



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

**AUDIT YEAR 2014-2015**

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**AUDITOR GENERAL OF PAKISTAN**

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## ABBREVIATIONS AND ACRONYMS

AP	Advance Para
CMD	Chief Minister Directives
CMO	Chief Municipal Officer
CSR	Composite Schedule of Rate
CNG	Compressed Natural Gas
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
DCO	District Coordination Officer
DDO	Drawing and Disbursing Officer
DG	Director General
FBR	Federal Board of Revenue
GFR	General Financial Rules
LG & RDD	Local Government and Rural Development Department
M <sup>3</sup>	Cubic Meter
MC	Municipal Committee/Corporation
MRS	Market Rate System
NAM	New Accounting Model
NBP	National Bank of Pakistan
NOC	No Objection Certificate
PAO	Principal Accounting Officer
PAC	Public Accounts Committee
PCC	Plain Cement Concrete
PC-I	Planning Commission Proforma-1
PESCO	Peshawar Electric Supply Company

RRM	Random Rubber Masonry
RDA	Regional Directorate of Audit
S/S	Supply and Spreading
TS	Technical Sanction
UC	Union Council
ZAC	Zilla Accounts Committee

## PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections-8 and 12 of the Auditor-General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section 168 of Local Government Act 2012, require the Auditor-General of Pakistan to conduct audit of the receipts and expenditure of Local Fund of District Council and Municipal Committees.

The report is based on audit of the accounts of District Council and Municipal Committees, District Nowshera for the Financial Year 2013-14. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar conducted audit on test check basis during 2014-15 with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The Audit Observations listed in the Annexure-1 shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit 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 observations included in this Report have been finalized without written replies of the Departments. DAC meetings could not be convened despite repeated requests.

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

| Islamabad  
Dated:

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

## EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, is responsible to conduct the audit of all District Councils, Municipal Committees (MCs) and Union Councils (UCs). Its Regional Directorate of Audit Peshawar has audit jurisdiction of District Councils, Municipal Committees and UCs of three Districts i.e. Peshawar, Charsadda and Nowshera.

The Regional Directorate has a human resource of 14 officers and staff, constituting 4,242 man days and a budget of Rs 14.041 million was allocated during Financial Year 2014-15. It has the mandate to conduct financial attest audit, audit of sanctions, audit of compliance with authority and audit of receipts as well as the performance audit of entities, projects and programs. Accordingly, Regional Director Audit Peshawar carried out audit of the accounts of District Council and Municipal Committees Nowshera for the Financial Year 2013-14 and the findings included in the Audit Report.

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

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

Out of the total expenditure of the District Council and Municipal Committees, District Nowshera for the Financial Year 2013-14, the auditable expenditure under the jurisdiction of RDA was Rs 569.946 million. Out of this, RDA Peshawar audited an expenditure of Rs 324.869 million which, in terms of percentage, was 57% of auditable expenditure.

The receipts of District Council and Municipal Committees, District Nowshera for the Financial Year 2013-14, were Rs 471.208 million. Out of this,

RDA Peshawar audited receipts of Rs 292.148 million which, in terms of percentage, was 62% of auditable receipts.

The total expenditure and receipts of District Council and Municipal Committees, District Nowshera, for the financial year were Rs 1,041.154 million. Out of this, RDA Peshawar audited the expenditure and receipts of Rs 617.017 million.

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

Recovery of Rs 23.921 million was pointed out during the audit. However, no recovery was affected till the finalization of this report. Out of the total recoveries, Rs 5.295 million were not in the notice of the executives before audit.

**c. Audit Methodology**

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

**d. Audit Impact**

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

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

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

One of the basic components of Internal Control System, as envisaged under Para 13 of GFR Volume-I, is internal audit which was not found prevalent in District Council and Municipal Committees, District Nowshera. Neither rules for internal audit have been framed nor internal audit report as required was provided to audit.

**f. Key audit findings of the report;**

- i. Non-production of record of Rs 4.640 million was noted in two cases<sup>1</sup>.
- ii. Irregularity & non compliance of rules amounting to Rs 166.178 million was noticed in seven cases<sup>2</sup>.
- iii. Loss due to Internal Control Weaknesses of Rs 34.418 million was noted in seven cases<sup>3</sup>.

