



**AUDIT REPORT
ON
THE ACCOUNTS OF
DISTRICT COUNCIL AND MUNICIPAL
COMMITTEES
DISTRICT KARAK
AUDIT YEAR 2015-16**

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	iv
PREFACE	vi
EXECUTIVE SUMMARY	vii
SUMMARY TABLES AND CHARTS	x
Table 1: Audit Work Statistics	x
Table 2: Audit observations classified by categories	x
Table 3: Outcome Statistics.....	xi
Table 4: Table of Irregularities pointed out	xi
Table 5: Cost Benefit.....	xii
CHAPTER-1	1
1.1 DISTRICT COUNCIL AND MUNICIPAL COMMITTEES, KARAK	1
1.1.1 Introduction	1
1.1.2 Comments on Budget and Accounts (Variance Analysis)	1
1.1.3 Brief comments on the status of compliance with PAC Directives	2
1.2 Audit Paras Municipal Committee Karak	4
1.2.1 Irregularity & Non Compliance	4
1.2.2 Internal Control Weaknesses.....	11
1.3 AUDIT PARAS OF MUNICIPAL COMMITTEE BANDA DAUD SHAH... 18	
1.3.1 Irregularity & Non Compliance	18
1.3.2 Internal Control Weaknesses.....	22
1.4 AUDIT PARAS OF MUNICIPAL COMMITTEE THAKHT-E-NASRATI... 26	
1.4.1 Irregularity & Non Compliance	26
1.4.2 Internal Control Weaknesses.....	30
1.5 AUDIT PARAS OF DISTRICT COUNCIL KARAK	33
1.5.1 Irregularity & Non Compliance	33
1.5.2 Internal Control Weaknesses.....	38
1.6 AUDIT PARAS OF KARAK DEVELOPMENT AUTHORITY	43
1.6.1 Irregularity & Non Compliance	43
1.6.2 Internal Control Weaknesses.....	45
Annexure-I Detail of MFDAC Paras	49
Annexure-2 Audit Impact Summary	50

Annexure-3 Detail of non imposition of penalty	51
Annexure-4 Detail of non recovery of taxes	52
Annexure-5 Detail of overpayment	53
Annexure-6 Detail of overpayment.....	54
Annexure-7 Detail of non recovery of outstanding due	55
Annexure-8 Detail of non imposition of penalty	56
Annexure-9 Detail of works without tender.....	57
Annexure-10 Detail of overpayment due to allowing higher rates	58
Annexure-11 Detail of abnormal delays in works	59
Annexure-12 Detail of non recovery of sales tax.....	61

ABBREVIATIONS AND ACRONYMS

AA	Administrative Approval
AP	Advance Para
APRs	Actual Payee's Receipts
ADP	Annual Development Programme
BOQ	Bill of quantity
B&R	Buildings & Roads
CCO	Chief Coordination Officer
CMO	Chief Municipal Officer
CMD	Chief Minister Directives
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
C&W	Communication & Works
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
GFR	General Financial Rules
GST	General Sales Tax
HDPE	High Density Polyethylene
IESCO	Islamabad Electric Supply Company
KDA	Karak Development Authority
KP	Khyber Pakhtunkhwa
LCB	Local Council Board
LGA	Local Government Act
LGE&RDD	Local Government Election & Rural Development Department
MFDAC	Memorandum for Departmental Accounts Committee
MRS	Market Rates System
MC	Municipal Committee
NTDC	National Transmission & Despatch Company
PAC	Public Accounts Committee
PAO	Principal Accounting Officer

PC-I	Planning Commission Proforma-I
PCC	Pacca Concrete Cement
PD	Project Leader
PEC	Pakistan Engineering Council
PFC	Provincial Finance Commission
PLA	Personal Ledger Account
PVC	Poly venial chloride
RDA	Regional Directorate of Audit
SFT	Square Feet
SNGPL	Sui Northern Gas Pipeline Limited
TESCO	Tribal Electric Supply Company
UC	Union council
WAPDA	Water and Power Development Authority
WSS	Water Supply Scheme
ZAC	Zilla Accounts Committee

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections-8 and 12 of the Auditor-General (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 Karak for the Financial Year 2014-15. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar conducted audit on test check basis during 2015-16 with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes 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 observations will be brought to the notice of Public Accounts Committee through the next year's Audit Report.

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

The Audit 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 Asad 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 of Audit Kohat has a human resource of 08 officers and staff, constituting 2232 man days and a budget of Rs 8.849 million was allocated during Financial Year 2015-16. 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 carried out by Local Governments in Kohat Division. Accordingly, Regional Director Audit Kohat carried out audit of the accounts of District Council and Municipal Committees Karak for the Financial Year 2014-15 and the findings have been included in the Audit Report.

The District Council Karak and Municipal Committees in District Karak 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

The total expenditure of the District Council and Municipal Committees, District Karak, for the Financial Year 2014-15, was Rs 312.612 million. Out of this, RDA Kohat audited an expenditure of Rs 251.154 million which, in terms of percentage, was 80.34% of the auditable expenditure.

The receipts of the District Council & Municipal Committees in District Karak for the Financial Year 2014-15 were Rs 90.109 million. Out of this, RDA Kohat audited receipts of Rs 62.011 million which, in terms of percentage, was 68.81% of the auditable receipts.

The total expenditure and receipts of District Council and Municipal Committees, District Karak, for the financial year 2014-15, were Rs 402.721 million. Out of this, RDA Kohat audited the expenditure and receipts of Rs 313.165 million.

b. Recoveries at the instance of audit

Recovery of Rs 48.999 million was pointed out during the audit. However, no recovery was affected till the finalization of this report. Out of the total recoveries, Rs 12.275 million was not in the notice of the executives prior to audit.

c. Audit Methodology

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

d. Audit Impact

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

e. Comments on Internal Control and Internal Audit department

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

One of the basic components of Internal Control System, as envisaged under Para 13 of GFR Volume-I, is Internal Audit which was not found prevalent in District Council & Municipal Committees, District Karak,. 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. Irregularity & non-compliance amounting to Rs 186.239 million were noted in twenty one cases.¹
- ii. Loss due to internal control weaknesses of Rs 59.451 million was noticed in twenty one cases².

g. Recommendations

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

¹ Para: 1.2.1.1 to 1.2.1.6, 1.3.1.1 to 1.3.1.4, 1.4.1.1 to 1.4.1.4, 1.5.1.1 to 1.5.1.5, 1.6.1.1 & 1.6.1.2

² Para: 1.2.2.1 to 1.2.2.8, 1.3.2.1 to 1.3.2.3, 1.4.2.1, 1.4.2.2, 1.5.2.1 to 1.5.2.4, 1.6.2.1 to 1.6.2.4

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S. No	Description	No.	Budget
1	Total Entities in (PAO) Audit Jurisdiction	01	402.721
2	Total formations in audit jurisdiction	05	402.721
3	Total Entities in (PAO) Audited	01	313.165
4	Total formations Audited	05	313.165
5	Audit & Inspection Reports	05	313.165
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports (Relating to MC)	-	-

Table 2: Audit observations classified by categories

(Rs in million)

S. No	Description	Amount under Audit Observation
1	Unsound asset management	--
2	Weak financial management	195.961
3	Weak Internal controls relating to financial management	63.461
4	Others	--
Total		259.422

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

S. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	Others	Total for the Year 2014-15	Total for the year 2013-14
1	Outlays Audited	--	200.235	62.011	50.919	313.165	648.673
2	Amount Placed under Audit Observation /Irregularities of Audit	--	202.380	36.841	20.201	259.422	564.062
3	Recoveries Pointed Out at the instance of Audit	--	11.419	36.841	0.739	48.999	54.123
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)**

S. No	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	183.644
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	--
3	Accounting Errors(accounting policy departure from NAM misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	--
4	Quantification of weaknesses of internal control systems.	13.372
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies.	48.999
6	Non production of record	--
7	Others, including cases of accidents, negligence etc.	13.407
Total		259.422

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

S.No	Description	Amount
1	Outlays Audited	402.721
2	Expenditure on Audit	0.695
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	1:0

CHAPTER-1

1.1 District Council and Municipal Committees, Karak

1.1.1 Introduction

District Karak has three tehsils i.e. Karak, Takht-e-Nasriti and BD Shah. There is a District Council and three 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 Karak 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 Karak is 723,450.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

An amount of Rs 450.046 million was allocated as grant in aid by the Provincial Government to District Council and Municipal Committees of District Karak. An amount of Rs 90.109 million was realized from own sources during the financial year 2014-15. Thus making a total of Rs 540.155 million available with the District Council Karak and Municipal Committees Karak. Out of this an expenditure of Rs 312.612 million was incurred by the District Council and Municipal Committees Karak with a saving of Rs 227.543 million during financial Year 2014-15. Detail is given below:

Detail of budget and expenditure during financial year 2014-15

(Rs in million)

2014-15	Budget	Expenditure	Excess /(Saving)	%age
Salary	76.991	78.008	1.017	1.32
Non-salary	62.998	23.830	(39.168)	62.17
Developmental	400.166	210.774	(189.392)	47.32
Total	540.155	312.612	(227.543)	42.12

