



**AUDIT REPORT  
ON THE ACCOUNTS OF  
TEHSIL MUNICIPAL ADMINISTRATIONS  
IN DISTRICT DIR UPPER**

**KHYBER PAKHTUNKHWA**

**AUDIT YEAR 2016-17**

**AUDITOR GENERAL OF PAKISTAN**

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## **ABBREVIATIONS AND ACRONYMS**

AP	Advance Para
ADP	Annual Development Plan
BOQ	Bill of quantities
CCB	Citizen Community Board
CDR	Call Deposit Receipt
CMD	Chief Minister Directive
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
DP	Draft Para
DPR	Disable Persons Rehabilitation
GFR	General Financial Rules
LCB	Local Council Board
MFDAC	Memorandum for Department Accounts Committee
MRS	Market Rate Schedule
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCC	Plain Cement Concrete
PLA	Personal Ledger Account
POL	Petrol Oil Lubricant
PFC	Provincial Finance Commission
PUGF	Provincially Unified Group of functionaries
SH	Sub Head
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
RDA	Regional Directorate of Audit
TS	Technical Sanction
TSP	Tameeri Sarhad Programme

## 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 Local Government Act 2013, require the Auditor-General of Pakistan to conduct audit of the receipts and expenditure of Local Fund of Tehsil Municipal Administration.

The report is based on audit of the accounts of Tehsil Municipal Administrations in District Upper Dir for the Financial Year 2015-16. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar conducted audit on test check basis during 2016-17 with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit finding carrying value of Rs 1 million or more. Relatively less significant issues are listed in the **Annex-1** of the Audit Report. The Audit Observations listed in the **Annex-1** shall be pursued with the Principal Accounting Officer at the DAC level. In all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of Accounts Committee of the Local Council through the next year's Audit Report.

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

The observations included in this Report have been finalized in the light of written replies of the Departments. However, in some observations. Department did not submit written replies. DAC meetings could not be convened despite repeated requests.

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 37 of Khyber Pakhtunkhwa Local Government Act 2013 to be laid before 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 all Tehsil Municipal Administrations and Town Municipal Administrations. The Regional Directorate of Audit Swat, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of District Governments, Tehsil Municipal Administrations and VCs/NCs of five Districts i.e. Swat, Shangla, Dir Lower, Dir Upper and Chitral respectively.

The Regional Directorate of Audit Swat has a human resource of 07 officers and staff with the total of 1750 mandays. The annual budget amounting to Rs 10.618 million was allocated to RDA during the financial year 2016-17. The directorate is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programmes and projects.

Tehsil Municipal Administrations Dir, Wari, Kalkot & Barawal in District Dir Upper perform their functions under Khyber Pakhtunkhwa Local Government Act 2013. Each TMA has one Principal Accounting Officer (PAO) as provided in Rule 8(1P) of the Khyber Pakhtunkhwa Tehsil and Town Municipal Administration Rules of Business 2015. Financial Provisions of the Act establish a local fund for each Tehsil and Town Administration for which Annual Budget Statement is authorized by the Tehsil/ Town Council in the form of budgetary grants.

### **a. Scope of Audit**

Out of the total expenditure of Tehsil Municipal Administrations, District Upper Dir for the Financial Year 2015-16, the auditable expenditure under the jurisdiction of RDA was Rs 427.644 million. Out of this, RDA Swat audited an expenditure of Rs 299.350 million on test check basis which, in terms of percentage, is 70% of auditable expenditure.

The receipts of Tehsil Municipal Administrations, District Upper Dir for the Financial Year 2015-16, were Rs 92.778 million. Out of this, RDA Swat audited receipts of Rs 64.944 million which, in terms of percentage, was 70% of auditable receipts.

The total expenditure and receipt of Tehsil Municipal Administrations, District Upper Dir, for the Financial Year 2015-16 was Rs 520.422 million. Out of this, RDA Swat audited the expenditure and receipt of Rs 364.295 million.

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

Recovery of Rs 23.100 million was pointed out during the audit. However, no recovery was affected till finalization of this report. Out of the total recoveries, Rs 19.635 million was not in the notice of the executive prior to audit.

**c. Audit Methodology**

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

**d. Audit Impact**

Audit pointed out various irregularities of serious nature. Cases related to weak internal were also pointed out to which management has been sensitized. In certain cases management has taken action which may further be verified. However, no impact was visible as the management failed to reply and the irregularities could not come to the light in the proper forum i.e. DAC.

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

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

Another basic component of internal control, as envisaged under section 37(4) of LGA 2013, is internal audit which was not found in place in the domain of TMAs.

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

- i. Irregularity & Non-compliance of Rs 29.698 million were noticed in fourteen cases<sup>1</sup>.
- ii. Internal Control of weakness amounting to Rs 14.964 million were noticed in nine cases<sup>2</sup>.

**g. Recommendations**

- i. Efforts need to be made by the departments to recover outstanding dues and overpayments.
- ii. Losses occurred to Government and entity need to be recovered from the responsible persons.
- iii. Disciplinary actions need to be taken to stop the practice of violation of the rules and regulations in spending the public money.
- iv. All sectors of TMAs need to strengthen internal controls i.e. financial, operational, administrative controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.

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1 Para 1.2.1.1 to 1.2.1.8, 1.3.1.1, 1.3.1.2, 1.4.1.1, 1.4.1.2, 1.5.1.1 & 1.5.1.2

2 Para 1.2.2.1 to 1.2.2.6, 1.3.2.1, 1.4.2.1 & 1.5.2.1



## SUMMARY TABLES AND CHARTS

### I: Audit Work Statistics

(Rs in million)

S. No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	04	520.422
2	Total formations in audit jurisdiction	04	520.422
3	Total Entities (PAO) Audited	04	364.295
4	Total formations Audited	04	364.295
5	Audit & Inspection Reports	04	364.295
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

### II: Audit observations classified by Categories

(Rs in million)

S. No	Description	Amount placed under audit observation
1	Asset management	0
2	Financial management	0.729
3	Internal controls	23.396
4	Violation of rules	15.821
5	Others	4.716
<b>Total</b>		<b>44.662</b>

### III: Outcome Statistics

(Rs in million)

S. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	Others	Total for the year 2015-16	Total for the year 2014-15
1	Outlays Audited	-	347.265	92.778	80.379	520.422	157.109
2	Amount Placed under Audit Observation /Irregularities of Audit	-	37.181	0.500	6.981	44.622	174.503
3	Recoveries Pointed Out at the instance of Audit	-	18.938	0.500	3.662	23.100	7.02
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	0
5	Recoveries Realized at the instance of Audit	-	-	-	-	-	0.837

**Note:** - The outcome figures reported for the year 2014-15 pertain to the Municipal Committees audited last year. Since PAOs are the same therefore, these amounts have been included here to show cumulative effect against the PAOs.

