



**AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS
IN DISTRICT LAKKI MARWAT**

KHYBER PAKHTUNKHWA

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AA	Administrative Approval
AP	Advance Para
ADP	Annual Development Plan
AOM&R	Annual Ordinary Maintenance and Repair
BOQ	Bill of Quantity
CMD	Chief Minister Directives
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule of Rate
CTR	Central Treasury Rules
C&W	Communication and Works
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
DHO	District Health Officer
GFR	General Financial Rules
HRA	House Rent Allowance
IPSAS	International Public Sector Accounting Standards
LGA	Local Government Act
MFDAC	Memorandum for Departmental Accounts Committee
NIT	Notice Inviting Tender
PAO	Principal Accounting Officer
PAC	Public Accounts Committee
PC-I	Planning Commission One
PCC	Plain Cement Concrete
PHE	Public Health Engineering
RCC	Reinforced Concrete Cement
RDA	Regional Directorate of Audit
TS	Technical Sanction
WSS	Water Supply Scheme
XEN	Executive Engineer
ZAC	Zilla Accounts Committee

Preface

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

The report is based on audit of the accounts of TMAs in District Lakki Marwat for the financial year 2015-16. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa 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 findings. 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 Public Accounts Committee through the next year's Audit Report.

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

The observations included in this Report have been finalized on the basis of written replies of the TMO Lakki Marwat and without written response of the TMA Serai Nourang. DAC meetings were not 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 Director General Audit, District Governments, Khyber Pakhtunkhwa carries out the audit of all Tehsil Municipal Administrations and Town Municipal Administrations. The Regional Directorate of Audit Bannu, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of two District Governments, TMAs and VCs/NCs of two Districts i.e. Bannu and Peshawar.

The Regional Directorate of Audit Bannu has a human resource of 05 officers and staff with a total of 1500 mandays. The annual budget amounting to Rs 11.189 million was allocated to the RDA during 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 in District Lakki Marwat 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

The total of expenditures of two TMAs in District Lakki Marwat for the Financial Year 2015-16 was Rs 192.403 million. Out of this, RDA Bannu audited an expenditure of Rs 171.232 million which, in terms of percentage, was 59% of auditable expenditure.

The total of receipts of two TMAs in District Lakki Marwat for the financial year 2015-16 was Rs 101.734 million. Out of this, RDA Bannu audited receipts of Rs 61.040 million which, in terms of percentage, was 60% of auditable receipt.

The total of expenditure and receipts of two TMAs in District Lakki Marwat for the financial year 2015-16 was Rs 394.137 million. Out of this RDA Bannu audited transactions of Rs 232.272 million which, in terms of percentage, was 58.93% of auditable amount.

b. Recoveries at the instance of audit

Recovery of Rs 57.883 million was pointed out during the audit. However, no recovery was affected till finalization of this report. Out of the total recoveries, Rs 40.883 million was not in the notice of the executive before audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of TMAs, City District Peshawar with respect to their functions, control structure, prioritization of risk areas by determining their significance 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 during scrutiny and 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, 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. Non Production of Record of Rs 5.965 million was noticed in one case. ¹
- ii. Irregularities / noncompliance of Rs 196.709 million was noticed in Eighteen Cases. ²

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

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. Concerted efforts need to be made to recover long outstanding dues.
- iii. Deduction of taxes on supplies and contracts need to be ensured.
- iv. Decisions taken in DAC meetings need to be implemented.

¹ 1.2.1.1 to 1.2.1.19, 1.3.1.1 to 1.3.1.5

² 1.2.1.1 to 1.2.1.19, 1.3.1.1 to 1.3.1.5

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S. No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	02	394.137
2	Total formations in audit jurisdiction	02	394.137
3	Total Entities (PAO) Audited	02	394.137
4	Total formations Audited	02	394.137
5	Audit & Inspection Reports	02	394.137
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

II: Audit observations regarding Financial Management

(Rs in million)

S. No	Description	Amount Placed under Audit Observation
1	Unsound asset management	0
2	Weak financial management	0
3	Weak Internal controls relating to financial management	0
4	Others	202.674
Total		202.674

