



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

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**AUDITOR GENERAL OF PAKISTAN**

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## TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS .....	i
PREFACE .....	iii
EXECUTIVE SUMMARY .....	iii
SUMMARY TABLES and CHARTS .....	vi
Table 1: Audit Work Statistics.....	vi
Table 2: Audit observations classified by categories.....	vi
Table 3: Outcome Statistics .....	vii
Table 4:Table of Irregularities pointed out .....	viii
Table 5: Cost-Benefit.....	viii
CHAPTER-1 .....	1
1.1 District Council and Municipal Committee Judbah District Tor Ghar.....	1
1.1.1 Introduction.....	1
1.1.2 Comments on Budget and Accounts (Variance Analysis).....	1
1.1.3 Comments on the status of compliance with PAC Directives .....	2
1.2 District Council Tor Ghar .....	4
1.2.1 Irregularity & Non compliance .....	4
1.2.2 Internal Control Weaknesses .....	5
1.3 Municipal Committee Judbah .....	9
1.3.1 Irregularity and Non compliance .....	9
1.3.2 Internal Control Weakness.....	14
ANNEXURE.....	16
Annexure-1 .....	16
Annexure-2 .....	17
Annexure-3 .....	18
Annexure-4 .....	19
Annexure-5 .....	20
Annexure-6 .....	22
Annexure- 7 .....	23
Annexure-8 .....	24

## **ABBREVIATIONS AND ACRONYMS**

AA	Administrative Approval
AP	Advance Para
ADP	Annual Development Plan
CDR	Call Deposit Receipts
CCO	Chief Coordination Officer
CMO	Chief Municipal Officer
CNIC	Computerized National Identity Card
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
DAC	Departmental Accounts Committee
DC	District Council
DDO	Drawing and Disbursing Officer
DWSS	Drinking Water Supply Scheme
GI	Galvanized Iron
GFR	General Financial Rules
LCB	Local Council Board
LGA	Local Government Act
LGE & RDD	Local Government Election and Rural Development Department
LG	Local Government
MC	Municipal Committee
MCB	Muslim Commercial Bank
MFDAC	Memorandum for Departmental Accounts Committee
M&R	Maintenance & Repair
NAM	New Accounting Model

NHR	Net Hydel Royalty
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
P&DD	Planning & Development Department
PFC	Provincial Finance Commission
RDA	Regional Directorate of Audit
TS	Technical Sanction
UCs	Union Councils

## **PREFACE**

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

This report is based on audit of the accounts of District Council Tor Ghar and Municipal Committee Judbah, District Tor Ghar for the Financial Year 2014-15. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar conducted audit on test check basis during 2015-16 with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit finding carrying value of Rs. 1 million or more. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The Audit Observations listed in Annexure-1 shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of Public Accounts Committee through the next year' 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. 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 Khyber Pakhtunkhwa Local Government Act 2012, to be laid before appropriate legislative forum.

Islamabad  
Dated:

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

## EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, is responsible to conduct the audit of all District Councils, Municipal Committees (MCs) and Union Councils (UCs). Its Regional Directorate of Audit Abbottabad has audit jurisdiction of District Councils, Municipal Committees and UCs of six Districts i.e. Abbottabad, Haripur, Mansehra, Battagram, Kohistan and Tor Ghar.

The Regional Directorate of Audit Abbottabad has a human resource of 12 officers and staff, constituting 3012 man days and budget of Rs 15.840 million was allocated to the Directorate during Financial Year 2014-15. It has the mandate to conduct financial attest audit, audit of sanctions, audit of compliance with authority and audit of receipts as well as the performance audit of entities, projects and programs carried out by Local Government in Abbottabad Division. Accordingly Regional Director Audit Abbottabad carried out audit of the accounts of District Council and Municipal Committee Tor Ghar for the Financial Year 2014-15 and the findings included in the Audit Report.

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

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

Out of the total expenditure of District Council Tor Ghar and Municipal Committee Judbah in District Tor Ghar for the Financial Year 2014-15, was Rs 53.619 million. Out of this, RDA Abbottabad audited an expenditure of Rs 37.533 million which, in terms of percentage, is 70% of auditable expenditure.

The receipts of the District Council Tor Ghar and Municipal Committee Judbah in the District Tor Ghar for the Financial Year 2014-15 was Nil.

The total expenditure and receipts of District Council and Municipal Committee Judbah District Tor Ghar, for the Financial Year 2014-15 were Rs 53.619 million. Out of this, RDA Abbottabad audited the expenditure of Rs 37.533 million.

**b. Recoveries at the instant of Audit**

Recovery of Rs 14.306 million was pointed out during the audit. However, no recovery was affected till finalization of this report. Out of the total recoveries Rs 0.931 million was not in the notice of the executives prior to audit.

**c. Audit Methodology**

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

**d. Audit Impact**

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

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

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

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

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

- i. Irregularity & Non compliance was noticed in six cases involving Rs 11.047 million.<sup>1</sup>
- ii. Internal Control Weaknesses was noted in five cases involving Rs 14.306 million.<sup>2</sup>

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<sup>1</sup> Para 1.2.1.1, 1.3.1.1, 1.3.1.2, 1.3.1.3, 1.3.1.4 & 1.3.1.5

<sup>2</sup> Para 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.3.2.1 & 1.3.2.2

**g. Recommendations**

- i. Disciplinary action needs to be taken for violation of the rules and regulations in spending the public money.
- ii. All sectors of MC/District Council need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.
- iii. Imposition of penalty on delayed supplies and contracts need to be ensured.