#### IV: Irregularities pointed out

(Rs in million)		
S. No	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	29.689
2	Reported cases of fraud, embezzlement, thefts and misuse of public funds.	0
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	0
4	Quantification of weaknesses of internal control systems.	14.964
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies	0
6	Non-production of record	0
7	Others, including cases of accidents, negligence etc.	7.507
<b>Total</b>		<b>44.662</b>

#### V: Cost-Benefit

Sr. No	Description	Amount (Rs in million)
1	Outlays Audited (Items 1 of Table 3)	520.422
2	Expenditure on Audit	320,000
3	Recoveries realized at the instance of Audit	0
	<b>Cost-Benefit</b>	<b>1:0</b>

# CHAPTER-1

## 1.1 Tehsil Municipal Administrations in District Upper Dir

### 1.1.1 Introduction

District Upper Dir has four Tehsils i.e. Upper Dir, Wari, Barawal and Kalkot. There are four Tehsil Municipal Administrations. Tehsil Municipal Administrations have Tehsil Municipal Officers, Tehsil Officers (Finance), Tehsil Officers (Infrastructure) and Tehsil Officers (Regulation). The functions and powers of Tehsil municipal administration shall be to-

- (a) Monitor and supervise the performance of functionaries of Government offices located in the Tehsil and hold them accountable by making inquiries and reports to the district government or, as the case may be, Government for consideration and action;
- (b) Prepare spatial plans for the Tehsil including plans for land use and zoning and disseminate these plans for public enquiry;
- (c) Execute and manage development plans for improvement of municipal services and infrastructure;
- (d) Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including for agriculture, industry, commercial markets, shopping centers; residential, recreation, parks, entertainment, passenger and freight transport and transit stations;
- (e) Enforce municipal laws, rules and bye-laws;
- (f) Prevent and remove encroachments;
- (g) Regulate affixing of sign-boards and advertisements;
- (h) Provide, manage, operate, maintain and improve municipal services;
- (i) Prepare budget, long term and annual municipal development programmes;
- (j) Maintain 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;

- (k) Collect taxes, fines and penalties provided under this Act;
- (l) Organize sports, cultural, recreational events, fairs and shows;
- (m) Organize cattle fairs and cattle markets;
- (n) Co-ordinate and support municipal functions amongst village and neighborhood councils;
- (o) Regulate markets and services, issue licenses, permits, grant permissions and impose penalties for violation thereof;
- (p) Manage municipal properties, assets and funds;
- (q) Develop and manage schemes, including site development in collaboration with district government;
- (r) Authorize officers to issue notice, prosecute, sue and follow up criminal, civil and recovery proceedings against violators of municipal laws; and
- (s) Prepare financial statements and present them for audit.

### 1.1.2 Comments on Budget and Accounts (variance analysis)

A budget of Rs 736.917 million was allocated against which an expenditure of Rs 427.642 million was incurred by the Tehsil Municipal Administrations Upper Dir with a savings of 309.275 million during 2015-16. Detail is given below:

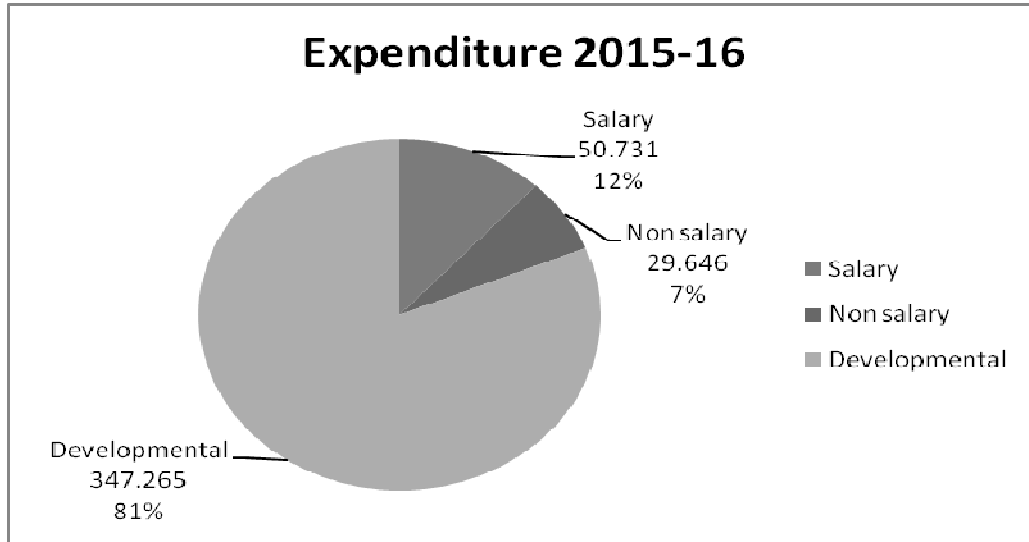
<b>(Rs in millions)</b>				
<b>2015-16</b>	<b>Budget (Rs)</b>	<b>Expenditure (Rs)</b>	<b>Excess / Savings (Rs)</b>	<b>%age</b>
Salary	67.022	50.731	16.291	24.30
Non Salary	87.007	29.646	57.361	65.92
Developmental	582.888	347.265	235.623	40.42
<b>Total</b>	<b>736.917</b>	<b>427.642</b>	<b>309.275</b>	<b>41.96</b>

A Receipts of Rs 174.408 million was projected against which an amount of Rs 92.778 million was realized by the Tehsil Municipal Administration Swat with a short realization of Rs 81.63 million during Financial Year 2015-16. Detail is given below:

(Rs in million)

2015-16	Budget	Realization	Excess/ (Saving)	%age
Receipts	174.408	92.778	81.63	46.80

(Rs in million)



### 1.1.3 Comments on the status of compliance with PAC Directives

The Audit Reports pertaining to Financial Years 2009-10 to 2014-15 on accounts of Tehsil Municipal Administration/Municipal Committees have not been discussed in PAC/ZAC. The Provincial Assembly Khyber Pakhtunkhwa has returned the Audit Reports during February, 2017 with the remarks that the same may be examined by respective Accounts Committees as provided under Khyber Pakhtunkhwa Local Government Act, 2013.

**TEHSIL MUNICIPAL ADMINISTRATION UPPER DIR**

## **1.2 Audit Paras Tehsil Municipal Administration Upper Dir**

### **1.2.1 Irregularity & Non compliance**

#### **1.2.1.1 Overpayment due to allowing unapproved cost factor without claim of the contractor – Rs 3.944 million**

According to Para 23 of GFR Volume-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.

Tehsil Municipal Officer, Upper Dir awarded a work” Replacement of Rusted Water Supply in Dir Town” to a contractor M/S Tila Muhammad with a bid cost of Rs 39,994,737 during financial year 2015-16. Estimated cost of the scheme was Rs 40,000,000 and payment of Rs 39,442,835 was made up to 5<sup>th</sup> running bill. Overpayment of Rs 3,944,283 on account of cost factor was made as the same was neither claimed by the contractor in his BOQ nor approved in the technical sanction.

Audit observed that overpayment of cost factor occurred due to weak financial control which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, 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 Para No. 58 (2015-16)**

#### **1.2.1.2 Incorrect accord of technical sanctions with overstatement - Rs 3.116 million**

According to Para 23 of GFR Volume-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.