III: Outcome Statistics**(Rs in million)**

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total For the years 2015-16	Total for the year 2014-15
1	Outlays Audited	-	37.124	61.040	134.108	232.272	264.972
2	Amount Placed under Audit Observations /Irregularities of Audit	-	32.377	19.348	150.949	202.674	122.640
3	Recoveries Pointed Out at the instance of Audit	-	34.891	11.292	11.700	57.883	82.734
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

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	196.709
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources	0
3	Accounting Errors (accounting policy departure from NAM ³ , 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.	0
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	0
6	Non-production of record	5.965
7	Others, including cases of accidents, negligence etc.	0
Total		202.674

V: Cost Benefit

(Rs in million)

S #	Description	Amount
1	Outlays Audited (item 1 of Table 3)	232.272
2	Expenditure on audit	11.189
3	Recoveries realized at the instance of audit	0
	Cost-Benefit Ratio	1:0

CHAPTER 1

1.1 Tehsil Municipal Administrations of District Lakki Marwat

1.1.1 Introduction

District Lakki Marwat two tehsils. Each town office is managed by a Town Municipal Officer. Each Town has its own Town Officer (Finance), Town Officer (Infrastructure) and Town Officer (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)

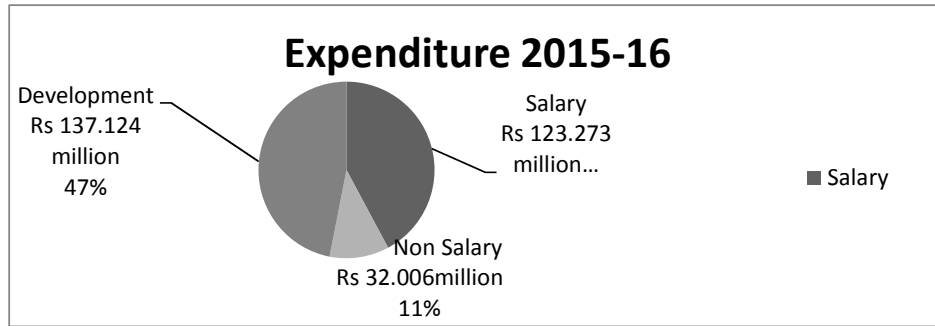
The budget and expenditure position of Tehsil Municipal Administrations in District Lakki Marwat for the year 2015-16 is as under:

(Rs in million)

2015-16	Budget	Expenditure	Saving/Excess	%age Excess/Saving
Salary	122.301	123.273	0.972	0.795
Non-Salary	35.483	32.006	3.477	9.799
Developmental	259.060	137.124	121.936	47.069
Total	416.844	292.403	-125.413	30.086

2015-16	Budgeted Receipts	Actual Receipts	Variation	%age
Receipts	111.734	101.734	10.000	8.950

The savings of Rs 125.936 million indicates weakness in the capacity of these local institutions to utilize the allocated budget.



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 Lakki Marwat

1.2 Audit Paras of TMA Lakki Marwat

1.2.1 Irregularity & non compliance

1.2.1.1 Loss to Government due to non-deduction of sales tax on services Rs 17.132 million

Notification of Khyber Pakhtunkhwa Revenue Authority No. F-16 (4) KPRA /Notification /WH/1323 dated 31-08-2015 S.NO 26 states that 15% Services Tax is required to be deducted from services provided by person engaged in contractual execution of work or furnishing supplies.

TMO, Lakki Marwat paid Rs 114,218,409 on various developmental works during 2015-16, Sales tax on Service worth Rs 17,132,762 was not deducted by department as required under reference rules and loss of Rs17,132,762 was given to the Public exchequer. Detail is as under.

