



**AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS
IN DISTRICT HANGU
KHYBER PAKHTUNKHWA
AUDIT YEAR 2016-17**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AA	Administrative Approval
ADP	Annual Development Programme
AIR	Audit Inspection Report
BOQ	Bill of Quantity
BOT	Build Operate and Transfer
BTR	Black Top Road
CMD	Chief Minister Directives
CPWD	Central Public Works Department
DAC	Departmental Accounts Committee
DDC	District Development Committee
DDO	Drawing and Disbursing Officer
GFR	General Financial Rules
LCB	Local Council Board
LGA	Local Government Act
MFDAC	Memorandum for Departmental Accounts Committee
NIT	Notice Inviting Tender
NOC	No Objection Certificate
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PC-1	Planning Commission-1
RDA	Regional Directorate of Audit
S/F	Supply and Fixing
TAC	Tehsil Accounts Committee
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TO	Tehsil Officer
TOI	Tehsil Officer Infrastructure
TS	Technical Sanction
UC	Union Council

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 Hangu 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 in the light of written replies of the departments. However, in some observations, department did not submit written replies. 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 Peshawar, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of District Governments, TMAs and VCs/NCs of three Districts i.e. Kohat, Karak and Hangu respectively.

The Regional Directorate of Audit Kohat has a human resource of 07 officers and staff with a total of 1953 mandays. The annual budget amounting to Rs 10.650 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 the District Hangu 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 Administration for which Annual Budget Statement is authorized by the Tehsil Council in the form of budgetary grants.

a. Scope of Audit

The total expenditure of Tehsil Municipal Administrations in District Hangu, for the Financial Year 2015-16 was Rs 378.656 million. Out of this, RDA Kohat audited an expenditure of Rs 302.924 million which, in terms of percentage, was 80% of auditable expenditure.

The total of receipts of Tehsil Municipal Administrations in District Hangu for the Financial Year 2015-16 was Rs 50.546 million. Out of this, RDA Kohat audited receipts of Rs 40.437 million which, in terms of percentage, was 80% of auditable receipts.

The total expenditure and receipts of Tehsil Municipal Administrations in District Hangu, for the Financial Year 2015-16 was Rs 429.202 million. Out of this RDA Kohat audited transactions of Rs 343.361 million which, in terms of percentage, was 80% of auditable amount.

b. Recoveries at the instance of audit

Recovery of Rs 25.734 million was pointed out during the audit. However, no recovery was effected till finalization of this report. Out of the total recoveries, Rs 12.325 million was not in the notice of the executive before audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of TMAs, District Hangu 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, and 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 to the management. **Cases related to weak internal control were also pointed out to which management has been sensitized. In certain cases, the 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. Irregularities and non-compliance were noticed in seven cases amounting to Rs 39.36 million.¹
- ii. Internal controls weaknesses were noticed in seven cases amounting to Rs 172.915 million².

g. Recommendations

- i. Inquiries on urgent basis to be initiated against the responsible officers and officials.
- ii. All sectors of TMAs need to strengthen internal controls i.e. financial, operational and administrative controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.

¹ Paras No: 1.2.1.1, 1.2.1.2, 1.3.1.1, 1.3.1.2, 1.3.1.3, 1.3.1.4 & 1.3.1.5

² Paras No: 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4, 1.3.2.1, 1.3.2.2, & 1.3.2.3

SUMMARY TABLES AND CHARTS

I: Audit Work Statistics

(Rs in million)

S. No	Description	No.	Budget
1	Total Entities in (PAO) in Audit Jurisdiction	02	429.202
2	Total formations in audit jurisdiction	02	429.202
3	Total Entities in (PAO) Audited	02	343.361
4	Total formations Audited	02	343.361
5	Audit and Inspection Reports	02	343.361
6	Special Audit Reports	--	--
7	Performance Audit Reports	--	--
8	Other Reports (relating to TMA)	--	--

II: Audit observations classified by categories

(Rs in million)

S. No	Description	Amount placed under Audit Observation
1	Unsound asset management	--
2	Weak financial management	39.36
3	Weak Internal controls relating to financial management	147.181
4	Others	25.734
Total		212.275