Tehsil Municipal Officer, TMA Upper Dir obtained technical sanctions of two schemes from the Chief Engineer, Local Council Board Peshawar for Rs 88,659,203 and payment of Rs 886,592 on account of technical sanction charges @ 1% of the TS cost was paid to the LCB. During scrutiny of the technical sanctions, error of overstatement of Rs 3,116,111 was found. Detail is as under:

**1. Improvement of Municipal Roads SH: Four No. roads in Upper Dir**

S.No	Description	Correct Calculation (Rs)	Incorrect Calculation (Rs)	Overstatement (Rs)
01	Total of abstract of cost of T.S	40,915,578	40,915,578	0
02	Add: Cost factor @ 1.10	45,007,135.80	45,007,135.80	0
03	Less: 7% income tax	3,274,801.55	3,150,499.50	0
<b>Net total</b>		<b>41,856,636</b>	<b>43,448,700</b>	<b>1,592,064</b>

**2. Water Supply & Sanitation Programme for Bibyawar and Darora**

Item of work	Quantity (meters)	Rate given (Rs)	Rate required (Rs)	Difference (Rs)	Excess (Rs)
S/F of GI Pipe 4 inch dia medium quality	16933.86	2300	2390	90	1,524,047

Audit observed that overpayment occurred due to incorrect accord of technical sanction which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends rectification in the technical sanctions under intimation to audit.

**AIR Para No. 57 (2015-16)**

**1.2.1.3 Unauthorized deduction of contingency from the contractors - Rs 2.897 million**

According to the decision of Provincial Finance Commission at serial No IX (a) communicated vide Government of Khyber Pakhtunkhwa Local Government Department No. AO/LCB/8 (89)/07 dated 22.08.2007, deduction of self-help & contingency would be made @ 0.80 % and 0.50% of the estimated cost from the projects which are executed through project committees.

Tehsil Municipal Officer, Upper Dir deducted Rs 2,896,985 from the bills of the contractors in 294 developmental schemes during financial year 2015-16 on account of contingency @ 0.5% of the estimated cost of Rs 579,357,000. Audit held that deduction of contingency was not admissible in the works which were executed through contractors. Detail is as under:

S.No	Fund	No. of Schemes	Estimated Cost (Rs in million)	Contingency@ 0.5% (Rs)
01	Provincial ADPs	17	465.439	2,327,195
02	CMD ADP No. 713	79	30.025	150,125
03	CMD ADP No. 703 PK 92	65	38.226	191,330
04	CMD ADP No. 703 PK 91	109	36.00	180,000
05	30% Tehsil ADP	24	9.667	48,335
<b>Total</b>		<b>294</b>	<b>579.357</b>	<b>2,896,985</b>

Audit observed that unauthorized deductions of contingency occurred due to violation of rules which resulted less payment to the contractor and illegal revenue to the TMA.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends corrective action under intimation to audit.

**AIR Para No. 41 (2015-16)**

#### **1.2.1.4 Irregular and unverified developmental expenditure through CCB - Rs 1.500 million**

According to Rule 1 of Chapter-III of Khyber Pakhtunkhwa Public procurement of Goods, Works and Services Rules, 2014, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs 100,000/ rupees one hundred thousand.

Tehsil Municipal Officer, Upper Dir paid Rs 1,500,000 to Rehankot CCB vide Cheque No.A336416 dated 30<sup>th</sup> October 2015 as final payment for a developmental work “ Construction of Bridge” instead of spending through open tender system which was unauthorized. Moreover, relevant record of the scheme was also not produced to audit despite repeated requests.

Audit observed that payment to CCB occurred due to violation of rules which resulted in unauthorized expenditure.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends corrective measures besides fixing responsibility on the person (s) at fault.

**AIR Para No. 49 (2015-16)**

#### **1.2.1.5 Loss due to non-deduction of DPR fund- Rs 1.082 million**

According to Section-11 of the “Disabled Persons (Employment & Rehabilitation) Ordinance 1981 and the Government of Khyber Pakhtunkhwa Disabled Persons (Employment & Rehabilitation) Rules,1991 read with the Establishment and Administration Department Khyber Pakhtunkhwa letter NO.SORV(E&AD)11-26/96 Vol-III dated 25<sup>th</sup> July 2002 followed by several reminders and Federal Cabinet Decision and Directorate of Social Welfare

Special Education & Women Empowerment Department Khyber Pakhtunkhwa Circular letter No. DPR/Pub/PCRD/15374-403 dated 23.01.2012 deduction of DPR fund @ Rs 2,000 each per million may be made in the bills of the contractors/firms who have completed business of one million or above in a financial year.

Tehsil Municipal Officer, Upper Dir did not deduct Rs 1,082,000 on account of Disable Persons Rehabilitation (DPR) fund from the contractors during financial year 2015-16 @ Rs 2,000 per contractor for payment of one million each. Detail is as under:

S. No	Fund	No. of Schemes	Estimated Cost (Rs in million)	DPR fund (Rs)
01	Provincial ADPs	17	465.439	1,012,000
02	CMD ADP No. 713	79	30.025	18,000
03	CMD ADP No. 703 PK 92	65	38.226	46,000
04	CMD ADP No. 703 PK 91	109	36.00	0
05	30% Tehsil ADP	24	9.667	6,000
<b>Total</b>		<b>294</b>	<b>579.357</b>	<b>1,082,000</b>

Audit observed that non deduction of DPR fund occurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery and deposit into Government treasury.

**AIR Para No. 51 (2015-16)**

**1.2.1.6 Irregular & unverified payments to departmental engineers for developmental works without open tender system - Rs 867,447**

According to Rule 1 of Chapter-III of Khyber Pakhtunkhwa Public procurement of Goods, Works and Services Rules, 2014, the procuring entity

shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs 100,000/ rupees one hundred thousand.

Tehsil Municipal Officer, Upper Dir issued six (06) Cheques of Rs 867,447 in the names of engineers of the local office for execution of various developmental works during financial year 2015-16 instead of issuance of Cheques in the names of contractors through open tender system. Moreover, relevant files were not produced for scrutiny and detail of payments was taken from cashbook and Cheque summary. Detail is as under:

S.No	Name of scheme	Name of Engineer	Cheque NO	Date	Amount (Rs)
01	Construction of Open Well Bin Bala Barawal	Hazrat Ghulam S.E.	A285486	14.09.2015	70,000
02	Construction of Kacha Road Hayagai Gharbi	Ali Sher TOI	A285499	14.09.2015	170,254
03	Construction of Road at Jatkool	Ali Sher TOI	A336312	16.09.2015	235,207
04	Removal of Sol.id Waste etc and clearance of Garbage	M. Ayub Khan S.E	A336363	21.09.2015	200,000
05	DWSS Panakot Qulandi – DDF 2014-15	Hazrat Ghulam S.E.	A336420	03.11.2015	91,986
06	1 <sup>st</sup> Advance Mosque Nadiq Bandai –DDF 2014-15	Hazrat Ghulam S.E.	A336422	03.11.2015	100,000
<b>Total</b>					<b>867,447</b>

Audit observed that unauthorized and unverified payments occurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery and action against the persons at fault.