Name of Fund	Expenditure	Sales tax @ 15%
District Development Fund	17,570,272	2,635,541
Provincial ADP	35,039,392	5,255,909
Pak MDGs	8,907,986	1,336,198
CMD Non ADP Schemes	22,701,661	3,405,249
CMD(DDI)	29,999,098	4,499,865
	114,218,409	17,132,762

Loss was occurred due to due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was pointed out to the management in February 2017, mngement did not respond to Audit observation. Request for convening DAC meeting was made on 22.02.2017, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 54 (2015-16)

1.2.1.2 Overpayment – Rs 5.652 million

Para 220 of CPWA code requires the payment for work duly measured in accordance with quantity, quality rates and specification approved in the T.S.

TMO, Lakki Marwat overpaid Rs 5,652,016 in work improvement of MC Roads during 2015-16. Overpayment as per detail given below:

Item	Quantity as per TS (M3)	Quantity as per Bill	5 % provision on TS	Difference	Rate	Over payment
Water bound Mechadam	601.40	1301.79	631.47	670.32	2125.73	1,424,919
Asphalt	3948.21	8289.58	4145.62	4143.96	1000	4,143,960
Total						5,568,879

Item	Qty executed in sft	Qty in CFT	Qty in M3	Rate	Over payment
Water bound Mechadam	91958.46			2125.73	
Asphalt	89195.88				
Difference	2762.58	1381.29	39.11		83,137

Overpayment was occurred due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was pointed out to the management in February 2017, mngement did not respond to Audit observation. Request for convening DAC meeting was made on 22.02.2017, 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. 51 (2015-16)

1.2.1.3 Overpayment – Rs 1.663 million and non-deduction of Sales tax Rs 0.490

Para 2.58 of B&R Department code states that Payment should be made for quantities and rates mentioned in the Bill of Quantity/ Technical Sanction.

As per NIT condition no.7 , Each contractor must write item rate in BOQ, in case of blank boxes , the TMA will consider the rate free , and the contractor will be bound to supply the same free of cost.

TMO, Lakki Marwat awarded contract of the improvement of water supply in the area of municipal committee, Lakki Marwat during the year 2015-16. Overpayment was made as per the following table.

Item	Amount as per BOQ	Amount as per Bill	Over payment
Tube well Bore	3,579,520	3,916,532	337,012
Interlinking/ Pipe line	153,380	1,479,784	1,326,404
			1,663,416

Sales tax on Machinery and pipe line is required to be deducted as below:

Sales tax on Machinery Rs 1,400,210 @17%=238,036.

Sales tax on pipe Rs 1479784 @ 17 % =251,563.

Total Rs 489,599

Overpayment was occurred due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was pointed out to the management in February 2017, mnagement did not respond to Audit observation. Request for convening DAC meeting was made on 22.02.2017, 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. 52 (2015-16)

1.2.1.4 Loss to government due to less deduction of income tax Rs 1.471 million

According to SRO No. 136 dated 13.02.2015, Section 153(1) (B) states 10% income tax is required to be deducted from non-filer.

TMO, Lakki Marwat incurred expenditure Rs 114,218,409 on various developmental works during 2015-16, income tax Rs 8,566,379 was deducted by department instead of Rs 1,853,885 which was required to be deducted and loss of Rs 1,471,323 was sustained to Public exchequer.

Name of Fund	Expenditure	Income tax deducted@ 7.5%	Income tax required @10%	Difference
District Development Fund	17,570,272	1,317,770	1757,027	43,925,7
Provincial ADP	35,039,392	2,627,954	35,039,39	87,598,5
Pak MDGs	8,907,986	668,098	8,907,98	22,270,0
CMD Non ADP Schemes	22,701,661	1,702,625	22,701,66	567541
CMD(DDI)	29,999,098	2,249,932	29,999,09	749977
Total	114,218,409	8,566,379	1,853,885	1,471,323

Loss was occurred due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was pointed out to the management in February 2017, management stated that 7.5 % Income tax has been deducted and all the contractors are registered with PEC. Proof in support of the filer of the contractors was not provided. Request for convening DAC meeting was made on 22.02.2017, 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. 53 (2015-16)

1.2.1.5 Loss to Government due to non-recovery of income tax worth Rs 1.231 million

Section 236 (A) of the Income Tax Ordinance 2001 requires the recovery of Advance Income Tax at time of sale by auction @ 10% of the bid amount.