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<sup>1</sup> Para 1.2.1.1,1.5.1.1

<sup>2</sup> Para 1.2.2.1,1.2.2.2,1.2.2.3,1.2.2.4,1.2.2.5,1.2.2.6,1.4.1.1

<sup>3</sup> Para 1.3.3.1,1.2.3.2,1.2.3.3,1.2.3.4,1.3.1.1,1.3.1.2,1.3.1.3



**g. Recommendations**

- i. Disciplinary action needs to be taken for non production of record as well as violation of the rules and regulations in spending the public money.
- ii. 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 on supplies and contracts need to be ensured.
- iv. Concerted efforts need to be made to recover long outstanding dues.

## 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	1,041.154
2	Total formations in audit jurisdiction	05	1,041.154
3	Total Entities in (PAO) Audited	01	617.017
4	Total formations Audited	05	617.017
5	Audit and Inspection Reports	05	617.017
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

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

(Rs in million)

S.No.	Description	Amount Placed under Audit Observation
1.	Unsound asset management	-
2.	Weak financial management	166.178
3.	Weak Internal controls relating to financial management	34.418
4.	Others	4.640
<b>Total</b>		<b>205.236</b>

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

<b>S. No</b>	<b>Description</b>	<b>Expenditure on Acquiring Physical Assets Procurement</b>	<b>Civil Works</b>	<b>Receipts</b>	<b>Others</b>	<b>Total for the year 2013-14</b>	<b>Total for the year 2012-13</b>
1.	Outlays Audited	-	305.584	292.148	19.285	617.017	339.164
2.	Amount Placed under Audit Observation /Irregularities of Audit	-	166.178	33.198	5.860	205.236	90.925
3.	Recoveries Pointed Out at the instance of Audit	-	2.809	21.112	-	23.921	31.955
4.	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	16.847
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

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

<b>S.No.</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1.	Violation of Rules and regulations, principle of propriety and probity in public operation	142.257
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.	34.418
5.	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies	23.921
6.	Non-production of record	4.64
7.	Others, including cases of accidents, negligence etc.	-
<b>Total</b>		<b>205.236</b>

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

<b>S.No.</b>	<b>Description</b>	<b>Amount</b>
1.	Outlays Audited (items 1 of Table-3)	616.977
2.	Expenditure on Audit	4.680
3.	Recoveries realized at the instance of Audit	-
4.	Cost-Benefit Ratio	1:0



## CHAPTER-1

### 1.1 District Council & Municipal Committees, Nowshera

#### 1.1.1 Introduction

District Nowshera has two tehsils i.e. Nowshera and Pabbi. There is a District Council and four Municipal Committees. District Council has a Chief Coordination Officer, District Officer (Finance), District Officer (Infrastructure) and District Officer (Regulation). Municipal Committees have Chief Municipal Officers, Municipal Officers (Finance), Municipal Officers (Infrastructure) and Municipal Officers (Regulation). District Council Nowshera has one Drawing and Disbursing Officer (DDO) i.e. Chief Coordination Officer & Chief Municipal Officers are the DDOs of Municipal Committees. According to 1998 population census, the population of District Nowshera is 874,373.

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

An amount of Rs 241.69 million was allocated as grant in aid by the Provincial Government to District Council and Municipal Committees of District Nowshera. An amount of Rs 471.208 million was realized during the financial year 2013-14. Thus making a total of Rs 712.898 million at the disposal of local councils, against which an expenditure of Rs 569.946 million was incurred by the District Council and Municipal Committees Nowshera with a saving of Rs 143.034 million during financial Year 2013-14. Detail is given below:

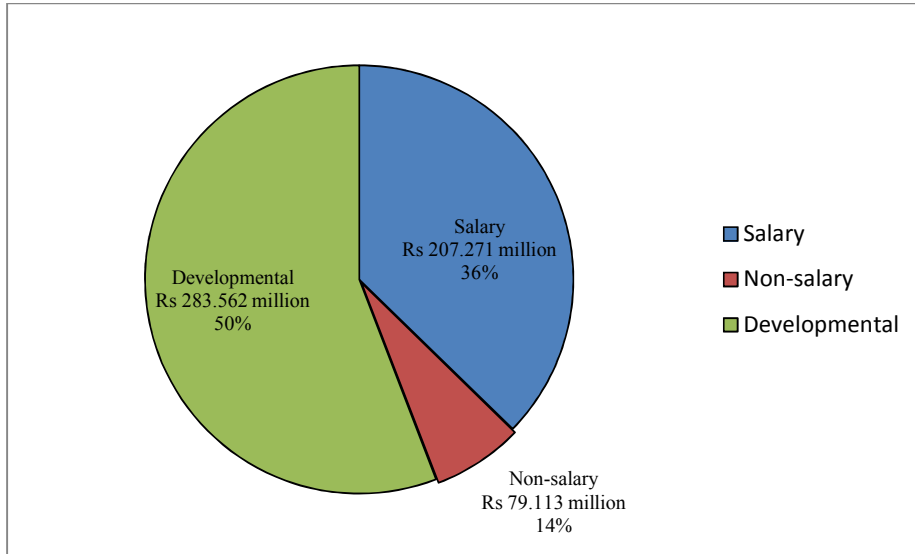
(Rs in million)