**AIR Para No. 48 (2015-16)**

**1.2.1.7 Non recovery of outstanding installments on account of public latrines – Rs 500,000**

According to condition No. 5 of the agreement, the contractor was bound to complete monthly installments till 31<sup>st</sup> March 2016.

Tehsil Municipal Officer, Upper Dir awarded the contract of Public Latrines to a contractor (Rafiq Maseh) for Rs 1,200,000 for the financial year 2015-16. The contractor deposited Rs 700,000 till the date of audit i.e. 02.2017 and the remaining amount of Rs 500,000 remained outstanding.

Audit observed that non recovery occurred due to violation of condition of agreement which resulted in loss to the TMA.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery from the contractor and deposit in the TMA account under intimation to audit.

**AIR Para No. 45 (2015-16)**

**1.2.1.8 Overpayment due to allowing cost factor on nonscheduled items –Rs 132,585**

According to Para 23 of GFR Volume-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.

Tehsil Municipal Officer, Upper Dir awarded a work “Improvement of Children Hill Park at Dir City” to a contractor M/S Haji Muhammad Ghani & Sons with a bid cost of Rs 4,100,000. Estimated cost of the scheme was Rs

5,000,000. Overpayment of Rs 132,585 was made due to allowing cost factor on non-scheduled items as per detail given below:

S.No	Item of work	Quantity	Rate	Amount (Rs)	Cost factor given (Rs)
01	Providing & Installation of Solar Lights	5	105,000	525,000	52,500
02	Supply & Fixation of Play & Jhollas	10	80,085	800,850	80,085
<b>Total</b>			<b>185,085</b>	<b>1,325,850</b>	<b>132,585</b>

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

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery and deposit into government treasury under intimation to audit.

**AIR Para No. 59 (2015-16)**

## 1.2.2 Internal Control Weaknesses

### 1.2.2.1 Loss to Government due to acceptance of higher rates in 2<sup>nd</sup> tender– Rs 6.509 million

According to Para 23 of GFR Volume-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.

Tehsil Municipal Officer, Upper Dir did not award two works of estimated cost of Rs 70,000,000 to the lowest bidders in the 1<sup>st</sup> tender on 3<sup>rd</sup> February 2015 due to participation of less than three bidders while participation of three bidders was not mandatory in the electronic tenders and as per Khyber Pakhtunkhwa Public Procurement Regulatory Authority rules 2014. The schemes were re-advertised on 5<sup>th</sup> March 2015 and awarded at the higher rates due to which loss of Rs 6,509,467 was sustained by the Government as per detail given below:

S.No	Name of scheme	Estimated cost (Rs)	Lowest rate of 1 <sup>st</sup> tender (Rs)	Lowest rate of 2 <sup>nd</sup> tender (Rs)	Loss (Rs)
01	Improvement of Water Supply, Sewerage System in municipal Committees Dir	30,000,000	25,199,990	29,999,220	4,799,230
02	Replacement of Rusted Water Supply in Dir Town	40,000,000	38,284,500	39,994,737	1,710,237
<b>Total</b>		<b>70,000,000</b>	<b>63,484,490</b>	<b>69,993,957</b>	<b>6,509,467</b>

Audit observed that lowest bidder was ignored due to violation of rules which resulted loss to Government.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

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

**AIR Para No. 56 (2015-16)**



**1.2.2.2 Excess payment to Local Council Board on account of pension contribution of vacant posts and due to wrong calculation – Rs 2.062 million**

According to Para 23 of GFR Volume-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.

Tehsil Municipal Officer, Upper Dir allocated Rs 1,100,000 in the approved budget for the financial year 2015-16 on account of transfer of pension contribution of PUGF staff to LCB against which Rs 2,469,596 was paid on the basis of sanctioned posts instead of available strength which resulted in excess payment of Rs 1,364,732.

Similarly, Rs 2,670,456 was paid to Local Council Board on account of Pension Contribution, Group Insurance, 2% LCB share and training charges for the financial year 2015-16 as per demand of the LCB vide letter No. AO/LCB/LCB Dues/2016 dated 12.01.2016. As per correct calculation of the figures of the said letter, actual payable pension contribution was Rs 1,419,996 whereas demand of Rs 2,117,516 was made by LCB and accordingly paid by the TMA which resulted in excess payment of Rs 697,520 (Rs 2,117,516 – Rs 1,419,996). Detail is given at the annexure-2

Audit observed that excess payment occurred due to weak accounting system which resulted in loss to the entity.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery and deposit in the account of TMA under intimation to audit.

**AIR Para No. 44 (2015-16)**

**1.2.2.3 Overpayment due to non-utilization of available stone – Rs 1.701 million**

According to item No. 08-15 of MRS 2013, labour rate of stone per cubic meter in providing & lay stone/boulder dry hand packed as filling behind retaining walls was Rs 328.43 and composite rate was Rs 2174.40 and according to MRS analysis for item No. 06-36-a, rate of stone per cubic meter in PCC 1:3:6 with 50% boulders was Rs 282.68.

Tehsil Municipal Officer, Upper Dir awarded a work “Improvement of Municipal Roads in Urban Areas of Khyber Pakhtunkhwa 4 Nos in Upper Dir” with estimated cost of Rs 55,000,000 to M/S Zeb Construction Company for a bid cost of Rs 43,448,000. Overpayment of Rs 1,701,038 was made due to non-utilization of available stone at site and allowing composite rate instead of reduced rate by excluding the rate of stones as 11829.97 M3 stones were made available from the other two items of work excavation and cutting in hard rock requiring blasting where blasting is prohibited paid in 5<sup>th</sup> running bill. Stones of 4531 M3 as used in retaining wall and PCC 1:3:6 with 50% boulders could easily be used only by applying labour rate instead of composite rate. Detail is as under:

Item of work	Rate paid per M3 (Rs)	Quantity (M3)	Labour rate as per MRS (Rs)	Stone rate as per MRS analysis	Required payment (Rs)	Payment made as per bill	Overpayment (Rs)
Dry stone hand packed behind retaining wall	1200	755.52	328.43	-	272,948	906,625	633,677
PCC 1:3:6 with 50% boulders	3000	3775.86	-	282.68	10,260,219	11,327,580	1067361
<b>Total</b>					<b>10,533,167</b>	<b>12,234,205</b>	<b>1,701,038</b>

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

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery and action against the persons at fault.

**AIR Para No. 52 (2015-16)**

**1.2.2.4 Loss to government due to non-forfeiture of earnest money in favour of Government- Rs 1.600 million**

According to Para 23 of GFR Volume-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.