TMO, Lakki Marwat awarded different contracts to various contractors valuing 9.116 million. Advance Income Tax @ 10% was required to be recovered, which was not done and the government was put to loss of Rs 1,231,600 (as per detail given below) during 2015-16.

Sr. No.	Name of Contract	Bid Amount	Income Tax @ 10%
1.	Water rate	1,325,000	132,500
2.	Entry Fees	2,284,000	228,400
3.	Tehbazari	244,000	24400
4.	Cattle Fair Ghazni khel(less deduction of tax)	400,000	20,000
5.	Bus Stand Lakki	42,10,000	421,000
6.	Cattle Fair Tajori(less deduction of tax)	650,000	30,000
7.	Adda tajori	460,000	46,000
8.	Adda Pezu	2,880,000	288,000
9.	Adda Malang(less deduction of tax)	298000	14800
10.	Adda Ghazni Khel(less deduction of tax)	565,000	26500
	Total	9,116,042	1,231,600

Loss was occurred due to due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was reported to the management in February 2017, management stated that major portion of taxes has been recovered and the remaining will be soon recovered and will be shown to audit. Evidence of Income tax recovery has not been shown to audit. Request for convening DAC meeting was made on 22.02.2017, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 58 (2015-16)

1.2.1.6 Irregular award of contract and loss to TMA Rs 0.898 million due to non recovery of arrears

Condition no.5 of the Model Terms and Conditions states that the successful bidder shall deposit 15 % advance of the value of the contract.

Condition no.6 states that 2% penalty per day will be liable on contractor for late deposit of the installment. If the contractor fails to clear the dues by 10th of each month to whom the monthly installment relates, the contract may be cancelled and the security and advances shall be forfeited.

Contract of Water rate fee was awarded to Mr.Bahader Khan for the value of Rs.1,325,000 for the Financial Year 2015-16. The following irregularities were noticed.

1. 5% Security and 15 % advance amount total of Rs 265,000 was required to be deposited to safeguard the interest of the TMA but the TMA did not recover the amount from the contractor.
2. Penalty at the rate of 2% per day for nine days Rs 21682 was required to be recovered and the contract was required to be cancelled in the month of August 2015 but the TMA did not act upon the terms and conditions of the contract.
3. Arrears for Rs.898000 are still pending against the contractor.
4. As per the condition 3 of the agreement, the Loss/Arrears was required to be recovered from his personal property or the condition no 33 of the Model Terms and condition states that the local council shall be entitled to recover all dues from the guarantors in case of default of the contractor.

Irregular award was occurred due to due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was reported to the managment in February 2017, management stated that major portion of taxes has been recovered and the remaining will be soon recovered and will be shown to audit. Evidence of Income

tax recovery has not been shown to audit. Request for convening DAC meeting was made on 22.02.2017, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 59 (2015-16)

1.2.1.7 Overpayment – Rs 0.844 million

Para 220 of CPWA code requires the payment for work duly measured in accordance with quantity, quality rates and specification approved in the T.S.

TMO, Lakki Marwat executed item of work “Earth filling” in work Single road and protection band” for total quantity of 1754.72 m³ against BOQ quantity of 380 M³, thus overpayment for total quantity of 1374.72 was made, which resulted in to overpayment of Rs 339,363.

In the other work of Construction of protection Bund T.S. was granted for Rs. 1,150,984, whereas payment was made for Rs 1,713,612, Thus exceeding the limit of 5 % and overpaid Rs 505,079.

Overpayment was occurred due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was reported to the management in February 2017, Management stated that leveling dressing was an essential item of work and call deposit has been forfeited. Neither evidence for forfeiture was shown nor leveling an essential part of the work. Request for convening DAC meeting was made on 22.02.2017, 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)

1.2.1.8 Irregular award of contract and loss to TMA Rs 0.678 million due to non recovery of arrears

Condition no. 8 of the Model Terms and Conditions states that The highest bidder after crossing 30 % increase will be liable to deposit additional amount equivalent to earnest money within two days otherwise the contract shall stand cancelled dully forfeited the earnest money and the contractor may be blacklisted.