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

S. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	Others	Total for the year 2015-16	Total for the year 2014-15
1	Outlays Audited	-	213.086	40.437	89.838	343.361	554.655
2	Amount Placed under Audit Observation /Irregularities of Audit	-	196.471	15.804	-	212.275	367.648
3	Recoveries Pointed Out at the instance of Audit	-	9.93	15.804	-	25.734	34.131
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 two 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: Table of 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	39.36
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	--
3	Accounting Errors(accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	--
4	Quantification of weaknesses of internal control systems.	147.181
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies.	--
6	Non production of record	--
7	Others, including cases of accidents, negligence etc.	25.734
Total		212.275

V: Cost- Benefit**(Rs in million)**

S.No	Description	Amount (Rs in million)
1	Outlay Audited	343.361
2	Expenditure on Audit	0.100
3	Recoveries realized at the instance of Audit	-
4	Cost -Benefit Ratio	1:0

CHAPTER-1

1.1 Tehsil Municipal Administrations, District Hangu

1.1.1 Introduction

District Hangu has two Tehsils i.e. Hangu and Thall. Each Tehsil office is managed by a Tehsil Municipal Officers. Each Tehsil has Tehsil Municipal Officers, Tehsil Officers (Finance), Tehsil Officers (Infrastructure) and Tehsil Officers (Regulation). The functions and powers of Tehsil Municipal Administration shall be to;

- Monitor and supervise the performance of functionaries of Government offices located in the Tehsil and prepare spatial plans for the Tehsil including plans for land use and zoning and disseminate these plans for public enquiry;
- Execute and manage development plans for improvement of municipal services and infrastructure;
- Exercise control over land-use, land-subdivision, land development and enforce municipal laws, rules and bye-laws and prevent and remove encroachments;
- Regulate affixing of sign-boards and advertisements;
- Prepare budget, long term and annual municipal development programmes;
- Collect taxes, fines and penalties and organize sports, cultural, recreational events, fairs and shows; organize cattle fairs and cattle markets, co-ordinate and support municipal functions amongst village and neighborhood councils;
- 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 Hangu for the year 2015-16 as is under:

(Rs in million)

2015-16	Budget	Expenditure	Excess (+) / Saving (-)	% age
Salary	90.184	86.974	-3.21	3.56
Non-salary	41.038	25.325	-15.713	38.29
Developmental	579.737	266.357	-313.38	54.05
Total	710.959	378.656	-332.303	46.74

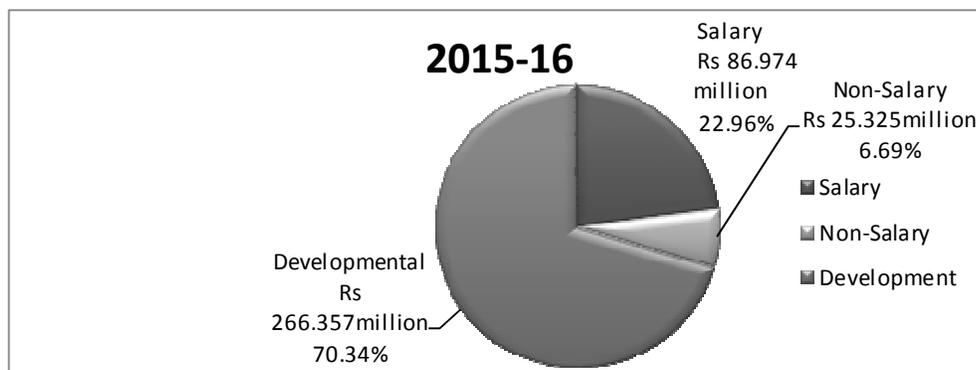
(Rs in million)

2015-16	Budgeted Receipts	Realization from own sources	Total
Receipts	50.546	50.546	710.959

The savings of Rs 332.303 million indicates weakness in the capacity of these local institutions to utilize the allocated budget.

EXPENDITURE 2015-16

(Rs in million)



1.1.3 Comments on the status of compliance with PAC Directives

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

TEHSIL MUNICIPAL ADMINISTRATION HANGU

1.2 Tehsil Municipal Administration Hangu

1.2.1 Irregularity & Non- Compliance

1.2.1.1 Irregular expenditure without PC-1, AA, MB and TS-Rs 1.397 million

According to Para 10.1 of P&D Guidelines 2015 of Khyber Pakhtunkhwa TMO shall issue AA through tehsil development committee after the approval of the projects by the respective committees. According to Khyber Pakhtunkhwa Public Procurement Regulatory Authority Rules 2014 (Rule 1 of chapter II) “methods of procurement of goods” the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods & services over the value of Rs 100,000.