2014-15	Budget	Expenditure	Excess/ (Saving)	%age
Salary	213.002	207.271	-5.731	(2.69)
Non-salary	121.475	79.113	-42.362	(34.87)
Developmental	378.421	283.562	-94.859	(25.07)
<b>Total</b>	<b>712.898</b>	<b>569.946</b>	<b>-143.032</b>	<b>(20.063)</b>
Receipts	471.208	471.208	-	-
<b>Grand Total</b>	<b>1,184.106</b>	<b>1,041.154</b>	<b>-</b>	<b>-</b>

The huge savings of Rs 287.454 million in all heads of accounts indicate weakness in the capacity of these local institutions to utilize the amounts allocated.

### Expenditure 2013-14

(Rs in million)



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

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

**DISTRICT COUNCIL NOWSEHRA**



## **1.2 Audit Paras of District Council Nowshera**

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

#### **1.2.1.1 Non Production of Record-Rs 1.526 million**

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

Chief Coordination Officer District Council Nowshera failed to produce the following record during 2013-14.

- i. Expenditure incurred on contingencies of union councils amounting to Rs 1,526,000 was not produced.
- ii. Road Roller receipts and machinery log books.
- iii. Detail of rented property income.
- iv. Mobile Tower/NOC fees.
- v. Registration/Enlistment of Contractors.

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

When reported in August 2014, the management replied that detailed reply would be submitted after consultation of record. However, record was not produced.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends fixing of responsibility for non production of record and disciplinary action against the person(s) at fault.

**AP 04/2013-14**

## **1.2.2 Irregularity & Non compliance**

### **1.2.2.1 Excess Payment on account of civil work - Rs 5.00 million**

The Finance Department vide No. SO(Dev-1)FD/6-50/2013-14/S.P/Misc vide Para No. 9 & 10 stated that “CMD scope of work shall be restricted to the allocation by the Chief Minister and scope and site of the CMD shall not be changed after approval by the competent forum except as the Chief Minister as deemed appropriate”.

The Chief Coordination Officer, District Council Nowshera paid Rs 12,101,857 for construction of Eid Gah at UC Badrashi during 2013-14. Finance Department released an amount of Rs 7,100,000, but contrary to CM directives the contractor was paid Rs 12,101,857 resulted into excess payment of Rs 5,001,857.

Irregularity occurred due to non compliance of rules.

When pointed out in August 2014, the management replied that detailed reply would be submitted after scrutiny of office record. However, no progress was intimated.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

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

**AP 23/2013-14**

### **1.2.2.2 Overpayment to contractor and non-imposition of penalty - Rs 0.933 million**

According to clause-II of the contract agreement, penalty of 1% per day, up to maximum of 10% of the estimated cost will be imposed for delay in completion of work.

Chief Coordination Officer, District Council Nowshera paid Rs 3,287,765 for a work “Pavement of Street and Constriction of Drains, Retaining Walls and culverts at UC Kaka Sahib” during 2013-14. An item of work Random Rubble Masonry (RRM) was paid for Rs 2,764,916 against the technical sanction amount

of Rs 2,232,124 which resulted in overpayment of Rs 532,792 to contractor. In addition work order of the scheme was issued on 7-2-2014 with completion time of 03 months i.e. 06-05-2014. The work was not completed within stipulated time. Extension was not granted nor penalty under clause 2 of the agreement @ 10% amounting to Rs 400,000 was imposed.

When pointed out in August 2014, the management replied that detailed reply would be submitted after scrutiny of office record. However, no progress was intimated.

Non-imposition of penalty and overpayment resulted in loss to Government.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends recovery of overpayment and imposition of penalty under intimation to audit.

**AP 22/2013-14**

**1.2.2.3 Overpayment due to allowing excessive rates -Rs 1.386 million**

According to Market Rate System 2013 vide item No. 16-22, rate of 643.48 for supply and spreading of shingle on road surface including compaction is required.

