M <sup>3</sup>	41.256 M <sup>3</sup>	440.32/ M <sup>3</sup>	105,142	18,166
5	BT Road at Darwazgai Banda	1857.3 M <sup>3</sup>	204.303 M <sup>3</sup>	440.32/ M <sup>3</sup>	817,214	89,958
6	Const: PCC Road at Eid gah road Sudal	87.62 M <sup>3</sup>	9.639 M <sup>3</sup>	561/ M <sup>3</sup>	49,154	5,407
7	BT Road UC Shakardara	566.25 M <sup>3</sup>	62.288 M <sup>3</sup>	561.9/ M <sup>3</sup>	318,176	34,999
8	BT Road near Braghzai uc Sudal	1274 M <sup>3</sup>	140.14 M <sup>3</sup>	440/ M <sup>3</sup>	560,560	61,661
9	BT Road near Braghzai uc Sudal	425.65 M <sup>3</sup>	46.822 M <sup>3</sup>	440/ M <sup>3</sup>	627,286	20,601
10	BT Road at Darwazgai Banda	557.19 M <sup>3</sup>	61.291 M <sup>3</sup>	440.32/ M <sup>3</sup>	245,164	26,987
11	BT Road Malgin	1245.75 M <sup>3</sup>	137.033 M <sup>3</sup>	440.32/ M <sup>3</sup>	548,529	60,338
12	BT Road Malgin	186.86 M <sup>3</sup>	20.555 M <sup>3</sup>	404.16/ M <sup>3</sup>	75,521	8,307
13	Const: PCC Road at Rehman Abad	1378.82 M <sup>3</sup>	151.67 M <sup>3</sup>	561.46/ M <sup>3</sup>	774,158	85,157
14	Const: PCC Road at Haji Sefarish korona	149.77 M <sup>3</sup>	16.47 M <sup>3</sup>	404/ M <sup>3</sup>	60,507	6,656
15	Const: PCC Road Gabari uc shakardara	124.57 M <sup>3</sup>	13.70 M <sup>3</sup>	561/ M <sup>3</sup>	69,884	7,687

16	Const: PCC Road at Speen kanri uc jarma	2374 M <sup>3</sup>	261.14 M <sup>3</sup>	338/ M <sup>3</sup>	802,412	88,265
17	Const: PCC Road at Nari Banda	1200.45 M <sup>3</sup>	132.05 M <sup>3</sup>	561.9/ M <sup>3</sup>	528,582	74,198
<b>Total</b>					<b>6,304,340</b>	<b>667,832</b>
<b>Add 20% premium</b>					<b>1,260,860</b>	<b>133,566</b>
<b>Grand Total</b>					<b>7,565,200</b>	<b>832,172</b>