



**AUDIT REPORT
ON
THE ACCOUNTS OF
LOCAL GOVERNMENTS
DISTRICT KOHISTAN LOWER**

AUDIT YEAR 2019-20

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AA	Administrative Approval
AD	Assistant Director
AIR	Audit and Inspection Report
AP	Advance Para
AG	Accountant General
BHUs	Basic Health Units
C&W	Communication & Works
CPWA Code	Central Public Works Account Code
DAC	Departmental Accounts Committee
DO	District Officer
LGA	Local Government Act
MFDAC	Memorandum for Departmental Accounts Committee
M&R	Maintenance and Repair
DHO	District Health Officer
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCC	Plain Concrete Cement
TEVTA	Technical & Vocational Training Authority Allowance
PESCO	Peshawar Electricity Supply Company
RCC	Re-in forced Cement Concrete
TS	Technical Sanction
DAC	District Accounts Committee
TT	Theology Teacher
PET	Physical Education Teacher

Preface

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

The report is based on audit of the accounts of offices of the District Government and Tehsil Municipal Administrations in District Kohistan Lower for the financial year 2018-19. The Director General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit during 2019-20 on test check basis with a view to report significant findings to the relevant stakeholders. The main body of the audit report includes systemic issues and significant audit findings. Relatively less significant issues are listed in the Annex-1 of the Audit Report. The audit observations listed in Annex-1 shall be pursued with the Principal Accounting Officers at the DAC level. In all cases where Principal Accounting Officers do not initiate appropriate action, the audit observations will be brought to the notice of appropriate forum through the next year's Audit Report.

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

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

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

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit District Governments, Khyber Pakhtunkhwa carries out audit of Local Governments in 27 districts of Khyber Pakhtunkhwa. Regional Directorate of Audit (RDA) Abbottabad, on behalf of the DG Audit District Governments, Khyber Pakhtunkhwa carried out the audit of Local Governments of eight districts namely Abbottabad, Haripur, Mansehra, Battagram, Kohistan Upper, Kohistan Lower, Kolai Palas Kohistan and Tor Ghar.

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

Local Governments of District Kohistan Lower consist of two tiers which perform their operations under Khyber Pakhtunkhwa Local Government Act 2013. Financial provisions of the Act describe the Local Consolidated Fund and Public Account for which annual Budget Statement is approved by the respective councils in the form of budgetary grants. Top Tier- the District Government comprises one Principal Accounting Officer (PAO) i.e. Deputy Commissioner for the District Government, who is officer in charge of six devolved departments The second Tier- Town/Tehsil Municipal Administrations have one PAO i.e. Town/Tehsil Municipal Officer for each administration. There are one Tehsils administrations in district Kohistan Lower in district Kohistan Lower.

a. Scope of audit

This office is mandated to conduct audit of 07 formations working under 02 PAOs. Total expenditure and receipts of these formations were Rs. 1,109.195 million and Rs. 12.955 million respectively for the financial year 2018-19.

Audit coverage relating to expenditure for the current audit year comprises 05 formations of 02 PAOs having a total expenditure of Rs. 346.238 million for the financial year 2018-19. In terms of percentage, the audit coverage for expenditure is 31.22% of auditable expenditure.

Audit coverage relating to receipts for the current audit year comprises 05 formations of 02 PAOs having a total receipt of Rs. 12.955 million for the

financial year 2018-19. In terms of percentage, the audit coverage for receipts¹ is 100% of auditable receipts.

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

b. Recoveries at the instance of audit

As a result of audit, a recovery of Rs. 15.253 million was pointed out in this report. No recovery against these figures was reported.

c. Audit Methodology

Audit was conducted after understanding the business processes of Local Governments Kohistan Lower with respect to their functions, control structure and key controls. This helped auditors in understanding the systems, procedures, environment of the audited entity before starting the audit. Audit used desk audit techniques for analysis of compiled data and review of actual vouchers called for scrutiny and substantive testing.

d. Audit Impact

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

e. Comments on Internal Control and Internal Audit department

INTOSAI defines the internal control structure as the plans and action of an organization, including management's attitude, methods, procedures and other measures that provide reasonable assurance that the following objectives are achieved:

¹ District Government has nil receipt

- a. Assets are safeguarded against loss due to waste, abuse, mismanagement, errors, fraud and other irregularities.
- b. Laws, regulations and management directives are complied with; and
- c. Reliable financial and management data is maintained and fairly disclosed in timely reported.

In most of the offices the internal controls were overridden by the management specifically in the appointments, procurement of goods and services, deduction of taxes and recovery of government receipts etc. 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 Local Governments Kohistan Lower.

f. Key Audit Findings of the Report

- i. Non compilation/Consolidation of Accounts of Local Governments- Rs. 50.829 million²
- ii. Irregularities were noticed in three cases amounting to Rs. 5.032 million³
- iii. Others, including cases of accidents, negligence etc. issues were noticed in seven cases amounting to Rs. 423.798 million⁴

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

² Para 1.2.1

³ Para: 2.5.1.1 to 2.5.1.2 and 3.5.1.1

⁴ Para: 2.5.2.1 to 2.5.2.4 and 3.5.2.1 to 3.5.2.3

g. Recommendations

- i. Disciplinary actions need to be taken to stop the practice of violation of the rules and regulations in spending the public money.
- ii. Strenuous efforts need to be made by the departments to recover long outstanding dues on account of water charges.
- iii. Deduction of taxes on supplies and contracts need to be ensured. .
- iv. Lapsed deposits need to be timely credited into treasury.
- v. Departments need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc. to ensure that lapses of the kind reported in this audit report are pre-empted and fair value for money is obtained from public spending.