The Chief Coordination Officer, District Council Nowshera overpaid an amount of Rs 1,150,115 in Pavement of street drain, culverts and shingle on road during 2013-14. Payment for an item of work shingle filling in street was made @ Rs 1065.23/M<sup>3</sup> instead of Rs 643.48/M<sup>3</sup> resulted into overpayment of Rs 1,150,115 as per following detail: -

S#	Name of work	Rate Paid (Rs )	Required (Rs )	Diff: (Rs )	Qty(M <sup>3</sup> )	Overpayment (Rs )
1-	Pavement of street drain etc at Pirsabaq.	1065.23	643.48	421.75	1630.80	687,790

2-	Pavement of street drain etc at UC Bara Banda.	1065.23	643.48	421.75	325.73	137,377
3	Pavement of street drain etc at UC PirPai.	1065.23	643.48	421.75	754.78	324,948
	<b>Total</b>					<b>1,150,115</b>

Moreover, an amount of Rs 235,908 was overpaid to contractor in a work “Construction of Eid Gah at UC Badrashi” by allowing excessive rate for an item ‘structure back filling’ @ 326.79/M<sup>3</sup> instead of Rs 76.63/M<sup>3</sup>.

This resulted in total overpayment of Rs 1,386,023.

Irregular application of rates resulted in overpayment and loss to public exchequer.

When pointed out in August 2014, the management replied that detailed reply would be submitted after scrutiny of office record. However, no progress was intimated.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends recovery of overpayment under intimation to Audit.

**AP 8,15 &21/2013-14**

- 1.2.2.4 (i) Payment without obtaining Technical Sanction - Rs 4.760 million**
- (ii) Overpayment due to misapplication of rates - Rs 1.281 million**

According to Technical Sanction of the scheme an item of work “PCC 1:2:4” was sanctioned for a quantity of 688 M<sup>3</sup>.

The Chief Coordination Officer, District Council Nowshera paid Rs 4,760,703 to contractor against an estimated cost of Rs 10,000,000 for

pavement of street at UC Dag Besud during 2013-14. The following irregularities were noticed.

- i. The expenditure is irregular as technical sanction of the scheme was not obtained from competent authority. i.e Chief Engineer.
- ii. An item of Work shingle filling was paid for Rs 406,571, not provided in PC-I/Technical Sanction.
- iii. An item of work PCC 1:2:4 was paid for 886.09 M<sup>3</sup>@ 6469.09 M<sup>3</sup> against the TS provision of 688 M<sup>3</sup>, resulting into excess quantity of 198.09 M<sup>3</sup> and overpayment of Rs 1,281,462 (198.09\*6469.09 M<sup>3</sup>).
- iv. Supply & spreading of shingle was paid for quantity of 107.32 M<sup>3</sup> @ Rs 1065.23 instead of Rs 643.48 (item 16-22) resulted in overpayment of Rs 45,262.(421.75\*107.32).

Irregular payment occurred due to misapplication of rates.

When pointed out in August 2014, the management replied that detailed reply would be submitted after scrutiny of our office record. However, no progress was intimated.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends fixing responsibility beside recovery of overpayment.

**AP 20/2013-14**

#### **1.2.2.5 Overpayment to contractor- Rs 0. 977 million**

Market Rate System (MRS) 2014 Chapter-16 item No. 16-22 provide rate of Rs 643.48/M<sup>3</sup> for supply & spreading shingle on road surface including compaction by Power Roler.

The Chief Coordination Officer, District Council Nowshera overpaid Rs 21,96,345 vide 1st running bill for Pavement of street drains culverts and shingle road U/C Chowki Mumrez during 2013-14. An item of 'shingle filling'

was paid for 2195.12 M<sup>3</sup> @ Rs 1065.23 instead of Rs 643.48 which resulted into overpayment of Rs 9,25,792.

The overpayment occurred due to allowing higher rates.

In addition an amount of Rs 50,842 was overpaid on account of PCC 1:4:8 as according to agreement only PCC 1:2:4 was required.

When pointed out in August 2014, the management replied that detail reply would be submitted after scrutiny of office record. However, no progress was intimated.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends inquiry for fixing responsibility beside recovery of the overpayment made to contractor.

AP 17/2013-14

**1.2.2.6 Irregular expenditure under Chief Minister's Directives- Rs 148.960 million**

According to Finance Department Government of KPK letter No.SO (Dev-1) FD/12-2/2013-14/DDI dated 08<sup>th</sup> May 2014, Clause 11 and 12 "once the CMD is issued the executing agency shall ensure the preparation and submission of project documents and the Deputy commissioner will issue the Administrative approval as deposit work to the executing agency.