## SUMMARY TABLES and CHARTS

**Table 1: Audit Work Statistics**

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	01	53.619
2	Total formations in audit jurisdiction	02	53.619
3	Total Entities(PAO) Audited	01	37.533
4	Total formations Audited	02	37.533
5	Audit and Inspection Reports	02	37.533
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

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

(Rs in million)

S.No.	Description	Amount Placed under Audit Observation
1	Unsound asset management	-
2	Weak financial management	-
3	Weak Internal controls	14.306
4	Others	11.047
<b>Total</b>		<b>25.353</b>

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

S.No.	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total For the year 2014-15	Total For the year 2013-14
1	Outlays Audited	-	29.497	-	8.036	37.533	91.806
2	Amount Placed under Audit Observation /Irregularities of Audit	-	23.90	-	1.453	25.353	2.465
3	Recoveries Pointed Out at the instance of Audit	-	14.306	-	-	14.306	2.465
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

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

<b>S.No.</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Violation of Rules and regulations, principle of propriety and probity in public operation	0
2	Report cases of fraud, embezzlement, thefts and misuse of public resources.	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.	14.306
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	0
6	Non-production of record	0
7	Others, including cases of accidents, negligence etc.	11.047
	<b>Total</b>	<b>25.353</b>

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

<b>S.No</b>	<b>Description</b>	<b>Amount</b>
1	Outlays Audited	37.533
2	Expenditure on Audit	0.743
3	Recoveries realized at the instance of Audit	-
	<b>Cost-Benefit Ratio</b>	<b>1:0</b>

## CHAPTER-1

### 1.1 District Council and Municipal Committee Judbah District Tor Ghar

#### 1.1.1 Introduction

District Tor Ghar has two tehsils i.e. Judbah and Kandar. There is a District Council and one Municipal Committee. District Council has a Chief Coordination Officer, District Officer (Finance), District Officer (Infrastructure) and District Officer (Regulation). Municipal Committee has Chief Municipal Officer, Municipal Officer (Finance), Municipal Officer (Infrastructure) and Municipal Officer (Regulation). District Council Tor Ghar has one Drawing and Disbursing Officer (DDO) i.e. Chief Coordination Officer & Chief Municipal Officer is the DDO of Municipal Committee. According to 1998 population census, the population of Tor Ghar is 185,000.

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

An amount of Rs 71.241 million was allocated as grant in aid by the Provincial Government to District Council Tor Ghar and Municipal Committee Judbah of District Tor Ghar. Receipts from own sources during the Financial Year 2014-15 was Rs nil. Thus Rs 71.241 was available with the District Council Tor Ghar and Municipal Committees Judbah Tor Ghar. Out of this an expenditure of Rs 53.619 million was incurred by the District Council and Municipal Committee Tor Ghar with a saving of Rs 17.622 million during the Financial Year 2014-15. Detail is given below:

##### Detail of budget & expenditure during Financial Year 2014-15

(Rs in million)

2014-15	Budget	Expenditure	Excess/ (Saving)	%age
Salary	17.053	7.431	(9.622)	-56.424
Non-salary	8.787	4.050	(4.737)	-53.909
Developmental	45.401	42.138	(3.263)	-7.187
<b>Total</b>	<b>71.241</b>	<b>53.619</b>	<b>(17.622)</b>	

##### Detail of receipts realized during Financial Year 2014-15

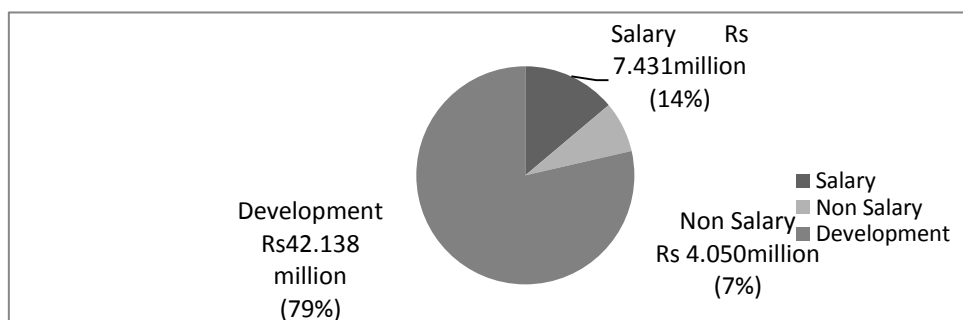
(Rs in million)

2014-15	Provincial Grant in Aid	Realization from own sources	Total
Receipts	71.241	Nil	71.241

The huge savings of Rs 17.622 million in all heads of accounts indicates weakness in the capacity of these local institutions to utilize the amount allocated.