Detail of receipts realized during Financial Year 2014-15

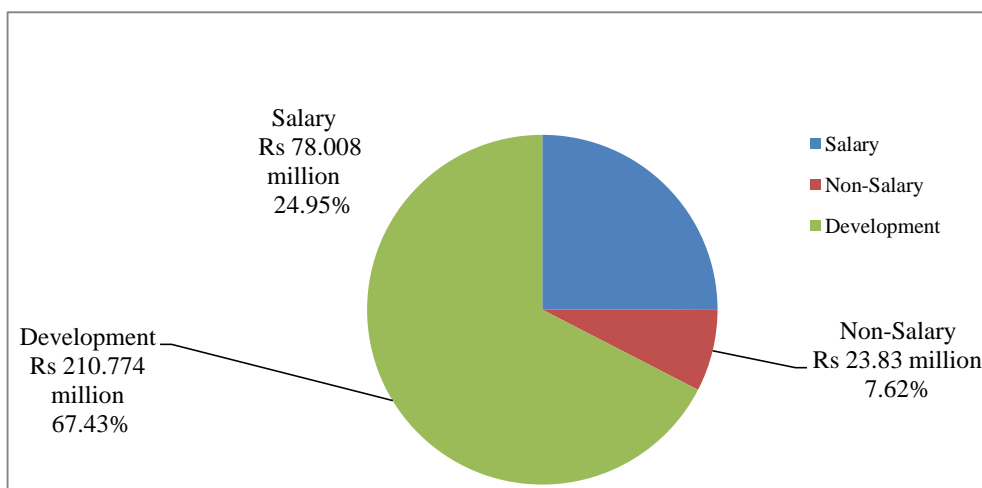
(Rs in million)

2014-15	Provincial Grant in Aid	Realization from own sources	Total
Receipts	450.046	90.109	540.155

The huge savings of Rs 227.543 in all heads of accounts indicate weakness in the capacity of these local institutions to utilize the amounts allocated.

Expenditure 2014-15

(Rs in million)



1.1.3 Brief comments on the status of compliance with PAC Directives

The audit report pertaining to the Audit Year 2014-15 has been submitted to the Governor of Khyber Pakhtunkhwa. Detail of PAC meetings are given below:

S. No.	Audit Year	PAC meeting convened /Not convened
1	2014-15	Not Convened

MUNICIPAL COMMITTEE KARAK

1.2 Municipal Committee Karak

1.2.1 Irregularity & Non Compliance

1.2.1.1 Non Utilization of Developmental Funds –Rs 27.810 Million

According to Para 10 (i) of General Financial Rules Volume I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

CMO, MC Karak during 2014-15 failed to execute 9 developmental schemes to the tune of Rs 27.810 million. The schemes were administratively approved by the competent authority vide No. 249/DC/DA/DDC/AA dated 29-8-2014 and were required to be completed within one year. The local office tendered all the schemes on 14-9-2014 but did not commence the works till date of audit in August, 2015.

Non utilization of funds occurred due to negligence, weak financial control and ill planning, which deprived the public of the timely benefits of the funds.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

Audit suggests utilization of the fund in the current year and disciplinary action against the person(s) at fault.

AP No. 12 (2014-15)

1.2.1.2 Non Transparent Award of Work to Unqualified Contractor- Rs 20.00 Million

According to Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014 (Rule 1 of Disqualification of Supplier) of chapter V “Miscellaneous Provisions”, the procuring entity shall disqualify a supplier or contractor or consultant if it finds, at any time, that the information submitted by him concerning his qualification as supplier or contractor was false and materially inaccurate or incomplete. Further, According to clause “B, I, J and K ” of NIT, Photo copy of registration with Pakistan Engineering Council for the year 2014-15 shall be accompanied by the bidding documents and the bidders may send their bids/tender documents in shape of original and in the seal envelop through registered mail/courier service in the name of Municipal Committee Karak. The tenders received through fax or by hand will not be acceptable.

CMO, Karak during 2014-15 awarded work “Provision and Installation of Electric Poles/transformers and Conductors in PK 40” for Rs 20,000,000 to contractor “Mehra Construction Co” out of Gas Royalty Funds. Expenditure of Rs 96,20,000 was made upto 30-6-2015. Tender form vide electronic form No.1146339 dated 25-9-2014 was issued in the name of Mana construction Co. The said contractor participated in bidding and offered his rates through courier service. The enlistment and other necessary documents of the contractor were found attached in the name of “Mehra construction Co” with a doubtful certificate issued on a plain paper with for signature of Deputy Secretary-III of the Local Council Board that the word Mana was wrongly entered in internet system which may be read and write as Mehra. The following further observations were noticed.

1. LGE&RDD Khyber Pakhtunkhwa contractor’s enlistment number of Mana Construction Company was 123 whereas, the enlistment number of Mehra Construction Company was 43 in same category (B). Two different enlistment numbers in same category could not be issued to one contractor.
2. The license of Mehra Construction Company issued by Pakistan Engineering Council vide No.36381 in the field of specialization CE10 only which was not qualified for high voltage/low voltage installations.
3. The registration of Mehra Const: Co. with NTDC for carrying out work only in IESCO, PESCO and TESCO was expired on 30-6-2014.

4. The official addresses of Mana Const: was Tehsil Takhte Nasrati District Karak whereas the official address of Mehra Const: Co. was Tehsil and District Mardan there by means Mana Company was also existing which was not given chance of competition.

The tendering process was manipulated and the award of contract was maneuvered through suspicious documentation rendering it as unauthorized.

The unauthorized award of work occurred due to weak administration and financial control, which resulted in non-transparent of tender process.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 18 (2014-15)

1.2.1.3 Irregular Expenditure without PC-1 & Technical Sanction-Rs 9.722 Million

According to Para 56 of CPWD Code and Para 2.4 of B&R Department Code, no work should be commenced or liability incurred in connection with it until Technical Sanction has been obtained from competent authority.

CMO, MC Karak during 2014-15 awarded contracts of developmental schemes for estimated costs of Rs 11,130,000 to contractors. Payments of Rs 9,722,356 for execution of the schemes were made to contractors as per following detail. Neither PC-1 of the schemes were approved nor Technical Sanctions of the schemes were accorded till completion of audit in August 2015.

S #	Name of work	Funds	Estimated Cost (Rs)	Total Expenditure (Rs)
1	Construction of BTR Langar Khel	Gas Royalty	8,000,000	7,056,579
2	WSS Gul Shah Khel	CMD	2,130,000	1,800,000
3	Construction of Eid Gah Awal Zad	Gas Royalty	1,000,000	865,777

	Koroona			
Total			11,130,000	9,722,356

Irregular expenditure occurred due to non-compliance of rules, which resulted in execution of works without approved standards.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 10 (2014-15)

1.2.1.4 Irregular Execution of Work On Account of Electrification- Rs 9.620 Million

According to rule 10 of Khyber Pakhtunkhwa Local Government (SITE DEVELOPMENT SCHEME) Rules, 2005, the developer shall submit to MC the detail design and specification of electricity. MC may sanction design and specifications after obtaining comments from concerned departments and authorities. The electric network shall be implemented in accordance with policy, design and specification as approved by WAPDA or any other agency so notified by government. The development work shall be commenced after sanction of the above design or specifications.

CMO, Karak during 2014-15 spent Rs 9,620,000 on electrification work "Providing and Installing of pre-cost Electric Poles, Transformers and Conductors at PK 40 Karak" out of Gas Royalty Funds. Neither PC-1/design/specifications was sent to WAPDA for obtaining comments nor the work was executed in accordance with policy, design and specifications as approved by WAPDA/PESCO. The rates of non-scheduled items offered by contractor were accepted without any rate analysis. Thus irregular expenditure for Rs 9,620,000 was incurred which needs justification.

Irregularity occurred due to weak financial control, which resulted in violation of rules.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 15 (2014-15)

1.2.1.5 Unlawful Procurement of Works-Rs 3.626 Million

According to Khyber Pakhtunkhwa Public Procurement Regulatory Authority Rules 2014 (Rule 1 of chapter II) “methods of procurement of goods” the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods & services over the value of Rs 100,000. Further, According to Para 2.58 read with Para-2.100 of B&R Code, before a work is given out on contract, BOQ be prepared and approved for all items of works and due to site requirements only 5% excess over technically sanctioned estimate was allowed.

CMO, MC Karak during 2014-15 paid Rs 3,626,944 for non-scheduled item of work i.e providing and installation of HDPE pipe 110mm as major item as per following detail.

S#	Name of work	Item executed	Amount (Rs)
1.	WSS at Dubb Sangini	P/I of HDPE 110mm (non schedule)	2,816,759
2.	Do	Galleries	582,537
3	Do	Collecting well	227,648
Total			3,626,944

The PC-I was approved for only installation of pressure pumps and hand pumps. The tender was advertised only for providing and laying the HDPE pipes of various dia (20mm to 75mm) as per MRS specifications. The paid bills showed HDPE pipes of non-scheduled specifications (110 mm) which are technically unfit for pressure pumps. The practice of advertising a schedule item and procuring a non schedule item renders the whole process as non-transparent and doubtful and the expenditure as unauthorized.