Condition no.5 of the Model Terms and Conditions states that The successful bidder shall deposit 15 % advance of the value of the contract.

Condition no.6 states that 2% penalty per day will be liable on contractor for late deposit of the installment. If the contractor fails to clear the dues by 10th of each month to whom the monthly installment relates, the contract may be cancelled and the security and advances shall be forfeited.

Contract of Bus Stand Lakki was awarded to Mr.Fazal Karim for the value of Rs.4,210,000 for the Financial Year 2015-16. The following irregularities were noticed.

1. According to condition no.8 Additional security Rs.300,000 was required to be recovered and deposited from Mr. Fazal Karim (Contractor)within two days , otherwise the contract shall stand cancelled. But the same was not made.
2. 5% Security and 15 % advance amount total of Rs 902,000 was required to be deposited to safeguard the interest of the TMA but the TMA did not recover the amount from the contractor.
3. Penalty at the rate of 2% per day for nine days Rs 94,725 was required to be recovered and the contract was required to be cancelled in the month of February 2015 but the TMA did not act upon the terms and conditions of the contract.
4. Arrears for Rs.678,000 are still pending against the contractor.
5. As per the condition 3 of the agreement, the Loss/Arrears was required to be recovered from his personal property or the condition no 33 of the

Model Terms and condition states that the local council shall be entitled to recover all dues from the guarantors in case of default of the contractor.

6. Two number contractors M/S Farooq Khan and haji Rahim Dil were required to be black listed but the same was not done.

Irregular award was occurred due to due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was pointed to the managment in February 2017, Management stated that it was replied that case has been refer to Deputy Commissioner for recovery under land revenue Act 1967. Request for convening DAC meeting was made on 22.02.2017, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 62 (2015-16)

1.2.1.9 Irregular award of contract and Loss to TMA Rs 0.587 million due to non-recovery of arrears

Condition no.5 of the Model Terms and Conditions states that the successful bidder shall deposit 15 % advance of the value of the contract.

Condition no.6 states that 2% penalty per day will be liable on contractor for late deposit of the installment. If the contractor fails to clear the dues by 10th of each month to whom the monthly installment relates, the contract may be cancelled and the security and advances shall be forfeited.

Contract of Entry fee was awarded to Mr.Farooq Khan for the value of Rs 2,284,000 for the Financial Year 2015-16. The following irregularities were noticed.

1. 5% Security and 15 % advance amount total of Rs 456,800 was required to be deposited to safeguard the interest of the TMA but the TMA did not recover the amount from the contractor.
2. Penalty at the rate of 2% per day for nine days Rs 37375 was required to be recovered and the contract was required to be cancelled in the month of August 2015 but the TMA did not act upon the terms and conditions of the contract.
3. Arrears for Rs 587,200 are still pending against the contractor.
4. As per the condition 3 of the agreement, the Loss/Arrears was required to be recovered from his personal property or the condition no 33 of the Model Terms and condition states that the local council shall be entitled to recover all dues from the guarantors in case of default of the contractor.

Irregular award was occurred due to due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was pointed out to the management in February 2017, management stated that case has been refer to Deputy Commissioner for recovery under land revenue Act 1967. Request for convening DAC meeting was made on 22.02.2017, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 60 (2015-16)

1.2.1.10 Non Recovery of rent Rs 0.440 million

Para 8 and 26 of GFR Vol-I require each administrative Department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

Terms and conditions of the contract agreement with the contractor states that “contractor will himself be bound to pay the rent of the plot in the office of the TMO/ Administrator”

Accounts record of TMA Lakki Marwat for the year 2015-16 revealed that Rs. 439,988 was outstanding against the shops in Lakki city.

Non recovery was occurred due to due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was pointed out to the management in February 2017, management stated that rent will be recovered and will be shown to audit. Request for convening DAC meeting was made on 22.02.2017, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 63 (2015-16)

Tehsil Municipal Administration
Serai Nourang

1.3 Audit Paras of TMA Serai Nourang

1.3.1 Non Production of Record

1.3.1.1 Non Production of Record – Rs 5.965 million

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

TMO, Serai Nourang did not produced following record despite repeated requests.

