



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
LOCAL GOVERNMENTS  
DISTRICT SHANGLA**

**AUDIT YEAR 2020-21**

**AUDITOR GENERAL OF PAKISTAN**





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## ABBREVIATIONS AND ACRONYMS

AIR	Audit and Inspection Report
APPM	Accounting Policies and Procedures Manual
BHUs	Basic Health Units
CMD	Chief Minister Directive
CPWA Code	Central Public Works Accounts Code
DAC	Departmental Accounts Committee
DAC	District Accounts Committee
DG	Director General
DEO	District Education Officer
DHO	District Health Officer
DO	District Officer
GHSS	Government Higher Secondary School
GFR	General Financial Rules
E& SE	Elementary & Secondary Education
FTR	Federal Treasury Rules
KPPPRA	Khyber Pakhtunkhwa Public Procurement Rules Authority
LCB	Local Council Board
LGE & RDD	Local Government, Election & Rural Development Department
LGA	Local Government Act
MCC	Medicine Coordination Cell
MFDAC	Memorandum for Departmental Accounts Committee
MRS	Market Rate System
PAO	Principal Accounting Officer
PCC	Plain Concrete Cement
PLS	Profit & Loss Sharing
PTC	Parents Teachers Council
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TAC	Tehsil Accounts Committee
TS	Technical Sanction



## **Preface**

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections-8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section-37 of Khyber Pakhtunkhwa Local Government Act 2013 require the Auditor General of Pakistan to conduct audit of the receipts and expenditure of Local Governments of each District of the Khyber Pakhtunkhwa.

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

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

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

The Audit Report is submitted to the Governor, Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 37 of Khyber Pakhtunkhwa Local Government Act, 2013, (amended in 2019) for laying before the appropriate legislative forum.

Islamabad  
Dated:

**(Javaid Jehangir)**  
**Auditor General of Pakistan**

## EXECUTIVE SUMMARY

The Directorate General Audit District Governments, Khyber Pakhtunkhwa carries out the audit of Local Governments in 27 districts of Khyber Pakhtunkhwa. Regional Directorate of Audit (RDA) Swat, is the field office of the DG Audit District Governments, Khyber Pakhtunkhwa with responsibility to conduct audit in five districts namely Swat, Shangla, Dir Lower, Dir Upper and Chitral.

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

Local Governments of district Shangla consist of three tiers which perform their operations under Khyber Pakhtunkhwa Local Government Act 2013 (amended in 2019). Financial provisions of the Act describe the Local Consolidated Fund and Public Account for which Annual Budget Statement is approved by the respective councils in the form of budgetary grants. Top tier- the District Government comprises one Principal Accounting Officer (PAO) i.e. Deputy Commissioner for the District government, who is Officer in charge of 10 devolved departments including AD LGE & RDD. The second tier- Town/Tehsil Municipal Administrations have one PAO i.e. Town/Tehsil Municipal Officer for each administration. There are three Tehsil Administrations in district Shangla. The third tier- Village and Neighborhood Councils have AD LGE & RDD as Principal Accounting Officer for these councils. There are 106 VC's/NC's in district Shangla.

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

This office is mandated to conduct audit of 299 formations working under 05 PAOs. Total expenditure and receipts<sup>1</sup> of these formations were Rs 3349.580 million and Rs 36.486 million respectively for the financial year 2019-20.

Audit coverage relating to expenditure for the current audit year comprises 19 formations of 5 PAOs having a total expenditure of Rs 705.528 million for the

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<sup>1</sup> District Government has no receipt

financial year 2019-20. In terms of percentage, the audit coverage for expenditure is 21 % of auditable expenditure.

Audit coverage relating to receipts for the current audit year comprises 21 formations of 03 PAOs (3 TMAs) having a total receipt of Rs 36.486 million for the financial year 2019-20. In terms of percentage, the audit coverage for receipts is 100 % of auditable receipts.

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

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

As a result of audit, a recovery of Rs 29.652 million was pointed out in this report. No recovery against these figures was reported.

**c. Audit Methodology**

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

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

**e. Audit Impact**

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

**Comments on Internal Control**

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

Comments on five components of internal control are given below:

The organizational structure followed in the local Government Offices was according to the LGA 2013 (amended in 2019)

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

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

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

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

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

- i. Non compilation/consolidation of accounts of local governments Rs 427.627 million<sup>2</sup>
- ii. Unauthorized payments to DDOs instead of crossed cheques to vendors - Rs 189.748 million<sup>3</sup>
- iii. Unverified payment of arrears of pay and allowances - Rs 125.953 million<sup>4</sup>
- iv. Irregularities were noted in 17 cases amounting to Rs 362.406 million.<sup>5</sup>
- v. Values for money were noted in 6 cases amounting to Rs 41.357 million.<sup>6</sup>
- vi. Others, including cases of accidents, negligence etc were noted in 19 cases amounting to Rs.206.596 million.<sup>7</sup>

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<sup>2</sup> Para 1.2.1

<sup>3</sup> Para 1.2.2

<sup>4</sup> Para 1.2.3

<sup>5</sup> Para 2.5.1.1 to .2.5.1.8, 3.5.1.1 to .3.5.1.2 and 4.5.1.1 to 4.5.1.7

<sup>6</sup> Para 2.5.2.1 to 2.5.2.4, 3.5.2.1 and 4.5.2.1

<sup>7</sup> Para 2.5.3.1 to 2.5.3.13, 3.5.3.1 to 3.5.3.5 and 4.5.3.1

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

**g. Recommendations**

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

# CHAPTER-1

## Public Financial Management

### 1.1 Sectorial analysis

#### Introduction

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

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

Shangla District is a district in Malakand Division of Khyber Pakhtunkhwa province in Pakistan. The district headquarters are located at Alpuri. It was previously a subdivision of Swat District, but was upgraded to the status of a district on July 10, 1995. The total area of the district is 1,586 square kilometers. The district is bounded in the north by Kohistan District, in the east by Battagram District and Torghar District , in the west by Swat District and in the south by Buner District. It is also connected with the Korakorum Highway in the north. The Indus River (the biggest river of Pakistan) also crosses through

district Shangla. The district Shangla has population of around 757,810 (2017 census) people with 751,064 and 6,746 residing in rural and urban area respectively. Besham is one of the commercial and urban areas and has always been center of trade between China, Gilgit and Abbottabad.

In the aftermath of Local Government Election 2015 in Khyber Pakhtunkhwa (KP), district governments were set up across the province. In the light of Local Government Act 2013, district governments were responsible for preparing their own budgets and its execution according to their priorities, and strategies.

District Shangla, like any other district, is headed by a Deputy Commissioner who is the Principal Accounting Officer for the budget grant allocated to the District which includes all the devolved departments. His job is to assist Zilla Nazim and Zilla Council and coordinate and supervise the District Officers, heading each of 10 devolved departments. In addition, primary function of DC office is budgeting (Salary & Non Salary) of the devolved departments and approval of the Annual Developmental Program (ADP) from the Zilla Council.

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

District Government was yet another area it could not address as required under section 38 of the LGA 2013(amended in 2019).

The Local government provided services in the following sectors.

### **1.1.2. Annual Development Program**

During the year District Government Shangla spent ADP worth Rs 330.641million against the final budget release of Rs 511.676 million, consuming 64.59% of the allocation. The funds were spent on “Development – Rs 7.399 million, PHE – Rs11.216 million, Education and Training – Rs 25.700 million, Construction of Road Highways – Rs 47.766 million, District Programme – Rs 232.467 million and Health Services – Rs 6.093 million.

Under the P&D guidelines the Government of Khyber Pakhtunkhwa was required to transfer 30% of development resources to devolved entities i.e. District, Tehsil and Village and Neighborhood Councils (VC/NCs). While mechanism for tracking of district development share was integrated in the FMIS, no such mechanism existed at the tehsil and VC/NC level. For this purpose, SMS-based Fund Flow Tracking System was designed and implemented. This system provided real time information about fund flow and utilization for 3501 number of VC/NCs in all districts of the province.

### **1.1.3 Deputy Commissioner**

DC Office, District Shangla had 05 pending land acquisition cases from July 2018 till June 2019. Moreover, 01 land acquisition appeal was also pending during FY 2019-20. DC office, Shangla had also carried out 01 review meeting regarding GGS indicators during the year as evident from the record. Computerization of revenue record was in process. Thirty-Nine (39) inspections were made regarding price checking. One (01) price review meeting was also held during the FY 2019-20.

### **1.1.4 Education**

The education sector is one of the major sectors in district Shangla like other districts. Statistics show that there are 577 primaries, 73 middle, 48



secondary and 11 higher secondary schools in district Shangla. The estimated Teacher Student Ratio is 1:45 at primary, 1:12 at middle, 1:22 at secondary and 1:29 at the level of higher secondary schools. The average rural literacy rate is (30 %) The Gross Enrollment Rate (GER) is 82 %, and the Net Enrollment Rate (NER) is 65 % at the primary level.

On budgetary front District Shangla succeeded in spending 80% of the Provincial ADP, 100% of District ADP and 75.7% non-salary budgets. Spending of the development fund has translated in to the achievement of its targets.

Social Welfare and Women Empowerment sector, budgetary allocations were focused on providing social cushion to the deprived and marginalized segments of society especially, women and children.

There are three (03) Vocational and Industrial Training Centres in the district.