## Expenditure 2014-15

(Rs in million)



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

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

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

**DISTRICT COUNCIL TOR GHAR**

## **1.2 District Council Tor Ghar**

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

#### **1.2.1.1 Doubtful Payment On Account of Incomplete Work – Rs 1.772 Million**

Para 23 of GFR Vol-I requires that every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer.

Chief Coordination Officer District Council, Tor Ghar during 2014-15 paid an amount of Rs 1,771,643 to various contractors as advance payment for execution of schemes. However neither the schemes were completed nor amount was recovered from defaulting contractors. Detail is given at annexure-2.

Audit observed that payment for incomplete works were made due to weak financial control, which resulted in depriving local community of the results of schemes.

When pointed out in August 2015, management stated that the payments were made to Contractor as per actual work done at site. The reply was not correct, as per statement of Sub Engineer dated 12/02/2015 most of the schemes were incomplete. Moreover fixing charges of GI pipes were also withheld which clearly showed non execution of fixing of GI pipes.

Request for convening DAC meeting was made on 14-10-2015, which was not convened till finalization of this report.

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

**AP No. 04/DC/2014-15**

## **1.2.2 Internal Control Weaknesses**

### **1.2.2.1 Non Deduction of Sales Tax -Rs 2.911 Million**

According to Government of Pakistan Collectorate of Sales Tax & Federal Excise letter No.ST(Tech)Misc.Purchase.06/6097 dated 10/10/2006 there is no sales tax on services of Repair and Fixation of Pipes etc, however the material used in such services are chargeable to 15 % S.T as per Sales Tax Act 1990.

Chief Coordination Officer District Council, Tor Ghar during 2014-15 it was observed that sales tax amounting to Rs 2,911,096 was not deducted from the firms on account of Supplies, during 2014-15. Detail is given at annexure-3

Audit observed that non deduction of Sales Tax occurred due to non observance of rules, which resulted in loss to Government.

When pointed out in August 2015, management stated that all the supplies were made through sales tax registered firms and invoices would be produced to audit. The reply was not valid as 1/5<sup>th</sup> of the sales tax should be retained from the Suppliers in case of registered firms.

Request for convening DAC meeting was made on 14-10-2015 but DAC meeting could not be convened till finalization of this report.

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

**AP No. 01/DC/2014-15**



### 1.2.2.2 Non Surrender Of Savings – Rs 1.990 Million

According to S No III of the minutes of meeting of Finance Department issued vide Government of Khyber Pakhtunkhwa LGE&RD Department No SOB/LG/1-4/2003/Vol-II dated 19-11 2013, unspent balances out of allocated funds during the year should be surrendered to Provincial Account I well in time, so that same could be re-appropriated to other developmental schemes by P&D Department Khyber Pakhtunkhwa.

Chief Coordination Officer District Council, Tor Ghar during 2014-15 advertized developmental schemes worth Rs 19.90 million as per detail at annexure-4. It was observed that the schemes were awarded @ 10% below, however savings amounting to Rs1.990 million were not surrendered to Government as required under aforementioned criteria.

Total Estimated Cost of Developmental Scheme 2014-15 (Rs)	Amount of Award at 10% Below (Rs)	Total Savings (Rs)
19.9	17.910	1.990

Audit observed that non surrendering of saving occurred due to weak financial control which resulted in unauthorized retention of public funds.

When pointed out in August 2015, management stated the amount was lying in Bank account of the local office and the same would be re-allocated for Developmental Schemes after obtaining approval from the competent authority. The reply was not cogent as savings should have been surrendered to Provincial Government.

Request for convening DAC meeting was made on 14-10-2015, which was not convened till finalization of this report.

Audit recommends that unspent balances lying in the Bank A/C should be surrendered to Provincial Government as per instructions and action be taken against the person (s) at fault.

**AP # 02/DC/2014-15**

### **1.2.2.3 Non Imposition Of Penalty - Rs 5.479 Million**

Clause-2 of the conditions of the Contract Agreement clearly provides that the contractor has to pay compensation @ 1% per day or maximum 10% of the estimated cost per day for the delay in completion of work.

Chief Coordination Officer District Council, Tor Ghar during 2014-15 awarded contract of the schemes at estimated cost Rs 54,795,000 as per detail at annexure-5. The schemes were not completed within stipulated period. However the local office neither imposed penalty of Rs 5,479,500 for delay in completion of work, nor extension in time was obtained from the competent authority.

Audit observed that non imposition of penalty occurred due to non observance of rules, which resulted in loss to Government.

When pointed out in August 2015, management stated that penalty would be imposed at prescribed rates as per work order. The reply was not valid as no action was taken by the department till finalization of this report.

Request for convening DAC meeting was made on 14-10-2015, which was not convened till finalization of this report.

Audit recommends that penalty should be imposed and recovered, besides action against the person(s) at fault.