Tehsil Municipal Officer, Upper Dir forfeited Rs 1,600,000 in favour of TMA instead of forfeiting in favour of Government due to failure of the two lowest bidders to deposit additional securities. Audit held that loss of Rs 1,905,216 was sustained by the Government due to awarding the works to the 2<sup>nd</sup> lowest bidders while benefit in shape of forfeiture of earnest monies of Rs 1,600,000 obtained by the TMA. Detail is as under:

Name of scheme	Estimated cost (Rs in million)	Bid cost of the 1 <sup>st</sup> lowest (Rs)	Bid cost of the 2 <sup>nd</sup> lowest (Rs)	Loss in award to 2 <sup>nd</sup> bidder (Rs)	Forfeiture of earnest money in favour of TMA (Rs)
Construction of PCC Road fro Range Quarter Kass Payeen to Sia Nagha Rokhan (6 KM) ADP No. 1119/2014-15	55,000,000	43,999,132	45,794,363	1,795,231	1,100,000
Construction of PCC Road from Khan Shaheed to Jasmin Town Girles College Kalsho Baba to Serai (3 KM)	25,000,000	19,258,311	19,368,296	109,985	500,000

ADP No. 697/2014-15					
<b>Total</b>	<b>80,000,000</b>	<b>63,257,443</b>	<b>65,162,659</b>	<b>1,905,216</b>	<b>1,600,000</b>

Audit observed that non forfeiture in favour of Government occurred due to undue to achieving benefit for the TMA which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends depositing the amount into Government treasury under intimation to audit.

**AIR Para No. 55 (2015-16)**

**1.2.2.5 Loss due to non-award of contracts to the lowest bidders - Rs 1.367 million**

According to Chapter-III Rule (2) (b) (ix) of the Government of Khyber Pakhtunkhwa Public Procurement Regulatory Authority Rules 2014 notified vide Finance Department letter NO.SO(FR)FD/9-7/2013 dated 03.02.2014, the bid found to be the lowest evaluated bid shall be accepted.

According to Para 23 of GFR Volume-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.

Tehsil Municipal Officer, Upper Dir did not award six (06) contracts of developmental schemes of the estimated cost of Rs 5,200,000 to the lowest bidders @ Rs 3,685,945 in 1<sup>st</sup> tender due to participation of less than three bidders during financial year 2015-16. The schemes were re-advertised and

awarded at the higher rates for Rs 5,053,429 due to which loss of Rs 1,367,484 sustained by the Government. Detail is given at the annexure-3.

Audit observed that lowest bidders were ignored due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, 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 Para No. 50 (2015-16)**

#### **1.2.2.6 Non deposit of deducted stamp duty – Rs 729,700**

In terms of Assistant Secretary (Stamps), Board of Revenue Khyber Pakhtunkhwa letter No.15796-889/stamps-240 Peshawar dated 29.06.2002, Schedule-1, Section 3 (Stamp Duty), Article No.5, stamp duty at the following rates should be deducted on execution of works.

<b>S.No</b>	<b>Limit of estimated cost</b>	<b>Stamp duty (Rs)</b>
01	Upto Rs 50,000	650
02	From Rs 50,001 to Rs.500,000	1,250
03	From Rs 500,001 to Rs.1,000,000	1,850
04	From Rs 1,000,001 to Rs.5,000,000	6,250
05	Above Rs 5,000,000	18,750

Tehsil Municipal Officer, Upper Dir executed 294 developmental schemes of the estimated cost of Rs 465,439,000 during financial year 2015-16 and deducted stamp duty of Rs 729,700 from the bills of the contractors but was not deposited into Government treasury due to which Government sustained loss. Detail is given below:

S.No	Fund	No. of schemes	Estimated Cost (Rs in million)	Stamp duty (Rs)
01	Provincial ADPs	17	465.439	336,750
02	CMD ADP No. 713	79	30.025	126,750
03	CMD ADP No. 703 PK 92	65	38.226	89,600
04	CMD ADP No. 703 PK 91	109	36.00	139,800
05	30% Tehsil ADP	24	9.667	36,800
<b>Total</b>		<b>294</b>	<b>579.357</b>	<b>729,700</b>

Audit observed that non deposit of stamp duty occurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends depositing of the deducted stamp duty into government treasury under intimation to audit.

**AIR Para No. 40 (2015-16)**

**TEHSIL MUNICIPAL ADMINISTRATION WARI  
DISTRICT UPPER DIR**

### **1.3 Audit Para of Tehsil Municipal Administration Wari**

#### **1.3.1 Irregularity & Non compliance**

##### **1.3.1.1 Loss to Government due to non-deduction of income tax in developmental schemes- Rs 2.923 million**

According to Finance Department Government of Khyber Pakhtunkhwa Notification NO.SO (Dev-II) FD/12-6/14-15 dated 21-4.201. Provincial Works Departments, while preparing cost estimates of development projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System (MRS 2015) but with 7% less cost to defray the amount added in rate analysis of all work/ construction/supply items to meet withholding tax.

Tehsil Municipal Officer, Wari executed developmental schemes with estimated cost of Rs 40,866,000 through various contractors during 2015-16. The payment was made according to Market Rates System (MRS 2015)), which includes 7% income tax. Deduction of such tax was required from the bills of the contractors as they belong to the tax exempted area and do not pay income tax on these contracts and thus an extra amount of Rs 2,923,620 was paid to the contractors. Detail is given at annexure-4.

Audit observed that non deduction of income tax occurred due to violation of rules, which resulted loss to the Government.

When pointed out in January 2017, management stated that necessary deduction was made. Reply was not convincing as no evidence regarding deduction was shown to audit. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, which was not convened till finalization of this report.

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

**AIR Para No. 33 (2015-16)**



### 1.3.1.2 Unauthorized expenditure without pre-audit - R 1.949 million

According to Clause 36 (2) (b) and (e) of the Khyber Pakhtunkhwa Local Government Act 2013, the Tehsil Accounts officer shall maintain accounts of the Tehsil Municipal administration. The Accounts Officers mentioned in clauses (b) shall perform pre-audit of all payments from the respective Fund before approving disbursements of monies.

Tehsil Municipal Officer, Wari paid Rs 2,642,125 to the contractors for execution of various developmental schemes during 2015-16. During Scrutiny of record it was observed that the payment was made to the contractors without pre audit from the staff of Local Fund Audit Department. Detail is given below.

S.No	Name of Schemes	Expenditure (Rs)
01	Const: of PCC road at sahib abad	829,626
02	Const: of PCC road at Adoky Payeen	657,853
03	Const: of PCC road at Galkore	384,877
04	Const: of PCC road at Danway Kalay	281,211
05	Povement of street at Dolai Kandaw	488,558
<b>Total</b>		<b>2,642,125</b>

Audit observed that irregularity occurred due to weak internal control.

The irregularity was pointed out to the management in January 2017 but reply was not submitted. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends corrective action under intimation to Audit

**AIR Para No. 38 (2015-16)**

### **1.3.2. Internal Control Weaknesses**

#### **1.3.2.1 Non imposition of penalty for incomplete schemes- Rs 550,000**

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

Tehsil Municipal Officer, Wari failed to impose penalty of Rs 550,000 @ 10% of the estimated cost of Rs 5,500,000 of seven (07) schemes which were not completed in stipulated time period. Detail is given at the annexure-5.

Audit observed that non imposition of penalty occurred due to weak financial control, which resulted in loss to the government.

The irregularity was pointed out in January 2017, management stated that due to dispute on site the work was not completed within stipulated period. Reply was not convincing as no evidence regarding dispute was shown to audit. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery and action against the person at fault.