Chief Coordination Officer, District Council, Nowshera incurred expenditure of Rs 148,959,665 under CMD during the year 2013-14, detail as per Annexure-3. The following irregularities were noticed.

- i. According to above quoted Finance Department KPK letter the funds were required to be deposited to the executing agency but contrary to the above the funds were drawn by DC office and were paid to contractor.
- ii. An amount of Rs 69,307,267 out of saving of CMD was transferred to CCO District Council Nowshera and were deposited in NBP Account G-11217 PLA to avoid lapse of funds

iii. Cashbook was neither maintained by executing agency nor by DC office.

The irregularity occurred due to non compliance of the directions of Government.

When pointed out in August 2014, the management replied that detail reply would be submitted after scrutiny of office record. However, no progress was intimated.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends inquiry besides fixing responsibility.

**AP 14/2013-14**

### 1.2.3 Internal Control Weaknesses

#### 1.2.3.1 Non-recovery of arrears from contractors—Rs 9.399 million

According to clause-V (a) of Model Terms and Conditions of the contract issued by LG & RDD vide No AO-II/LCB/6-11/2012 dated 06-04-2012, the successful bidder shall deposit 15% of the value of the contract in advance which will be adjusted by the council in last/final installment of the contract. The first installment shall be paid by the end of July, 2013 and rest of the installments on last date of the month, to which it relates.

Chief Coordination Officer District Council Nowshera failed to recover an amount of Rs 9,399,000 from various contractors during 2013-14 as per detailed below:-

S#	Name of contract	Contractor	Period	Outstanding dues (Rs )
01	2% property tax	Sajid Gul	2013-14	3,000,000
02	Extraction of Minerals	M. Asgher	do	6,025,000
03	Annual License fees	Mir Afzal	do	374,000
Total				9,399,000

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

When reported in September 2014, the management replied that detailed reply would be submitted after consultation of record. The reply was not convincing and outstanding amount was required to be recovered.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends recovery and action against the person(s) at fault under intimation to audit.

**AP 01/2013-14**



**1.2.3.2 Loss to Government due to non collection of advance/withholding Tax- Rs 2.311 million**

According to FBR Notification No 05 dated 11-07-2013, 10% advance/withholding tax is required to be recovered as per amendment in section 23 b (a) under sale by auction of Income Tax Ordinance 2001.

Chief Coordination Officer District Council Nowshera failed to recover an amount of Rs 2,311,200 from contractors on account of 10% withholding tax during 2013-14. Details as per Annexure-4.

Non recovery of withholding tax occurred due to negligence and weak administrative control, which resulted in loss to government.

When pointed out in August 2014, the management replied that detailed reply would be submitted after scrutiny of office record. However, no progress was intimated.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends that withholding tax be recovered besides appropriate action against the person(s) at fault.

**AP 06/2013-14**

**1.2.3.3 Loss to Government due to less realization of receipts- Rs 6.647 million**

According to Para-II of Model Terms and Condition for the contracts for the year 2013-14 “the local council shall fix different dates in advertisement for auctioning the contracts. The same practice shall continue till 15% increase or more reasonable bid is achieved over the last year approved bid.

Chief Coordination Officer District Council Nowshera sustained loss of Rs 6,647,727 on account of contract of Cattle Fair Khat Kali during 2013-14. According to Model Term and Conditions of Contract the reserve bid cost was required to be Rs 46,575,000 for the year 2013-14 against the last year bid of

Rs 40,500,000 . However, the department realized an amount of Rs 39,927,273, resulting in loss of Rs 6,647,727 as per detail below.

**(Amount in Rupees)**

S. No	Name of Contract	Receipts 2012-13	Add 15% (Rs )	Reserve Bid	Receipts 2013-14	Difference /Loss
01	Cattle Fare Khat kali	40,500,000	607,500	46,575,000	39,927,273	6,647,727

The non-recovery occurred due to weak internal controls which resulted in loss to government.

When pointed out in August 2014, the management replied that detailed reply will be submitted after scrutiny of our office record. However, no progress was intimated.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

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

**AP 07/2013-14**

#### **1.2.3.4 Non recovery of CNG and Fuel station fees - Rs 0.825 million**

Para 28 of GFR Vol-I provides that no amount due to Govt. should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of the competent authority for their adjustment must be sought.