**AP No. 03/DC/2014-15**

**MUNICIPAL COMMITTEE JUDBAH TOR GHAR**

### **1.3 Municipal Committee Judbah**

#### **1.3.1 Irregularity and Non compliance**

##### **1.3.1.1 Doubtful Expenditure Out of PFC- Rs 0.900 Million**

S/No. viii of the PFC Guidelines notified by Government of Khyber Pakhtunkhwa LGE & RDD, Local Council Board vide No. AO/LCB/ADP/2014-15 dated 14.01.2015 provides that “the ADP 30% allocation, if intended to be diverted for M&R of works and facilities of the MC will be subject to prior approval of the Local Government Department. Further Para 58 of CPWD code read with Para 32 of CPWA Code Volume-I provide that no work shall be executed without Administrative Approval / Technical Sanction and Budget allotment and Para 144 of GFR Vol-1 provides that open tender system shall be adopted to achieve economical rates.

Chief Municipal Officer, Municipal Committee Judbah during 2014-15 incurred expenditure of Rs 900,000 on execution of scheme “Rehabilitation/repair of suspension bridge Kabalgram” out of Provincial Finance Commission. Audit raised the following observation on the expenditure:

- i. Expenditure was incurred on M&R from PFC Funds without sanction from the competent forum
- ii. Expenditure was incurred without AA & TS
- iii. Open tender system was not adopted
- iv. Self cheque was drawn in the name of CMO

Audit observed that doubtful expenditure was occurred due to lack of financial control which resulted in loss to Government.

When pointed out in October 2015, management stated that detailed reply would be submitted after consulting record. However, no reply was received till finalization of this report.

Request for convening DAC meeting was made on 05-11-2015, which was not convened till finalization of this report.

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

**AP No. 14/MC/2014-15**

### **1.3.1.2 Doubtful Allocation of Net Hydel Royalty Fund-Rs 2.300 Million**

According to S.No. II of the guidelines for the release and utilization of Provision for projects to be funded from 10% Net Hydel Profit circulated by Finance Department, Government of Khyber Pakhtunkhwa vide letter No SO (DEV-IV)FD/4-3/2013-14/Guidelines dated 02-01-2014, the funds to be apportioned by the respective District Development Advisory Committee for recommendation of schemes in the prescribed eligible Sectors, which does not include construction of bathroom and repair work.

Chief Municipal Officer, Municipal Committee Judbah during 2014-15 allocated Rs 2,300,000 out of share of NHR for construction of bath rooms and repair of power stations, which were not included in the eligible Sectors. Detail is given at annexure-6

Unauthorized was incurred due to lack of financial control, which resulted in misuse of Government revenue.

When pointed out in October 2015, management stated that detailed reply would be submitted after consulting record. However, no reply was received till finalization of this report.

Request for convening DAC meeting was made on 05-11-2015, which was not convened till finalization of this report.

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

**AP No. 15/MC/2014-15**

### 1.3.1.3 Doubtful Payment On Account Of Fixed Pay- Rs 1.453 Million

According to S.No iii of Government of Khyber Pakhtunkhwa Local Council Board letter No. AO/LCB/Budget/2014-15 dated 25/07/2014, “no contingent paid staff shall be appointed and no appointment shall be made against leave vacancies. However, in case of exigencies approval from LCB may be obtained on case to case basis”.

Chief Municipal Officer, Municipal Committee, Judbah during financial year 2014-15 paid Rs 1,453,280 on account of salaries to the staff on fixed pay as per detail given below:

S/No.	Cheque No. & date	Amount (Rs)
1	279728 - 10.12.2014	293,280
2	279755 - 02.02.2015	320,000
3	PO No. 88 - 04.03.2015	80,0000
4	00089183 - 20.05.2015	40,000
<b>Total</b>		<b>1,453,280</b>

However, neither approval of the competent forum was obtained, nor proper record i.e, appointment letters, personal files, service book, copies of CNIC and Medical Fitness Certificate was available in the local office.

Unauthorized expenditure was occurred due to weak internal control and violation of rule which resulted in loss to Government.

When pointed out in October 2015, management stated that detailed reply would be submitted after consulting record. However, no reply was received till finalization of this report.

Request for convening DAC meeting was made on 05-11-2015, which was not convened till finalization of this report.

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

**AP # 16/MC/2014-15**

### 1.3.1.4 Unauthorized Award of Contract Of Developmental Scheme On Fake CDRs- Rs 1.700 million

Para 23 of GFR Vol-I requires that every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other govt. officer.

Chief Municipal Officer Municipal Committee, Judbah during 2014-15 awarded contract of the following schemes to contractor at estimated cost of Rs 1,700,000. Audit observed that the contractor offered below 10% rates in the schemes, in response to final notice dated nil for submission of additional security the contractor deposited call deposits of MCB dated 18/05/2015 which was found fake. The local office instead of initiating action against contractor received other CDRs and awarded the work accordingly.

S No.	Name of Scheme	Estimated cost	Fake CDR No and Date	New CDR No and Date
1	DWSS KhankaiBasi Khel	600,000	0758143 of MCB dt 18/05/2015	11560 of BOK 07/07/2015
2	DWSS Dada Bartoni	600,000	0758140 of MCB dt 18/05/2015	11559 of BOK 07/07/2015
3	Protection wall MadrsaJamiaTaleemul Quran	500,000	0758144 of MCB dt 18/05/2015	11561 of BOK 07/07/2015
	<b>Total</b>	<b>1,700,000</b>		

Contract was awarded on fake CDRs due to weak internal control, which may result the whole process factious.