TMO, Hangu paid Rs 1,397,968 to various contractors/department employees on account of various works executed during the year 2014-15. Following irregularities were noticed:

- i. The works contracts were awarded and expenditure was incurred without Administrative Approval, Technical Sanction and PC-I.
- ii. Expenditure was incurred without making entries in measurement book.
- iii. Open tender system was not adopted to obtain economical rates.

Irregular expenditure occurred due to weak internal control which resulted into non-compliance of Government rules.

The irregularity was pointed out to the management in January 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in January 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends regularization of the expenditure and action against the person(s) at fault. **AIR Para No.82 (2015-16)**

1.2.1.2 Blockage of Government money due to unauthorized award of work and non-execution of work-Rs 1.00 million

According clause 4 of the agreement the contractor could not sublet the work to other contractor. According to Clause 5 of the agreement, in case of work not executed or left incomplete the TMA Hangu would either execute the work departmentally or through another contractor. In both cases the cost of the work would be paid by the contractor. In case of nonpayment, the cost would be recovered from his assets.

TMO, Hangu awarded work “payment of street/drain at different area in Anar China” to Government contractor for estimated cost of Rs 1,000,000 vide work order No. 42 dated 20-03-2015. The following irregularities were noticed;

- i. The work order was issued on 20-03-2015 prior to the approval of comparative statement, which was approved on 14-04-2015
- ii. The successful contractor “M/s Naimat Ullah” was allowed to take participation in bidding on behalf of the Government enlisted contractor “M/s Habib Ullah” on power of attorney.
- iii. As per NIT the work was required to be completed within 6 months i.e. upto 19-09-2015 but the work was not executed till date of audit in January, 2017. No action was taken by the department as per above criteria.
- iv. As per TMA Hangu letter No. 8638-42 dated 04-01-2017 the work was further subletted to M/s Irshad and later on to Mr. Karamat Ullah who was also the beneficiary of the scheme.

Unauthorized award of work and blockage of Government money occurred due to weak internal control.

The irregularity was pointed out to the management in January 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in January 2017, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No.94 (2015-16)

1.2.2 Internal Control Weaknesses

1.2.2.1 Non Utilization of Developmental Funds–Rs 102.431 Million

According to Para 7.6 of P&D Guidelines 2015 of Khyber Pakhtunkhwa for utilization of District/Tehsil ADP, the development projects may be completed within the stipulated timeframe.

According to rule 34(1) of Tehsil Municipal Administration budget rules 2016, the development projects shall be completed within the stipulated time period.

TMO, Hangu received Tehsil ADP fund for Rs 102,431,857 during 2015-16. The first quarterly release for Rs 25.618 million was made on 16-10-2015 vide Finance department letter No. FD/BO (PFC-II)/3-3/ADP/14-15. The developmental schemes were approved in DDC meeting held on 22-2-2016 whereas administrative approval was accorded on 05-04-2016. Neither the advertisement of the approved schemes was made nor works were executed till the date of audit in January, 2017.

Non utilization of funds occurred due to negligence, weak financial control and ill planning, which deprived the public of the timely benefit of the funds.

The irregularity was pointed out to the management in January 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in January 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends timely utilization of developmental funds in current year besides action against the person(s) at fault.

AIR Para No.90 (2015-16)

1.2.2.2 Non-recovery of outstanding government dues-Rs 13.409 million

According to rule 45.3 of local government act 2013 chapter-X (Local Government Taxation), all arrears of taxes, rents and other moneys claimable by a local government under this Act shall be recoverable as arrears of land revenue.

According to rule 51(1) of Tehsil Municipal Administration budget rules 2016, the primary obligation of the TO (Regulation) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under the proper Receipt head.

TMO, Hangu persistently failed to recover long outstanding water user charges from the user of water supply schemes. The amount accumulated upto 30th June, 2016 was Rs 13,409,560 as per following details.

S.No	Period	Connections (Domestic)	Total Amount outstanding (Rs)
01	2015-16	1080 connections @ Rs 150 PM * 12	1,944,000
02	Previous Years Outstanding	1080 connections @ Rs 150 PM	11,555,200
03	Less: Recovery in 2014-15	--	(90,160)
Total			13,409,560

Non recovery of outstanding water charges occurred due to weak internal control, which resulted in loss to Government.