Chief Coordination Officer (CCO) Nowshera failed to recover an amount of Rs 825,000 from the owners of 55 CNG and Fuel stations as per detailed below:

S. No	Name of Contract	Rate	No of station	Amount (Rs )
01	CNG station	15,000	17	255,000
02	Petrol Pumps	15,000	38	570,000
<b>Total</b>				<b>825,000</b>

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

When pointed out in August 2014, the management replied that detailed reply will be submitted after scrutiny of office record.

Request for convening DAC meeting was made on 17.09.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends recovery of outstanding dues besides appropriate action taken against the person(s) at fault.

**AP 13/2013-14**

**MUNICIPAL COMMITTEE NOWSHERA**

### **1.3 Internal Control Weaknesses**

#### **1.3.1.1 (i) Illegal occupation of government property–Rs 2.99 million**

#### **(ii) Non-recovery of rent of shops- Rs 0.446 million**

According to the agreement between District Government Nowshera and Nazim U/C Chowaki Town Nowshera kallan, 49 Nos shops will be constructed on the land of locals with estimated cost of Rs 2,993,000 and allotments and premium/rent will be decided by District Government with the condition that rent will be divided with ratios of 50:50.

Chief Municipal Officer Municipal Committee Nowshera constructed 51 shops at U/C Nowhera Kallan with estimated cost of 2,993,000 during 2013-14. The shops were illegally occupied by the locals. Neither efforts were made to vacate the shops from illegal occupants nor any rent was recovered till date.

Furthermore, rent of shops and cabins in front of DHQ Hospital, Nowshera amounting to Rs 446,339 was not recovered from the allottees during 2013-14. Detail as per Annexure-5.

The irregularity occurred due to weak internal controls which resulted in loss to government.

When pointed out in September 2014, the Department replied that detailed reply would be submitted after scrutiny of office record. However, no progress was intimated.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends recovery of outstanding dues and action against the person(s) at fault besides departmental inquiry under intimation to audit.

AP 25& 34/2013-14

### 1.3.1.2 Non-recovery of water user charges—Rs 3.264 million

Para-1 & 2 of Section-179 of Local Government Acts, 2012 states that “failure to pay any tax and other money claimable under this Act shall be an offence”. “All arrears of taxes, rents and other moneys claimable by a Local Council under this Act shall be recoverable as arrears of land revenue”.

Chief Municipal Officer, Municipal Committee Nowshera failed to recover long outstanding dues of Rs 3.26 million from 1426 water users up to June, 2014, as per detail given below:-

<b>Sub Division Nowshera</b>			
<b>Total connections</b>	<b>Arrears upto to 03/201412 (Rs )</b>	<b>Arrears accrued during the 4<sup>th</sup> quarter (Rs )</b>	<b>Total arrears up to June, 2014 (Rs )</b>
576	2,978,530	634,100	2,344,430
<b>Sub Division Aman Garh</b>			
850	1,675,800	756,300	919,500
<b>Total</b>			<b>3,263,930</b>

Audit observed that non recovery of outstanding amount occurred due to weak internal controls, which resulted in loss to Government.

When reported in September 2014, the management replied that detailed reply would be submitted after consultation of record. However, no progress was intimated.

Request for convening DAC meeting was made on 19.08.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends recovery of water user charges and action against the person(s) at fault under intimation to audit.

**AP 24/2013-14**

### **1.3.1.3 Non recovery of Annual License fees - Rs 9.00 million**

Clause 8 and 19 of Agreement between M.C Amangarh/Nowshera and contractor, regarding Annual license fee provides that “the contractor will not charge any license fee from bricks factory, Shama Ghee mills and Feroz sons Laboratories and the same will be deposited by the Municipal Officer Municipal Committee Amangarh, Nowshera”.

Chief Municipal Officer Municipal Committee Nowshera failed to recover the annual license fee form Shama Ghee Mills and Feroz Sons Laboratories since 2006. As per Notice issued to Manager Shama Gee Mill an amount of Rs 4,500,000 was outstanding whereas record of Feroz Sons Laboratories was not produced with the plea that the file was missing and approximately an amount of Rs 4,500,000 was outstanding since 2006.

Non recovery of license fee occurred due to weak internal controls.

When pointed out in September 2014, the management replied that detail reply would be submitted after scrutiny of office record. However, no progress was intimated.

Request for convening DAC meeting was made on 17.09.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends recovery besides action against the persons at fault.