CHAPTER-1

Public Financial Management

1.1 Sectoral Analysis

Introduction

After promulgation of Local Government Act, 2013, Local Government elections were held in 2015, which resulted in formation of three tiers of government in each district of Khyber Pakhtunkhwa. Consequent upon, District Government, Tehsil Municipal Administrations and Village/Neighborhood Councils were established in District Kolai Palas Kohistan. In the light of LGA 2013, District Kohistan Lower is headed by Deputy Commissioner who is Principal Accounting Officer of the budget grant allocated to the 6 offices devolved at district level. Similarly, Tehsil Municipal Administration is headed by Tehsil Municipal Officer who is the Principal Accounting Officer for the Tehsil Municipal Administration.

In District Kohistan Lower, Funds amounting to Rs. 1,453.445 million were allocated to 7 formations working under 02 PAOs. Out of which, expenditure of Rs. 1,109.195 million was made resulting into saving of Rs. 344.25 million. Audit coverage relating to expenditure for the current audit year comprises 5 formations of 02 PAOs having a total expenditure of Rs. 346.238 million for the financial year 2018-19. In terms of percentage, the audit coverage for expenditure is 31.22% of auditable expenditure.

According to Section 36(3) of Local Government Act 2013, the District Accounts Officer was required to consolidate accounts of Local Government on quarterly and annual basis. However, District Accounts Officer, Kohistan Lower did not reflect Rs. 50.829 million into the consolidated financial statement of Local Government, Kolai Palas Kohistan.

District Government, Kolai Palas Kohistan was found lagging behind in many areas envisioned as integral component of the Local Government in the Khyber Pakhtunkhwa Local Government Act 2013. The District Government

could not establish & maintain Public Fund account as required under section 30 of LGA 2013. Similarly, it also failed to prepare, present and approve the budget estimates of receipts from district council for District Government, Kolai Palas Kohistan as required under section 34 of LGA 2013. The receipts collected as taxes/fees/rents under section 42 of LGA-2013 were also not credited to the District Fund. Most importantly, Finance Department, Khyber Pakhtunkhwa could not provide District Account Office, Kolai Palas Kohistan with prescribed format and necessary trainings to compile the accounts of TMAs and Village/Neighborhood councils and then reflect the same in the consolidated financial statement of the district, which resulted in disclaimer of its accounts by the Auditor General of Pakistan. Moreover, Internal Audit function could not be established as provided in sub section 4 of section 37 of LGA 2013, as internal auditors were not posted in the District and Tehsil Councils. In addition, Asset management by District Government was yet another area it could not address as required under section 38 of the LGA 2013.

The Local government provided services in the following sectors.

Education

The education sector is one of the major sectors in District Kohistan Lower like other districts. Statistics show that there are 320 primary, 85 middle, 03 higher secondary schools in District Kohistan Lower. The estimated Teacher Student Ratio is 1:45 at primary, 1:70 at middle, 1:32 at secondary and 1:45 at the level of higher secondary schools. District Kohistan Lower literacy rate is 48% the Gross Enrollment Rate (GER) is 39%, and the Net Enrollment Rate (NER) is 25% at the primary level. On budgetary front, District Education office, Kohistan Lower succeeded in spending of the District ADP and non-salary budgets.

District Education Offices in Kohistan Lower enrolled 986 in boys schools while 12,835 students were enrolled in female Government schools. Similarly, annual average of teacher's attendance rate and student attendance rate as per independent Monitoring Unit (IMU) data were approximately 68% & 55% respectively. Furthermore, 06% schools in district Kohistan Lower were provided with all basic facilities like classrooms, water supply, group latrine, boundary

walls and electrification. However, administrative visits of DEO, DDEO and SDEO were 20%.

Health

Health is another important sector of District Kohistan Lower with a total of 35 health facilities spread across the district among which 25 BHUs, 09 CDs, 01 RHC and THQs/Category-D hospitals.

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

On mother and child health care front, 3250 babies were born in health centers/ lab investigations and diagnostic facilities were also fully utilized as 3148 lab tests, 675 X-rays, 2251 ultrasounds and ECGs were done in both primary and secondary health centers in district Kohistan Lower. Figures of immunization are also very impressive as pregnant women received TT-2 vaccines, 9,736 kids under 12 months received full immunization. 8,426 families were provided family planning services. Human resource data from facility records revealed that these health centers were amply provided with medical officers and paramedics as only very few positions were found vacant. As these centers were frequently visited by patients for medical treatment and other lab investigations etc.

Social Welfare

In social Welfare and Women Empowerment sector, budgetary allocations were focused on providing social cushion to the deprived and marginalized segments of society especially, women and children. In the proposed development plan, the department had continued to proceed with its ongoing projects which included schemes for the wellbeing and safeguarding of destitute women, orphans, beggars, drug addicts and special persons.