The irregularity was pointed out to the management in January 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in January 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.81 (2015-16)

1.2.2.3 Non imposition of penalty due to non-completion of developmental schemes-Rs 2.13 million

As per condition 6 of the work order forms dated 07-01-2015 the time allowed for the completion of work was 06 months.

According to Clause 6 of the work order and Clause 2 of the Contract Agreement, penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

TMO, Hangu awarded developmental works to various contractors worth Rs 21,300,000 under special package, gas royalty and CMD during 2013-14 and 2014-15. As per work orders all works were required to be completed within six months from the date of commencement of the work which were not completed till the date of audit in January 2017. The department failed to impose and collect penalty @ 10% of the estimated cost amounting to Rs 2,130,000 from the contractor for delay in completion of work. (Detail given at annexure-2)

Non imposition of penalty occurred due to weak internal control, which resulted in loss to Government.

The irregularity was pointed out to the management in January 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in January 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.88 (2015-16)

1.2.2.4 Loss to government due to delay in completion of shopping plaza-Rs 1.395 million

According to the Agreement deed for construction of Municipal Shopping Plaza the investor was required to complete the construction of shopping plaza within one year i.e. up to 30-06-2014.

According to rule 51(1) of Tehsil Municipal Administration budget rules 2016, the primary obligation of the TO (Regulation) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under the proper receipt head.

TMO, Hangu awarded the construction of shopping plaza comprising of 57 Shops and 24 Flats to an investor on BOT basis during the year 2012-13. The approval was given by LCB vide letter No.3360-65/ MC (H) dated 29-05-2013 and the investor was required to complete the shopping plaza within one year that is up to 30-06-2014. Six months extension was granted but the investor failed to complete the work in stipulated time period and caused a loss of Rs 1,395,000 during 2015-16 in the shape of rent of shops and flats depriving the TMA which needs to be recovered from the investor concerned. (Detail given at annexure-3)

Non completion of Municipal Administration's shopping plaza and non-recovery of taxes occurred due to weak internal controls which resulted into loss to the government.

The irregularity was pointed out to the management in January 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in January 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.86 (2015-16)

TEHSIL MUNICIPAL ADMINISTRATION THALL

1.3 Tehsil Municipal Administration Thall

1.3.1 Irregularity & Non Compliance

1.3.1.1 Unauthorized award of works due to non-transparent tendering process-Rs 20.403 million

According to procurement planning chapter V (Miscellaneous Provisions) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 2014, 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.

TMO, Thall incurred expenditure of Rs 19,202,039 on various works against estimated cost of Rs 20,403,001 during 2015-16. (Detail is given at annexure-4)

The following audit observations were noticed in tender process:

- i. The tender forms of all the bidders were submitted on photo copy.
- ii. The tender forms of all the bidders were not signed by TMO.
- iii. The BOQ and Abstract of cost were not signed by TOI.
- iv. All the three participants sent their bid documents through couriers from the same station on the same date having serial numbers in sequence.
- v. Call deposits of all the three participants were not available on record.
- vi. The tender forms and BOQs of all the three participants were filled with same pen and same hand writing.

Audit observed that non transparent award of work occurred due to weak administrative and financial control, which resulted in violation of Government rules.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in February

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.108 (2015-16)

1.3.1.2 Unauthorized payment without competitive rates and deviation from PC-1/AA/BOQ-Rs 8.626 million

According to Para 56 of CPWD Code, if subsequent to the grant of technical sanction, material structural alterations are contemplated, orders of the original sanctioning authority should be obtained, even though no additional expenditure may be involved by the alterations.

TMO, Thall paid Rs 8,626,695 for items of works in various schemes during 2015-16. In all schemes the item of work “Dense graded hot bituminous 2” thick” was approved in PC-1 and the rates were accepted in bidding. Whereas, low quality of item i.e. “Dense graded hot bituminous 1.5” or 1” thick was executed without obtaining economical/competitive rates through bidding. The executed item was not approved in original PC-1. The quality of work was compromised; as a result structural change was made without obtaining approval of the original sanctioning authority. (Detail is given at annexure-5).

Unauthorized execution of items of works occurred due to non compliance of rules which resulted in irregular expenditure.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in February 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.111 (2015-16)

1.3.1.3 Unauthorized award of works due to non-transparent tendering process-Rs 4.130 million

According to procurement planning chapter V (Miscellaneous Provisions) of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 2014, 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.