When pointed out in October 2015, management stated that detailed reply would be submitted after consulting record. However, no reply was received till finalization of this report.

Request for convening DAC meeting was made on 05-11-2015, which was not convened till finalization of this report.

Audit recommends investigation, fixing responsibility and disciplinary action against the person(s) at fault besides forfeiture of earnest money and blacklisting of contractor.

**AP # 29/MC/2014-15**

### **1.3.1.5 Doubtful Payment On Account of Incomplete Work –Rs 2.922 Million**

Rule 290 of CTR requires 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/grant.

Chief Municipal Officer, Municipal Committee Judbah during 2014-15 paid an amount of Rs 2,922,091 to contractor in the scheme “DWSS Doba Bala Medakhel”. It was observed that fixing charges amounting to Rs 730,522 was deducted from the work done. Audit apprehended that no work was carried out at site and the local office extended undue favor to the contractor by making payment on supplies only.

Audit observed that payment for incomplete work was made due to weak financial control, which resulted in depriving local community of the results of scheme.

When pointed out in October 2015, management stated that detailed reply would be submitted after consulting record. However, no reply was received till finalization of this report.

Request for convening DAC meeting was made on 05-11-2015, which was not convened till finalization of this report.

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

**AP No. 31/MC/2014-15**



## **1.3.2 Internal Control Weakness**

### **1.3.2.1 Non Imposition Of Penalty – Rs 2.598 Million**

Clause-2 of the conditions of the Contract Agreement clearly provides that the contractor has to pay compensation @ 1% per day or maximum 10% of the estimated cost per day for the delay in completion of work.

Chief Municipal Officer, Municipal Committee Judbah during 2014-15 awarded contract of the schemes at estimated cost Rs 25,980,000 as per detail at annexure-7. The schemes were not completed within stipulated period. However the local office neither imposed penalty amounting to Rs 2,598,000 for delay in completion of work nor extension in time was obtained from the competent authority.

Non imposition of penalty occurred due to non observance of rules, which resulted in loss to Government.

When pointed out in October 2015, management stated that detailed reply would be submitted after consulting record. However, no reply was received till finalization of this report.

Request for convening DAC meeting was made on 05-11-2015, which was not convened till finalization of this report.

Audit recommends that penalty should be imposed and recovered besides action against the person (s) at fault.

**AP No. 27/MC/2014-15**

### **1.3.2.2 Non Deduction Of Sales Tax - Rs 1.328 Million**

According to Government of Pakistan Collectorate of Sales Tax & Federal Excise letter No.ST(Tech)Misc.Purchase.06/6097 dated 10/10/2006 there is no sales tax on services of Repair and Fixation of Pipes etc, however the material used in such services are chargeable to Sales Tax, as per Sales Tax Act 1990.

Chief Municipal Officer, Municipal Committee Judbah during 2014-15, it was observed that sales tax amounting to Rs 1,327,672 was not deducted from the firms on account of Supplies. Detail is given at Annexure-8

Audit observed that non deduction of Sales Tax occurred due to non observance of rules, which resulted in loss to Government.

When pointed out in October 2015, management stated that sales tax invoices would be produced to audit. The reply was not valid as 1/5<sup>th</sup> of the sales tax should be retained from the suppliers in case of registered firms.

Request for convening DAC meeting was made on 05-11-2015, which was not convened till finalization of this report.

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

**AP No. 28/MC/2014-15**

# ANNEXURE

## Annexure-1

### Detail of MFDAC Paras

(Rs in million)

S. No	AP No.	Entity	Caption	Amount
1	06	DC Tor Ghar	Wasteful Expenditure on account of pay & allowances	0.821
2	07	-do-	Irregular payment on account of developmental scheme	0.544
3	10	-do-	Overpayment on account of developmental schemes	0.109
4	11	-do-	Overpayment due to non deduction of steel quantity from RCC	0.167
5	12	-do-	Loss to Government due to non forfeiture of earnest money	0.060
6	13	-do-	Non deposit of receipts	0.367
8	18	MC Judbah	Unauthorized deposits in private/commercial bank	0.135
9	20	-do-	Unauthorized drawl from contractors' securities	0.396
10	21	-do-	Non allocation of 25% of the funds for improvement of play grounds out of PFC	0.508
11	24	-do-	Non adjustment of advances	2.811
12	23	-do-	Unauthorized expenditure on Repair of vehicle and POL	0.487
13	30	-do-	Excess payment above rate offered	0.330
14	33	-do-	Non realization of revenue	0
<b>Total</b>				<b>6.735</b>

**Annexure-2**  
**Para No.1.2.1.1**

**Statement showing detail of advance payment for supply of pipes. DC Tor Ghar**

<b>S.No</b>	<b>Name of Scheme</b>	<b>Cheque No.</b>	<b>Amount Paid (Rs)</b>
1	DWSS Khan Pai	A136771 Dt 10/07/2014	249,250
2	DWSS Gignai BK	-do-	223,127
3	DWSS Cham	-do-	159,415
4	DWSS Sokar	-do-	266,255
5	DWSS Lar NK	-do-	126,522
6	DWSS Moh Ghazi Said Ali	-do-	116,724
7	DWSS KakSar	-do-	97,128
8	DWSS MohRehmat Khan	-do-	116,287
9	Construction of Jinazgah	A279897 date 20/05/2015	335,000
10	DWSS Sara-e-Arshullah	A279896 dated 20/05/15	81,935
<b>11</b>	<b>Total</b>		<b>1,771,643</b>