Unlawful procurement was made due to weak internal and financial controls, which resulted in loss to Government.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 07 (2014-15)

1.2.1.6 Unauthorized Execution of Work Out Of Gas Royalty Fund- Rs 2.5 Million

According to Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014 (Rule 1 “Approval of Contract Award”) of chapter V “Miscellaneous Provisions”, the procurement committee shall submit the bid evaluation report for award of contract to the approving authority in an expeditious manner, without having to seek extension.

CMO Karak during 2013-14 awarded a work “WSS/open wells/pressure pumps/hand pumps in PK 41” to a contractor for Rs 2.5 million out of CMD Funds. As per work order the scheme was required to be completed on 18-8-2014. The work was neither commenced nor any payment was made during the period. On 29-8-2014 the same scheme was administratively approved out of Gas Royalty Funds vide No. 249/DC/DA/DDC/AA. The work was required to be advertised for calling fresh tender besides action taken against the contractor, instead the local office issued fresh work order on 5-9-2014 to the same contractor on the ground that scheme could not be executed due to non-availability of funds under CM Directives. Whereas, fund of Rs 17,200,000 was available during 2013-14 under CMD as the amount was transferred from the PLA of Deputy Commissioner Karak to the PLA of MC Karak on 30-6-2014. The work was thus un-authorizedly executed and paid as undue favour was

granted to the contractor. The CMD Funds were blocked and not returned back to the Provincial Government thus defeating the legislative and administrative intent.

Irregularity occurred due to weak financial control, which resulted in non-transparent tendering process.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 08 (2014-15)

1.2.2 Internal Control Weaknesses

1.2.2.1 Non Imposition of Penalty -Rs 6.070 Million

According to Clause 6 of the Work Order and Clause 2 of the Contract Agreement, penalty @ 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

CMO, MC Karak during 2014-15 awarded works of Rs. 60,700,000 to various contractors. The contractors failed to complete the works in stipulated period mentioned in the work orders. Neither penalty @ 10% amounting to Rs 6,070,000 was imposed nor the works were completed till date of Audit in August 2015. (Detail given at annexure-3)

Non imposition of penalty occurred due to weak internal control, which resulted in loss to Government.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 14 (2014-15)

1.2.2.2 Non Recovery of Taxes-Rs 2.530 Million

According to LCB Khyber Pakhtunkhwa Peshawar letter No. AOIII/LCB/9-25/2010 dated 9-6-2011 new taxes with the prescribed rates are imposed and to be collected accordingly.

CMO, MC Karak during 2014-15 failed to recover accumulated outstanding dues of Rs 2,530,000 on account of new taxes from various natures of businesses (Detail given at annexure-4). No efforts were made to impose and collect the taxes from the business holders. Resultantly government was put into loss Rs 2,530,000.

Non-recovery of taxes occurred due to weak internal control, which resulted in loss to Government.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 04 (2014-15)

1.2.2.3 Overpayment Due to Allowing Higher Rates-Rs 2.378 Million

According to Finance Department Government of Khyber Pakhtunkhwa Notification No CSR Cell/FD/1-7/Rates/2014-15, all the departments generally and Nation Building Departments shall especially follow the Market Rate System (MRS).

CMO, MC Karak during 2014-15 paid Rs 2,378,101 to various contractors over and above the Market Rate System (MRS) (Detail given at annexue-5). The amount was overpaid due to defective tendering process as BOQ based on MRS was not prepared and provided to contractors. A blank BOQ was provided to contractors to quote their own rates without considering the MRS. Thus exaggerated rates were quoted by contractors and approved by the management of MC Karak.

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

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 19 (2014-15)

1.2.2.4 Wasteful Expenditure On Account of Street Light Poles- Rs 1.352 Million

According to Para 23 of GFR Vol.-I, every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff. Further, According to Para 208 of CPWA code payments for all work done otherwise than by daily labours and for all suppliers are made on the basis of measurements recorded in measurement books. . In addition, it is also not permissible to make payment for material brought to site.

CMO, MC Karak during 2014-15 awarded contract of developmental scheme “Provision and Installation of Street light Solar System at Karak city” for Rs 13.5 million. Rs 1,352,066 were paid in advance for supply and fixing of GI Tubular Street Light Poles which were installed side by side with already existing electricity street light poles duly installed by C&W Karak. The local office was required to utilize existing poles to save the public money instead request was made to C&W Karak for removal of the existing poles vide letter No. 894/MC/KK/ dated 2-12-2014. Thus wasteful expenditure for Rs 1,352,066 was made and undue benefit was granted to the contractor in shape of advance payment.

Wasteful expenditure occurred due to weak administrative and internal control, which resulted in loss to Government.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 13 (2014-15)

1.2.2.5 Loss to Government Due To Non-Execution of Contract on Bidding Amount-Rs 1.1 Million

According to Clause-7 read with Clause-22 of Model Terms and Condition for the contract issued by LGE & RDD vide No AO-II/LCB/6-11/2013

dated 20-12-2013; if the contractor violates any term and condition of auction, his contract will be cancelled and he will be blacklisted. If the original contractor is not interested to continue then contract shall be cancelled and re-auctioned at his own risk and cost.

CMO, MC Karak during 2014-15 awarded contract for collection of Cess Fee to a contractor for Rs 1,100,000. The contract was approved by the competent authority without Gypsum vide letter No. AO-II/LCB/9-1/2014 dated 11-3-2014. The contractor did not signed the contract due to exclusion of Gypsum from the contract. The contract was neither re-auctioned nor the contractual amount was recovered from the bidder or blacklisted as per terms and conditions of the Model Contract. The Cess collection was also not done departmentally. Thus Government was put to a loss of Rs 1,100,000.

Non recovery of rent occurred due to weak internal controls, which resulted in loss to Government.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 06 (2014-15)

1.2.2.6 Overpayment Due To Allowing Higher Rates-Rs 1.091 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.

CMO, MC Karak on 29-9-2014 accepted and awarded two different contracts with exorbitantly different rates (Detail given at annexure-6) for non-scheduled items of the same specifications to the same contractor under two different works for the same entity. Thus the Government was put in a loss of Rs 1,091,658

Overpayment occurred due to weak internal controls, which resulted in loss to Government.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 11 (2014-15)

1.2.2.7 Loss to Government Due To Non-Leasing Out the Commercial Plaza-Rs 1.014 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 Karak during 2014-15 failed to lease out commercial plaza comprising of 55 number shops. Thus the Local Government was put to a loss of Rs 1,014,500 as detailed below:

S. No	Number of Shops	Rent per Month as Proposed (Rs)	Total Outstanding Period (Months)	Total Recovery (Rs)
1	27 Shops on Ground floor	1,500 per shop	5 Months	202,500
2	28 Shops on Upper floor	1,000 per shop	5 Months	140,000
Revised rates proposed from December, 2014				
1	27 Shops on Ground floor	2,000 per shop	7 Months	378,000
2	28 Shops on Upper floor	1,500 per shop	7 Months	294,000
Total				1,014,500

Non-leasing out of Commercial Plaza occurred due to weak internal controls, which resulted in loss to Government.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 03 (2014-15)

1.2.2.8 Non-Recovery of Outstanding Government Dues - Rs 927,040

According to Clause-4 (a) of Model Terms and Condition for the contract issued by LGE & RDD vide No AO-II/LCB/6-11/2013 dated 20-12-2013 the first installment shall be paid by the end of July, 2014 and rest of the installments on last date of the month, to which it relates. Further, 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 i.e. 01.07.2013.

CMO, MC Karak during 2014-15 awarded the contracts of 2% Mutation Fee and General Bus Stand at Rs 3,800,000 and Rs 1,238,040 respectively but failed to recover the contractual amount of Rs 429,040 from the contractors. Further, it also did not recover Withholding Tax of Rs 498,000 from the contractors (Detail given at annexure-7)

Non recovery of outstanding dues occurred due to negligence, weak inefficient administrative and financial control, which resulted in loss to Government.

When pointed out in August 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 21.08.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 01 (2014-15)

MUNICIPAL COMMITTEE BANDA DAUD SHAH

1.3 Municipal Committee Banda Daud Shah

1.3.1 Irregularity & Non Compliance

1.3.1.1 Unauthorized Execution of Work Out Of CMD Fund-Rs 6.00 Million

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

CMO MC Banda Daud Shah during 2013-14 awarded contract of a work “Drinking Water Supply Schemes Pressure pumps/Hand pumps at PK 40” to a contractor for Rs 20 million out of CMD Funds. On 29-8-2014 another scheme “Drinking Water Supply Schemes (Pressure pumps/Hand pumps) at PK 40/installation of Solar System at WSS Matina Aya Khel (Additional work)” was administratively approved for Rs 6 million out of CMD Funds vide No. 246/DC/DA/DDC/AA with the instructions that the work will be tendered in accordance with the relevant rules/procedures. Neither, the work for Rs 6.00 million was tendered nor the additional work of installation of solar system was executed, instead the local office paid for execution of pressure pumps at PK 40 to the same contractor.