TMO, Thal incurred expenditure of Rs 3,096,495 in the work “Construction of BTR Gandeeri UC Dalan” against the estimated cost for Rs 4,130,000 during 2015-16. The following audit observations were noticed:

- i. The lowest rate offered by Mr. Gohar Niaz for Rs 2,890,998 was accepted but the work order was issued to the second lowest bidder Mr. Jasim having bid cost for Rs 3,096,495 without mentioning any reason and without any action taken against the first lowest bidder.
- ii. The tender forms of all the bidders were not signed by TMO
- iii. The BOQ of all the three bidders were not signed by TOI
- iv. Rates were not quoted on tender forms

Audit observed that non transparent award of work occurred due to weak administrative and financial control, which resulted in violation of Government rules.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in February 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.110 (2015-16)

1.3.1.4 Un-authorized execution excess quantities of work from Administrative Approval /BOQ-Rs. 2.681 million

According to Para 56 of CPWD Code, if subsequent to the grant of technical sanction, material structural alterations are contemplated, orders of the original sanctioning authority should be obtained, even though no additional expenditure may be involved by the alterations

TMO, Thall, paid Rs 2,681,852 to contractor during 2015-16 for the item of work "RR Masonry" in the work "Construction of BTR from Tablighi Markaz to Thall Road" to contractor during 2015-16. The quantities executed were over and above to the approved quantities in PC-I/BOQ and AA. The execution and payment of extra quantities were made at the cost of reducing quantities of other items of work dully approved in PC-1/BOQ and AA. The expenditure of Rs 2,681,852 was therefore held unauthorized and illegal.

S#	Item executed	Quantity as per PC-I/AA/BOQ	Quantity executed	Difference	Rate Rs/m ³	Amount (Rs)
1.	RR Masonry	3.45 m ³	438.11 m ³	434.66 m ³	6,170	2,681,852

The execution of the above items of work over and above the estimated quantities was made at the cost of reducing quantities of the following items of work dully approved. As a result structural change in the work was made.

S#	Item executed	Quantity as per PC-I/AA/BOQ (m ³)	Quantity executed (m ³)	Difference (m ³)	Rate Rs/m ³	Amount (Rs)
1.	Formation of embankment	439.83	191.10	248.73	828.72	206,128
2.	Granular sub base course	547.68	276.04	271.64	1522	413,436
3.	WBM	505.55	188.56	316.99	1479.59	469,015
4	Dense graded hot bitumen	3318.96	172.86	3146.1	509.92	1,604,259
TOTAL						2,692,838

Irregular expenditure occurred due to weak administrative and financial control, which resulted in violation of Government rules.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in February 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.106 (2015-16)

1.3.1.5 Unauthorized advance payment to contractors on fake measurement-Rs 1.123 million

According to Para 209 (d) of CPWA Code, it is incumbent upon the person, responsible for measurement in the measurement book to record the correct and actual figures.

TMO, Thall paid excess quantities of various items of works in the running bills by recording fake entries in MBs during 2015-16, whereas, in the final bills the quantities were reduced. As a result the contractors were benefited for Rs 1,123,571. (Detail given at annexure-6)

Unauthorized advance payment occurred due to weak administrative and financial control, which resulted in violation of Government rules.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in February 2017, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No.107 (2015-16)

1.3.2 Internal Control Weaknesses

1.3.2.1 Non Utilization of Developmental Funds–Rs 44.750 Million

According to Para 7.6 of P & D Guidelines 2015 of Khyber Pakhtunkhwa for utilization of District/Tehsil ADP, the development projects may be completed within the stipulated timeframe.

According to rule 34(1) of Tehsil Municipal Administration budget rules 2016, the development projects shall be completed within the stipulated time period.

TMO, Thall received Tehsil ADP fund for Rs 44.750 million during 2015-16. The first quarterly release for Rs 22.375 million was made on 16-10-2015. However the approved works were not executed till the date of audit in January, 2017.

Non utilization of funds occurred due to negligence, weak financial control and ill planning, which deprived the public of the timely benefit of the funds.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in February 2017, however meeting of DAC could not be convened till finalization of this report.

Audit suggests timely utilization of developmental funds in current year besides action against the person(s) at fault.