Municipal Services

Tehsil Councils District Kohistan Lower were found lagging behind in many areas envisioned as integral component of the Local Government in the Khyber Pakhtunkhwa Local Government Act 2013. The Local Government could not establish & maintain Tehsil Public Fund Account as required under the section 30 of LGA. Similarly, the Tehsil Account Officers were not appointed in TMAs and the accounts of receipts and expenditure were not maintained in such form and in accordance with such principles and methods as the Auditor General of Pakistan prescribed as required under section 36 of LGA. Financial Statements, Finance Account and Appropriation Accounts of the TMAs were not prepared accordingly. Most importantly, Finance Department, Khyber Pakhtunkhwa could not provide District Account Office, Kohistan Lower with prescribed format and necessary trainings to compile the accounts of TMAs and then reflect the same in the consolidated financial statement of the district, which resulted in disclaimer of its accounts by the Auditor General of Pakistan. Moreover, Internal Audit function could not be established as provided in sub section 4 of section 37 of LGA 2013, as internal auditors were not posted in the TMAs to support the Council. In addition, Asset management by tehsil councils was yet another area it could not address as required under section 38 of the LGA 2013.

1.1 Audit Paras

1.2.1 Non compilation/Consolidation of Accounts of Local Governments- Rs. 50.829 million

Criteria

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

Condition

During certification audit of the accounts of the DAO Kohistan Lower for the financial year 2018-19, audit observed incompleteness and incorrect presentation of the financial statements as the DAO failed to consolidate into the quarterly and annual accounts of the district, the government and local resources, as required under section-36(3) of the Local Government Act, 2013. Receipts and expenditure of Rs. 50.829 million and Rs. 16.313 million respectively, of the TMAs are not reflected in accounts.

Cause

Provisions of the Local Govt Act 2013 by District Government of Kohistan Lower were not complied.

Implication

Due to non-consolidation of accounts of TMAs the financial statements of local government remained incomplete which led to disclaimer of audit opinion.

DAC Decision

Para stands till correction of these omissions.

RECOMMENDATION

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

CHAPTER-2

District Government

2.1 Introduction

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

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

- (1) The authority of district government shall comprise the operation, management and control of offices of the departments which are devolved to it; provided that district government shall exercise such authority in accordance with general policy of Government.
- (2) Every order in district government shall be expressed to be made in the name of the district government and shall be executed by a duly authorized officer.
- (3) The district government shall be responsible to the people and the Government for improvement of governance and delivery of services within the ambit of authority devolved to it.

Detail of audit planned formations expenditure and receipts:

S.No	Description	Total Nos	Audited	Expenditure audited FY 2018-19 (Rs in million)	Revenue /Receipts audited FY 2018-19 (Rs. in million)
1.	Formations	6	04	334.934	If applicable

2.2 Comments on Budget and Accounts (Variance Analysis District Government

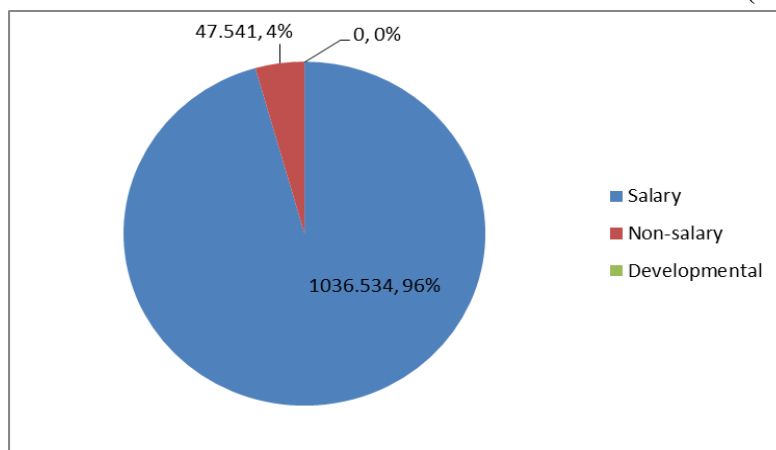
(Rs in million)

2018-19	Budget	Actual Expenditure/ Receipts	(Saving)/Excess	%age
Salary	1182.054	1036.534	(145.52)	(12.31)
Non-salary	98.189	47.541	(50.65)	(51.58)
Developmental	0	0	-	-
Total	1280.243	1084.075	196.17	15.32
Receipts	-	-	-	-

The savings of Rs. 196.17 million indicate inefficiency in the capacity of District Government Departments to utilize the amount allocated.

EXPENDITURE 2018-19

(Rs in million)



2.3 Classified Summary of Audit Observations

Audit observations amounting⁵ to Rs .324.375 million were raised in this audit report. This amount also includes recoverable of Rs. 3.416 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification ⁶	Amount (Rs.) ⁷
1	Irregularities :	
A	HR/Employees related irregularities	3.416
2	Others, including cases of accidents, negligence etc.	320.959
	Total	324.375

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

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

Sr. No.	Audit Year	DAC meeting
1.	2002-03	N/A
2.	2003-04	N/A
3.	2005-06	N/A
4.	2006-07	N/A
5.	2007-08	N/A
6.	2008-09	N/A
7.	2009-10	N/A
8.	2010-11	N/A
9	2011-12	N/A
10	2012-13	N/A
11	2013-14	N/A

⁵ Note: The amount of observations is more than expenditure due to non-utilization of ADP.