Irregularity occurred due to non-compliance of rules, which resulted in non-achieving the economical rates.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 04.09.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 23 (2014-15)

1.3.1.2 Unauthorized Payment Over And Above BOQ/PC-1-Rs 5.053 Million

According to Para 2.58 read with Para 2.1 of B&R Departmental Code, before a work is given out on contract, BOQ be prepared and approved for all items of works and due to site requirements only 10% excess over AA and 5% excess over Technically Sanctioned Estimates was allowed.

CMO, MC Banda Daud Shah during 2013-14 awarded work “Improvement and Rehabilitation Widening Cause way/retaining wall from Karak Naripanus road to Banda Daud Shah Phase-1” to a contractor. As per BOQ/PC-1 the item of work “Formation of Embankment from Barrow Material Compaction by Power Roller” was approved for the quantity of 2370.1 M³ at the rate of Rs 618.40 per M³ for a total amount of Rs 1,465,670. The local office paid Rs 6,518,863 for the quantity of 10,541.5 M³ up to 3rd running bill in November, 2014. As a result quantity of 8,171.4 M³ for Rs 5,053,193 was paid over and above BOQ/PC-1, which in term of percentage was 344%. The work was still in progress and further payment in the same item could not be ruled out.

Unauthorized payment occurred due weak financial control, which resulted in loss to Government.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 04.09.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

Audit recommends actions against the person(s) at fault.

AP No. 25 (2014-15)

1.3.1.3 Unauthorized Award of Work without Tender-Rs 5.00 Million

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

CMO, MC Banda Daud Shah on 15.10.2014 awarded contract of a work “Construction of BTR from Sadiqabad to Rehman Abad” to a contractor for Rs 5.00 million out of Gas Royalty Funds. As per AA No. 250/DC/DA/DDC/AA dated 27.8.2014 the scheme was required to be tendered in accordance with the relevant rules/procedures. The work was awarded as an extension of an existing work which was illegal. Further, commencement of work was not made till completion of audit in August, 2015.

Unauthorized award of work occurred due to weak financial control and non-compliance of rules, which resulted in non-achieving of economical rates.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 04.09.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 28 (2014-15)

1.3.1.4 Un-Authorized Execution of Non-Scheduled Item of Work without Competition-Rs 3.549 Million

According to Para 2.58 read with Para 2.1 of B&R Departmental Code, before a work is given out on contract, BOQ be prepared and approved for all items of works and due to site requirements only 5% excess over Technically Sanctioned Estimates was allowed. Further, According to Khyber Pakhtunkhwa Public Procurement Regulatory Authority Rules 2014 (Rule 1 of chapter II) “Methods of Procurement of Goods” the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods & services over the value of Rs 100,000.

CMO, MC Banda Daud Shah during 2013-14 accepted and approved the rates offered after competition for the scheduled items i.e providing and installation of 6 inch dia Pipe @ Rs 2220.96 per meter in the following works:

S#	Name of work	Item executed	Quantity	Rate	Amount
1.	installation of pressure pump and hand pump at PK 40	P/I of 6" dia (schedule item)	2313.62	2220.96	5,138,457
		P/I of 5" dia (non-schedule item)	531.55	1821.18	968,048
2.	Drinking water supply scheme in District Karak	P/I of 6" dia (schedule item)	2728.4	2220.96	6,059,667
		P/I of 5" dia (non-schedule item)	1417.53	1821.18	2,581,577

However, non-scheduled item of work i.e providing and installation of 5" dia pipe was executed and paid in both schemes. Change of specifications during the execution in violation of PC-I, Technical Sanction and Administrative Approval was irregular. The expenditure of Rs 3,549,625 (968,048 + 2,581,577) is therefore unauthorized.

Further, had the PC1, BOQ and TS been prepared for execution of 5 inch dia pipe instead of 6 inch dia pipe, an amount of Rs 2,015,698 (2220.96-1821.18=399.78x5,042.02) could have been saved.

Unauthorized payment was made due to weak internal and financial controls, which resulted in non-achieving of economical rates.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 04.09.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 22 (2014-15)

1.3.2 Internal Control Weaknesses

1.3.2.1 Non Imposition of Penalty Due To Delay in Developmental Schemes-Rs 5.950 Million

According to Clause 6 of the Work Order and Clause 2 of the Contract Agreement, penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

CMO, MC Banda Daud Shah during 2014-15 awarded various developmental works valuing Rs 59.500 million, to different contractors (Detail given at annexure-8). The contractors failed to complete the works in stipulated period mentioned in the work orders. Neither penalty @ 10% amounting to Rs 5,950,000 was imposed nor were extensions given. The works were still not complete when the audit was being done in August 2015

Non imposition of penalty occurred due to weak internal control, which resulted in loss to Government.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 04.09.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 29 (2014-15)

1.3.2.2 Overpayment Due To Allowing Higher Rates-Rs 1.014 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.

CMO, MC Banda Daud Shah during 2013-14 awarded a work "Installation of Pressure Pumps and Hand Pumps in PK-40" to a contractor for 56 units. As per bid the contractor offered rate of Rs 31,892.40 per unit for non-scheduled item "Supply and Fixing of Single Phase 2HP Submersible Pumping

Machinery with cable 2mm and MCU raising pipe complete in all respect". The bid was accepted after competition and executed the agreement accordingly. The payment was made to the contractor at the rate of Rs 50,000 per unit instead of 31,892.40 per unit. An overpayment for Rs 1,014,025 (56 x 18,107.60) was made to the contractor.

Overpayment occurred due to weak internal controls, which resulted in loss to Government.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 04.09.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 27 (2014-15)

1.3.2.3 Overpayment Due To Allowing Location Cost Factor-Rs 739,576

Market Rate System (MRS) 2013 does not include location factor.

CMO, MC Banda Daud Shah during 2014-15 overpaid an amount of Rs 739,576 to various contractors by allowing Location Cost Factor on Market Rate System, which was not allowed as per detail below:

S No	Work	Location factor (Rs)
1	Construction of BTR from main Gurguri road to Halala	103,316
2	Pavement of street/PCC UC Naripanos	341,943
3	Drinking WSS in District Karak	294,317
Total		739,576

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

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 04.09.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 3o (2014-15)

MUNICIPAL COMMITTEE TAKHT-E-NASRATI

1.4 Municipal Committee Thakht-e-Nasrati

1.4.1 Irregularity & Non Compliance

1.4.1.1 Unauthorized Award of Work without Tender-Rs 21.10 Million

According to Local Government, Election and Rural Development Department Khyber Pakhtunkhwa Notification No PS/SLG&RDD/Misc/2014 dated 18-7-2014 all the local councils in the province shall offer their contracts through e-tendering system. Any tender or offer for works made by any local council without posting on their website shall be void and shall be deemed as omission and commission entailing major penalty in terms of Efficiency and Discipline Rules. Further, According to Para 10 & 11 of AA No. 754/MC/T-N dated 10-9-2014, the work will be tendered in accordance with the relevant rules and procedure. All works should be completed in six months.

CMO, MC Takhte Nasrati during 2013-14 awarded contract of various developmental schemes to the contractors for Rs 54.85 million. All the works were completed in stipulated period. Subsequently, the competent authority issued another AA for Rs 21.10 million under CMD Funds during 2014-15. All the schemes were required to be e-tendered, instead undue extensions were granted to already completed schemes of the previous financial year to avoid e-tender system (Detail given at annexure-9).

Unauthorized award of work occurred due to weak financial control, which resulted in non-achieving of economical rates.

When pointed out in October 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 06.11.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 58 (2014-15)

1.4.1.2 Non Utilization of Developmental Funds –Rs 6.00 Million

According to Administrative Approval vide No. 334/DC/DA/DDC/AA dated 5-9-2014 all the schemes were required to be completed within one year.

CMO, MC Takhte Nasrati awarded 2 developmental schemes to contractors on 7-11-2014 with estimated cost of Rs 6,000,000. The schemes were not executed till October, 2015. Detail as below:

S.No	Name of Scheme	Estimated Cost	Expenditure till Date	Balance Amount
1	Land acquisition and construction of playground at UC Chowkara	2,000,000	Nil	2,000,000
2	Solar system for street lights at Takhte Nasrati Bazar	4,000,000	Nil	4,000,000
Total				6,000,000

Non utilization of funds occurred due to inefficiency, weak financial control and ill planning, which deprived the local public of the benefits of the funds.

When pointed out in October 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 06.11.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 54 (2014-15)

1.4.1.3 Unauthorized Award of Work Worth-Rs 2.927 Million

According to Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014 (Rule 1 “Enlistment of Supplier”) of chapter II “Methods of Procurement of Goods” A procuring entity may establish a mechanism for enlistment of suppliers for the purposes of procurement of goods and related services only in exceptional or complex cases where specialized goods, equipment and related services are required.