AIR Para No.99 (2015-16)

1.3.2.2 Non imposition of penalty due to non completion of developmental schemes-Rs 7.80 million

As per condition 06 of the work order forms dated 07-01-2015 the time allowed for the completion of work was 06 months. According to Clause 6 of the work order and Clause 2 of the Contract Agreement, penalty of 1% per day and

up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

TMO, Thall, awarded developmental works to various contractors worth Rs 78,027,000 under special package, gas royalty and CMD during 2013-14 and 2015-16. As per work orders all the works were required to be completed within 06 months from the date of commencement of the work which were not completed within the stipulated time period i.e till the date of audit and the department failed to impose and collect penalty @ 10% of the estimated cost amounting to Rs 7,802,700 from the contractor for delay in completion of work. (Detail given at annexure-7)

Non imposition of penalty occurred due to weak internal control, which resulted in loss to Government.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in February 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.98 (2015-16)

1.3.2.3 Loss Due to Less Realization of Revenue-Rs 1.00 Million

According to rule 51(1) of Tehsil Municipal Administration budget rules 2016, the primary obligation of the TO (Regulation) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under the proper receipt head.

According to the instruction issued to all TMOs vide letter No.AO-II/LCB/6-11/2014 dated 13-03-2014 a maximum increase not less than 25% overall in the existing revenue was required to be ensured by creating environment for competition.

TMO, Thall awarded the following contracts for the year 2015-16 without calculating 25% increase over the last year approved bid and thus the TMA funds sustained a loss of Rs 992,395 as per detail given below.

S. No	Name of Contract	Auction Value (Rs) for 2014-15	Auction Value (Rs) for 2015-16	Required (Rs)	Total Difference (Rs)
01	Entry fee	6,279,770	62,29,340	7,221,735	992,395

Less realization of revenue receipts occurred due to weak internal controls which resulted into loss to the government.

The irregularity was pointed out to the management in February 2017, management stated that reply will be submitted after scrutiny of record, but reply was not submitted. Request for convening DAC meeting was made in February 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery of water charges beside action against the person(s) at fault.

AIR Para No.100 (2015-16)

ANNEXURES

Annexure-1

Statement showing detail of MFDAC Paras

(Rs in million)

S.No	AIR Para No	Caption	Amount
TMA HANGU			
01	83	Non-recovery of receipts from contractor	0.742
02	84	Wasteful expenditure on account of Consultancy charges out of 30% District ADP	0.864
03	87	Overpayment due to allowing location cost factor	0.042
04	89	Overpayment to the contractor by allowing higher rate	0.258
05	91	Wasteful expenditure on account of hiring laborers from market on account of sanitation	0.180
06	92	Unjustified Expenditure on account of Hiring Private Car on Rent basis	0.247
TMA THALL			
07	102	Overpayment due to non deduction of 11% voids	0.289
08	103	Non recovery of stamp duty	0.062
09	104	Non/Less recovery of professional tax from contractors	0.072

Annexure-2
(Para No.1.2.2.3)

Detail of non-imposition of penalty

S.No	Name of Scheme	Estimated Cost (M)	Expenditure up to January 2017 (M)	10% Penalty for late completion (Rs)
Special packages 2013-14				
01	pavement of street & drain at Bilyamina	0.3	0.22	30,000
02	pavement of street & drain at Anarchina	1.0	0	100,000
03	pavement of street & drain at Sangairh	0.5	0.197	50,000
04	pavement of street & drain at Samiuddin Gulbagh	0.3	0.232	30,000
Gas Royalty 2013-14				
5	Const: of drain at kach Banda	2.0	1.00	200,000
6	Cons: of water tank at Alwar Mela	7.0	6.61	700,000
7	WSS Bakaro Banda	8.0	7.58	800,000
CMD 2014-15				
8	Const: of Kahi Qumi Janazagah	2.2	2.08	220,000
Total		21.300		2,130,000

Annexure-3
(Para No.1.2.2.4)

Detail of loss to Government due to delay in completion of commercial Plaza

Shops/Flats	Nos	Flats	Monthly proposed rates of Rent (Rs)	Total Annual Rent (Rs)	TMA Share In Rent 50% (Rs)
Basement	19	-	1,500	378,000	189,000
Ground floor	19	-	3,000	756,000	378,000
First floor	19	-	2,000	504,000	252,000
Flats	24		4,000	1,152,000	576,000
Total Loss					1,395,000

Annexure-4
(Para No.1.3.1.1)