District Education Offices in Shangla were given target of enrolment of 12,828 children for current year against which 15,369 kids were enrolled; wherein, DEO (male) and DEO (female) enrolled 13,069 and 2,300 children respectively. Similarly, annual average of teacher's attendance rate and student attendance rate as per independent Monitoring Unit (IMU) data were approximately 90% & 76% respectively. Furthermore, 50% schools in district Shangla were provided with all basic facilities like classrooms, water supply, group latrine, boundary walls and electrification. Progress was also recorded on training component as 95% of newly inducted teachers participated in trainings under induction program and 96% of overall teachers participated in the continuous professional development (CPD) program throughout the year in district Shangla. No school found non-functional in the district. However, administrative visits of DEO, DDEO and SDEO were only 102% against the assigned target of 100% and 87% of online actions on Online Action Management System (OAMS) were completed within time against the assigned target of 90%. The rural literacy rate was 35%. On budgetary front, district

Shangla succeeded in spending 75.7% and 80% of funds against released funds from Provincial ADP and non-salary budgets respectively.

### **1.1.5 Health**

Health is another important sector of District Shangla with a total of 38 health facilities spread across the district, among which 02 are urban while the rest are rural based. Their further break-up is 18 BHUs, 12 CDs, 02 Civil Hospitals, 02 THQs and 02 RHC.

With the support of donors, Health department has developed a Health Reform Roadmap, with a focus on strengthening political commitment and supporting high priority reforms through targeted interventions. Under this roadmap, department has developed targeted interventions in high priority areas of health care like to ensure:

1. Availability of critical frontline staff and medicines in primary health care facilities;
2. Routine immunization provided to children of all ages;
3. Availability of reliable, regular data for informed decision making; and
4. Procedures to drive progress are well established and complied with.

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

On mother and child health care front, 3252 babies were born with 1393 and 1859 in primary and secondary health facilities respectively. Out of them, 06 infant deaths were recorded. Lab investigations and diagnostic facilities were also fully utilized as 43,531 lab tests, 3,285 X-rays, 4,665 ultrasounds, 939 CT scans and 244 ECGs were done in both primary and secondary health facilities in district Shangla. Figures of immunization from EPI register were also very impressive as 5184 pregnant women received TT-2 vaccines, 17,254 kids under

12 months received full immunization, 18,865 children under 12 months received 1<sup>st</sup> measles vaccines and 19,419 kids under 12 received 3<sup>rd</sup> pentavalent vaccine. 5,184 families were provided family planning services as evident from FP register. Human resource data from facility records revealed that these health facilities were not provided with medical officers as 53 doctors were available against 94 sanctioned posts. However, only 23 posts of paramedics' positions were found vacant against 337 posts. As these facilities were frequently visited by patients so they also generated good revenue from OPD services, indoor patient treatment and other laboratory investigations etc.

#### **1.1.6 Social Welfare**

The department of Social Welfare and Special Education in each district runs institutions across the district for destitute, women, children and physically and mentally disabled persons. The social welfare departments are also responsible for registration of non-governmental organizations.

There is no institution for special people in the district. Enrollment of students in special education schools was not yet started. 133 No. of students with disability were registered during the reporting year i.e. 2019-20. Thirty (30) community based organization/NGOs were registered during the year 2019-20.

Sixty (60) women were provided training in the 03 ITCs. However, keeping in view the ratio of women in Shangla, the efforts made by Social Welfare office, Shangla are not likely to bring about any visible improvement in the short or long run unless more resources are diverted to this sector.

#### **1.1.7 Tehsil Municipal Administration**

Tehsil Municipal Administration consisting of the Tehsil council, Tehsil municipal officer, municipal officers and other officials of the local council service. The Executive Authority of Tehsil municipal administration shall vest in the Nazim Tehsil Council who is responsible to ensure that the business of Tehsil municipal administration is carried out in accordance with the Khyber Pakhtunkhwa Local Government Act 2013 (amended in 2019). District Shangla

has three Tehsils i.e. Alpuri, Puran and Besham. Main functions of TMA are collecting taxes, fines and penalties provided under the Khyber Pakhtunkhwa Local Government Act 2013 (amended in 2019). Budgeted receipts of the TMA Alpuri and Puran were Rs 45.761 million against which receipts 36.486 million were collected. Tehsil Municipal Administration Alpuri and Puran failed to achieve their receipts targets.

#### **1.1.8 Village Councils/Neighborhood Councils**

Assistant Director Local Government, Election and Rural Development Shangla look after the affairs of 102 village/neighborhood councils. Assistant Director Local Government, Election and Rural Development Swat failed to implement Promoting plantation of trees, landscaping and beautification of public places, regulating grazing areas, establishing cattle ponds and providing protection against stray animals and Mobilizing community for maintaining streets, culverts, bridges and buildings.

## **1.2 AUDIT PARAS**

### **1.2.1 Non compilation/consolidation of accounts of Local Governments- Rs427.627 million**

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

During certification audit of the accounts of the DAO Karak for the financial year 2019-20, audit observed incompleteness and incorrect presentation of the financial statements as the DAO failed to consolidate into the quarterly and annual accounts of the district, the Government and local resources, as required under section-36(3) of the Local Government Act, 2013. Receipts and expenditure of Rs 427.627 million and Rs 187.999 million respectively, of the TMAs are not reflected in accounts.

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

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

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

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

### **1.2.2 Unauthorized payments to DDOs instead of crossed cheques to vendors - Rs 189.748 million**

According to Para 4.2.9.9 of Accounting Policies and Procedure Manual, the Cheque payments should be released to the payee or personally collected by

the payee or his authorized agent. Cheque payments made by registered post should have cheque envelopes bearing a direction to return the unclaimed cheque (i.e. unclaimed post) to the issuing department.

District Accounts Officer Shangla, paid Rs 189,748,648 to various DDOs instead of issuance crossed cheques to Vender/Payees Accounts which was unauthorized as per detail at Annexure.

The lapse occurred due to weak internal controls which resulted in unauthorized payments.

When pointed out in September 2020, management stated that Most of payment made on first appointment to the DDOs due to instructions issued by Worthy AG KP to insure the appointment clarifying by the DDOs.(Copy Attached) However, due to COVID-19 most payments made to DDOs during pandemic, the matter will be investigated and regularized by insuring payment to the supplier/vendor instead of DDO as per APPM in future.

DAC directed that issuance of cheques to DDOs should be stopped along with inquiry for fixing responsibility on the person(s) at fault. However no progress was shown till finalization this report

Audit recommends inquiry besides stoppage of cash payments.

### **1.2.3 Unverified payment of arrears of pay and allowances - Rs125.953 million**

According to Para 89(4) (viii) of GFR Vol- I, the head of a department and the Accountant General will be jointly responsible for the reconciliation of figures given in the accounts maintained by head of department with those that appear in the Accountant General's books.

During certification audit of Shangla for the year 2019-20 while analyzing HR data it was noticed that arrears of pay and allowances of Rs 125,953,760 was shown made which could not be verified. Detail at annexure.

The lapse occurred due to weak internal controls which caused unverified payment.

When pointed out in September 2020, management stated that all payments of arrears were made after scrutiny of sources and there was no variation found in course of reconciliation with DDOs. The Copies of verified & signed are attached.

DAC directed that random selection of samples be provided to audit for checking. However no record was provided till finalization this report.

Audit recommends inquiry besides provision of record as per DAC directives.

## **CHAPTER-2**

### **District Government**

#### **2.1 Introduction**

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

According to section 13 of the Khyber Pakhtunkhwa Local Government Act 2013 the authority and responsibilities of the District Government have been given as under:

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

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

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



### Detail of Audit Planed formations expenditures and receipts

S.No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue /Receipts audited FY 2019-20 (Rs. in million)
1	Formations	299	04	705.528	0

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

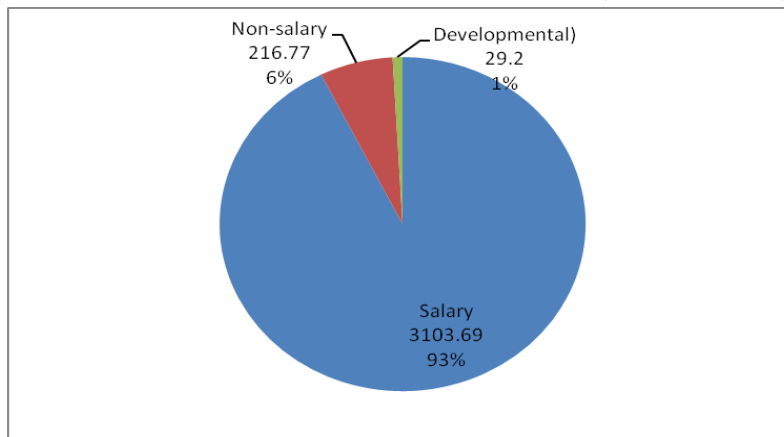
(Rs in million)

District Government Shangla				
2019-20	Budget	Actual Expenditure/ Receipts	(Saving)/Excess	%age
Salary	3086.464	3103.69	17.226	12.52
Non-salary	370.772	216.77	154.002	19.98
Developmental)	203.669	29.20	174.469	39.32
<b>Total</b>	<b>3660.905</b>	<b>3349.66</b>	<b>345.697</b>	
Receipts		-	-	-

The savings of Rs 345.697 million indicate inefficiency in the capacity of District Government Departments to utilize the amount allocated fund.