12	2016-17	Not Convened
13	2017-18	Not Convened
14	2018-19	Not Convened

2.5 AUDIT PARAS

2.5.1 Irregularities

HR/Employees related irregularities

2.5.1.1 Irregular payment on account of HPA–Rs. 1.994 million

According to Notification No. FD(SOSR-II)8-08/16 dated Peshawar the 06/02/2017 of Finance Department Government of KP, Health professional Allowance will not be admissible to employees posted /deputed on detailment/General duty & earned leave, but only to the employees working against sanctioned posts.

District Health Officer Kohistan Lower paid an amount of Rs. 1,994,000 on account of pay and allowances of employees working on detailment against wrong post during 2017-19. Payment of pay & allowances and HPA is irregular. Details given at **Annex -2**.

Irregularity occurred due to weak administrative and financial controls which resulted irregular payment to employees.

When pointed out in August 2019, the management stated that they are working at their place of posting. The reply was not convincing as the DHO Office has shown this staff at General duty in staff statement. Reply was not convincing as no action was taken till finalization of this report.

Request for convening of DAC meeting was made in August 2019, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests disciplinary action against the persons at fault besides repatriation the staff immediately and irregular derailments may be got regularized from competent forum under intimation to audit.

AIR Para No. 12 (2018-19)

2.5.1.2 Unauthorized payment of conveyance allowance during vacation-Rs. 1.422 million

According to Government of Khyber Pakhtunkhwa Finance department letter no. FD(SR-II)8-200 dated 06-06-1977 Conveyance allowance is not admissible to teachers of schools/colleges/training Institutes (excluding Principal & Head Master/Mistress) during the period of summer vacation.

DEO (Male) Kohistan Lower paid an amount of Rs. 1,422,432 on account of conveyance allowance during vacations to the teaching staff in 2018-19 as tabulated below:

DETAIL OF BPS WISE SANCTION POSTs IN GOVT:BOYS MIDDLE SCHOOLS						
S.No	Name of Posts	BPS No	No of Post	Rate of conveyance allowance	Period	Total
1	SST	16	24	5,000	3 months	360000
2	CT	15	28	2856	3 months	239904
3	PET	15	24	2856	3 months	205632
4	DM	15	24	2,856	3 months	205632
5	T.T	15	24	2,856	3 months	205632
6	AT	15	24	2856	3 months	205632
	Total	-	-			1,422,432

Irregularity occurred due to weak internal control which resulted into unauthorized payment.

When pointed out in August 2019, the management stated that conveyance allowance will be deducted as per policy. Reply was not convincing as deduction of conveyance allowance was instructed by the finance department since 1977. And no progress was intimated till finalization of this report.

Request for convening of DAC meeting was made in August 2019, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery of conveyance besides fixing responsibility and action against the persons at fault

AIR Para No. 05 (2018-19)

2.5.2 Others, including cases of accidents, negligence etc.

2.5.2.1 Non-utilization of developmental funds –Rs. 291.821 million

According to Government of KP, Finance Department letter No. BO(PFC-II)/FD/3-3/ADP/15-16 dated 01.07.2016 the released and transferred amount is meant for District to carryout development activities in accordance with budget allocation and guidelines issued by the P&D Department. Letter No. 557-60/ZN/ATD.

Deputy Commissioner Kohistan Lower received 291,821,000 on account of District Development Fund but funds were not utilized till the end of 2018-19. Thus the local community was deprived of basic facilities. Due to non utilization of developmental funds, sum of Rs. 592,611,000 was withheld by Finance Department. Detail is as under:

S/No.	Financial year	PFC Share	Releases	Expenditure	Amount with held by finance department
1	2015-16/201-16-17	135,912,000	135,912,000	0	135,912,000
2	2017-18	70,360,000	70,360,000	0	70,360,000
3	2018-19	85,549,000	85,549,000	0	85,549,000
Total			291,821,000		291,821,000

Irregularity occurred due to lack of internal financial control which result in non utilization on developmental fund.

When pointed out in July 2019, the management replied that Kohistan Lower is newly created and District council does not exist here. Reply was not tenable and no progress was intimated till finalization of this report.

Request for convening of DAC meeting was made in July 2019, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends inquiry for fixing responsibilities and disciplinary action against the persons at fault

AIR Para No. 02 (2018-19)

2.5.2.2 Un-authentic expenditure on account of POL and repair/maintenance-Rs. 8.017 million

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

As per Finance Department Notification No. FD (FR) V6775(P) dated 4th ,March 2010 amendment 4.49 (a),

1. Payment of Rs. 1,000,000 to contractor and supplier can not be made in cash by the DDO.
2. the DDO will submitting the bill at the pre-audit counter of the Accountant General /District accounts office shall record an endorsement on the bill requiring separate cross cheque to be issued in favor of contractor / supplier.

Deputy Commissioner Kohistan Lower, drawn huge amount of Rs. 5,007,568 on POL and Rs. 3,009,790 on repair of vehicles through DDO instead of cross cheque to Supplier/vender. Whereas the log books of vehicles was also not maintained.