Detail of awarding unauthorized award of work

Name of work	Contractor	Estimated cost (Rs)	Expenditure (Rs)	Courier/S.No of bids
Const: BTR Tablighi Markaz to Thall Road		5,803,001	5,803,001	TCS/ 7122889 7122890 7122891
Inst: of 12 HPs at UC Naryab-1	Arshad Khan	1385000	1361600	TCS/ 7122898 7122899 7122900
Cosnt: main drain with PCC at UC Naryab-1		1620,000	1,382,079	Leopard 23980652 23980653 23980654
Const: BTR Haji Zawar Khan to Kaka Talab	Habib Ur Rehman	5,860,000	4,920,359	OCS/ 143110245314 143110245315 143110245316
Const: BTR main chapari waziran to madrassa at chapari waziran		5,735,000	5,735,000	TCS/ 7122910 7122911 7122912
Total		20,403,001	19,202,039	

Annexure-5
(Para No.1.3.1.2)

Detail of unauthorized payment without competitive rates

Name of work	Item of work required to be executed	Item of work executed without bidding	Rate (Rs/ m²)	Quantity	Amount (Rs)
BTR from Eid Gah to Pongi Banda	Dense graded hot bituminous 2" thick	Dense graded hot bituminous 1.5" thick	509.93	3560.96 m ²	1,815,840
BTR Gandeeri at Dalan	Dense graded hot bituminous 2" thick	Dense graded hot bituminous 1.5" thick	509.93	2627.78 m ²	1,339,983
BTR from Zawar Khan house to Kaka Talab	Dense graded hot bituminous 2" thick	Dense graded hot bituminous 1" thick	337.38	3888.1 m ²	1,311,767
BTR from GMS to Noor Rahman House Chapari Karbogha	Dense graded hot bituminous 2" thick	Dense graded hot bituminous 1.5" thick	509.02	2681.04 m ²	1,364,702
BTR main Chapari Waziran road	Dense graded hot bituminous 2" thick	Dense graded hot bituminous 1.5" thick	509.93	3196.28 m ²	1,629,879
-do-	Not in BOQ	PCC 1:3:6	6093	191.1 m ³	1,164,524
Total					8,626,695

Annexure-6
(Para No.1.3.1.5)

Detail of advance payment

Work	Item	Qty paid in running bill (m³)	Qty paid in final bill (m³)	Difference (m³)	Rate Rs/m³	Advance payment (Rs)
BTR main Chpari Waziran	Formation of embankment	1402.62	933.20	469.42	828.72	389,018
	Dense graded	3122.67 (2" @ Rs 674.76 = Rs2,107,052)	3196.28 (1.5" @ Rs509.93 = Rs1,629,879)			477,172
BTR Ganderi Dallan	Formation of embankment	624.29	254.81	369.48	621.54	229,647
	Granular Sub Base	460.07	435.78	24.29	1141.79	27,734
Total						1,123,571

Annexure-7
(Para No.1.3.2.2)

Detail of non-imposition of penalty

S.No.	Name of work	Estimated cost (Rs)	Penalty (Rs)
1	PCC Road at thall rural and urban	3,000,000	300,000
2	WSS at thall rural and urban	1,000,000	100,000
3	PCC road at UC Thora Warai	1,000,000	100,000
4	PCC road at UC Dalan	3,000,000	300,000
5	PCC road at UC Karbogha	1,000,000	100,000
6	WSS at Duaba	2,000,000	200,000
7	Const: of road to sara kanri	2,500,000	250,000
8	PCC road at UC Tora Warai	3,000,000	300,000
9	Repair of Tora Warai main road	10,000,000	1,000,000
10	Const: of BTR from Thall road to Sarki Banda	5,779,000	577,900
11	Const: of BTR Chapari Karbogha	2,532,000	253,200
12	Const: of BTR from Zawar Khan house to Kaka Talab(3773-6273)	5,860,000	586,000
13	Const: of BTR from Zawar Khan house to Kaka Talab(3774-10374)	5,860,000	586,000
14	Const: of BTR from Zawar Khan house to Kaka Talab(11276-13376)	5,860,000	586,000
15	Const: of BTR from Zawar Khan house to Kaka Talab(8775-11275)	5,860,000	586,000
16	Const: of BTR Gandari Dallen	4,130,000	413,000
17	Const: of BTR from Tablighi markaz to Thall road	5,824,000	582,400
18	Pavement of street UC Doaba	5,450,000	545,000

19	Const: of main drain at Daoaba	2,408,000	240,800
20	Pavement of street at UC Naryab	1,964,000	196,400
Total		78,027,000	7,802,700