1. Service Books of existing staff and pension staff.
2. Rs 2,676,456 were paid to 29 number pensioners.
3. Rs 500,000 were paid vide cheque No. 23105952 dated: 10.08.2015.
4. Rs 306,652 were paid vide cheque No. 23105972 dated: 31.08.2015.
5. Rs 126,500 were paid to Mr Sijjad Anjum on account of Honoraria vide cheque No. 25968131 dated: 29.06.2016.
6. Rs 130,000 were paid to Mr. Shafi ullah on account of Honoraria vide cheque No. 25968129 dated: 29.06.2016.
7. Rs 70,000 were paid to Mr. Tehsil Nazim on account of Honoraria vide cheque No. 25968130 dated: 29.06.2016.
8. Rs 270,000 were paid to Mr. Tehsil Nazim on account of Honoraria vide cheque No. 31378629 dated: 25.05.2016.
9. Rs 180,000 were paid to Mr. Tehsil Naib Nazim on account of Honoraria vide cheque No. 31378630 dated: 25.05.2016.
10. Rs 1,205,183 were spent on electricity charges during 2015-16.
11. Rs 300,000 were paid to wife of Aziz Khan (Death Grant) vide cheque No 23871515 dated: 18.11.2015. Rs 200,000 were paid to wife of Hamid ullah (Death Grant) vide cheque No. 24942940 dated: 04.01.2016 and 23385587 dated: 11.03.2016.

Non production of record was occurred due to non-compliance of rules, which resulted in to non-authenticity of public spending.

The irregularity was reported to the management in February 2017, management did not respond to Audit observation. Request for convening DAC meeting was made on 24.02.2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends production of record and action against person (s) at fault.

AIR Para No. 82(2015-16)

1.3.2 Irregularity & Non compliance

1.3.2.1 Non-maintenance of accounts of receipt and expenditure of Rs 144.984 million

Section 36 of Local Government Act 2013 states that, “(1) the accounts of receipts and expenditure of local governments shall be kept in such form and in accordance with such principles and methods as the Auditor - General of Pakistan may prescribe. (2) The following arrangement for maintaining of accounts in local governments shall be followed: (a) the District Accounts Officer shall maintain the accounts of each district government; (b) the Tehsil Accounts Officer shall maintain the accounts of the tehsil municipal administration; (c) the Village Accountant shall maintain the accounts of village council; (d) the Neighborhood Accountant shall maintain the accounts of neighborhood council; and (e) the Accounts Officer mentioned in clauses (a), (b), (c) and (d) shall perform pre-audit of all payments from the respective Fund before approving disbursements of monies. (3) 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 Government, Accountant General and Nazim district council. (4) Local governments shall publish annual accounts for public information. (5) Accounts Committees of the respective local councils shall hold public hearings to consider audit reports, objections to statement of accounts and recommend appropriate action to the local council.

TMO, Serai Nourang failed to prepare annual accounts for the financial year 2015-16.

Non maintenance of books of accounts was occurred due to non-compliance of rules, which resulted in violation of rules.

The irregularity was pointed out to the management in February 2017, management did not respond to Audit observation. Request for convening DAC meeting was made on 24.02.2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends maintenance of books of accounts and action against person (s) at fault.

AIR Para No. 89(2015-16)

1.3.2.2 Irregular award of contract to defaulter – Rs 7.450 million

Government of KPK LG & RDD Local Council Board letter No. AO-II / LCB/6-11/2013 dated: 01.06.2015 vide Serial No 24, stated that Defaulter Firms, nominee, authority holders will not be allowed to participate in auction proceedings. The default includes any outstanding amount of the Provincial or Federal Government.

In violation of above TMO Serai Nourang awarded contract Larry Adda Serai Nourang to Mr Haleem Shah (defaulter) valuing Rs 7.450 million during 2015-16.