### EXPENDITURE 2020-21

(Rs in million)



### 2.3 Classified Summary of Audit Observations

Audit observations amounting<sup>i</sup> to Rs 753.638 million were raised in this audit report. This amount also includes recoverable of Rs 8.088 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification <sup>ii</sup>	Amount (Rs.) <sup>iii</sup>
1	Irregularities	
A	HR/Employees related irregularities	3.234
B	Procurement related irregularities	15.538
C	Management of Accounts with Commercial Banks	93.26
2	Value for money and service delivery issues	31.947
3	Others, including cases of accidents, negligence etc	7.18
	<b>Total</b>	<b>151.159</b>

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

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

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

## **2.5 AUDIT PARAS**

### **2.5.1 Irregularities**

#### **A. HR related irregularities**

##### **2.5.1.1 Overpayment on account of Pay & Allowances-Rs 2.074 million**

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

DEO (Male) Shangla overpaid a sum of Rs 2,074,584 to the following teachers on account of Pay & Allowances during the year 2019-20, which needs to be recovered from them and be deposited into Government Treasury under intimation to Audit.

The lapse occurred due to weak financial control, which resulted in overpayment to government servants.

The matter was reported to the management in November 2020, stated that detail reply will be submitted after scrutiny of record.

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

Audit recommends recovery and action against the persons at fault.

**AIR No. (2019-20)**

**2.5.1.2 Overpayment of HPA & Conveyance allowances during the period of leave –Rs1.16 million**

According to condition No. (iii) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. NO. FD(SOSR-II)8-18/2016 dated 7.1.2016, Health Professional Allowance is not admissible during earned leave, study leave and extra ordinary leave except casual leave.

District Health Officer Over paid overpaid Rs 1,164,432 on account of Health Professional Allowance and Conveyance Allowance during the period of their leave in financial year 2019-20. However, no recovery was made so far. Detail is given at annexure-2.

The lapse occurred due to weak financial control, which resulted in overpayment to government servants.

The matter was reported to the Management in August 2020, stated that the amount will be recovered from the concerned.

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

Audit recommends recovery and action against the persons at fault.

**AIR No. (2019-20)**

**B. Procurement related irregularities**

**2.5.1.3 Unauthorized expenditure without tender and without approval of enhancement from the competent authority- Rs 1.225 million**

According to rule V of Chapter-III of the Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014, alternate methods for procurement of works and non-consulting services, subject to the conditions of

contract, a procuring entity may, ensure a variation order to a contractor to include works which were outside the original scope of works to endure interests of Government and for reasons of economy, compatibility and efficiency provided that:

- a. The original contract is still in force.
- b. The procuring entity has satisfied itself for technical reasons that the placing of the variation order is cost effective;
- c. The value of variation order is not more than fifteen percent of the original contract; and

That may be more than one variation orders as long as the total value of all variation orders remains within 15% of the original contract.

Executive Engineer PHE Division Shangla awarded a work “DWSS Maira Tube well No2” to M/S Amir Zeb Khan & Co. for Rs 1,664,000 vide agreement No. 39/2017-18. The cost was then enhanced to Rs 2,889,000 and sent to Superintending Engineer vide Executive Engineer office letter No.01/WS-037 dated 28.05.2019 without further progress. Payment of Rs 2,889,000 was made up to June 2018 without approval of enhancement from the competent authority. The enhancement was more than 15 % of the original contract cost therefore the work should have been tendered for the remaining cost which was not done.

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

The matter was reported to the Management in October 2020, stated that the payment to the contractor was made as per actual site requirements in the best interest of public work and also to avoid delay in completion of the scheme. It is further added that the scheme has been technically sanctioned by the Superintending Engineer for Rs 10.07 million which includes civil work i.e. compound wall, main gate, rising main with sub cost Rs 2,829,763.

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

Audit recommends recovery and action against the persons at fault.

**AIR No. (2019-20)**

**2.5.1.4 Non supply of furniture, science equipments and student bags-  
Rs 8.543 million**

Para 148 of General Financial Rules (GFR) Volume-I provides that all material received should be examined, counted, measured, weighed as the case may be, when delivery is taken, and they should be taken on charge by a responsible government officer who should see that quantities are correct and their quality is good, and record a certificate to that effect.

According to Rule 11(2 &3) of the Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules 2014, For all purchases, other than those being covered by the Khyber Pakhtunkhwa Procurement rules 3 and 10, shall be advertised in print media, appearing in at least one national English and one Urdu newspaper with nationwide circulation along with advertising the same either on the procuring entity or Authority website.

District Education Officer (Male) Shangla paid a sum of Rs 8,543,380 vide cheque No. 57203553 dated: 23.10.2020 on account of purchase of furniture, science equipments and student bags during the financial year 2019-20 as detailed below. It was noticed that the articles were not supplied by suppliers till date of Audit.

Moreover, it was noticed that neither open tender system was adopted by the local office to achieve economical rates nor physical inspection was carried out according to the above mentioned criteria.

<b>S#</b>	<b>Particulars</b>	<b>Name of Firm</b>	<b>Amount (Rs)</b>
1	Purchase of Furniture	SIDB	5,861,260
2	Purchase of Science Equipments	M/S Royal Trader Mingora	2,441,400
3	Purchase of Student bags	M/S Raza Trader Batkhela	240,720
<b>Total</b>			<b>8,543,380</b>

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

The matter was reported to the Management in November 2020, but did not respond to the observation.

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

Audit recommends recovery and action against the persons at fault.

**AIR No. (2019-20)**

#### **2.5.1.5 Non-supply of medicine Rs 3.23 million**

Treasury Rule 290 provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

District Health Officer Shangla paid Rs3234506 for purchase of medicines the supply orders were placed in various dates in 2019-20, which were required to be supplied within 45 days. But the supply was not made till the date of audit. The local office neither cancelled the supply orders nor alternate arrangements for the purchase of medicines were made. Thus on one hand the people of the locality were deprived of the basic facility of medicine and on the other hand, the Government money drawn in anticipation of actual demand and the money was blocked for a considerable time period which need justification. Detail as per annexure-3:

The lapse occurred due to weak internal controls which resulted in violation of rules.

The matter was reported to the Management in July 2020, stated that the supply will be completed in few days.

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

Audit recommends to ensure complete supply of medicines besides fixing responsibility for such abnormal delay.

**AIR No. (2019-20)**

**2.5.1.6 Unjustified retention and non-issue of medicines –Rs 2.54 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.

District Health Officer Shangla purchased medicines of Rs2543226 for various health units during the financial year 2019-20. On scrutiny of main stock register of the medicine record it came to notice that these medicines were not issued to the units for which they were purchased and retained in balance. The medicines were required to issue to various health facilities well in time for further issue to patients. Retention of medicines in stock for a long time without issue to sub units which need justification. Details as per annexure 4:

The lapse occurred due to weak internal controls which resulted in violation of rules.

The matter was reported to the Management in July 2020, but did not respond to the observation.

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



Audit recommends inquiry for verification of the actual purchase, receipt & issue of medicines and payment to the supplier.

**AIR No. (2019-20)**

## **C. Management of Accounts with Commercial Banks**

### **2.5.1.7 Non conversion of PLS account in current bank accounts- Rs.54.04 million.**

According to para 1 and 2 of Finance Department Khyber Pakhtunkhwa letter No.2/3-(F/L)FD/2207-08/Vol-IX dated 10-2-2014, Khyber Pakhtunkhwa Finance Department has from time to time allowed sanctioned bank accounts in the commercial bank for various departments/autonomous/semi-autonomous bodies/corporations in Khyber Pakhtunkhwa for particular and specific purposes. Such accounts may be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank.

During audit of the accounts record of the Deputy Commissioner Shangla for the financial year 2019-20 it was noticed that the current designated bank accounts were maintained by the local office with closing balances of Rs54042683 instead of PLS account, which was clear violation of the government orders. Detail is as under:

<b>S.No</b>	<b>Account title</b>	<b>Name of bank</b>	<b>Account NO</b>	<b>Balance (Rs)</b>
1	DC Office (G)	NBP	4086515513	5,952,985
2	Relief/Covid -19	NBP	4139564860	31,760,301
3	Polio	NBP	4086612829	16,329,397
	<b>Total</b>			<b>54,042,683</b>

The lapse occurred due to weak internal control which resulted in violation of rules and understatement in provincial receipts during the year.

The matter was reported to the Management in July 2020, that the account will be converted in PLS account as soon as possible.

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

Audit recommends immediate conversion of current accounts into PLS mode.

**AIR No. (2019-20)**

**2.5.1.8 Non conversion of Current account in PLS mode- Rs. 39.22 million.**

According to para 1 and 2 of Finance Department Khyber Pakhtunkhwa letter No.2/3-(F/L)FD/2207-08/Vol-IX dated 10-2-2014, Khyber Pakhtunkhwa Finance Department has from time to time allowed sanctioned bank accounts in the commercial bank for various departments/autonomous/semi-autonomous bodies/corporations in Khyber Pakhtunkhwa for particular and specific purposes. Such accounts may be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank.

During audit of the accounts record of the District Health Office Shangla for the financial year 2019-20 it was noticed that the current designated bank accounts were maintained by the local office with closing balances of Rs 392299108 instead of PLS account, which was clear violation of the government orders. Detail is as under:

S.No	Account title	Name of bank	Account NO	Balance (Rs)
1	DHO Office	NBP	4086515442	21,237,542
2	DHO	BOK	00669-00-3	17,991,566
		<b>Total</b>		<b>39,229,108</b>

The lapse occurred due to weak internal control which resulted in violation of rules and understatement in provincial receipts during the year.

The matter was reported to the Management in July 2020, that the letter has already been issued for conversion of account in PLS mode.

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

Audit recommends immediate conversion of current accounts into PLS mode.

**AIR No. (2019-20)**

## **2.5.2 Value for money and service delivery issues**

### **2.5.2.1 Unjustified retention of Government money - Rs 1.361 million**

Para 10 (i) of General Financial Rules Volume I provides that 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.