Hence audit team was unable to verify the expenditure

Sr No	Particulars	Period	Vehicle No	Amount
1	Repair & Maintenance of Vehicles	2018-19	A 1037	1,500,000
2	Repair & Maintenance of Vehicles	2017-18	A 1038	1,509,790
Total				3,009,790

Sr No	Particulars	Period	Vehicle No	Amount
1	POL	2018-19	A 1037	2,953,257
2	POL	2017-18	A 1038	2,054,311
Total				5,007,568

Un-authentic expenditure occurred due to weak financial management control, which resulted irregular expenditure.

When pointed out in July 2019, the management replied that the audit observation has been noted for compliance and detail reply will be submitted in due course after consulting the relevant record. However, no reply was furnished till finalization of this report.

Request for convening of DAC meeting was made in July 2019, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends action against the persons at fault.

AIR Para No. 06 (2018-19)

2.5.2.3 Erroneous draws in Favor of DDO –Rs. 16.769 million

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

Furthermore, according to rule 30 and 31 of Khyber Pakhtunkhwa Public Procurement Regulatory Authority, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders in accordance with section 22 of the Act and a procuring entity shall announce in an appropriate manner, all proposed annual procurements and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

DC Kohistan Lower drawn Rs. 16,769,000 on account of various items in the name of DDO instead of cross cheque in the name of vender/supplier in violation of above criteria, the detail given at **Annex-3**;

Furthermore, the management split up purchase order to avoid tendering process which was against the above mentioned criteria.

In light of above mentioned points the expenditure is held irregular and doubtful.

When pointed out in July 2019, the management replied that the observation has been noted for compliance. The reply was not cogent as it was clear violation of the rules and no progress was intimated till finalization of this report.

Request for convening of DAC meeting was made in July 2019, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends issue of cheques in the name of vendor and the office to conduct an inquiry into the matter.

AIR Para No. 08 (2018-19)

2.5.2.4 Non-supply of medicines - Rs. 4.352 million

According to clause 22 of the standard contract agreement the supply of the ordered goods under this agreement shall be completed by the Supplier within thirty (30) days after the receipt of supply orders from the Purchasing Entity.

District Health Officer Kohistan Lower drew Rs. 4,351,635 during 2018-19 for procurement of Medicines and issued supply orders for supply of medicines whereas the same were not supplied till date of audit. Due to non-supply of medicines in time the management unable to provide the health facilities/benefits to the public for which such a huge amount was drawn. Beside the chances of miss-appropriation cannot be avoided. Detail given at **Annex-4**;

Non-supply of medicines occurred due to weak financial and administrative controls.

When pointed out in August 2019, the management stated that the completion of supply is in process soon it will be completed and audit will be reported. Reply was not convincing as the supply was not completed till finalization of this report.

Request for convening of DAC meeting was made in August 2019, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends action against the persons at fault besides ensuring supply of all of the medicines under intimation to audit.

AIR Para No. 03 (2018-19)

CHAPTER-3

Tehsil Municipal Administration

3.1 INTRODUCTION

District Kohistan Lower has two Tehsils i.e. Kohistan Lower and Allai. The office of a Tehsil Municipal Administration is managed by the Tehsil Municipal Officer. He is assisted by a Tehsil Officer (Finance), a Tehsil Officer (Regulation) and a Tehsil Officer (Infrastructure).

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

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

- (g) Co-ordinate and support municipal functions amongst village and neighborhood councils;
- (h) Regulate markets and services, issue licenses, permits, grant permissions and impose penalties for violation thereof;

Detail of audit planned formations expenditure and receipts:

S.No	Description	Total Nos	Audited	Expenditure audited FY 2018-19 (Rs in million)	Revenue /Receipts audited FY 2018-19 (Rs. in million)
1.	Formations	01	01	11.304	12.955
2.	Municipal Services	01	01	11.304	12.955

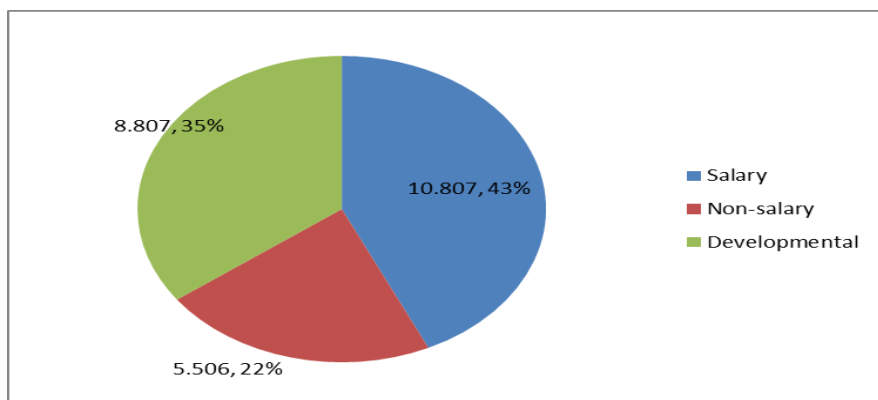
3.2 Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