Irregular award of contract was occurred due to non-compliance of rules.

Irregularity was pointed to the management in February 2017, Management did not respond to Audit observation. Request for convening DAC meeting was made on 24.02.2017, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 72 (2015-16)

1.3.2.3 Loss due to non-deduction of Sales Tax on services – 3.819 million

Sr. No. 26 of Government of Khyber Pakhtunkhwa Revenue Authority notification No F-16(4) KPRA / Notification / WH / 1323 dated: 31.08.2015 states that 15% service tax on service is required to be deducted from the services provided by the person engaged in contractual execution of work or furnishing supplies.

TMO, Serai Nourang paid Rs 15,952,809 to contractors on account of various works during 2015-16. Sales Tax on Services @ 15% was required to be deducted which action was not taken and the government was put to loss of Rs 3,819,207 as per detail given below:

Sr. No	Name of Scheme	Expenditure	Sales tax on service 15%
1	Improvement of Municipal roads	3,196,301	479,445
2	Installation of P/pumps and street pavement in UC Gandhi Khan Khel	3,000,000	450,000
3	Installation of P/pumps and street pavement in UC Baist Khel	3,000,000	450,000
4	Installation of P/pumps and street pavement in UC Kot Kashmir	3,000,000	450,000
5	Installation of P/pumps and street pavement in UC Shakh Quli Khan	2,700,000	405,000
	Replacement of old rusted pipe line	1,056,508	1,584,762
	Total	15,952,809	3,819,207

Loss was occurred due to due to non-compliance of rules, which resulted in to loss to Government.

The irregularity was pointed out to the management in February 2017, management did not respond to Audit observation. Request for convening DAC meeting was made on 24.02.2017, however, meeting of DAC could not be convened till finalization of this report.

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

1.3.2.4 Loss to Government due to non recovery of income tax - Rs 3.485 million

Section 236 (A) of the Income Tax Ordinance 2001 requires the recovery of Advance Income Tax at time of sale by auction @ Rs 10% of the bid amount.

Government of Pakistan Federal Board of Revenue vide letter No C No 4 (36) ITP / 2013 dated 19.07.2013 states that the rate of collection of income tax under section 236 (A) has been increased from 5% to 10%.

TMO, Serai Nourang awarded different contracts to various contractors valuing 34.851 million without recovery of income tax worth Rs 3,485,100 (as per detail given below) during 2015-16.

Sr. No.	Name of Contract	2015-16	
		Bid Amount	Income Tax @ 10%
1.	Cattle Fair Serai Nourang	18,600,000	1,860,000
2.	Lorry Adda Serai Nourang	7,450,000	745,000
3.	2% Property Tax	7,010,000	701,000
4.	Tehbazari Fee	162,000	16,200
5.	Lorry Adda Gandhi Chowk	530,000	53,000
6.	Lorry Adda Kot Kashmir	173,000	17,300
7.	Lorry Adda Serai Gambila	339,000	33,900
8.	Cattle Fair Serai Gambila	92,000	9,200
9.	License Fee	190,000	19,000
10.	Sign Board	305,000	30,500
Total		34,851,000	3,485,100

When asked from the in-charge doctor, he replied that all the dengue kits are utilized on the tests of private patients having no OPS chits, Insulin were issued to diabetic patients having no record (OPD Chits etc) and the other items were lying in the main store, reply was not tenable as neither record of utilization of 200 dengue kits / 1100 insulin nor the items were physically exists. Further other items were not lying in the main store of CH Serai Nourang.

Loss was occurred due to non-compliance of rules which leads to violation of rules.

The irregularity was pointed out to the management in February 2017, management did not respond to Audit observation. Request for convening DAC meeting was made on 24.02.2017, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. 69 (2015-16)

1.3.2.5 Loss due to non-recovery of penalty - Rs 2.255 million

Government of KPK LG & RDD Local Council Board letter No. AO-II/LCB/6-11/2013 dated: 01.06.2015 vide Serial No 6, stated that the contractor is bound to deposit the monthly installment up to end of each month. If the contractor fails to deposit the monthly installments with in stipulated period of time, then 2% per days will be charged as penalty on amount of installment.”