Deputy Commissioner Shangla received Rs 8,469,117 from C&W Department Shangla for acquiring of land for widening of Zara More Road Tehsil Alpuri during the financial year 2019-20. On scrutiny of record it was observed that Rs 7107734 was paid to the land owner and balance amount of Rs 1361383 was retain by the local office which need immediate refund to the acquiring department for onward submission into the government treasury but the local office failed to do so.

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

The matter was reported to the Management in July 2020, that the account will be refund to the acquiring department.

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

Audit recommends to credit the amount to relevant head.

**AIR No. (2019-20)**

### **2.5.2.2 Unnecessary retention of Rs 7.034 million and irregular cash withdrawal from bank account-Rs 12.064 million**

According to S.No 4.3.1.1 of the Accounting Policies and Procedures Manual, all expenditures will be made through cross cheque in the name of supplier/contractor.

CTR 290 provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

During the course of audit of accounts of DEO (Female) Shangla for the year 2019-20, it was noticed that a sum of Rs 7,034,546 was unnecessarily retained by the local office in designated bank account No. 4086515488 NBP and a sum of Rs 12,064,000 was drawn by the local office in cash from bank account instead of direct payment to the suppliers through cross cheques. Thus chances of misappropriation could not be ruled out.

Audit observed that irregularity occurred due to weak administrative and internal controls, which resulted in violation of Government rules.

The matter was reported to the Management in November 2020, but did not respond the observation.

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

Audit recommends for detail justification and inquiry.

**AIR No. (2019-20)**

### **2.5.2.3 Unnecessary retention of Rs 1.411 million and irregular cash withdrawal from bank account-Rs 10.077 million**

According to S.No 4.3.1.1 of the Accounting Policies and Procedures Manual, all expenditures will be made through cross cheque in the name of supplier/contractor.

CTR 290 provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

During the course of audit of accounts of DEO (Male) Shangla for the year 2019-20, it was noticed that a sum of Rs 1,411,783 was unnecessarily retained by the local office in designated bank account No. 4086515488 NBP and a sum of Rs 10,077,000 was drawn by the local office in cash from bank account instead of direct payment to the suppliers through cross cheques. Thus chances of misappropriation could not be ruled out.

Audit observed that irregularity occurred due to weak administrative and internal controls, which resulted in violation of Government rules.

The matter was reported to the Management in November 2020, but did not respond to the observation.

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

Audit recommends for detail justification and inquiry.

**AIR No. (2019-20)**

### 2.5.3 Others, including cases of accidents, negligence etc

#### 2.5.3.1 Irregular withdrawal of Parent Teacher Council fund etc-Rs 21.560 million

According to rule 4B of the Financial Procedure for PTC issued by Finance Department, PTC funds shall be transferred /credited upfront in the bank account of the councils by the respective District Accounts Officers.

According to PTC guidelines, Para-8, ASDEO circle will collect and submit quarterly report of all primary schools in the circle to SDEO while DDEO concerned collect monthly report from middle, high and higher secondary school and submit to DEO for consolidation.

During audit of the District Education Officer (Male), Shangla for the financial year 2019-20, it was observed that an amount of Rs 21,560,000 was released under PTC fund etc and the same was transferred to PTC account during 2019-20 as per the following details. Audit noticed the following irregularities: -

S.No	Head	Total Amount	Transferred to PTC
1	CRC	4,000,000	4,000,000
2	Petty Repair	4,600,000	4,600,000
3	PDMA (PARRSA)	9,000,000	9,000,000
4	Play Area	3,960,000	3,960,000
		<b>21,560,000</b>	<b>21,560,000</b>

1. As per Government Guidelines regarding PTC funds, all the expenditure should be incurred with the proper approval of the parents Teacher Council. But the local office only transferred the fund to the school and no follow up carried out to know that the fund was properly utilized as per PTC guidelines as such material was not available on the record of the local office.
2. The fund was drawn from government treasury and credited into PTC accounts but detail account/record was not rendered to the office nor produced to audit.

3. Funds were drawn from government treasury and allocated to PTC without observing tender process as required under KPPRA Rules 2014 Chapter II (1) which states that " Save as otherwise provided hereinafter and subject to the provisions of rule 10, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 100,000 (rupees one hundred thousand).
4. The amount was transferred to PTC account of respective school without having mutation of single school to education department.
5. Bank statements of the accounts were not produced to audit despite repeated request, thus authenticity of expenditure could not be made and chances of misappropriation cannot be ruled out.
6. Income tax was not deducted from the expenditure.
7. Transfer of funds to PTC account and construction activities through teaching staff defeat the very purpose of education department. Rule of business has defined the functions of every department/individual and civil work is the responsibility of C&W & Public Health Engineering Department not of education department.
8. In absence of technical expertise, any mishaps in construction could not be ruled out, which may cause loss to human life.
9. The fund was distributed without any school improvement plan.
10. The survey report of P&D was not available.
11. The funds were transferred without demand of the schools.
12. The fund was utilized without standard specification.
13. The progress report was also not available.

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

The matter was reported to the Management in November 2020, but did not respond to the observation.

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



Audit recommends for inquiry besides fixing responsibility on person(s) at fault.

**AIR No. (2019-20)**

**2.5.3.2 Irregular withdrawal of Parent Teacher Council fund-Rs 4.725 million**

According to rule 4B of the Financial Procedure for PTC issued by Finance Department, PTC funds shall be transferred /credited upfront in the bank account of the councils by the respective District Accounts Officers.

According to PTC guidelines, Para-8, ASDEO circle will collect and submit quarterly report of all primary schools in the circle to SDEO while DDEO concerned collect monthly report from middle, high and higher secondary school and submit to DEO for consolidation.

During audit of the District Education Officer (Female), Shangla for the financial year 2019-20, it was observed that an amount of Rs 4,725,250 was released under PTC fund and the same was transferred to PTC account during 2019-20 as per the following details. Audit noticed the following irregularities: -

S.No	Head	Total Amount	Transferred to PTC
1	CRC	2,475,250	2,475,250
2	Petty Repair	2,250,000	2,250,000
		<b>4,725,250</b>	<b>4,725,250</b>

1. As per Government Guidelines regarding PTC funds, all the expenditure should be incurred with the proper approval of the parents Teacher Council. But the local office only transferred the fund to the school and no follow up carried out to know that the fund was properly utilized as per PTC guidelines as such material was not available on the record of the local office.
2. The fund was drawn from government treasury and credited into PTC accounts but detail account/record was not rendered to the office nor produced to audit.

3. Funds were drawn from government treasury and allocated to PTC without observing tender process as required under KPPRA Rules 2014 Chapter II (1) which states that" Save as otherwise provided hereinafter and subject to the provisions of rule 10, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 100,000 (rupees one hundred thousand).
4. The amount was transferred to PTC account of respective school without having mutation of single school to education department.
5. Bank statements of the accounts were not produced to audit despite repeated request, thus authenticity of expenditure could not be made and chances of misappropriation cannot be ruled out.
6. Income tax was not deducted from the expenditure.
7. Transfer of funds to PTC account and construction activities through teaching staff defeat the very purpose of education department. Rule of business has defined the functions of every department/individual and civil work is the responsibility of C&W & Public Health Engineering Department not of education department.
8. In absence of technical expertise, any mishaps in construction could not be ruled out, which may cause loss to human life.
9. The fund was distributed without any school improvement plan.
10. The survey report of P&D was not available.
11. The funds were transferred without demand of the schools.
12. The fund was utilized without standard specification.
13. The progress report was also not available.

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

The matter was reported to the Management in November 2020, but did not respond the observation.

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

Audit recommends for inquiry besides fixing responsibility on person(s) at fault.

**AIR No. (2019-20)**

**2.5.3.3 Loss to Government due to allowing compulsory acquisition charges –Rs 895,933**

According to Section 18(1) & (2) of Land Acquisition Act 1894, any person interested who has not accepted the award may, by written application (application shall state the grounds on which objection to the award is taken) to the collector, the matter be referred by the collector for the determination of the Court, whether his objection be to the measurement of the land, the amount of the compensation, the person to whom it is payable or the apportionment of the compensation among the persons interested.

According to section 23(2) of Land Acquisition Act 1894, "in addition to the market value of the land as above provided, the court shall in every case award a sum of 15% on such market value, in consideration of the compulsory nature of the acquisition".

Deputy Commissioner, Shangla allowed Rs 895933 as 15% compulsory acquisition charges during 2019-20, on account of acquisition of land for the construction /widening of Zara Mora Road tehsil Alpuri with cost of Rs 59,72,885. Audit observed the following shortcomings.

- i. Compulsory acquisition charges were allowed at initial stage of acquisition before the publication of preliminary notification under section 4 of the Act.
- ii. No written objection, obstruction, refusal or appeal made to the Collector/Court by the owners as required under section 18 (1) & (2) of the Act.
- iii. Neither the cases were referred to Court nor any proceeding was undertaken/carried out under section 20 (a) (b) mentioned in the criteria.

In view of the above audit holds that allowing 15% compulsory acquisition charges was in violation of Act, which resulted in loss to government

The irregularity occurred due to weak internal control, which resulted in loss to the Government.

The matter was reported to the Management in July 2020, that the detail reply will be furnished after consultation with the revenue department.

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

Audit recommends recovery of 15% compulsory charges and action against the person(s) at fault.

**AIR No. (2019-20)**

## **CHAPTER-3**

### **Tehsil Municipal Administration**

#### **3.1 Introduction**

District Shangla has three Tehsils i.e. Alpuri, Puran and Besham. The office of a Tehsil Municipal Administration is managed by the Tehsil Municipal Officer. He is assisted by a Tehsil Officer (Finance), a Tehsil Officer (Regulation) and a Tehsil Officer (Infrastructure).