CMO, MC Takhte Nasrati during 2014-15 awarded works “S/F of Solar System for WSS Aziz Koroona” and “S/F of Solar System for WSS Hakim Abad” to two contractors for estimated cost of Rs 1,427,600 and Rs 1,500,000 respectively. The contractors were not enlisted by Pakistan Engineering Council (PEC) under the Specialization Code “CE11” and were not authorized/specialized to execute the awarded works. This award put the installations at the risk of substandard accomplishment and the wastage of public money.

Audit observed that irregularity occurred due to violation of rules, which resulted in non-compliance of rules.

When pointed out in October 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 06.11.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 51 (2014-15)

1.4.1.4 Irregular Award of Work On Account Of Electrification-Rs 1.700 Million

According to Rule 10 of Khyber Pakhtunkhwa Local government (SITE DEVELOPMENT SCHEME) Rules, 2005, the developer shall submit to MC the detail design and specification of electricity. MC may sanction design and specifications after obtaining comments from concerned departments and authorities. The electric network shall be implemented in accordance with policy, design and specification as approved by WAPDA or any other agency so notified by government. The development work shall be commenced after sanction of the above design or specifications.

CMO, MC Takhte Nasrati during 2014-15 awarded electrification work “Arrangement of Transformers/Conductors Poles and Maintenance of various Transformers at PK 41” for estimated cost of Rs 1,700,000 under CMD Funds. Neither PC-1/design/specifications was sent to WAPDA for obtaining comments nor the work was executed in accordance with policy, design and specifications

as approved by WAPDA/PESCO. The rates of non-scheduled items offered by contractor were accepted without any rate analysis. Neither the business was in the domain and functions of MC nor post completion assessment was done through any technically competent agency.

Irregularity occurred due to weak financial control, which resulted in violation of rules.

When pointed out in October 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 06.11.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 57 (2014-15)

1.4.2 Internal Control Weaknesses

1.4.2.1 Overpayment Due To Allowing Higher Rates-Rs 5.482 Million

According to Para 23 of the GFR Vol.-1, every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

CMO, MC Takhte Nasrati during 2014-15 made payment for the non-scheduled item "P/I PVC blind pipe in tube wells with strainer class B working pressure 5 inch dia" to a contractor in the work "Installation of Pressure Pumps at Takhte Nasrati" at the rate of Rs 1,000 per meter duly approved in PC-1 and accepted in BOQ. Payment on account of same item was made in the other works at exorbitant rates during the same period by the same authority. Thus the Government was put in a loss of Rs 5,482,316 (Detail given at annexure-10).

Overpayment occurred due lack of financial and internal control, which resulted in loss to Government.

When pointed out in October 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 06.11.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 63 (2014-15)

1.4.2.2 Non-Recovery of Outstanding Government Dues - Rs 927,040

According to Clause-4 (a) of Model Terms and Conditions for the Contracts issued by LGE & RDD vide No AO-II/LCB/6-11/2013 dated 20-12-2013; the first installment shall be paid by the end of July, 2014 and rest of the installments on last date of the month, to which it relates. 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.

CMO, MC Takht-e-Nasrati during 2014-15 awarded the contracts of Rs 1,852,000 to various contractors but failed to recover the contractual amount of Rs 668,600 from the contractors. Further, it also did not recover Withholding Tax of Rs 185,200 from the contractors (Detail given at annexure-11)

Non recovery of government outstanding dues occurred due to negligence, weak administrative and financial control, which resulted in loss to Government.

When pointed out in October 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 06.11.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this Report in November, 2015.

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

AP No. 50 (2014-15)

DISTRICT COUNCIL KARAK

1.5 District Council Karak

1.5.1 Irregularity & Non Compliance

1.5.1.1 Abnormal Delay in Execution of Developmental Schemes-Rs 34.85 Million

According to Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014 (Rule 1 “Approval of Contract Award”) of chapter V “Miscellaneous Provisions”, the Procurement Committee shall submit the bid Evaluation Report for award of contract to the Approving Authority in an expeditious manner, without having to seek extension.

CCO, District Council Karak during 2014-15 awarded contracts of the road works, electrification work, pavement of streets to various contractors for Rs 34.85 million out of Gas Royalty Funds. As per AA the road works should have been completed in six months of the current financial year and other works in one year but due to abnormal delay in issuance of work order by the local office all the works could not be started in time and at the end of the financial year an amount of Rs 24.167 million were lapsed (Detail given in annexure-12).

Irregularity occurred due to weak financial control and non-compliance of rules, which deprived the public of the timely benefits of the funds.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 07.10.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 44 (2014-15)

1.5.1.2 Illegal Execution of Work On Account of Electrification-Rs 12.513 Million

According to rule 10 of Khyber Pakhtunkhwa Local government (SITE DEVELOPMENT SCHEME) Rules, 2005, the Developer shall submit to MC the detail design and specification of electricity. MC may sanction design and specifications after obtaining comments from concerned departments and

authorities. The electric network shall be implemented in accordance with policy, design and specification as approved by WAPDA or any other agency so notified by government. The development work shall be commenced after sanction of the above design or specifications.

CCO, District Council Karak during 2014-15 spent Rs 12,513,652 on repair and maintenance of electric transformers in District Karak out of Gas Royalty Funds. The following irregularities were noticed;

1. Neither PC-1/design/specifications was sent to WAPDA for obtaining comments nor the work was executed in accordance with policy, design and specifications as approved by WAPDA/PESCO.
2. The rates of non-scheduled items offered by contractor were accepted without any rate analysis.
3. The contractors were not registered with the Pakistan Engineering Council for the said work.
4. The contract was sub-letted to another contractor as evident from the vouchers submitted for payments.
5. PC-1 was prepared on assumption basis as amount for repair of identified transformers were placed in advance of disorders of specific items.
6. Measurements of repair works were recorded in MB after lapse of three to four months of the actual repair works.

Irregularity occurred due to weak financial control, which resulted in violation of rules.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 07.10.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 42 (2014-15)

1.5.1.3 Unauthorized Payment On Account of Grant of Loan-Rs 5.00 Million

According to Rule 169 (1) of LGA 2012, Local Council shall not incur any debt. Further, According to rule 167 (d) of LGA 2012, no payment shall be made by the Local Council unless the bill is pre-audited and passed in audit.

CCO, District Council Karak during 2014-15 paid Rs 5,000,000 to MC Bannu on account of grant of loan out of PLA. The payment was made without approval of Finance Department. No APRs was produced to verify that the payment was received by MC Bannu. Counter folio of the cheque was not signed by the Administrator. Further the payment was made without pre audit. Thus unauthorized payment was made to MC Bannu.

Unauthorized payment occurred due to weak administrative and financial control, which resulted in violation of rules.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 07.10.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 49 (2014-15)

1.5.1.4 Irregular Award of Work without Tender-Rs 3.0 Million

According to Khyber Pakhtunkhwa Public Procurement Regulatory Authority Rules 2014 (Rule 1 of chapter II) "Methods of Procurement of Goods" the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods & services over the value of Rs 100,000.

CCO, District Council Karak during 2013-14 awarded a contract "Renovation of Rest House at KDA Karak" to a contractor for estimated cost of Rs 5.00 million out of CMD Funds after due process. As per Work Order No. 13

dated 24-7-2014 the scheme was required to be completed with in six months on 23-1-2015.

On 29-8-2014 another work “Renovation/additional work at KDA Rest House” was administratively approved for Rs 3.00 million out of Gas Royalty Funds vide No. 248/DC/DA/DDC/AA. The work was required to be advertised for calling fresh tender, instead a fresh work order No. 53/CCo/DC dated 30-9-2014 was issued to the same contractor on the ground that work will be executed on already approved tender rates. The items executed were neither approved in PC-1 nor mentioned in BOQ of the earlier work. As a result, payment for Rs 3,000,000 in which Rs 2,894,400 on Non-Scheduled Item “Supply and Fixing of Lasani Laminated Sheet False Ceiling” was made to the contractor without any competition. Further technical sanction of the work was also not accorded till completion of audit in September, 2015.

Irregularity occurred due to weak financial control, which resulted in non-achieving of economical rates.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 07.10.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

Audit recommends inquiry and Physical Verification to be conducted in consultation with audit to ascertain the authenticity of the expenditures.

AP No. 40 (2014-15)

1.5.1.5 Irregular Payment to Assistant Director Local Government- Rs 2.317 Million

According to Para 12 of GFR Vol-I, a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided. Further, According to Rule 167 (d) of LGA 2012, no payment shall be made by the Local Council unless the bill is pre-audited and passed in audit.

CCO, District Council Karak paid Rs 2,317,443 vide cheque No. 11076880 dated 5-3-2015 to AD Local Government on the direction of Director General Local Government for clearing the liabilities of 21 union councils out of PFC share without approval of Finance Department during 2014-15. Instead of paying to each union council separately, the payment was made to AD Local Government without pre auditing of fully vouched bills. No APRs were produced to verify the payment. Thus irregular payment was made to AD Local Government.