**AIR Para No. 32 (2015-16)**

**TEHSIL MUNICIPAL ADMINISTRATION BARAWAL  
DISTRICT UPPER DIR**

## 1.4 Audit Paras of Tehsil Municipal Administration Barawal

### 1.4.1 Irregularity & Non compliance

#### 1.4.1.1 Unauthorized transfer of developmental funds to non-developmental activities- Rs6.500 million

According to release orders of Finance Department Khyber Pakhtunkhwa vide NO. FD/BO (PFC-II)/3-3/ADP/2014-15 dated 16.10.2015 and 03.11.2015 for the 1<sup>st</sup> and 2<sup>nd</sup> quarter of the financial year 2015-16, the amount shall be utilized only for the execution of developmental schemes in accordance with the guidelines to be issued by P&D Department and observance of all codal formalities as required under the rules.

Tehsil Municipal Officer, Barawal allocated Rs 6,500,000 during financial year 2015-16 out of 30% developmental funds (PFC) for non-developmental activities in violation of rules referred to above and without approval of the competent authority. Detail is as under:

S.No	Description	Amount (Rs)
01	Pay and allowances	2,000,000
02	Purchase of Tractor	2,000,000
03	Purchase of official vehicle	2,000,000
04	Purchas of furniture, computer and Generator	500,000
<b>Total</b>		<b>6,500,000</b>

Audit observed that unauthorized transfer of developmental funds to non-developmental activities was occurred due to violation of rules which resulted in postponement of developmental activities.

The Irregularity was pointed out to the management in March 2017, management did not furnish reply. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends regularization from the competent authority besides recoument from non-developmental funds to developmental funds.

**AIR Para No. 64 (2015-16)**

**1.4.1.2 Illegal recruitment of staff during ban period – Rs 360,000**

According to Serial No 7 of the Government of Khyber Pakhtunkhwa Local Government Elections and Rural Development Department letter No.SOG9LG)/8-29/2011/Vol-II dated 13<sup>th</sup> July 2015 endorsed vide Local Council Board letter No. AO/LCB/ General/2014 dated 28<sup>th</sup> July 2015, no appointment of contingent paid staff shall be made during the course of the financial year 2015-16 without prior approval of the Finance Department.

Tehsil Municipal Officer, Barawal appointed four officials on fixed pay @ Rs 10,000 per month during the period of proper recruitment procedure. Resultantly unauthorized expenditure of Rs 360,000 as per detail given below was incurred during October 2015 to June 2016.

S.No	Name and designation	Monthly pay (Rs)	No of months	Amount (Rs)
01	Rehimullah Fireman	10,000	09	90,000
02	Bakht Zamin Chowkidar	10,000	09	90,000
03	Habib Ullah Naib Qasid	10,000	09	90,000
04	Sajid Ullah Driver	10,000	09	90,000
<b>Total</b>				<b>360,000</b>

Audit observed that illegal appointment and unnecessary expenditure occurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in March 2017, management did not furnish reply. Request for convening DAC meeting was made on 5th April 2017, however meeting of DAC could not be convened till finalization of this report.

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

**AIR Para No. 63 (2015-16)**

## 1.4.2 Internal Control Weaknesses

### 1.4.2.1 Unauthorized payment of POL charges without allotment of official vehicle – Rs 176,207

According to note No. 2 of the Government of Khyber Pakhtunkhwa, Local Government, Elections & Rural Development Department Notification No. SOB/LG/Districts Budget Rules/2015 dated 5<sup>th</sup> May 2016; entitlement of POL provision to Nazim was subject to the condition where he is provided an official vehicle.

Tehsil Municipal Officer, Barawal paid Rs 176,207 to Tehsil Nazim during 2015-16 on account of POL charges for nine months with effect from September 2015 to May 2016 whereas no official vehicle was available with the Tehsil Nazim till 20<sup>th</sup> July 2016 as evident from handing taking of the vehicle No. A-5105. Detail is as under:

S.No	Cheque No	Date	Amount (Rs)	Period/months
01	14435461	06.11.2015	30,000	09.2015
02	14435466	29.12.2015	12,974	10.2015
03	14435470	15.01.2016	20,000	11.2015
04	14435479	17.02.2016	51,793	12.2015 and 01 & 02.2016
05	26166748	29.06.2016	30,720	03.2016
06	26166760	02.08.2016	30,720	04 & 05.2016
<b>Total</b>			<b>176,207</b>	

Audit observed that unauthorized payment occurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in March 2017, management did not furnish reply. Request for convening DAC meeting was made on 5th April 2017, 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 Para No. 60 (2015-16)**

**TEHSIL MUNICIPAL ADMINISTRATION KALKOT  
DISTRICT UPPER DIR**

## **1.5 Audit Paras of Tehsil Municipal Administration Kalkot**

### **1.5.1 Irregularity & Non compliance**

#### **1.5.1.1 Unauthorized expenditure without pre-audit - Rs 2.783 million**

According to Section 36 (2) (b) (e) of the Khyber Pakhtunkhwa, Local Government Act 2013, the Tehsil Accounts Officer shall maintain the accounts of Tehsil Municipal Administration and the Accounts Officer mentioned in clause (b) shall perform pre-audit of all payments from the respective fund before approving disbursement of monies.

According to the Secretary Local Council Board letter No.AO/LCB/8 (89)/09 dated 04.11.2009, pre-audit of all payments and bills of grants funded under District Government, TSP, Local fund and other grants from Provincial and Federal Government etc will be conducted by the Resident Audit Staff and no payment may be made without pre audit.

Tehsil Municipal Officer, Kalkot Upper Dir, incurred expenditure of Rs 2,783,090 on salary and non-salary heads during financial year 2015-16 without pre-audit by the Resident Audit Officer. Detail of payment is as under:

<b>S.No</b>	<b>Description</b>	<b>Budget (Rs)</b>	<b>Expenditure (Rs)</b>
01	Salary	5,832,637	1,489,443
02	Non Salary	2,687,000	1,293,647
<b>Total</b>		<b>8,519,637</b>	<b>2,783,090</b>

Audit observed that unauthorized expenditure occurred due to violation of rules which resulted in unauthentic payments.

The irregularity was pointed out in March 2017, management replied that budget rules 2016 has been notified in which pre-audit procedure of local councils has been explained. Moreover, pre-audit staff is at the distance of 70 KM from the local office and their expenses are not affordable for the local office being weak TMA. Reply of the department is not convincing as no separate procedure for pre-audit has been available in the said budget rules. Pre-audit



function of the Local Fund Audit Department has not yet been discontinued by the Secretary Local Government, Finance Department and Director Local Fund Audit Department Khyber Pakhtunkhwa. Request for convening DAC meeting was made on 5<sup>th</sup> April 2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends corrective measures under intimation to audit.

**AIR Para No. 67 (2015-16)**

**1.5.1.2 Unauthorized expenditure from developmental funds on payment of salaries –Rs 1.144million**

According to release orders of Finance Department Khyber Pakhtunkhwa vide No. FD/BO (PFC-II)/3-3/ADP/2014-15 dated 16.10.2015 and 03.11.2015 for the 1<sup>st</sup> and 2<sup>nd</sup> quarter of the financial year 2015-16, the amount shall be utilized only for the execution of developmental schemes in accordance with the guidelines to be issued by P&D Department and observance of all codal formalities as required under the rules.