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

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

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

**Detail of Audit Planed formations expenditures and receipts**

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue /Receipts audited FY 2019-20 (Rs. in million)
1	Formations	03	03	176.653	
2	Assignment Accounts SDAs RFAs etc (excluding FAP)	0	0	0	
3	Authorities/Autonomous Bodies etc under the PAO	03	03	176.653	
4	Foreign Aided Projects (FAP)	Nil	Nil		

**3.2 Comments on Budget and Accounts (Variance Analysis)**

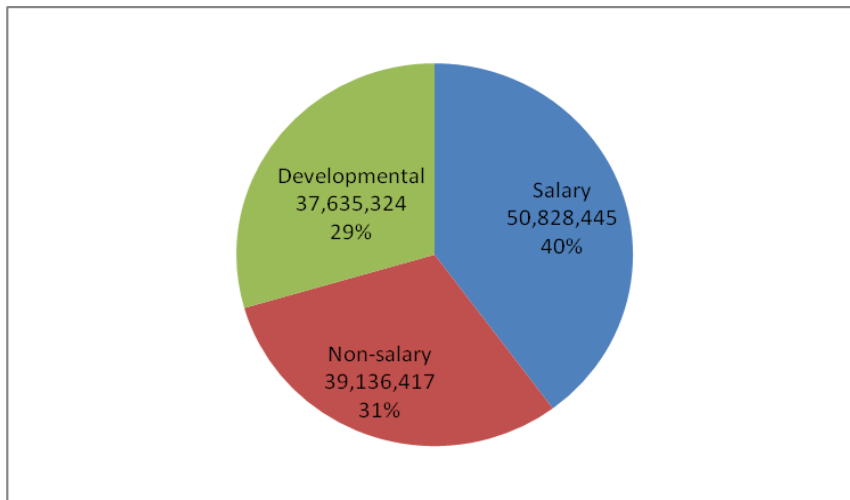
**(Rs in million)**

TMAs				
2019-20	Budget	Actual Expenditure/ Receipts	(Saving)/Excess	%age
Salary	75,001,029	50,828,445	24,172,584	
Non-salary	64,298,500	39,136,417	25,162,083	
Developmental (A/C-IV)	62,083,961	37,635,324	24,448,637	
Developmental (A/C-I)	0	0	0	
<b>Total</b>	<b>201,383,490</b>	<b>127,600,186</b>	<b>73,783,304</b>	
<b>Receipts</b>	<b>45.761</b>	<b>36.486</b>		

The savings of Rs 73.78 million indicate inefficiency in the capacity of Tehsil Municipal Administrations to utilize the amount allocated fund.

## EXPENDITURE 2020-21

(Rs in million)



### 3.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 176.653 million were raised in this audit report. This amount also includes recoverable of Rs 9.741 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.)
1	Irregularities	
A	HR/Employees related irregularities	1.62
B	Management of Accounts with Commercial Banks	5.66
2	Value for money and service delivery issues	1.693
3	Others, including cases of accidents, negligence etc	167.68
<b>Total</b>		<b>176.653</b>

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

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

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



## **3.5 AUDIT PARAS**

### **3.5.1 Irregularities**

#### **HR related irregularities**

##### **3.5.1.1 Unauthorized expenditure on account of contingent paid staff/ daily wages staff-Rs 1.620 million**

According to Government of Khyber Pakhtunkhwa Finance Department letter No. BO1/FD/5-8/2019-20/Austerity dated 29.10.2019, no appointment of contingent paid staff shall be made during the course of the financial year 2019-20.

TMO Puran, Shangla paid a sum of Rs 1,620,000 as pay & allowances to fixed pay staff during the financial year 2019-20 as detailed below. The appointment/payment to contingent paid staff during the current financial year was not allowed as per above orders. Hence, expenditure on account of contingent paid staff was unauthorized and needs justification besides recovery. Detail as per annexure-05

Moreover, neither APRs were available in office record nor the staff was physically verified and all the payment was made in cash instead of cross cheques.

Unauthorized appointment of contingent paid staff occurred due to weak financial control and in violation of austerity measures, which resulted in loss to government.

The matter was reported to the Management in October 2020, but did not respond to the observation.

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

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

**AIR No. (2019-20)**

### **Management of Accounts with commercial banks**

#### **3.5.1.2 Loss due to placement of public fund in current bank accounts – Rs 5.660 million**

According to Government of Khyber Pakhtunkhwa Finance Department letter No.2/3(F/L)FD/2007-08/Vol-IX dated 10<sup>th</sup> February 2014 that no funds shall be placed in any commercial bank from the PLAs or Assignment Accounts without prior approval of the Finance Department as contained in Para-6 & 7 of GFR Volume-I. Furthermore profit earned on Government fund shall be deposited into Government Treasury under relevant head of account immediately and not later than a week declared by the commercial bank.

TMO Besham retained government funds amounting to Rs 5,660,698 in designated current accounts instead of PLS account despite the clear instruction of the Finance department as per detail given below.

<b>S.No</b>	<b>Bank account No</b>	<b>Title of account</b>	<b>Closing Balance (Rs)</b>
01	4145766729	General Account	3,603,881
02	4145766907	Pension account	2,056,817
		<b>Total</b>	<b>5,660,698</b>

Furthermore, the bank account not converted into PLS.

Unauthorized transfer occurred due to weak financial controls, which resulted in violation of rules and government orders.

The matter was reported to the Management in October 2020, but did not respond to the observation.

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

Audit recommends investigations and action against the person(s) at fault besides immediate transfer of developmental fund into PLA under intimation to audit.

**AIR No. (2019-20)**

### **3.5.2. Value for money and service delivery issues**

#### **3.5.2.1. Loss to Government due to non recovery on account of revenue receipt contract of GBS Puran-Rs 1.693 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.

TMO Puran awarded revenue receipt contract of GBS Puran to a contractor for Rs 3,811,000 during the financial year 2019-20. The contractor failed to deposit the long outstanding amount of Rs 1,693,775, which needs to be recovered from the contractor under intimation to Audit.

Moreover, the agreement was not signed by TMO and approval was also not got from Competent Authority.

Audit observed that the irregularity occurred due to weak financial control, which resulted in loss to Government.

The matter was reported to the Management in October 2020, but did not respond to the observation.

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

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

**AIR No. (2019-20)**

### **3.5.3 Others, including cases of accidents, negligence etc.**

#### **3.5.3.1 Unauthorized expenditure without Technical Sanction – Rs3.716 million**

According to Para 56 of CPWD Code, if subsequent to the grant of technical sanction, material structural alterations are contemplated, orders of the original sanctioning authority should be obtained, even though no additional expenditure may be involved by the alterations. Further, Para 178(iii) of GFR Vol.-I states that no work should be commenced or liability incurred in connection with it until administrative approval and sanction has been obtained from the competent authority, a properly detailed design and estimate has been sanctioned and funds to cover the charge have been provided by the competent authority.

TMO Besham District Shangla incurred expenditure of Rs 3,716,368 on various developmental schemes during 2019-20 without obtaining technical sanction of the competent authority before commencement of work. Detail is given below:

<b>S.No</b>	<b>Name of Scheme</b>	<b>Expenditure (Rs)</b>
1	Open well Vilage Dehrai	780,000
2	Open well Cham	780,000
3	Municipal services at tehsil besham	1,278,868
4	R/Wall Graveyard New Maira	487,500
5	pcc Road Shernawaz Korona Kuz Kalay	390,000
	Total	3,716,368

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

The matter was reported to the Management in October 2020, but did not respond to the observation.

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

Audit recommends condonation by the competent forum and action against the person (s) at fault.

**AIR No. (2019-20)**

**3.5.3.2 Non imposition of penalty on late completion of schemes – Rs6.758 million**

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

TMO Alpuri did not impose 10% penalty of Rs 6,758,625 during 2019-20 on various contractors for late completion of developmental schemes. Detail as per annexure-06

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

The matter was reported to the management in September 2020, stated that in this regard it is submitted that the IDC/DDAC has already been granted the time extension upto 30-06-2020.

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

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

**AIR No. (2019-20)**

### **3.5.3.3 Irregular expenditure without Technical Sanction – Rs138.010 million**

According to Para 32 of CPWD Code, no work shall be executed without Administrative Approval/Technical Sanction and Budget allotment. Further, according to Para 56 of CPWD Code, if subsequent to the grant of technical sanction, material structural alterations are contemplated, orders of the original sanctioning authority should be obtained, even though no additional expenditure may be involved by the alterations.

Tehsil Municipal Officer Alpuri incurred an expenditure of Rs 138,010,000 on account of various developmental schemes during 2019-20. During scrutiny of record, it was observed that Technical Sanction was not obtained from the competent authority before commencement of work. Thus, the expenditure made was held irregular. Detail as per annexure-7.

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

The matter was reported to the management in September 2020, stated that the technical sanction will be obtained from the competent authority and will be presented to the audit authorities.

The matter was reported to the Management in October 2020, but did not respond to the observation.

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

Audit recommends obtaining technical sanctions from the competent forum and action against the person(s) at fault authorizing execution/payment without technical sanction.

**AIR No. (2019-20)**

#### **3.5.3.4 Irregular expenditure on installation of HDPE pipes – Rs17.906 million.**

According to circular No11/Dev-14/PHE (N) dated 14-7-2015 in order to stop the entry of the sub-standard product the field staff must be instructed to adopt the following quality assurance steps for compliance.

- i. Original Manufacturer/confirmation through his letter head and seal.
- ii. Gate Pass No./Sales Tax invoice.
- iii. Confirmation that manufacturers all documents are original
- iv. Code No, on Product (year, month, date)

Tehsil Municipal Officer Alpuri incurred expenditure of Rs 17,906,880 on account of supply and fixing HDPE pipes in various water supply schemes during 2019-20. On scrutiny of record, it was observed that that the Local office did not adopt the following quality assurance steps to ensure the quality and health of the people of locality.