**Annexure-3**  
**Para No. 1.2.2.1**

**Statement showing detail of Sales Tax. DC Tor Ghar**

S.No	Name of Scheme	E/Cost	Amount of GI Pipes/ Material Supplied	Sales Tax due (Rs)
1	Ext DWSS Cham B/K	500,000	247,400	42,058
2	Ext DWSS Sokar A/Z	700,000	437,735	74,415
3	Ext B/KDWSS Gignai	600,000	334,816	56,919
4	DWSS Kander H/Z	200,000	177,053	30,099
5	Ext DWSS Khanpai A/Z	400,000	379,855	64,575
6	DWSS Salsalikhkalo Khan	1,370,000	800,000	136,000
7	DWSS Tillan M/K	1,400,000	1,156,600	196,622
8	DWSS Kohistan cum Gigiani	300,000	278,117	47,280
9	DWSS Darako	600,000	403,597	68,611
10	Pedestrian bridge shergarh	2,750,000	369,342	62,788
11	DWSS pitawashry B/K	600,000	143,361	24,371
12	Dwss colony basikhel	500,000	201,142	34,194
13	DWSS kamarMolvi	600,000	556,401	94,588
14	DWSS Kundtelli H/Z	1,175,000	848,000	144,160
15	DWSS Baky M/K	1,320,000	1,159,577	197,128
18	DWSS shahkotdumail B/K	600,000	520,000	88,400
19	DWSS Sarai ashullah khan	200,000	189,153	32,156
20	Ext DWSS haji dost muhammad M/K	200,000	188,920	32,116
22	DWSS mukarab khan B/K	500,000	478,870	81,408
24	Pedestrian bridge Tara M/K	3,100,000	699,242	118,871
25	Pedestrian bridge wand H/Z	3,630,000	343,501	58,395
26	Suspension brdgebrandokhwardadum M/K	5,500,000	1,346,485	228,902
27	Suspension bridge sonia MK	3,800,000	808,440	137,435
28	Suspension bridge chandMadakhel	31,000,000	738,961	125,623
29	Suspension Bridge Bilyani H/Z	2,000,000	205,600	34,952
30	Suspension Bridge Charakot M/K	3,850,000	923,483	156,992
	Suspension Bridge Maira Khan Khel	2,457,653	1,224,249	208,122
31	Pedestrian bridge Dilomadakhel	3,100,000	40,000	6,800
32	DWSS Khanakai	200,000	144,085	24,494
33	DWSS Khadagy	500,000	269,566	45,826
34	Ext of DWSS BHU Mairamadakhel	600,000	522,714	88,861
35	Ext DWSS Bacha zar	200,000	189,153	32,156
36	DWSS Ghazi said	300,000	143,243	24,351
37	DWSS Kakasar	200,000	118,570	20,157
38	DWSS lar nusratkhel	300,000	154,703	26,300
39	Sewerage line hujra Khan khel	200,000	102,567	17,436
40	DWSS MohRehmant H/Z	200,000	177,053	30,099
41	Sewerage Line Masjid Colony	200,000	102,567	17,436
<b>42</b>	<b>Total</b>			<b>2,911,096</b>

**Annexure-4**

**Para No. 1.2.2.2**

**Statement showing detail of non surrendering of Savings. DC Tor Ghar**

<b>S.No</b>	<b>Name of Scheme</b>	<b>Total Cost Rs(M)</b>	<b>Rate offered 10% Below of E/C</b>
1	Extension DWSS Khan Pai	0.400	0.040
2	Extension DWSS Cham	0.500	0.050
3	Extension of DWSS GiganiBasi Khel	0.500	0.050
4	Extension of DWSS Sokar Akazai	0.700	0.070
5	Extension of DWSS Lar Nusrat Khel	0.300	0.030
6	Extension of DWSS Muhallah Ghazi Said Ali	0.300	0.030
7	Extension of DWSS Kaka SarBasi Khel	0.200	0.020
8	Extension of DWSS MuhallaRehmat H/Zai	0.200	0.020
9	Widening/Repair Of Road Bio Kandow M/Khel	2.000	0.200
10	Improvement Repair of Road ambetghari to Bio Kandow Road H/Zai	4.800	0.480
11	DWSS DerkoSaifullah B/Khail	0.600	0.060
12	DWSS SoraqamarMolviSadiquallah B/Khail	0.600	0.060
13	DWSSS Kohistano Cum Gigani B/Khail	0.300	0.030
14	DWSS KhannakayMolvi Jamil Rehman	0.200	0.020
15	DWSS Khadajay Banda Akazi	0.500	0.050
16	Ext: of DWSS ShahkotDomial B/k	0.600	0.060
17	Ext: of DWSS Miara Hospital BHU Mera	0.600	0.060
18	Ext: of DWSS New Kilay H/2	0.500	0.050
19	Ext: of repair of DWSS PitowAsheray B/K	0.600	0.060
20	Ext: of DWSS Shagai Colony B/K	0.500	0.050
21	Ext: of DWSS Seri Arsullah Khan M/K	0.200	0.020
22	Ext: of DWSS Machina Haji DostMu:Mera	0.200	0.020
23	Ext: Of DWSS Mugarab Khan Kianai H/2	0.500	0.050
24	Ext: of DWSS Shangal Dar Muh:BatchaZar Khan BasiKhail	0.200	0.020
25	Ext: of DWSS Shamsoto B/K	0.200	0.020
26	Pav: of Streets shagai p-II Basikhail	1.000	0.100
27	Pav: of Street Cheer B/khailMolviFarid	0.200	0.020
28	Pav:of Street Dour MeraMoh: Syed Muhammad Din	0.200	0.020
29	Pav: of Street Qambo Dour Mera B/khail	0.200	0.020
30	Sewerage line of Masjid Karoor M/K	0.200	0.020
31	Sewerage line of Khan KhailHujraManja Kat M/K	0.200	0.020
32	Boundry Wall ShagaiDehranBasiKhail	0.400	0.040
33	Rep: of i/Channel MairaMiaganoKalayShagaiBasiKhail	0.300	0.030
34	Rep: of i/ChannalShagaiBalaMolvi Tahir	0.200	0.020
35	ConstractionofJanazgahLashoraAkazai	0.800	0.080
<b>36</b>	<b>Total</b>	<b>19.9</b>	<b>1.99</b>