Tehsil Municipal Officer, Kalkot Upper Dir, incurred expenditure of Rs 1,143,627 during financial year 2015-16 out of 30% developmental funds (PFC) on pay and allowances in violation of rules referred to above and without approval of the competent authority. Detail is as under:

S.No	Description	Cheque No. & date	Amount (Rs)	Remarks
01	Pay of staff	A337008 31.05.2016	638,790	Transferred to BOK Account No. 03677 and then paid
02		A337009 31.05.2016	468,000	
03	Arrears of pay	A337011 31.05.2016	36,837	
<b>Total</b>			<b>1,143,627</b>	

Audit observed that unauthorized expenditure was incurred in violation of rules which resulted in postponement of developmental activities.

The irregularity was pointed out to the management in March 2017, management stated that Chief Minister Khyber Pakhtunkhwa has issued

directives for utilization of developmental funds for meeting of expenditure on salaries of weak financial TMAs. Reply of the department was not convincing as neither copy of the directive was provided nor financial position of the TMA was weak as Rs 6,764,000 was available on account of Octroi share and grant for utilization of Rs 1,489,443 of salaries during the year. Moreover, violation of the directives of Finance Department as referred to above in the criteria was not condoned/relaxed. Request for convening DAC meeting was made on 5th April 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recoupment of the amount to developmental funds and regularization from the competent authority under intimation to audit.

**AIR Para No. 66 (2015-16)**

## **1.5.2 Internal Control Weaknesses**

### **1.5.2.1 Loss due to ignoring rates of the lowest bidder – Rs 270,599**

According to Chapter-III Rule (2) (b) (ix) of the Government of Khyber Pakhtunkhwa Public Procurement Regulatory Authority Rules 2014 notified vide Finance Department letter NO.SO(FR)FD/9-7/2013 dated 03.02.2014, the bid found to be the lowest evaluated bid shall be accepted.

Tehsil Municipal Officer, Kalkot Upper Dir awarded a work “Kacha Road Junkai” of estimated cost of Rs 1,500,000 to M/S Gul Zamin a Government contractor with a bid cost of Rs 1,496,758 and paid Rs 1,172,224 in 1<sup>st</sup> running bill vide Cheque No.27025667 dated 28.10.2016. Another contractor M/S Umar Zada offered the lowest bid of Rs 1,226,160 but his bid was declared defective without recording any reasons which resulted in loss of Rs 270,599 (Rs 1,496,758 – Rs 1,226,160).

Audit observed that the lowest bid was not accepted due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in March 2017, management replied that the rate of M/S Umar Zada was found defective due to non-submission of 2% earnest money and decision of the tender approving committee was also communicated to him on the tender opening date. No objection certificate was also obtained from the participants. Reply of the department was not convincing as reasons for declaring his rates as defective were not recorded on his form and comparative statement while CDR was attached with his tender form and no objection certificate of the participants was neither available nor provided. Request for convening DAC meeting was made on 5th April 2017, however, meeting of DAC could not be convened till finalization of this report.

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

**AIR Para No. 73 (2015-16)**

## ANNEXURES

### Annexure-1

#### Detail of MFDAC Paras

(Rs in million)

S.No	AP No	Caption	Amount
<b>Tehsil Municipal Administration Upper Dir</b>			
01	39	Non deduction of income tax from salaries	0.060
02	42	Unjustified expenditure on white washing of Dir Levies Line	0.098
03	43	Irregular and doubtful expenditure on Lawari Snow Jeep Rally	0.500
04	46	Non recovery of outstanding rent of quarters	0.182
05	47	Inadmissible expenditure on POL from developmental funds	0.442
06	53	Overpayment due to wrong calculation	0.066
07	54	Non forfeiture of earnest money Rs 20,000 due to non-deposit of additional security of Rs 320,000	0.020
<b>Tehsil Municipal Administration Wari District Upper Dir</b>			
08	34	Non imposition of 1% penalty on account of late deposit of installments	0.163
09	35	Non deposit of stamp duty	0.121
10	36	Non deduction of professional tax	0.154
11	37	Non deduction of income tax	0.074
<b>Tehsil Municipal Administration Barawal District Upper Dir</b>			
12	61	Overpayment due to double drawl of firewood charges	0.038
13	62	Wasteful expenditure on pay & allowances of driver without official vehicle	0.090
14	65	Irregular payment to departmental engineer for cleanliness drive without observing codal formalities	0.106
<b>Tehsil Municipal Administration Kalkot District Upper Dir</b>			

15	68	Irregular expenditure on repair of vehicle without open tender system Rs 150,268 ii. Non deduction of income tax Rs 15,026	0.165
16	69	Overpayment due to double drawl of firewood charges	0.059
17	70	Doubtful expenditure on purchase of furniture and stationary items	0.185
18	71	Unauthorized withdrawal of POL and repair in the absence of vehicle	0.021
19	72	Unauthorized expenditure due to illegal appointment on fixed pay during the period of ban and without approval of the competent authority	0.019
<b>Total</b>			<b>2.563</b>

**Detail of excess expenditure on transfer of pension contribution to LCB**

Incorrect calculation				Required payment on the basis of available strength (Rs)	Excess (Rs)
Post with grade	No of Posts	Pension contribution per month (Rs)	Pension contribution per annum (Rs)		
TMO BPS-18	1	15145 x 12	181,140	144,900	36,240
TO (I & S) BPS-17	1	12075 x 12	144,900	144,900	0
TO (F) BPS-17	1	12075 x 12	144,900	0	144,900
TO (R) BPS-17	1	12075 x 12	144,900	0	144,900
ATO (I & S) BPS-16	1	9477 x 12	113,724	0	113,724
ATO (F) BPS-16	1	9477 x 12	113,724	113,724	0
Chief Officer BPS-16	1	9477 x 12	113,724	0	113,724
ATO (R) BPS-16	1	9477 x 12	113,724	0	113,724
Supdt: LTR BPS - 11	2	5821 x 12	419,112	139,704	279,408
Sub Engineer BPS-11	2	5821 x 12	418,112	139,704	278,408
Accountant BPS-11	1	5821 x 12	209,556	69,852	139,704
<b>Total</b>			<b>2,117,516</b>	<b>752,784</b>	<b>1,364,732</b>

**Detail of excess payment to LCB due to wrong calculation**

Incorrect calculation				Correct Calculation	Difference/ Excess (Rs)
Post with grade	No of Posts	Pension contribution per month (Rs)	Pension contribution per annum (Rs)		
TMO BPS-18	1	15145 x 12	181,140	181,140	0
TO (I & S) BPS-17	1	12075 x 12	144,900	144,900	0
TO (F) BPS-17	1	12075 x 12	144,900	144,900	0