2018-19	Budget	Actual Expenditure/Receipts	(Saving)/Excess	%age
Salary	13.060	10.807	(2.254)	(82.7)
Non-salary	14.916	5.506	(9.409)	(36.9)
Developmental	145.226	8.807	(136.419)	(6.06)
Total	173.202	25.12	(148.082)	(125.66)
Receipts	-	12.955	-	-

EXPENDITURE 2018-19

(Rs in million)



3.3 Classified Summary of Audit Observations

Audit observations amounting to Rs. 104.455 million were raised in this audit report. This amount also includes recoverable of Rs. 11.837 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.)
1	Irregularities	
A	HR/Employees related irregularities	1.616
2	Others, including cases of accidents, negligence etc.	102.839
Total		104.455

3.4 Comments on the status of compliance with Tehsil Accounts Committee directives

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

Sr. No.	Audit Year	TAC meeting
1.	2002-03	N/A
2.	2003-04	N/A
3.	2005-06	N/A
4.	2006-07	N/A
5.	2007-08	N/A
6.	2008-09	N/A
7.	2009-10	N/A
8.	2010-11	N/A
9	2011-12	N/A
10	2012-13	Not convened
11	2013-14	Not Convened
12	2016-17	Not Convened
13	2017-18	Not Convened
14	2018-19	Not Convened

3.5 Audit Paras

3.5.1 Irregularities

HR/Employees related irregularities

3.5.1.1 Irregular retention of Nazims Honoraria and other perks & privileges-Rs. 1.616 million

According to Government of Khyber Pakhtunkhwa, Finance Department letter No. BO (PFC-III)/2-5/TMAs/Remuneration/2018-19 dated Peshawar, the 27th December 2018 the amount remuneration and allowances of elected officials of Tehsils Councils for 2018-19.

TMA Pattan received a sum of Rs. 1,616,700 from Finance department during financial year 2018-19 on account of Honoraria and other perks & privileges of elected officials/members of tehsil council of Pattan. Tehsil council was non functional as local Government elections were not held. Transfer and retention of the subject fund in PLA was irregular and required to be surrender/deposit into Govt; treasury.

The irregularity occurred due to inefficiency of the management and non-compliance of rules.

When pointed out in October 2019, the management stated that the nazmeen are not elected the funds are utilized in the pay/salaries of the staff.

Request for convening of DAC meeting was made in October 2019, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends deposit of the subject amount into Govt; treasury under intimation to audit.

AIR Para No. 05 (2018-19)

3.5.2 Others, including cases of accidents, negligence etc.

3.5.2.1 Irregular expenditure on account of developmental schemes -Rs. 91.002 million

According to Government of Khyber Pakhtunkhwa, Local Government, Election and Rural Development Department, Local Council Board letter No.AO (Planning)/LCB/Gen/Inst/4-10/2016 dated 31.01.2019;

- Before and after pictures of developmental schemes should be the part of concerned file.
- Provision of detail cost estimates along-with x-section with unit cost and GPS coordinates.
- District Monitoring Officers of concerned Districts should visit all developmental schemes and submit detail report.

TMA Pattan incurred expenditure of Rs. 91,002,000 on various developmental schemes against estimated cost of Rs. 112,000,000 during 2018-19. Detail is given at **Annex-5**.

Audit observed the following shortcomings;

1. GPS coordinates were not available.
2. Before and after pictures of developmental schemes were not available.
3. Monitoring of schemes was not done by District Monitoring Officers as no monitoring report of developmental scheme was available.

Irregular expenditure occurred due to weak internal control which resulted in violation of Government instructions.

When pointed out in October 2019, the management stated that all the needful has been done and detail reply will be submitted later on.

Request for convening of DAC meeting was made in October 2019, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 06 (2018-19)

3.5.2.2 Non-deduction of Income Tax –Rs. 6.825 million

Notification No. SO(Dev-II)/FD/12-6/2012-13 dated Peshawar the 20th June, 2013 of Finance Department, Government of Khyber Pakhtunkhwa provides, “It has been observed that the cost estimate of those developmental schemes which fall in the tax exempted area like PATA are also framed on the same CSR without adjustment of non deductible income tax in those areas. The payment to contractors on CSR basis with inbuilt provision of Income Tax without adjustment in their invoices is overpayment by the amount equal deductible Income Tax”.

TMO Pattan incurred expenditure of Rs. 91,002,000 on developmental schemes during 2018-19. However income tax @ 7.5% amounting to Rs. 6,825,150 was neither deducted nor adjusted as per detail at **Annex-6**;

Non-deduction/adjustment of Income Tax occurred due to non-compliance and weak internal control system which resulted in loss to Government.

When pointed out in October 2019, the management stated that it is submitted that TMA Pattan laying in Tax Free Zone, Therefore non income tax have been deducted from the bills of the contractor. The Para may please be dropped please.

Request for convening of DAC meeting was made in October 2019, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends investigation, fixing responsibility and disciplinary action against person(s) at fault besides recovery under intimation to audit.

AIR Para No.01 (2018-19)

3.5.2.3 Overpayment due to non-utilization of available stone –Rs. 5.012 million

According to CSR/MRS issued by Government of Khyber Pakhtunkhwa Finance Department from time to time Labour Rates should be paid when material is available at site.