- i. Original Manufacturer/confirmation through his letter head and seal.
- ii. Gate Pass No./Sales Tax invoice.
- iii. Confirmation that manufacturers all documents are original
- iv. Code No, on Product (year, month, date).

In the absence of the above mentioned documents, the execution of substandard pipes could not be ruled out. Detail as per annexure-8

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

The matter was reported to the Management in September 2020, but did not respond to the observation.



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

Audit recommends to regularize the expenditure.

**AIR No. (2019-20)**

**3.5.3.5 Loss to Government due to less realization of revenue-Rs 1.290 million**

According to Rules 51(1) of the Revenue Receipts Management of the TMA Budget Rules 2016 the TO(R) shall ensure that all revenue dues is claimed, realized and credited immediately into Tehsil Fund under proper receipt head. According to the instruction issued to all TMOs vide letter No.AO-II/LCB/6-11/2020 dated 13-03-2020, a maximum increase not less than 25% overall in the existing revenue was required to be ensured by creating environment for competition.

TMO Puran during 2019-20 failed to collect the revenue receipts of GBS Puran by adding 25% increase over the previous year's bid, which was compulsory as per model terms and conditions. Thus put the authority into loss of Rs 1,290,250. Detail is given below:

<b>Particulars</b>	<b>Actual Receipts during 2019-20</b>	<b>Required Bid Amount after 25% increase for 2019-20</b>	<b>Bid awarded during 2019-20</b>	<b>Loss due to less collection of receipts (Rs)</b>
General Bus Stand Puran	4,081,000	5,101,250	3,811,000	1,290,250

The irregularity occurred due to weak internal control, which resulted in loss to the Government.

The matter was reported to the Management in October 2020, but did not respond to the observation.

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

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

**AIR No. (2019-20)**

## CHAPTER-4

### AD LGE &RDD

#### 4.1 Introduction

Assistant Director Local Government, Election and Rural Development Department in District Shangla have 106 VCs/NCs. Each VC/NC has a Secretary. Assistant Director Local Government Election & Rural Development Department is Drawing and Disbursing Officer (DDO) for his office and PAO for VCs/NCs of the District Shangla.

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

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

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

**Functions and Powers of the Village Council or Neighborhood Council include:**

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

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

**Detail of Audit Planed formations expenditures and receipts**

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue /Receipts audited FY 2019-20 (Rs. in million)
1	Formations	1	1	279.445	NA

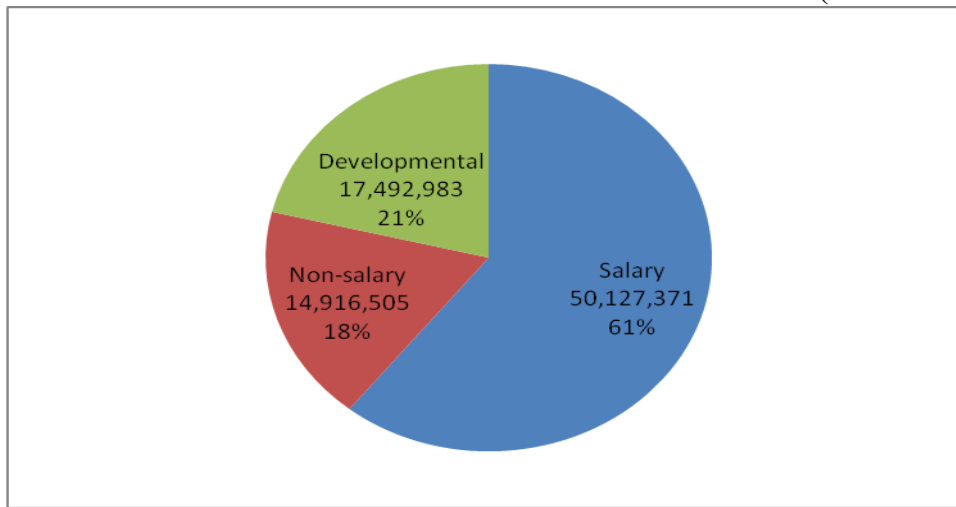
**4.2 Comments on Budget and Accounts (Variance Analysis)**

**(Rs in million)**

<b>AD LGE &amp; RDD</b>				
<b>2019-20</b>	<b>Budget</b>	<b>Actual Expenditure/ Receipts</b>	<b>(Saving)/Excess</b>	<b>%age</b>
Salary	51,748,500	50,127,371	1,621,129	
Non-salary	15,437,658	1,4916,505	521,153	
Developmental	32,626,276	1,7492,983	15,133,293	
Developmental VCs	0	0	0	
<b>Total</b>	<b>99,812,434</b>	<b>82,536,859</b>	<b>17,275,575</b>	
<b>Receipts</b>	-	-	-	

The savings of Rs 17.275 million indicate inefficiency in the capacity of Assistant Director LG & RDD to utilize the amount allocated fund.

(Rs in million)



#### 4.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 279.445 million were raised in this audit report. This amount also includes recoverable of Rs 11.823 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.)
1	Irregularities	
A	Procurement related irregularities	66.418
B	Management of Accounts with Commercial Banks	176.676
2	Value for money and service delivery issues	7.72
3	Others, including cases of accidents, negligence etc.	31.736
<b>Total</b>		<b>282.55</b>

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

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

<b>Sr. No.</b>	<b>Audit Year</b>	<b>VACs/NACs meeting</b>
1	2016-17	Not Convened
2	2017-18	Not Convened
3	2018-19	Not Convened
4	2019-20	Not Convened

## **4.5 AUDIT PARAS**

### **4.5.1 Irregularities**

#### **A. Procurement related irregularities**

##### **4.5.1.1 Non-deposit of Bank profit into Government treasury-Rs4.513 million**

According to Para 1 and 2 of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2007-08/Vol-IX dated 10<sup>th</sup> February 2014, Khyber Pakhtunkhwa Finance Department has from time to time allowed sanctioned Bank accounts in the commercial bank for various Departments/Autonomous/Semi- Autonomous Bodies/Corporations in Khyber Pakhtunkhwa for particular and specific purposes. Such accounts may be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank.

During audit of the accounts of Assistant Director Local Government LGE&RDD Shangla for the financial year 2019-20, it was noticed that a sum of Rs 4,512,933 on account of profit from designated bank account No. 02238-00-7/BOK Alpuri Branch was credited. However the same was not deposited into Government treasury, which needs to be deposited into Government treasury under intimation to Audit.

Non-deposit of profit into Government treasury resulted in loss to the Government.

Audit recommends deposit of profit into Government treasury under intimation to audit.

**AIR No. (2019-20)**



**4.5.1.2 Loss to Government due to non deposit of 7% withholding tax-Rs 2.028 million**

According to Finance Department Khyber Pakhtunkhwa Notification NO.SO(Dev-II) FD/12-6/14-5 dated 21.04.2015, all Provincial Works Departments, while preparing Cost Estimates of developmental projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System-2015 (MRS-2015) but with 7% less cost to defray the amount added in the rate analysis of all works/construction/supply items to meet withholding tax.

Assistant Director LGE&RDD Shangla incurred an expenditure of Rs 28,970,132 on account of execution of various developmental schemes during 2019-20. During scrutiny of record it was observed that 7% Income tax amounting to Rs 2,027,909 was deducted and was not deposited into Government treasury, which needs immediate deposit into Government treasury under intimation to Audit.

Loss occurred due to weak internal control, which resulted in violation of Government rules.

The matter was reported to the Management in December 2020, but did not respond to the observation.

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

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

**AIR No. (2019-20)**

**4.5.1.3 Fraudulent award of contract-Rs 1.710 million and loss to Government-Rs 65,493**

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.

Assistant Director LGE&RDD Shangla during the year 2019-20 awarded a work “2 Nos hand pumps at VC Sundavi etc” to a contractor Mr. Tajir Const: Co. with an estimated cost of Rs 1,710,000. Audit holds that the lowest rate offered by M/S Nasrullah @32.83% Below was rejected with the plea that his tender was defective due to submission of pay orders instead of CDRs and the contract was fraudulently awarded to the 2<sup>nd</sup> lowest Mr. Tajir Const: Co. @29% Below besides his tender form was unsigned. The tender form of Mr. Nasrullah was (Highest bidder) was not found attached in record and his tender form was thrown away and was disqualified with baseless reason. Loss occurred to Government Rs 65,493 ( $32.83\% - 29\% = 3.83\%$  so  $\text{Rs } 1710000 \times 3.83\% = \text{Rs } 65,493$ ).

Moreover, neither the contractor was registered with KPRA and PEC nor deposited any bank drafts, which is doubtful.

Undue favour was extended to the contractor and the contract was fraudulently awarded to the man of choice.

Audit observed that irregularity occurred due to weak administrative control, which resulted in loss to Government.

The matter was reported to the Management in December 2020, but did not respond to the observation.

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

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

**AIR No. (2019-20)**

#### **4.5.1.4 Fraudulent award of tenders-Rs 52.820 million and non imposition of penalty-Rs-5.282 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.