**AP 27/2013-14**

**MUNICIPAL COMMITTEE PABBI**



#### **1.4 Audit Paras Municipal Committee Pabbi**

##### **1.4.1 Irregularity & Non compliance**

##### **1.4.1.1 Irregular expenditure on repair of transformers - Rs 2.469 million**

Para 23 of GFR Vol I provides that every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

Chief Municipal Officer, Municipal Committee Pabbi paid Rs 2,469,121 for repair of transformers under CMD during the year 2013-14. The following irregularities were noticed.

- i. Transformers were the property of PESCO Peshawar and expenditure from developmental funds on repair was irregular.
- ii. Contractor was not enlisted with electric inspector.
- iii. Documents revealed that advance payment was made without actual work done.
- iv. No proper agreement was made for repair of transformer.
- v. List of transformers and exact location of transformer repaired was not mention in the bill
- vi. Complaints/requests from locals for repair of transformers were not available on record.

The irregularity occurred due to weak internal controls.

When pointed out in October 2014, the management replied that detailed reply would be submitted after scrutiny of office record. However, no progress was intimated.

Request for convening DAC meeting was made on 16.10.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends inquiry besides fixing responsibility under intimation to Audit.

**AP 46/2013-14**

**MUNICIPAL COMMITTEE AKORA KHATTAK**

## **1.5 Audit Paras of Municipal Committee Akora Khattak**

### **1.5.1 Non Production of Record**

#### **1.5.1.1 Non Production of auditable Record - Rs 3.114 million**

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

Chief Municipal Officer, Municipal Committee Akora Khattak did not produce the following record to audit for financial year 2013-14.

- i- Developmental fund record of Rs 3.114 million.
- ii- Bank Statements up to June 2014.
- iii- Service Books/Personal files of the Officers/Officials.
- iv- Registration/Enlistment of Contractors.

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

When pointed out in October 2014, the department replied that detail reply would be submitted after scrutiny of office record. However, record was not produced to audit.

Request for convening DAC meeting was made on 28.11.2014, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in March 2015.

Audit recommends fixing of responsibility for non production of record and disciplinary action against the person(s) at fault.

**AP 60/2013-14**

## ANNEXURES

### Annexure-1

#### Detail of MFDAC Paras

(Rs in million)

S. No	AP No	Department	Title of the Para	Amount
1	9	District Council Nowshera	Non recoument of loan	1.600
2	10		Irregular appointment and unauthorized drawl of salary	1.107
3	12		Irregular expenditure	6.032
4	15		Overpayment to contractor.	0.743
5	28	MC Nowshera	Irregular payment of salary	37.098
6	29		Unauthorized payment	2.060
7	30		Where about of 2% property tax	1.370
8	33		Unverified expenditure	0.658
9	36		Unauthorized expenditure on account of sanitation	0.759
10	41		Irregular expenditure	1.864
11	43	MC Pabbi	Non-Completion of Schemes worth Rs 12.5 Million	1.250
12	45		Overpayment of Rs 1.23 Million to contractor.	1.230
13	48		Irregular payment of salary Rs 15.95 million	15.950
14	57		Non surrender of Developmental fund Rs 15.002 Million	15.002

15	58	MC Akora	Irregular appointment and unauthorized drawl of salary Rs 1.04 million	1.040
16	59		Irregular expenditure of - Rs 3.00 Million	3.000
17	61		Where about of 1.876 million	1.876
18	62		Irregular payment of salary Rs 24.396 million	24.396
19	74	MC Jehangira	Irregular appointment and unauthorized drawl of salary	2.297
20	75		Irregular payment of salary	17.908

### Audit Impact Summary

S.No	Rules/System/Procedure	Audit Impact
1	According to GFR, physical verification of store/assets should be carried out once in a year.	Increase probability for safeguarding the Government assets and stock
2	According to Financial and Treasury rules all dues of the government should be correctly and promptly assessed, collected and paid into Government Treasury.	Increase in revenue collection on account of Government dues
3	According to GFR, receipts and expenditure should be reconciled.	To ensure that the departmental accounts are sufficiently accurate to render possible and efficient Departmental control of expenditure and receipts.