Irregular payment occurred due to weak administrative and financial control, which resulted in violation of rules.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 07.10.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 48 (2014-15)

1.5.2 Internal Control Weaknesses

1.5.2.1 Loss to Government Due To Non-Execution of Contract on Bidding Amount-Rs 6.381 Million

According to Para 23 of the GFR Vol.-1, every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

CCO, District Council Karak during 2014-15 auctioned the contract of Cess fee Banda Daud Shah Unit and received the highest bid of Rs 8,140,000. The highest bid was forwarded to Local Council Board Peshawar for approval but it was not granted. Only Rs 1,758,450 were collected departmentally, thus the Government sustained a loss of Rs 6,381,550. It is worth mentioning that the collection for the said contract for the preceding year was Rs 6,000,000.

Non execution of contract agreement occurred due to weak administrative controls, which resulted in loss to Government.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 07.10.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

Audit recommends inquiry in consultation with Audit to dig out why the LCB failed in finely approval of the case.

AP No. 36 (2014-15)

1.5.2.2 Loss to Government Due To Less Realization of Receipts-Rs 3.615 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/6-11/2013 dated 20-12-2013; the contract for the present year must have an increase over the bid of last year to the tune of 15%.

CCO, District Council Karak during 2014-15 departmentally collected receipts for Rs 1,807,800 on different accounts as given below.

Contract	Auction value during 2013-14 (Rs)	15% Increase (Rs)	Required collection after applying increase (Rs)	Offer rejected by LCB (Rs)	Receipts collected departmentally during 2014-15 (Rs)	Loss (Rs)
Weekly cattle fare Ahmad Abad	2,854,000	428,100	3,282,100	2,860,000	994,550	2,287,550
Weekly cattle fare Latamber	1,210,000	181,500	1,391,500	1,220,000	492,090	899,410
Weekly cattle fare MithaKhel	593,000	88,950	681,950	600,000	283,980	397,970
Lorry AddaSabir Abad	59,000	8,850	67,850	117,000	37,180	30,670
Total	4,716,000	707,400	5,423,400	4,797,000	1,807,800	3,615,600

The receipts were required to be collected with 15% increase over the last year's bid. The bids received for the FY 2014-15 were marginally higher over the last year's bids for Rs 4,797,000 which were not approved by LCB being less than 15% increase. As a result an amount of Rs 3,615,600 was less collected.

Non recovery of receipts at required rate occurred due to weak internal controls, which resulted in loss to Government.

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 07.10.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

Audit recommends inquiry to fix responsibility for loss to the Government.

AP No. 37 (2014-15)

1.5.2.3 Overpayment Due To Allowing Location Cost Factor-Rs 1.454 Million

Market Rate System (MRS) 2013 does not include location cost factor.

CCO, District Council Karak during 2014-15 overpaid an amount of Rs 1,454,461 to various contractors by allowing Location Cost Factor on Market Rate System, which was not allowed as per detail below:

S No	Work	Bill & date	Location factor (Rs)
1	Const: of pavement at main Bazar Sabir Abad	Final bill 15-4-2015	1,154,833
2	Const: of BTR from Makh Banda road to Matina Banda	Final bill 12-11-2014	204,755
3	Pavement of street at UC Jandri	Final 31-12-2014	94,873
Total			1,454,461

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

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 07.10.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 38 (2014-15)

1.5.2.4 Non Recovery of Outstanding Dues on Account of Pay, Pension Contribution & Leave Salary of the Employees-Rs 1.090 Million

According to Clause 9, 24, 25, 26 & 27 of the Terms & Conditions for the contract issued by LGE & RDD vide No AO-II/LCB/6-11/2013 dated 20-12-2013; the receipts of the contractual amount shall normally be issued by the

employees of the local councils and not by agent of the contractor concerned. The contractor will be responsible for his pay, pension contribution and leave salary, which will be paid with monthly installment

CCO, District Council Karak during 2014-15 awarded contracts of Property tax, Cess fee Karak and Lory Adda Ambiri Killa to contractors but failed to recover pay, pension contribution and leave salary of the employees. Thus the Government was put in a loss of Rs 1,090,148 as detailed below:

Contract	Designation	Pay & Allowances (Rs)	Leave Salary (Rs)	Pension Contribution (Rs)	Total (Rs)
Property Tax	Land Inspector	203,849	21,180	67,270	292,299
Cess fees Karak	Tax Assistant	368,464	49,128	122,809	540,401
LoryAddaAmbiriKilla	Tax Collector	175,537	23,405	58,506	257,448
Total					1,090,148

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

When pointed out in September 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 07.10.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 35 (2014-15)

KARAK DEVELOPMENT AUTHORITY

1.6 Karak Development Authority

1.6.1 Irregularity & Non Compliance

1.6.1.1 Unauthorized Expenditure On Account Of Water Supply Schemes-Rs 7.412 Million

According to Para 2.7 of B&R Code, excess payment due to site requirement was allowed up to 10% over Administrative Approval and 5% over Technically Sanctioned Estimate.

Project Director, KDA during 2013-14 paid Rs 7,412,566 on construction of two water supply schemes in KDA. Following irregularities were noticed:

1. Administrative Approval was accorded for Rs 2.65 million and accordingly agreement was signed for the construction of one tube well while payment of Rs 7.41 million was made for the construction of two tube wells in violation of AA for one tube well.
2. Payment for external electrification i.e. installation of transformer was made to a civil contractor instead of PESCO.
3. Revised AA was accorded for Rs 5.30 million while expenditure was incurred for Rs 7.412 million, which was 18.49% above of revised AA.

Irregularity was occurred due to weak internal and administrative control, which resulted in violation of rules.

When pointed out in February 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 03.03.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 113 (2014-15)

1.6.1.2 Blockage of Government Fund On Account Of Payment to SNGPL-Rs 5.00 Million

According to Para 12 of the GFR Vol.-I a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Project Director, KDA paid Rs 5,000,000 to Sui Northern Gas Pipelines Limited since 2009 for installation of gas connections to the inhabitants of KDA but till date of audit in February, 2015, even a single connection was not installed and Government money was unnecessarily blocked.

Blockage of Government fund occurred due to weak financial and administrative control, which deprived the public of the timely benefits of the funds.

When pointed out in February 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 03.03.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP No. 108 (2014-15)

1.6.2 Internal Control Weaknesses

1.6.2.1 Non Recovery of Outstanding Dues On Account Of Non-User Charges- Rs 16.165 Million

According to Paras 8 and 26 of the GFR Vol-1 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 during 2013-14 failed to recover Rs 13,470,282 as non user charges and Rs 2,695,000 as Gas charges from 276 allottees of plots.

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

When pointed out in February 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 03.03.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP Nos. 104&105 (2014-15)

1.6.2.2 Loss to Government Due To Awarding Extra Land-Rs 1.870 Million

According to Para 23 of the GFR Vol.-1, every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

Project Director, KDA Karak during 2013-14 allotted extra land to the plots owners at lesser rates for Rs 1,869,699 and beyond the power of Project Director, which is 20% of the area of the owner's plot. The extra land was allotted at a nominal rate instead of Rs 300 per SFT as per detail in annexure-13

Loss to Government occurred due to weak internal control, which resulted in loss to Government.

When pointed out in February 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 03.03.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP Nos. 121 (2014-15)

1.6.2.3 Non Recovery of Advance/Withholding Tax -Rs 1.449 Million

Under the Finance Act 2009, Section 236 A was added to the Income Tax Ordinance 2001 requiring the person or body making sale by public auction of any property belonging to the local government or any authority, to recover advance tax at the time of sale by auction on the basis of sale price of such property, from the person to whom such property is being sold. The Federal Finance Act 2013 raised the rate of advance tax from 5% to 10% of the sale price.

The Project Director, KDA Karak during 2013-14 auctioned various plots but Advance/Withholding Tax of Rs 766,100 was less deducted from the allottees of plots. Further, Advance/Withholding Tax of Rs 683,100 was deducted but not deposited into Government treasury. Thus government was put in a loss of Rs 1,449,200 as per detail in annexure-14.

Non recovery of withholding tax occurred due to weak internal control, which resulted in loss to Government.

When pointed out in February 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 03.03.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP Nos. 111 (2014-15)

1.6.2.4 Non Recovery of Capital Value Tax-Rs 0.863 Million

According to Federal Board of Revenue Circular No.04 of 2009 issued vide No. F.1(35)Ex/2009 dated 18.7.2009, Capital Value Tax on residential immovable property other than flats 4% of the recorded value or Rs100 per square feet will be recovered at the time of transfer of plot.

Project Director, KDA Karak during 2013-14 transferred various plots but Capital Value Tax of Rs 410,940 was less deducted from the owners of plots. Further, Capital Value Tax of Rs 452,070 was deducted but not deposited into Government treasury. Thus government was put in a loss of Rs 863,000 as per detail in annexure-15.

Non recovery of Capital Value Tax occurred due to weak internal control, which resulted in loss to Government.

When pointed out in February 2015, management stated that detailed reply would be furnished in a couple of days. However, no reply was received till finalization of this report.

Request for the convening of DAC meeting was made on 03.03.2015 but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November, 2015.