Assistant Director LGE&RDD Shangla during the year 2019-20 awarded the following works to different contractors. Audit holds the following in the schemes mentioned in the list attached as per remarks/deficiencies in each scheme:

1. Bank drafts were neither available nor produced.
2. The contractors were not registered with KPRA and PEC.
3. Agreement was not signed by SDO.
4. The schemes pertain to 2016-17 ADP and were not completed till date of Audit i.e. December, 2020. Thus penalty @10% amounting to Rs 5.282 million (Rs 52.82 x 10%= Rs 5.282) was not imposed.
5. NO BOQ attached.
6. Pictures were not available.
7. Work order not attached.
8. Signature of tender opening committee was not found on any envelop and tender forms etc.
9. Duplication certificate not attached.
10. The envelops were not stamped and no dak tickets were pasted on any envelop.
11. The work was awarded without agreement.

Undue favour was extended to the contractors and the contract was fraudulently awarded to the man of choice.

Audit observed that irregularity occurred due to weak administrative control, which resulted in loss to Government.

The matter was reported to the Management in December 2020, but did not respond to the observation.

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

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

**AIR No. (2019-20)**

### **Management of Accounts with Commercial Banks**

#### **4.5.1.5 Irregular cash withdrawal from bank accounts-Rs 23.098 million and unnecessary retention-Rs 137.119 million**

According to S.No 4.3.1.1 of the Accounting Policies and Procedures Manual, all expenditures will be made through cross cheque in the name of supplier/contractor.

According to Rule 290 of Treasury Rules, “no money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

Assistant Director, LGE&RDD Shangla during 2019-20 withdrew a sum of Rs 23,097,830 as cash withdrawals from bank accounts instead of cross cheques in contrary to the above mentioned criteria. Thus chances of misappropriation could not be ruled out. Detail is given below:

Moreover, a sum of Rs 137,119,150 was unnecessarily retained by the local office in the bank accounts. No entry was made in the cash book. Thus chances of misappropriation could not be ruled out.

S#	Account No. & Bank	Cash Withdrawals	Closing Balance (Rs)
1	4137278370/ NBP Alpuri Branch	-	93,594,386
2	4086563186/NBP Alpuri Branch	3,201,825	871,484
3	02238-00-7/BOK Alpuri Branch	19,896,005	42,653,280
<b>Total</b>		<b>23,097,830</b>	<b>137,119,150</b>

Irregularity occurred due to weak internal control.

The matter was reported to the Management in December 2020, but did not respond to the observation.

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

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

**AIR No. (2019-20)**

#### **4.5.1.6 Loss to government due to non conversion of current bank account into PLS-Rs 4.723 million**

Finance department letter No. 2/3(F/L) FD 20017-18/Vol. ix dated Peshawar the 10<sup>th</sup> February 2014 provides that Finance Department has from time to time allowed/sanctioned Bank accounts in commercial Bank for various Departments/ Autonomous Bodies/Corporations in KP for particular and specific purposes. Now it has been decided that such accounts may be converted to PLS mode and the profit so earned be deposited in Govt. Treasury under relevant head and not later than a week when declared by the concerned bank.

Assistant Director, LGE&RDD Shangla made huge transactions and having huge closing balance of Rs 94,465,870 during 2019-20 in current bank account as detailed below instead of PLS resulted in loss to Government.

S#	Account No. & Bank	Title of Account	Balance (Rs)
1	4137278370/ NBP Alpuri Branch	AD LG and RDD Shangla	93,594,386
2	4086563186/NBP Alpuri Branch	AD LG and RDD Shangla	871,484
<b>Total</b>			<b>94,465,870</b>

The total balance amounting to Rs 93,594,386 was remained in bank for the whole year without profit. Thus the government was put into loss of Rs 16,164,495 (Rs 94,465,870 x 5% = Rs 4,723,294) as minimum rate of interest i.e. @5%, which needs to be recovered.

Moreover, approval of Finance Department for opening of designated bank account was not obtained.

The irregularity occurred due to weak internal control.

The matter was reported to the Management in December 2020, but did not respond to the observation.

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

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

**AIR No. (2019-20)**

#### **4.5.1.7 Unauthorized transfer of Government funds into commercial bank due to avoid lapse of fund-Rs 31.736 million**

According to Finance Department Khyber Pakhtunkhwa letter No.2/3-(F/L)/FD/2007-08/Vol-IX dated 10.02.2014; no funds shall be placed in any commercial banks from the PLAs or Assignment Accounts without prior approval of the Finance Department. Further, according to Treasury Rule 290 provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

Assistant Director LGE&RDD Shangla withdraw a sum of Rs 31,736,276 on simple receipt as developmental funds in lump sum from Government treasury

on 28.06. 2019 (2019-20) and was kept in the designated bank account to avoid lapse of fund and utilized the same in the next financial year i.e. 2019-20 without pre audit from District Accounts Office Shangla unauthorizedly.

Irregularity occurred due to violation of rules, which resulted in loss to the Government.

The matter was reported to the Management in December 2020, but did not respond to the observation.

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

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

**AIR No. (2019-20)**

## **4.5.2 Value for money and service delivery issues**

### **4.5.2.1 Fraudulent award of tenders-Rs 7.720 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.

Assistant Director LGE&RDD Shangla during the year 2019-20 awarded a work “DWSS Shega Banda Piaz Bara” and a work “Impr:/PCC road at UC Maira” to a contractor Mr. Najeebullah with an estimated cost of Rs 3,000,000 and Rs 2,600,000 respectively. Audit holds that the successful bidder Mr. Najeebullah did not sign the tender form and the work was fraudulently awarded to the contractor. Neither the contractor was registered with KPRA and PEC nor deposited any bank drafts, which is doubtful.

Moreover, a work “DWSS Nekay Chakisar etc” was awarded to Mr. Muqarab Khel Const: Co. for Rs 1,080,000 but his tender form and bank drafts were neither available in record nor produced to Audit.

Furthermore, a cheque amounting to Rs 479,676 was issued to contractor without approval of AD on note sheet in a work “H/Pump, dug well Ismail Khel etc” awarded to Mr. Nasrullah Const: Co. with an estimated cost of Rs 1,040,000.

Undue favour was extended to the contractor and the contract was fraudulently awarded to the man of choice.

Audit observed that irregularity occurred due to weak administrative control, which resulted in loss to Government.

The matter was reported to the Management in December 2020, but did not respond to the observation.



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

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

**AIR No. (2019-20)**

### **4.5.3 Others, including cases of accidents, negligence etc.**

#### **4.5.3.1 Irregular expenditure without Technical Sanction-Rs 31.736 million**

According to Para 2.4 of B&R Department Code, no work shall be started without administrative approval, technical sanction and allotment of funds.

Assistant Director LGE&RDD Shangla incurred an expenditure of Rs 31,736,276 on account of various developmental schemes during 2019-20 without obtaining technical sanction from the Competent Authority and physical inspection/verification reports were not found in any file.

The lapse occurred due to weak internal controls which resulted in violation of rules.

The matter was reported to the Management in December 2020, but did not respond to the observation.

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

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

**AIR No. (2019-20)**

## ANNEXURES

### Annexure-1

#### Detail of MFDAC Paras

S. No	AIR Para No	Caption of Para	Rs in million
<b>DC</b>			
1		Non collection/Non-deposit of Stamp Duty and non crediting Mutations council fee to the concerned head – Rs298644	0.299
2		Non deposit of stamp duty-Rs41491	0.0414
3		Irregular payment on account of repair of transport – Rs 623500	0.623
<b>DHO</b>			
1		Irregular payment on account of repair of transport – Rs820000	0.820
2		Loss to Government due to drawl of TA/DA on fake bill– Rs541,446	0.541
3		Irregular expenditure on account of TA/DA Rs 392346	0.392
4		Unauthorized Expenditure on account of TA/DA Rs 295700	0.296
5		Irregular Purchase of IT equipments – Rs 157700	0.158
6		Unauthorized payment on account of wages from the budgetary head other 385650	0.386
7		Unjustified expenditure on account of other Charges Rs268524	0.269
8		Irregular expenditure on account of Printing charges - Rs 315000	0.315
9		Non deposit of stamp duty-Rs.245344	0.245
<b>AD LG&amp; RDD</b>			
1		Non deduction of DPR fund-Rs 57,940	0.058
2		Doubtful expenditure of Rs 572,357	0.572
3		Loss to Government due to non deduction of 7% withholding tax-Rs 426,300	0.426
4		Overpayment of Rs 734,135 and non deduction of 7% withholding tax-Rs 128,800	0.734
5		Irregular and unverified expenditure of Rs 599,829 on account of POL & Repair of vehicle	0.599
6		Unauthorized expenditure on account of contingent paid staff/ daily	0.480

		wages staff-Rs 480,000	
7		Non deposit of deducted stamp duty – Rs 183,150	0.183
		<b>TMA Puran</b>	
1		Loss to government due to non conversion of current bank account into PLS-Rs 240,020	0.240
		<b>DO Social Welfare</b>	
1		Irregular expenditure of Rs 156,000 on account of rent of office building	0.156
2		Irregular expenditure of Rs 350,000 on account of TA/DA	0.350
		<b>DO Female</b>	
3		Irregular expenditure on account of TA/DA Rs 665,000	0.665
4		Non recovery of Conveyance Allowance during leave-Rs 257,052	0.257
5		Irregular and unverified expenditure on account of POL & repair of vehicles-Rs 650,000	0.650
6		Irregular and unverified expenditure on account of advertising & publicity-Rs 310,000	0.310
7		Loss to government due to non conversion of current bank account into PLS-Rs 351,727	0.351
		<b>DO Male</b>	
1		Irregular expenditure on account of TA/DA Rs 500,000	0.500
2		Loss to Government due to fictitious supply and use of charcoal-Rs 944,000	0.944