**Annexure-5**

**Para No. 1.2.2.3**

**Statement showing Non Imposition of penalty for delay in completion of schemes**

**DC Tor Ghar**

**(Amount in Rs)**

S.No	Name of Scheme	E/Cost	Date of Commencement	Due date	Date of Completion	Amount of Penalty (Rs)
1	Ext DWSS Cham B/K	500,000	10/6/2014	31/03/15	In progress	50,000
2	Ext DWSS Sokar A/Z	700,000	10/6/2014	10/6/15	In progress	70,000
3	Ext DWSS GignaiB/K	600,000	10/6/2014	10/6/15	In progress	60,000
4	DWSS Kander H/Z	200,000	10/6/2014	10/6/15	In progress	20,000
5	Ext DWSS Khanpai A/Z	400,000	10/6/2014	10/6/15	In progress	40,000
6	DWSS SalsalikhkaloKhan	1,370,000	10/6/2014	31/12/14	In progress	137,000
7	DWSS Tillan M/K	1,400,000	10/6/2014	31/12/14	In progress	140,000
8	Pavement of streetShane M/K	1,000,000	10/6/2014	31/12/14	In progress	100,000
9	DWSS Kohistan cum Gigiani	300,000	10/6/2014	31/12/14	17/03/2015	30,000
10	DWSS Darako	600,000	10/6/2014	10/6/15	In progress	60,000
11	Pedestrian bridge shergarh	2,750,000	10/6/2014	31/12/14	In progress	275,000
12	DWSS pitawashry B/K	600,000	NYS		In progress	60,000
13	Dwss colony basikhel	500,000	10/6/2014	10/06/15	In progress	50,000
14	DWSS Soraj Qamar Molvi	600,000	20/06/14	31/12/14	In progress	60,000
15	DWSS Kundtelli H/Z	1,175,000	10/6/2014	31/12/14	In progress	117,500
16	DWSS Baky M/K	1,320,000	10/6/2014	31/12/14	31/03/2015	132,000
17	Suspension bridge A/Z	2,650,000	12/6/2014	31/12/14	In progress	265,000
18	DWSS new Kaly	500,000	NYS		In progress	50,000
19	DWSS shahkotdumail B/K	600,000			In progress	60,000
20	DWSS Sarai ashullah khan	200,000	NYS	Cheque A279896	In progress	20,000
21	Ext DWSS haji dost muhammad M/K	200,000			In progress	20,000
22	Ext DWSS Shagaldar B/K	200,000	NYS		In progress	20,000
23	DWSS mukarab khan B/K	500,000	10/6/2014	10/6/2015	In progress	50,000
24	JanazgahLashorch 279897 20/5/15	800,000	NYS	10/06/15		80,000
25	Pedestrian bridge Tara M/K	3,100,000	12/6/2014	31/12/14	In progress	310,000
26	Pedestrian bridge wand H/Z	3,630,000	12/6/2014	12/6/2015	In progress	363,000
27	Suspension brdgebrandokhwardadum M/K	5,500,000	10/06/14	31/12/14	In progress	550,000
28	Suspension bridge sonia	3,800,000	10/6/2014	31/12/14	In progress	380,000
29	Suspension bridge chandMadakhel	3,100,000	10/6/2014	31/12/14	In progress	310,000
30	Suspension bridge kalsoona	3,100,000	10/6/2014	31/12/14	In progress	310,000
31	Suspension bridge Mairamadakhel	3,100,000	10/6/2014	31/12/14	In progress	310,000
32	Pedestrian bridge Dilomadakhel	3,100,000	10/6/2014	31/12/14	In progress	310,000
33	DWSS Khanakai	200,000	10/6/2014	31/12/14	In progress	20,000
34	DWSS Khadagy	500,000	20/06/14	31/12/14	In progress	50,000