TO ( R) BPS-17	1	12075 x 12	144,900	144,900	0
ATO (I & S) BPS-16	1	9477 x 12	113,724	113,724	0
ATO (F) BPS-16	1	9477 x 12	113,724	113,724	0
Chief Officer BPS-16	1	9477 x 12	113,724	113,724	0
ATO ( R) BPS-16	1	9477 x 12	113,724	113,724	0
Supdt: LTR BPS -11	2	5821 x 12	419,112	139,704	279,408
Sub Engineer BPS-11	2	5821 x 12	418,112	139,704	278,408
Accountant BPS-11	1	5821 x 12	209,556	69,852	139,704
<b>Total</b>			<b>2,117,516</b>	<b>1,419,996</b>	<b>697,520</b>

**Annexure-3**

**Para 1.2.2.5**

**Detail of loss sustained by the Government due to non-award of contracts to the lowest bidders**

S. #	Name of scheme	AD P No.	Estimated cost (Rs)	1 <sup>st</sup> tender			2 <sup>nd</sup> tender			Loss (Rs)
				Date	Bid cost (Rs)	Name of contractor	Date	Bid cost (Rs)	Name of contractor	
01	Construction of Madrasa Usman Ghani	713	1,000,000	23.04.2015	720,000	Khyber Construction Co.	19.05.2015	999,370	Haji Ahmadjan	279,370
02	Construction of Jamia Masjid Ganshall	713	1,000,000	23.04.2015	720,000	Khyber Construction Co.	19.05.2015	999,495	Bakht Alam	279,495
03	Construction of Madrasa Asasul Quran	713	1,000,000	23.04.2015	720,000	Khyber Construction Co.	19.05.2015	993,014	M/S Jan Faqir	273,014
04	Construction of Jamiatul Muhsanat Sheringal	713	1,500,000	23.04.2015	1,080,000	Khyber Construction Co.	19.05.2015	1,474,804	Haji Muhammad Jan	394,804
05	Construction of Janazgah katton Darora	713	600,000	19.05.2015	358,374	M/S Sher Muhammad	16.06.2015	486,746	M/S Star	128,372
06	Pavement of street at Amlook Nar	713	100,000	23.04.2015	87,571	Inayatullah	16.06.2015	100,000	Inayatullah	12,429
<b>Total</b>			<b>5,200,000</b>		<b>3,685,945</b>			<b>5,053,429</b>		<b>1,367,484</b>



**Annexure-4****Para 1.3.1.1****Detail of non-deduction of income tax in developmental schemes**

<b>S.No</b>	<b>Name of Schemes</b>	<b>Estimated cost (Rs)</b>	<b>Amount of 7% income tax (Rs)</b>
1	PCC Road at Mataka	1,000,000	70,000
2	DWSS at Sundal	800,000	56,000
3	PCC Road at Sankore Payeen	1,000,000	70,000
4	PCC Road at Shikawlai kalay	1,000,000	70,000
5	PCC Road at Karpal	1,000,000	70,000
6	PCC Road at Adokay bala	500,000	35,000
7	PCC Road at Alawai Bala ,Payeen	500,000	35,000
8	PCC Road at Shinkat Payeen	1,000,000	70,000
9	PCC Road at Shinkat Payeen	1,000,000	70,000
10	PCC Road at Umar Jani	500,000	35,000
11	PCC Road at Sia Karpal to jai	1,000,000	70,000
12	PCC Road at Aankori kass	1,000,000	70,000
13	Const: of janzagha	500,000	35,000
14	Wooden bridge at Shinkari	500,000	35,000
15	PCC Road at Galkori	1,000,000	70,000
16	DWSS kotkay	100,000	70,000
17	PVT: of Street at Mangoo	500,000	35,000
18	DWSS at Akhagram	700,000	49,000
19	Const: of PCC road at Badali	500,000	35,000
20	DWSS at Shalfalam	500,000	35,000
21	Const: of PCC Road at Badalai Banda	1,000,000	70,000
22	Const: of PCC road at Mattar	1,000,000	70,000
23	Const: of PCC road at	1,000,000	70,000
24	Wooden Bridge Gagyal	500,000	35,000
25	Const: of PCC road at Khona	1,000,000	70,000
26	Const: of PCC road at Dabb Kandaro	1,000,000	70,000
27	Const: of PCC road at Kagano	500,000	35,000
28	Const: of PCC road atKhonano tangay	500,000	35,000
29	Const: of PCC road at Kharkhandal	500,000	35,000
30	Const: of PCC road at Sarfoo	1,000,000	70,000
31	DWSS at Nehag	1,000,000	70,000
32	Const: of PCC road at Karbadai	1,000,000	70,000
33	Const: of PCC road atJailar Bala Kalay	1,000,000	70,000
34	Const: of PCC road atMulanala Payeen	1,000,000	70,000
35	Const: of PCC road at Said Yousaf Koono	500,000	35,000

36	DWSS at Sundal	1,000,000	70,000
37	DWSS at Wari	1,000,000	70,000
38	DWSS at Chapper	1,000,000	70,000
39	Const: of PCC road at Bagh Bala	500,000	35,000
40	DWSS at Shahkanai etc	566,000	39,620
41	Const: of PCC road at Bagh	500,000	35,000
42	DWSS at Shalfalm	1,000,000	70,000
43	Const: of PCC road at Galkore	500,000	35,000
44	DWSS at Pashta	500,000	35,000
45	Const: of PCC road at Adokay	1,000,000	70,000
46	Const: of PCC road at jalkat	1,000,000	70,000
47	Const: of PCC road at Dogram	1,000,000	70,000
48	Pvt:of street at Pataw	500,000	35,000
49	Pvt: of Street at Dolai	500,000	35,000
50	Pvt: of Street at Razagram	500,000	35,000
51	Const: of PCC road Moha	300,000	21,000
52	Const: of PCC road at Jagam	1,000,000	70,000
53	Const: of PCC road at Kamalay	1,000,000	70,000
54	DWSS at Dogram	200,000	14,000
55	Pvt: of street at Charkoom	200,000	14,000
<b>Total</b>		<b>40,866,000</b>	<b>2923,620</b>

**Annexure-5**  
**Para 1.3.2.1**

**Detail of non-imposition of penalty for late complete schemes**

<b>S.No</b>	<b>Name of Work</b>	<b>Estimated Cost (Rs)</b>	<b>Date of Commencement</b>	<b>10% Penalty (Rs)</b>	<b>Remarks</b>
1	Const:PCC Road at Alawrai Bala	500,000	12-5-2015	50,000	Still in Prgress
2	Const:PCC Road at shinkat Payeen	1,000,000	12-5-2015	100,000	Still in Prgress
3	Const:PCC Road at Shinkat kalay	1,000,000	12-5-2015	100,000	Still in Prgress
4	Wooden Bridge at Shinkari	500,000	12-5-2015	50,000	Still in Prgress
5	Pvt : of Street at Mangoo	500,000	12-5-2015	50,000	Still in Prgress
6	Const:PCC Road at Talaw Sultan Room	1,000,000	12-5-2015	100,000	Still in Prgress
7	Const:PCC Road at Karbadai	1,000,000	12-5-2015	100,000	Still in Prgress
<b>Total</b>		<b>5,500,000</b>		<b>550,000</b>	