TMO, Serai Nourang awarded different contracts to contractors during 2015-16. According to condition contractors are bound to deposit monthly installments up to end of each month. However the contractors failed to deposit the amount of monthly installments with in stipulated period of time. As per condition of the agreement TMA was required to penalize the contractor @ 2% per day which action was not taken, and the TMA was put to loss of Rs 2,255,278.

Loss was occurred due to non-compliance of rules.

The irregularity was pointed out to the management in February 2017, management did not respond to Audit observation. Request for convening DAC meeting was made on 24.02.2017, 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. 73 (2015-16)

1.3.2.6 Overpayment on account of inadmissible quantities / rates – Rs 1.796 million

Para 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

TMO, Serai Nourang overpaid Rs 1,796,470 to contractor against different items of work in excess of approved quantities / rates during 2015-16.

Overpayment was occurred due to non-compliance of rules.

The irregularity was pointed out to the management in February 2017, management did not respond to Audit observation. Request for convening DAC meeting was made on 24.02.2017, 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. 78 (2015-16)

1.3.2.7 Non-realization of water charges Rs 1.546 million

Para 26 & 28 of GFR Vol-I stipulates that controller officer is required to ensure that all sums due to government are regularly and promptly assessed regularized and duly credited in the government account and that no amount due to government should be left out standing without sufficient reasons.

TMO, Serai Nourang did not recover water charges of Rs 1,546,200 outstanding against 859 number water consumers during 2015-16.

Non realization of water charges was occurred due to non-compliance of rules.

The irregularity was pointed out to the management in February 2017, Management did not respond to Audit observation. Request for convening DAC meeting was made on 24.02.2017, 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. 79 (2015-16)

1.3.2.8 Less recovery of departmental dues – Rs 0.778 million

Para 8 and 26 of GFR Vol-I states that each administrative department to see that the dues of the government are correctly and promptly assessed collected and paid into government treasury.

TMO, Serai Nourang did not recover tax / rent outstanding against various contractors of sale by auction as per detail given below during 2015-16.

Sr. No.	Description of Tax	Outstanding
1	Larry Adda Serai Nourang	570,000
2	Larry Adda Gambilla	50,500
3	Tehbazari	37,000
4	Rent of shops	120,048
	Total	777,548

Non recovery of departmental dues was occurred due to non-compliance of rules.

The irregularity was pointed out to the management in February 2017, management did not respond to Audit observation. Request for convening DAC meeting was made on 24.02.2017, 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. 71 (2015-16)

ANNEXURE

Annexure-1

Detail of MFDAC Paras

(Rs in millions)

Sr. No.	AIR Para No.	Name of office	Caption	Amount
1.	55	TMA Lakki Marwat	Irregular payment	41.582
2.	56		Loss to Government	1.625
3.	57		Wastage of Funds	4.793
4.	61		Irregular award of contract	0.167
5.	64		Irregular Expenditure	28.011
6.	65		Irregular expenditure	0.702
7.	66		Irregular expenditure	0.748
8.	67		Loss to TMA	0.339
9.	68		Non Deposit of Tax	0.494
10.	70		TMA Serai Nourang	Non forfeiture of call deposit
11.	74	Loss to TMA		1.0140
12.	75	Non Recovery		84.04
13.	76	Unauthorize execution of work		18.600
14.	77	Irregular work		3.200
15.	80	Irregular expenditure		0.691
16.	81	Non Credit of Revenue		0.924
17.	82	Irregular expenditure		5.965
18.	83	Irregular expenditure		0.420
19.	84	Non conduction of stock		0.000
20.	85	Irregular expenditure		2.529
21.	86	Irregular expenditure		0.745
22.	87	Non adj;of Advances		0.270
23.	88	Unauthorize payment		0.256
24.	90	Irregular payment		0.116
25.	91	Irregular payment		0.510
26.	92	Irregular payment		0.155
27.	93	Less deduction of I.tax	0.398	