35	Ext of DWSS BHU Mairamadakhel	600,000			In progress	60,000
36	Ext DWSS Bacha zar	200,000	NYS			20,000
37	DWSS Ghazi said	300,000			In progress	30,000
38	DWSS Kakasar	200,000			In progress	20,000
39	DWSS lar nusratkhel	300,000			In progress	30,000
40	Suspension Bridge Bilyani	2,000,000	10/06/14	31/12/14	In progress	200,000
41	R/wall, B/wall	400,000	10/06/2014	31/06/2015	In progress	40,000
42	Widening/repair of road Amber ghari to bio kandow	2,000,000	10/06/2014	10/06/2015	In progress	200,000
43		<b>54,795,000</b>				<b>5,479,500</b>



**Annexure-6****Para No. 1.3.1.2****Statement showing detail of schemes of NHR funds, not fall under eligible sectors****MC Judbah****(Amount in RS)**

<b>S/No.</b>	<b>Year</b>	<b>Scheme name</b>	<b>Allocations</b>
1	2014-15	Const. of 2 bath rooms cham masjid	200,000
2	-do-	Const. of 2 bath rooms Khadan- QariZarmuhd.	200,000
3	-do-	Const. of 2 bath rooms Lgra M/K	200,000
4	-do-	Const. of 2 bath roomsDobaBala m/khel	200,000
5	-do-	Const. of 2 bath rooms Masjid B/K	200,000
6	-do-	Const. of 2 bath rooms Shagai B/K	200,000
7	-do-	Const. of 2 bath rooms Marerhujra	200,000
8	2013-14	Const. of 2 bath rooms Getto B/K	200,000
9	-do-	Const. of bath room Mujarab khan banda	100,000
10	-do-	Repair of Hydel power station Darbaniakazai	300,000
11	-do-	Repair of Hydel power station Judba	300,000
<b>Total</b>			<b>2,300,000</b>

**Annexure- 7****Para No. 1.3.2.1****Statement showing non Imposition of penalty for delay in completion of schemes****MC Judbah****(Amount in Rs)**

<b>S.No</b>	<b>Name of Scheme</b>	<b>E/Cost</b>	<b>Date of Commencement</b>	<b>Due date</b>	<b>Date of Completion</b>	<b>Amount of Penalty</b>
1	DWSS SaifoorPaizaBartoni	1,000,000	23/04/15	30/06/15	Not yet started	100,000
2	DWSS AfsarManagoKalyShagai	400,000	22/04/2015	30/06/15	In progress	40,000
3	DWSS KhetradakhliShoukati	900,000	28/04/15	30/06/15	Not yet started	90,000
4	Streets Bartoni Village Sikandari	900,000	11/10/2012	30/06/2013	31/09/2014	90,000
5	DWSS DoramShahasha NHP	1,300,000	2013-14	30/06/2013	In progress	130,000
6	DWSS MankraLonia NHR	600,000	2013-14	30/06/2013	In progress	60,000
7	Pavment of street Miaganokally	500,000	2013-14	30/06/2013	In progress	50,000
9	Suspension bridge at Balkund	2,600,000	06/06/2014	31/12/2014	In progress	260,000
10	Suspension bridge Gigyani	4,200,000	05/06/2014	31/12/2014	In progress	420,000
11	Suspension bridge Kamesar	3,100,000			In progress	310,000
12	Suspension bridge Pagar	3,550,000	06/06/2014	31/12/2014	In progress	355,000
13	Suspension bridge Kalash	3,300,000	06/06/2014	31/12/2014	In progress	330,000
14	Suspension bridge Bartoni	3,630,000	03/06/2014	31/12/2014	In progress	363,000
	<b>Total</b>	<b>25,980,000</b>				<b>2,598,000</b>

**Annexure-8**  
**Para No. 1.3.2.2**

**Statement showing detail of Sales Tax MC Judbah**

**(Amount in Rs)**

<b>S.No</b>	<b>Name of Scheme</b>	<b>E/Cost</b>	<b>Amount of GI Pipes/ Material Supplied</b>	<b>Sales Tax due</b>
1	Ext DWSS Bano	800,000	460,571	78,297.07
2	DWSS NasratkhelBateela	1,375,000	936,577	159,218.09
3	DWSS Yaqoob khan Ashary	1,069,158	765,424	130,122.08
4	DWSS DoramShahasha NHR	1,300,000	826,928	140,577.76
5	DWSS MangarLonia NHR	600,000	433,915	73,765.55
6	DWSS Shadat shah Kotly	200,000	126,729	21,543.93
7	DWSS AfsarMnagoKalyshagay	400,000	315,000	53,550.00
8	DWSS at DobaBala M/khail	5,200,000	2,191,569	372,566.73
9	DWSS at MohPutrajBalkund	1,340,000	703,125	119,531.25
10	Installation of LED/Solar lights in Judbah		1,050,000	178,500.00
	<b>Total</b>	<b>12,284,158</b>	<b>7,809,838</b>	<b>1,327,672.46</b>