TMO Pattan paid full rate Rs.5384.76 for an item of work RRM (1:6) instead of Rs. 4,271.35 (Rs. 5,384.76 – Rs. 113.41 stone rate) as sufficient quantity of hard rock was available at site from excavation/blasting. The available stone was required to be utilized in stone masonry but no such deduction/adjustment was made. This resulted into overpayment of Rs. 5,012,064.

Overpayment occurred due to non-compliance and weak internal control system which resulted in loss to Government.

When pointed out in October 2019, the management stated that the area of scheme is hilly the stone after blasting could collect to utilize in the walls. The Para may kindly be dropped please.

Request for convening of DAC meeting was made in October 2019, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery under intimation to audit.

AIR Para No. 03 (2018-19)

ANNEXURES

Annex-1

MFDAC

S. No	AIR No.	Department	Title of the Para	Amount in million
1.	01	Deputy Commissioner Kohistan Lower	In-efficiency to Non utilization of Funds	346.462
2.	03		Irregular deposit of funds in current bank account	36.432
3.	04		Non-imposition of minimum fine	0.939
4.	05		Blockage of Government money-Rs349.465 million & non-credit of 2% mutation fee to Government	2.696
5.	07		Non Recovery	0.186
6.	09		Un-authentic/un-Justified expenditure on account of repair/maintenance of Machinery& Furniture	0.411
7.	10		Non -credit of receipts into District Account – IV	
8.	01	District Health Officer	Non utilization of Funds – Rs 49.983	49.983
9.	02		Non-reconciliation of Expenditure statement-	3.404
10.	04		Non imposition & recovery of penalty	0.305
11.	05		Loss to government due to non deduction of Income Tax	0.727
12.	06		Non deposit of ambulance receipts into government treasury	0.536
13.	07		Non collection and deposit of receipts into government treasury	0.086
14.	08		Non provision of health facility due to non availability of MOS/Unauthorized issue of medicine	12.370
15.	09		Non recovery of account of conveyance allowance	0.060
16.	10		Irregular payment on account of HBA	0.040
17.	11		Non recovery of house rent/conveyance allowance	0.792
18.	13	Non conducting of physical verification of stock/store		
19.	01	District Officer Education (Male)	Un authorized payment of stopped allowances and non-recovery	0.176
20.	02		Non recovery on account of Conveyance Allowance to whom Govt. Vehicle were allocated permanently	0.150
21.	03		Expenditure in Excess of Budget -Rs.	11.437

22.	04		Non utilization of Funds – Rs 47.660	47.660
23.	06		Irregular expenditure on pay & allowances due to non-maintenance of Service Books/Personal Files	
24.	07		Non-maintenance of cash book and expenditure of Scouts Fund	
25.	01	District Officer Education (Female)	Expenditure in excess of budget	11.014
26.	02		Non utilization of fund	0.752
27.	03		Unauthorized payment of conveyance allowance during vocations	0.503
28.	04		Irregular expenditure on pay and allowances due to non maintenance of service book/personal file	
29.	05		Non maintenance of cash book and expenditure of girls guide fund.	
30	02	TMA Pattan	Loss to Govt due to non-deduction of voids	0.099
31	04	Do	Non-utilization of funds	139.088
32	01	AD LGE & RDD Kohistan Lower	Improper maintenance of cash book	
33	02		Unjustified expenditure on pay and allowances –	57.338
34	03		Unauthorized payment of TA/DA	0.671
35	04		Irregular expenditure on account of Hot & Cold	0.130

Annex-2
Para No.2.5.1.1

Detail of HPA paid to unconcernrd Employees

Sr NO	Name of Officer / Official	Designation	Original Place of Posting	Posted Currently on General Duty At	Remarks	HPA	Amount
1	Dr M Amin	M/O	BHU Baneel	THQ Hospital Pattan	2018-19	92000*12	1,104,000
2	Gul Zada	Dispenser	BHU Jag	BHU Mani khel Bela	2018-19	10,000*12	120,000
3	Rsool Shah	M/T	BHU Kayal	BHU Mandraza	2018-19	10,000*12	120,000
4	Abdul Samad	Chokidar	Upper Kohistan	RHC Ranolia	2018-19	10,000*12	120,000
5	Raja Hussain	W/O	BHU Kayal	THQ Hospital Pattan	2018-19	10,000*12	120,000
6	Shah Jehan	Beshti	BHU Kayal	THQ Hospital Pattan	2018-19	10,000*12	120,000
7	Sarag Zeb	CT Pharmacy	BHU Kayal	THQ Pattan	2018-19	10,000*12	120,000
8	Liaqat Ali	CT Pharmacy	-BHU jijal	THQ Pattan s	2018-19	10,000*12	120,000
						Total	1,944,000

Annex-3
Para 2.5.2.3

Detail of erroneous drawal in favor DDO

Sr No	Department Name	Date	Detail of Items	Amount
1	Deputy Commissioner			
2	-do-	21.6.2019	Entertainment & gifts Visit Of VIPs	300,000
3			H&C	1,416,412
4			Transportation of Goods	380,000
5			POL	2,953,257
6			Stationary	139,920
7			Others	1,420,891
8			IT equipment	1,400,000
9			Plan&Machinery	3,529,000
10			Furniture & Fixture	3,059,000
11			ROV	1,770,920
12			Repair of Furniture	400,000
			Total	16,769,400