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

AP Nos. 110 (2014-15)

ANNEXURES

Annexure-I

Detail of MFDAC

(Rs in million)

S. No	Department	AP No	Caption	Amount
1	MC Karak	2	Non recovery of outstanding water charges	0.445
2		9	Irregular expenditure on account of pumping machinery (tendering process done without rate analysis for non schedule items)	1.723
3		16	Non deposit of income tax and sales tax	0.399
4		17	Irregular expenditure on account of advertisement charges	0.560
5	MC BD Shah	21	Non recovery of outstanding due on account of pay, pension contribution and leave salary	0.419
6		26	Advance payment through fictitious entries in MB for work not done (adjusted subsequently)	0.744
7		33	Irregular award of work	4.00
8	MC Takht-e-Nasrati	52	Irregular expenditure on account of pumping machinery (tendering process done without rate analysis for non schedule items)	6.075
9		61	Unauthorized award of work (para not valid due to withdrawal of orders for more than 10% below rates)	41.10
10	District Council Karak	39	Undue benefit to contractor on account of advance payment	1.001
11		41	Non recovery of penalty due to non-completion of work	0.600
12		43	Overpayment due to allowing higher rates	0.816
13		45	Non-recovery of sales tax	1.058
14	Karak Development Authority	106	Non recovery of water supply charges	0.296
15		107	Wasteful expenditure on account of water supply and other charges	0.907
16		109	Non recovery of penalty (non user charges can be recovered at the time of transfer/possession/NOC for construction)	2.479
17		112	Delay in recovery of installment (cost of land) partial compliance reported	1.224
18		116	Overpayment on account of non-deduction of voids	0.365

Annexure-2

Audit Impact Summary

S.No	Rules/System/Procedure	Audit Impact
1	The Auditor General has the authority to require any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to transactions to which his duties in respect of audit extent.	DAC meetings could not be convened due to which audit impact is not visible.
2	According to GFR, all dues of the government should be correctly and promptly assessed, collected and paid into Government Treasury.	-do-
3	According to terms and conditions of 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 deduction of sales tax and income tax respectively be made at the prescribed rates According to Section 3 of the Sales Tax Act 1990 and Section 50 (4) of the Income Tax Ordinance 2001.	-do-

Annexure-3 (Para No. 1.2.2.1)**Detail of non imposition of penalty**

Name of work	Estimated cost (Rs)	Date of commencement	Required date of completion	Penalty @ 10% (Rs)
Provision of Transformer at PK 40	20,000,000	28-10-2014	27-6-2014	2,000,000
Const: &Reh: work in Karak Stadium	20,000,000	17-10-2014	16-6-2014	2,000,000
Const: of BTR Mator	4,500,000	3-4-2014	2-12-2014	450,000
Sewerage system at MethaKhel	2,000,000	20-10-14	19-4-2015	200,000
Const: of Park at Karak	10,000,000	17-10-2014	16-4-2015	1,000,000
Const: BTR Road at PK 41	4,200,000	8-9-2014	7-3-2015	420,000
Total	60,700,000			6,070,000

Annexure-4 (Para No.1.2.2.2)

Detail of non-recovery of taxes

Nature of business	Numbers	Tax rate (Rs)	Amount (Rs) required to be recovered per annum	Outstanding amount (Rs) since 2011 (5 years)
Motor cycle bargain	2	10,000	20,000	100,000
Furniture Factory	4	10,000	40,000	200,000
Doctor Clinic	3	10,000	30,000	150,000
Poltary Farm	4	10,000	40,000	200,000
Service station	6	2,000	12,000	60,000
Private Hospital	3	15,000	45,000	225,000
Jewelry House	8	3,000	24,000	120,000
Refrigeration agency	2	2,000	4,000	20,000
Riksha and chingi Bargain	1	12,000	12,000	60,000
Printing press	2	2,000	4,000	20,000
Tyres Dealer	2	2,000	4,000	20,000
Veterinary Clinic	4	1,500	6,000	30,000
Tailoring Shop	8	1,000	8,000	40,000
Shutring Godown	2	2,000	4,000	20,000
Medical stores	12	1,000	12,000	60,000
Electric stores	3	1,000	3,000	15,000
Hotels	6	1,500	9,000	45,000
Electronic shop	2	1,000	2,000	10,000
Beaf Shop	10	1,500	15,000	75,000
Welding works	5	1,000	5,000	25,000
Ice factory	3	2,500	7,500	37,500
Super store	5	1,000	5,000	25,000
Cigarette Agency	1	1,500	1,500	7,500
Mobile franchise	4	8,000	32,000	160,000
Mobile shops	10	1,500	15,000	75,000
X-Ray Plants	2	1,000	2,000	10,000
Bricks dealers	2	1,000	2,000	10,000
Sanitary stores	2	1,000	2,000	10,000
Wood working centre	3	1,000	3,000	15,000
Baking industries	2	1,000	2,000	10,000
Diesel/Petrol Agencies	3	15,000	45,000	225,000
CNG station	3	30,000	90,000	450,000
Total				2,530,000

Annexure-5 (Para No.1.2.2.3)

Detail of overpayment

S. No.	Name of Scheme	Name of Item	Rate as per MRS (Rs)	Rate paid (Rs)	Difference in rates (Rs)	Qty paid	Overpayment (Rs)
1	Construction and improvement of Karak stadium	PCC 1:4:8	4,860.62	5,920	1,060	116.1	123,066
2		PCC 1:3:6	4,312	5,252	940	957.98	900,501
3		Erecting & removing form work to concrete	428.15	521	92.85	1,632	151,531
4		Random rubber masonry in foundation and plinth ratio 1:4	5413.81	6,594	1,180.19	331.24	390,926
5	Improvement of BTR at Badin Khel	Natural ground compaction	18.17	30	11.83	4,975	58,854
6		Formation of embankment from borrow material	618.4	750	131.6	2,575.25	338,902
7		TST	542.24	560	17.76	730	12,965
8		PCC 1:2:4	6469.09	8600	2,130.91	188.35	401,356
Total							2,378,101

Annexure-6 (Para No.1.2.2.6)**Detail of overpayment**

S #	Item of work	Rate paid in work “Inst: of P/P in Wargha Banda (Rs)	Exorbitant rate in work “Inst: of P/P at Tehsil Karak (Rs)	Difference (Rs)	Qty	Overpayme nt (Rs)
1	P&I PVC pipe strainer in Tube well bore hole BSS class B working pressure 5 i/d	1140/m	1600/m	460	1894.28 meter	871,368
2	Tube well Boring in all kind of soil except shingle /rock 6”i/d bore hole from 0 to 100	1240/m	1400/m	160	609 meter	97,440
3	Tube well Boring in all kind of soil except shingle /rock 6”i/d bore hole from 100 to 200	2350/m	2500/m	150	819 meter	122,850
Total						1,091,658

Annexure-7 (Para No.1.2.2.8)

Detail of non-recovery outstanding dues

S#	Description	Contract (Rs)	Amount recovered (Rs)	Total contractual amount to be recovered (Rs)	Total income tax to be recovered (Rs)	Total amount to be recovered (Rs)
1	2% Mutation Fee	3,800,000	3,579,000	221,000	380,000	601,000
2	General Bus stand	1,238,040	1,030,000	208,040	0	208,040
3	Entry Fee	1,180,000	1,180,000	0	118,000	118,000
Total		6,218,040	5,789,000	429,040	498,000	927,040

Annexure-8 (Para No.1.3.2.1)**Detail of non-imposition of penalty**

Name of work	Estimated cost (Rs in million)	Date of commencement	Required date of completion	Penalty @ 10% (Rs)
Const: of road / improvement/rehabilitation of cause way from Karak Naripanos to B D Shah Phase 1	40.00 m	5.5.2014	4.2.2015	4,000,000
Const: of BTR at MangarKhel	4.5 m	28.4.2014	27.1.2015	450,000
Const: of GPS Old Karapa	4.00 m	30.10.2014	29.4.2015	400,000
Const: of GPS new AbadiJatta Ismail Khel	4.00 m	30.10.2014	29.4.2015	400,000
Pavement of street of Bozha	2.00 m	30.10.2014	29.4.2015	200,000
Construction of BTR from Sadiqabad to Rehman Abad	5.00m	15.10.2014	14.4.2015	500,000
Total	59.5 m			5,950,000

Annexure-9 (Para No.1.4.1.1)**Detail of works without tender**

S.No	Work	Approved Cost (Rs in million)	Fund	Dated of completion	Enhancement amount (Rs in million)	Fund
1	S/F of PVC Pipe in PK 41	4.15	CMD	6-2014	1.20	CMD
2	Const: of mini Tube Wells at Mitha Khel	8.00	Gas Royalty	6-2014	2.40	CMD
3	Instl: of Pressure Pump at UC Warana	9.40	Production Bonus	6-2014	2.80	CMD
4	Instl: of Pressure Pump at UC Guddi Khel	9.50	Production Bonus	6-2014	2.85	CMD
5	Instl: of Pressure Pump at UC Warana	6.00	Gas Royalty	6-2014	6.00	CMD
6	Instl: of Pressure Pump at UC Jehangiri	5.00	CMD	6-2014	2.00	CMD
7	Instl: of mini Tube Well at Latamber	8.00	Gas Royalty	6-2014	2.40	CMD
8	Instl: of Pressure Pump at UC Mitha Khel	4.80	CMD	6-2014	1.45	CMD
Total		54.85			21.1	