**Annexure-3****Para # 1.2.2.6****Detail of Irregular expenditure**

(Amount in Rs)

S.#	Name of MPA/Senator	Source	Year	Allocation	Saving	Expenditure	Liability
1	Khalil Ur Rehman MPA PK-12	Distt: Init: CMD	2013-14	10,000,000	1,000,000	8,735,782	264,218
2	Pervex Khan Khattak MPA PK-13	CMD	2013-14	30,000,000	3,000,000	26,684,709	315,291
3	--do--	Distt: Init: CMD	2013-14	10,000,000	1,000,000	9,000,000	0
4	--do--	CMD	2013-14	12,500,000	0	10,891,671	1,608,329
5	--do--	CMD	2013-14	14,629,000	1,462,900	9,798,014	3,368,086
6	MianJamshid-Ud- Din MPA PK-14	CMD	2013-14	33,750,000	3,375,000	25,481,349	4,893,651
7	--do--	Distt: Init: CMD	2013-14	10,000,000	1,000,000	7,007,420	1,992,580
8	--do--	CMD	2013-14	20,000,000	1,610,000	0	18,390,000
9	--do--	TDC	2013-14	5,300,000	530,000	0	4,770,000
10	--do--	CMD	2013-14	8,000,000	800,000	0	7,200,000
11	Muhammad Idrees Khan	CMD	2013-14	30,000,000	3,000,000	24,904,404	2,095,596

	MPA PK-15						
12	--do--	CMD	2013-14	20,000,000	2,000,000	0	18,000,000
13	--do--	CMD	2013-14	10,000,000	1,000,000	0	9,600,000
14	Mr. Qurban Ali Khan MPA PK-15	CMD	2013-14	30,000,000	3,000,000	26,456,316	543,684
15	--do--	CMD	2013-14	20,000,000	1,512,500	0	18,487,500
16	--do--	CMD Saving	2013-14	3,000,000	300,000	0	2,700,000
	<b>Total</b>			<b>267,179,000</b>	<b>24,590,400</b>	<b>148,959,665</b>	<b>94,228,935</b>



**Annexure-4**

**Para # 1.2.3.2**

**Detail of non-collection of advance/withholding tax**

<b>S No</b>	<b>Contract</b>	<b>Income Tax @ 10 % (Rs)</b>
1	Sign Board	313,000
2	Minerals	1,630,000
3	Cattle Fair Rashaki	150,500
4	Annual License Fees	75,500
5	Local Stand Taru to Pabbi	23,000
6	Cattle fair Khashgi	60,000
7	Cattle fair Mahajar Bazar	13,000
8	Local AddaTarru to Peshawar	46,200
<b>Total</b>		<b>2,311,200</b>

**Annexure-5**

**Para # 1.3.1.1**

**Details of outstanding rent of shops and cabins during 2013-14**

**(Amount in Rs)**

<b>S#</b>	<b>Particular</b>	<b>Shop #</b>	<b>Monthly Rent</b>		<b>Total rent</b>	<b>Paid</b>	<b>Outstanding 2013-14</b>	<b>Arrears up to June 2013</b>
1.	Nowsherakalan	1&2	1,565	12	18,780	15,650	3,130	0
2.	Nowsherakalan	3	1,223	12	14,676	7,338	7,338	0
3.	Nowsherakalan	4	980	12	11,760	11,760	0	0
4.	Nowsherakalan	5	1,225	12	14,700	12,248	2,452	0
5.	Nowsherakalan	6	1,235	12	14,820	10,780	4,040	0
6.	Nowsherakalan	7	1,373	12	16,476	13,371	3,105	0
7.	Nowsherakalan	8	1,223	12	14,676	14,676	0	0
8.	Nowsherakalan	9	1,530	12	18,360	16,830	1,530	0
9.	Nowsherakalan	10	5,900	12	70,800	47,200	23,600	0
10.	Nowsherakalan	10	493	12	5,916	4,437	1,479	0
11.	Nowsherakalan	11	5,900	12	70,800	0	70,800	185,850
12.	Nowsherakalan	12	5,900	12	70,800	0	70,800	17,700
13.	Kishtipul	1	663	12	7,956	4,651	3,305	0
14.	Kishtipul	2	665	12	7,980	4,655	3,325	0
15.	Kishtipul	3	665	12	7,980	7,960	20	0
16.	Kishtipul	4	1,500	12	18,000	16,500	1,500	0
17.	Kishtipul	5	600	12	7,200	4,200	3,000	0
18.	Kishtipul	6	600	12	7,200	7,200	0	0
19.	Amangarh	1	3,750	12	45,000	30,000	15,000	0
20.	Amangarh	2	3,150	12	37,800	9,375	28,425	0
					<b>Sub total</b>		<b>242,849</b>	<b>203,550</b>
					<b>G.Total</b>		<b>446,399</b>	