Annex-4
Para No.2.5.2.4

Detail of Non-supply of Medicines

S. No	Name of Company	Amount
1	M/S Saffron Pharma Faisal abdad	135270
2	M/S Astellas Pharma Peshawar	829800
3	MS Frontier Hatar Haripur	51915
4	MS Zafa Karachi	343728
5	MS stanly Peshawar	1437000
6	MS Mega Lahore	79500
7	MS GlaxoSmithKline Karachi	253700
8	MSBrooks Karachi	76250
9	MS Fynk Lahore	57740
10	MS Sanofi Aventis Karachi	53380
11	Ms Pfizer Pak Karachi	34500
12	MS Amson vaccines Islamabad	76600
13	MS Gulf Islamabad	17500
14	MS Hashir Peshawar	166600
15	MS Cotton Craft Lahore	27900
16	MS Paktex Kamoke	285054
17	MS Injection system Swabi	54000
18	MS Vikor Karachi	75000
19	MS Sami Karachi	171458
20	MS Bajwa Lahore	124740
Total=		4,351,635

Annex-5**Para No.3.5.2.1****Detail of developmental schemes**

S.No	Name Of Scheme	E/Cost	Expenditure
1	Const of jijal road kohistan Lower (Dongo to kuz Gabber and kuz Gabber to Gat maidan	5,000,000	3,819,043
2	Construction of Bankhad road kohistan Lower (portion 1)	4,000,000	2,927,887
3	Const: of Ranoila road kohistan Lower (jareen khel Dabri to Doga)	3,000,000	2,000,000
4	Construction of kayal road (portion 1)	5,000,000	4,997,174
5	Construction of kayal road (portion II)	5,000,000	4,622,698
6	Construction of chawa dara road (phase 1)	7,000,000	6,991,423
7	Construction of Dubair road (portion 1)	5,000,000	4,134,343
8	Construction of Dubair road (portion II)	5,000,000	4,506,661
9	Construction of Ranoila road (portion I)	5,000,000	3,384,127
10	Construction of Ranoila road (portion II)	5,000,000	4,966,525
11	Construction of Bankhad (Portion II)	6,000,000	5,740,101
12	Construction of Jijal road (Phase I)	5,000,000	4,691,749
13	Construction of Sanga Hajdeer road	7,000,000	3,082,462
14	Construction of semo dara road (Portion I)	5,000,000	4,271,783
15	Construction of semo dara road (Portion II)	5,000,000	4,373,772
16	Construction of Datra road (Portion I)	5,000,000	4,997,692
17	Construction of Datra road (Portion II)	5,000,000	4,506,400
18	Construction of Kamar banda (Portion I)	5,000,000	3,959,308
19	Construction of Kamar banda (Portion II)	5,000,000	4,170,683
20	Construction of Kamar banda (Portion III)	7,500,000	5,987,535
21	Construction of road semo dara khorr to Dhergi Mandrza (Portion II)	7,500,000	2,870,634
	G.Total	112,000,000	91,002,000

Annex-6
Para No.3.5.2.2

Detail of Non-deduction income tax

S.NO	NAME OF SCHEME	E/Cost	Exp	I.tax
1	Const of jijal road kohistan Lower (Dongo to kuz Gabber and kuz Gabber to Gat maidan	5,000,000	3,819,043	286,428
2	construction of Bankhad road kohistan Lower (portion I)	4,000,000	2,927,887	219,592
3	const: of Ranoila road kohistan Lower (jareen khel Dabri to Doga)	3,000,000	2,000,000	150,000
4	construction of kayal road (portion I)	5,000,000	4,997,174	374,788
5	construction of kayal road (portion II)	5,000,000	4,622,698	346,702
6	construction of chawa dara road (phase 1)	7,000,000	6,991,423	524,357
7	Construction of Dubair road (portion I)	5,000,000	4,134,343	310,076
8	Construction of Dubair road (portion II)	5,000,000	4,506,661	338,000
9	construction of Ranoila road (portion I)	5,000,000	3,384,127	253,810
10	construction of Ranoila road (portion II)	5,000,000	4,966,525	372,489
11	Constructio of Bankhad (Portion II)	6,000,000	5,740,101	430,508
12	Construction of Jijal road (Phase I)	5,000,000	4,691,749	351,881
13	construction of Sanga Hajdeer road	7,000,000	3,082,462	231,185
14	construction of semo dara road (Portion I)	5,000,000	4,271,783	320,384
15	construction of semo dara road (Portion II)	5,000,000	4,373,772	328,033
16	Construction of Datra road (Portion I)	5,000,000	4,997,692	374,827
17	Construction of Datra road (Portion II)	5,000,000	4,506,400	337,980
18	Construction of Kamar banda (Portion I)	5,000,000	3,959,308	296,948

19	Construction of Kamar banda (Portion II)	5,000,000	4,170,683	312,801
20	Construction of Kamar banda (Portion III)	7,500,000	5,987,535	449,065
21	Construction of road semo dara khorr to Dhergi Mandrza (Portion II)	7,500,000	2,870,634	215,298
G.Total		112,000,000	91,002,000	6,825,150