Annexure-10 (Para No.1.4.2.1)**Detail of overpayment due allowing high rates**

S#	Work	Exorbitant rate paid (Rs)	Difference (Rs)	Qty	Overpayment (Rs)
1	S/F of submersible machine 2HP china made complete in all respect at UC Mitha Khel	1620/m	620/m	644.62	399,664
2	S/F of submersible machine 2HP china made complete in all respect at UC Jehangiri	1600/m	600/m	484.6	290,760
3	S/F of submersible machine 2HP china made complete in all respect at UC Takhte Nasrati	1620/m	620/m	345.93	214,477
4	S/F of submersible machine 2HP china made complete in all respect at UC Jehangiri	1600/m	600/m	1382.2	829,320
5	S/F of submersible machine 2HP china made complete in all respect at Tehsil Takhte Nasrati	1473/m	473/m	1342.57	635,036
6	S/F of submersible machine 2HP china made complete in all respect at Tehsil Takhte Nasrati	1620/m	620/m	657.72	407,786
7	S/F of submersible machine 2HP china made complete in all respect at UC Shnawa Guddi Khel	1473/m	473/m	493	233,189
8	S/F of submersible machine 2HP china made complete in all respect at UC Wanki Siraj Khel	1620/m	620/m	362.67	224,855
9	S/F of submersible machine 2HP china made complete in all respect at UC Chowkara	1473/m	473/m	969	458,337
10	S/F of submersible machine 2HP china made complete in all respect at UC Warana Ahmed Abad	1476/m	476/m	1412.68	672,436
11	S/F of submersible machine 2HP china made complete in all respect at UC Warana Ahmed Abad	1600/m	600/m	536.42	321,852
12	S/F of submersible machine 2HP china made complete in all respect at UC Jehangiri	1620/m	620/m	1281.62	794,604
Total					5,482,316

Annexure-11 (Para No.1.4.2.2)

Detail of non-recovery of outstanding Government dues

S#	Description	Contract (Rs)	Amount recovered (Rs)	Total contractual amount to be recovered (Rs)	Total income tax to be recovered (Rs)	Total amount to be recovered (Rs)
1	2% property tax	483,000	347,900	135,100	48,300	183,400
2	Lorry Adda Lwagher	550,000	273,000	277,000	55,000	332,000
3	Lorry Adda Daratang	232,000	116,400	115,600	23,200	138,800
4	Sand, Bajri, Shingle	260,000	260,000	0	26,000	26,000
5	Entry Fees	327,000	186,100	140,900	32,700	173,600
Total		1,852,000	1,183,400	668,600	185,200	853,800

Annexure-12 (Para No.1.5.1.1)

Detail of abnormal delay in works

Name of work	Date of comparative analysis	Date of work order	Estimated cost (Rs in million)	Expenditure upto June, 2015 (Rs in million)	Lapsed fund (Rs in million)
Const: of BTR at KanduKhel	13-11-2014	23-4-2015	10.00	4.633	5.367
Const: of PCC road from highway to MuhallaQuliKhel	13-11-2014	14-5-2015	4.00	1.335	2.665
Const: of shingle/PCC road at DaudKoroona Zara Khel	13-11-2014	23-4-2015	3.00	2.075	0.925
Const: of street pavement PCC at Faqeerri Banda Jatta Ismail Khel	13-11-2014	Not yet issued	1.00	Nil	1.00
S/F of various dia pipe at Tehsil Karak	25-6-2014	30-9-2014	0.65	Nil	0.65
Provision of electrification through solar system for village Saroobi& Kurd sharif	13-11-2014	Not yet issued	2.70	Nil	2.70
Const: of PCC road at Tarkikhel	13-11-2014	20-4-2015	9.00	2.640	6.36
Const: of PCC/BTR at Tarkha Koi	13-11-2014	20-4-2015	4.50	Nil	4.50
Total			34.85	10.683	24.167

Annexure-13 (Para No.1.6.2.2)**Detail of extra land**

No of plot	Name of allottee	Area of plot	Extra land awarded	Rate given	%age	Value of extra land @300/SFT (RS)	Difference (Rs)
23	Akhyar Gul	5400 SFT	2500 SFT	(Rs 125,000)@Rs 50 P/SFT	47%	750,000	625,000
1	Qabil badshah	5400 SFT	4783.75 SFT	(Rs 239,188)@Rs 50 P/SFT	89%	1,435,125	1,195,937
78A	Sajda Ifat	1768 SFT	378 SFT	(Rs 64,638)@Rs 171 P/SFT	22%	113,400	48,762
Total							1,869,699

Annexure-14 (Para No.1.6.2.3)

Detail of non-recovery of withholding tax

S#	Name of Allottee	Size of Plot	Plot No.	Cost of plot	Year of collection	Income tax Deducted (Rs)	Income tax Due (Rs)	Less Deduction (Rs)
1	Malik Awail Bad Shah	1 Kanal	203	1,650,000		49,500	99,000	49,500
2	Malik Awail Bad Shah	1 Kanal	209	1,560,000		46,800	93,600	46,800
3	Malik Awail Bad Shah	1 Kanal	148	1,550,000		46,500	93,000	46,500
4	Malik Awail Bad Shah	1 Kanal	212	1,525,000		45,750	91,500	45,750
5	Malik Awail Bad Shah	1 Kanal	108	3,970,000	2013-14	119,100	397,000	277,900
6	Tahir Farooq	1 Kanal	5	3,550,000	2013-14	106,500	355,000	248,500
7	Mudasir Ayub	1 Kanal	99	905,000	2009-10	54,300	54,300	-
8	Mudasir Ayub	1 Kanal	100	905,000	2009-10	54,300	54,300	-
9	Mudasir Ayub	1 Kanal	104	905,000	2009-10	54,300	54,300	-
10	Muhammad Ishaq	1 Kanal	151	915,000	2009-10	54,900	54,900	-
11	Malik Awail Bad Shah	1 Kanal	105	1,705,000	2011-12	51,150	102,300	51,150
12	Asad Ullah	7 Marla	32-A	505,000		30,300	30,300	-
13	Hazrat Bibi	7 Marla	66-A	500,000		30,000	30,000	-
14	Yousaf Khan	7 Marla	32-B	505,000		30,300	30,300	-
15	Muhammad Tariq	7 Marla	66-B	500,000		30,000	30,000	-
16	Malik Awail Bad Shah	1 Kanal	152	1,650,000		49,500	99,000	49,500
17	Malik Awail Bad Shah	1 Kanal	92	3,330,000	2014-15	99,900	333,000	233,100
18	Malik Awail Bad Shah	1 Kanal	107	3,910,000	2013-14	117,300	391,000	273,700
19	Malik Awail Bad Shah	1 Kanal	105	1,705,000	2011-12	51,150	102,300	51,150
20	Malik Awail Bad Shah	1 Kanal	16-A	1,660,000		49,800	99,600	49,800

21	Malik Awail Bad Shah	1Kanal	15	1,660,000		49,800	99,600	49,800
22	Malik Awail Bad Shah	1Kanal	16	1,710,000		51,300	102,600	51,300
23	Malik Awail Bad Shah	1Kanal	88	3,360,000	2014-15	100,800	336,000	235,200
24	Akhtar Muhammad	School		2,035,000		61,050	122,100	61,050
Total						683,100	1,449,200	766,100

Annexure-15 (Para No.1.6.2.3)

Detail of non-recovery of capital value tax

S#	Name of Allottee	Size of Plot	Plot No.	Cost of plot (Rs)	CVT Deducted (Rs)	CVT Due (Rs)	Less Deduction (Rs)
1	Yousaf Khan	1Kanal	150	910,000	36,400	36,400	-
2	Malik Awail Bad Shah	1Kanal	203	1,650,000	34,000	66,000	32,000
3	Malik Awail Bad Shah	1Kanal	209	1,560,000	34,000	62,400	28,400
4	Malik Awail Bad Shah	1Kanal	148	1,550,000	32,670	62,000	29,330
5	Malik Awail Bad Shah	1Kanal	212	1,525,000	34,000	61,000	27,000
6	Malik Awail Bad Shah	1Kanal	212	1,525,000	34,000	61,000	27,000
7	Malik Awail Bad Shah	1Kanal	108	3,970,000	34,000	158,800	124,800
8	Tahir Farooq	1Kanal	5	3,550,000	34,000	142,000	108,000
9	Mudasir Ayub	1Kanal	99	905,000	36,200	36,200	-
10	Mudasir Ayub	1Kanal	100	905,000	36,200	36,200	-
11	Mudasir Ayub	1Kanal	104	905,000	36,200	36,200	-
12	Muhammad Ishaq	1Kanal	151	915,000	36,400	36,600	200
13	Malik Awail Bad Shah	1Kanal	105	1,705,000	34,000	68,200	34,200
Total					452,070	863,000	410,930