**Annexure -3**

<b>Name of firm</b>	<b>Items</b>	<b>Unit</b>	<b>Quantity</b>	<b>Rates</b>	<b>Amount</b>	<b>Date of S/plorder</b>
M/S Searie	Metranedazole 200 mg	GHS	100000	0.79	79000	28/4/20
M/S Searie	Metranedazole 400 mg	GHS	100000	1.1	110000	28/4/20
M/S FYNKPhrama	Inj:Ceftriaxoine 1grm	THQ	2000	49.4	98800	24/10/19
M/S FYNKPhrama	Inj:Ceftriaxoine 500grm	GHS	2000	36.4	72800	24/10/19
Bio-Lab Chemical	Metranedazole 100mg	GHS	5000	36.00	180000	1/6/20
Frontier Dexo	Metranedazole 100mg	GHS	5000	26.44	132200	1/6/20
Broak Phrama	Cisatracurjum		20	315.31	6306	3/2/2019
Asia Continental	Cardiolite 100mg	GHS	50000	1.97	98500	1/6/20
Asia contiental	Feralife100mg	GHS	100000	3.74	374000	1/6/20
Amson Vaciense	Inj: Snake Venom	GHS	100	1290	129000	11/6/20
Glaxo Smith	Cap:Amoxil 500mg	BHU	200000	4.5	900000	11/6/20
Glaxo Smith	Syp: Sulbutamole	BHU	30000	35.11	1053900	11/6/20
<b>Total</b>					<b>3234506</b>	

**Annexure-4**

<b>S.No</b>	<b>Name of firm</b>	<b>Name of medicines</b>	<b>D/O</b>	<b>Quantity</b>	<b>Rate</b>	<b>Total amount</b>	<b>Page</b>
19	Stanly	Medicines	24/10/2019			616000	5,7,9,11,13,15
1	Glaxo Smith	Septran	21/11/2019	30000	2.21	66300	82
	Glaxo	Ventolin	Do	3000	39.00	117000	84
2	Stanly	Ibuprofen	21/11/2019	3000	50	150000	88
	Stanly	Meefinamic	21/11/2019	50000	1.8	90000	90
6	Amson	Polyvalent	21/11/2019	30	1290	38700	86
4	Qasim	Miniquine	21/11/2019	2000	29.11	58220	80
9	Asian	Cardiolte	21/11/2019	20000	1.97	39400	74
	Various	Medicines	28/4/2020			1217606	35,37,110,112 229,113
	Various	Medicines	11/11/2019	2000	75	150000	124
<b>Total</b>						<b>2543226</b>	

**Annexure-5**

<b>S#</b>	<b>Name of Payee</b>	<b>Designation</b>	<b>Total Pay P.M (Rs)</b>
1	Sultan Gul	Sanitary Worker	15,000
2	Riaz Ali	---do---	15,000
3	Hazratullah	---do---	15,000
4	Hamidullah	---do---	15,000
5	Haider Ali	---do---	15,000
6	Zafer Khan	---do---	15,000
7	Mehboob Alam	---do---	15,000
8	Fazal Hadi	---do---	15,000
9	Fazlullah	---do---	15,000
Total			135,000
<b>Grand Total</b>			<b>Rs 135,000 x 12 Months= Rs 1,620,000</b>

**Annexure-6**

<b>S. No.</b>	<b>Scheme</b>	<b>W/order date</b>	<b>Due date of Completion</b>	<b>Actual date of completion</b>	<b>Cost (Rs)</b>	<b>10%Penalty (Rs)</b>
1	Sanitation at Damorai	12-6-2019	12-6-2020	In Progress	1462500	146,250
2	Beautification (Sewerage & Sanitation)	13-8-2018	13-9-2019	14-12-2019	4435000	443,500
3	Beautification (3 No. Chowks Chakisar)	3-8-2018	3-9-2019	16-12-2019	2340000	234,000
4	Kacha Road Imran Koroona	24-4-2018	24-4-2019	24-10-2019	975000	97,500
5	Kacha Road Baba Banda	24-4-2018	24-4-2019	12-2-2020	975000	97,500
6	PCC Road Musa Khan Koroona	24-4-2018	24-4-2019	10-9-2019	975000	97,500
7	Kacha Road Danda Shang Khwar	24-4-2018	24-4-2019	18-6-2020	2000000	200,000
8	Kacha Road Ganshal	24-4-2018	24-4-2019	24-6-2019	682500	68,250
9	PCC Road Olandar to Ganshal	24-4-2018	24-4-2019	26-9-2019	2925000	292,500
10	Pav: of streets Chndkai	24-4-2018	24-4-2019	In Progress	1000000	100,000
11	Pav: of streets at Saleem	24-4-2018	24-4-2019	In progress	500000	50,000
12	Suspension Bridge Samsty	24-4-2018	24-4-2019	In Progress	500000	50,000
13	Suspension Bridge Managai	24-4-2018	24-4-2019	In progress	500000	50,000
14	PCC Road Amnavi	1-6-2018	1-6-2019	In Progress	6337500	933,750
15	PCC Road Hidayat Koroona	23-7-2018	23-7-2019	13-12-2119	975000	97,500
16	Pav: of streets Landai	23-7-2018	23-7-2019	13-12-2019	780000	78,000
17	Package-IV, Ranyal-I	24-4-2018	24-4-2019	In Progress	8287500	828,750
18	PCC Road Shaukat Koroona	24-4-2018	24-4-2019	14-12-2019	975000	97,500
19	PCC Road Gadosar Masjid	24-4-2018	24-4-2019	14-12-2019	975000	97,500
20	Const: of Suspension Bridge Muhammad Jan Koroona	24-4-2018	24-4-2019	14-12-2019	487500	48,750
21	Kacha Road Shahid	24-4-	24-4-2019	16-7-2019	975000	97,500



	Koroona	2018				
22	Const: of Road Latif Ahmad Koroona	24-4-2018	24-4-2019	19-8-2019	620000	62,000
23	Const: of bridge Faiz Dara	24-4-2018	24-4-2019	30-10-2019	655000	65,500
24	Const: of bridge at Pal	24-4-2018	24-4-2019	7-5-2020	1462500	146,250
25	Rep: of Suspension Bridge Bazarkot	24-4-2018	24-4-2019	6-5-2020	487500	48,750
26	Const: of Suspension bridge Khwar kalay	24-4-2018	24-4-2019	6-5-2020	487500	48,750
27	Kacha Road Pitaw Kalay	24-4-2018	24-4-2019	19-6-2020	195000	19,500
28	PCC Road Dawlat Kallay	25-6-2018	25-6-2019	In Progress	2925000	292,500
29	PCC Road Banda	25-6-2018	25-6-2019	In Progress	975000	97,500
30	PCC Road lashar to Batagram	24-4-2018	24-4-2019	30-10-2019	2925000	292,500
31	Kacha Road dando Shang	24-4-2018	24-4-2019	18-6-2020	1000000	100,000
32	Kacha road Imdad Koroona	24-4-2018	24-4-2019	In Progress	585000	58,500
33	Kacha Road Sayedano mohallah	24-4-2018	24-4-2019	In Progress	780000	78,000
34	Open well VC Karora	13-8-2018	13-8-2019	15-5-2020	1462500	146,500
35	Open well Lansook Karora	13-8-2018	13-8-2019	15-5-2020	487500	48,750
36	PCC Danakol to Saloo road	13-8-2018	13-8-2019	15-5-2020	195000	19,500
37	Package-III, Beautification Alpuri	13-8-2018	13-8-2019	In Progress	5654750	565,475
38	DWSS Dr. Saidul Abrar Shahpur	3-6-2019	3-6-2020	In Progress	100000	10,000
39	WSS VC Shahpur	3-6-2019	3-6-2020	In Progress	526500	52,650
40	DWSS Dherai Chakisar	13-8-2018	13-8-2019	14-9-2019	292500	29,250
41	Mumtaz & Niaz	13-8-2018	13-8-2019	14-9-2019	487500	48,750
42	RCC Bridge Kohi Garai	13-8-2018	13-8-2019	14-9-2019	2437500	243,750
43	Muqbaray	13-8-2018	13-8-2019	14-9-2019	780000	78,000
<b>Total</b>						<b>6,758,625</b>

**Annexure-7**

<b>S. No.</b>	<b>Name of scheme</b>	<b>Expenditure (Rs)</b>
1	Beautification (Sewerage & Sanitation)	4,435,000
2	Beautification (3 No. Chowks Chakisar)	2,340,000
3	Package-V Ranya-II	8,775,000
4	Package-II, Kormang-I	8,287,500
5	Package-IX, Pir Khana	10,042,500
6	Package-XV	9,262,500
7	Package-VI, Kuz Kana	11,602,500
8	Package-IV, Ranyal_I	8,287,500
9	Package-XI, Pir Abad	12,967,500
10	Package-VIII, Damorai	6,825,000
11	Package-XIV, Malak Khel-I	9,555,000
12	Package-X, Dherai	11,602,500
13	Package-III, Kormang-II	7,605,000
14	Package-IV, Shahpur	8,872,500
15	Package-IV, Chakisar	17,550,000
<b>Total</b>		<b>138,010,000</b>

**Annexure-8**

<b>S. No.</b>	<b>Name of scheme</b>	<b>Amount (Rs)</b>
01	P-8, VC Kuz Kana GI & HDPE pipes	2,354,280
02	P-12 VC Dherai GI pipes	3,404,000
03	P-5 Shang-II GI pipes	1,012,000
04	P-13 VC Pir Abad GI & HDPE pipes	1,932,000
05	P-8 VC Pir Abad	1,058,000
06	DWSS P-II VC Pir Khana GI pipes	1,081,000
07	P-14 VC Ranyal GI & HDPE pipes	3,753,600
08	P-20 VC Alpuri GI & HDPE pipes	3,312,000
<b>Total</b>		<b>17,906,880</b>

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