



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

KHYBER PAKHTUNKHWA

AUDIT YEAR 2017-18

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AA	Administrative Approval
AIR	Audit Inspection Report
ADP	Annual Development Plan
AOM&R	Annual Ordinary Maintenance and Repair
BDA	Bannu Development Authority
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
IPSAS	International Public Sector Accounting Standards
LGA	Local Government Act
MFDAC	Memorandum for Departmental Accounts Committee
NIT	Notice Inviting Tender
PAO	Principal Accounting Officer
PC-I	Planning Commission One
PCC	Plain Cement Concrete
PHE	Public Health Engineering
RCC	Reinforced Concrete Cement
RDA	Regional Directorate of Audit
TAC	Tehsil Accounts Committee
TS	Technical Sanction

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 Bannu for the financial year 2016-17. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit on test check basis during 2017-18 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 appropriate legislative 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.

The observations included in this Report have been finalized without written replies of the TMAs. 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 Directorate General Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, a Field Audit Office of the Auditor General of Pakistan is responsible to carry out the audit of all District Governments in Khyber Pakhtunkhwa, Municipal Corporations, Municipal Committees and Union Councils. Its Regional Directorate of Audit Bannu has audit jurisdiction of District Governments, TMAs, and UAs of Bannu i.e. Bannu and Domel.

This Regional Directorate has a human resource of 5 officers and staff with a total of 1250 man-days. The annual budget amounting to Rs9.109 million was allocated to it during financial year 2017-18. The office is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programs/ projects.

Tehsil Municipal Administrations in District Bannu i.e. Bannu & Domal perform their functions under Khyber Pakhtunkhwa Local Government Act 2013. Each TMA has one Principal Accounting Officer (PAO) as provided in Section 8 Sub Section (I) (P) of the Khyber Pakhtunkhwa Tehsil and Municipal Administration Rules of Business 2015. Financial provisions of the Act establish a Local Fund for each Tehsil and Town Administrations. Annual budget 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 Bann for the financial year 2016-17 was Rs 48.757 million. Out of this, RDA Bann audited an expenditure of Rs 24.379 million which, in terms of percentage, was 50 % of auditable expenditure.

The total of receipts of Tehsil Municipal Administrations in District Bann for the financial year 2016-17 were Rs 7.251 million. Out of this, RDA Bann audited receipts of Rs 7.251 million which, in terms of percentage, was 100% of auditable receipts.

The total of expenditure and receipts of Tehsil Municipal Administrations in District Bannu for the financial year 2016-17 were Rs 56.008 million. Out of this, RDA Bann audited transactions of Rs 31.630 million which, in term of percentage, was 56.47% of auditable amount.

b. Recoveries at the instance of audit

Recoveries of Rs 45.347million was pointed out during the audit. However, no recovery was affected till the finalization of this report. Out of the total recoveries, Rs 40.603 million was not in the notice of the executive before audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of TMAs, 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 **controls** 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 thus irregularities could not come to the light in the proper forum i.e. DAC and PAC.

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. Deficiencies were observed in the internal control system as depicted in audit findings.

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 AD LGE&RDD and VCs/NCs.

f. Key audit findings of the report

- i. Non production of record of Rs 0.000 million was noted in one case. ¹
- ii. Irregularities/non-compliance of Rs 286.686 million was noted in twenty three cases. ²

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. All sectors of TMAs need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.
- iv. Deduction of taxes on supplies and contracts need to be ensured.

¹Paras No 1.2.1.1

²Paras No 1.3.1.1 to 1.3.1.23

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S. No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	02	48.757
2	Total formations in audit jurisdiction	02	48.757
3	Total Entities (PAO) Audited	02	48.757
4	Total formations Audited	02	48.757
5	Audit & Inspection Reports	02	48.757
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	286.686
Total		286.686

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

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total For the years 2016-17	Total for the year 2015-16
1	Outlays Audited	2.934	13.186	7.251	8.259	31.630	890.210
2	Amount Placed under Audit Observations /Irregularities of Audit	2.934	44.749	50.012	188.991	286.686	225.287
3	Recoveries Pointed Out at the instance of Audi	-	-	29.427	15.920	45.347	49.553
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

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	286.686
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources	0
3	Accounting Errors (accounting policy departure from NAM misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	0
4	Quantification of weaknesses of internal control systems.	0
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	0
6	Non-production of record	0
7	Others, including cases of accidents, negligence etc.	0
Total		286.686

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

S #	Description	Amount
1	Outlays Audited (item 1 of Table 3)	31.630
2	Expenditure on audit	1.5
3	Recoveries realized at the instance of audit	0
	Cost-Benefit Ratio	1:0

CHAPTER 1

1.1 Tehsil Municipal Administrations in District Bannu

1.1.1 Introduction

District Bannu has two tehsils i.e. Bannu and Domel. Each Tehsil Municipal Administration is managed by a Tehsil Municipal Officer. Each tehsil Officer has its own Tehsil Officer (Finance), Tehsil Officer (Infrastructure) and Tehsil Officer (Regulation).

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

- (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;

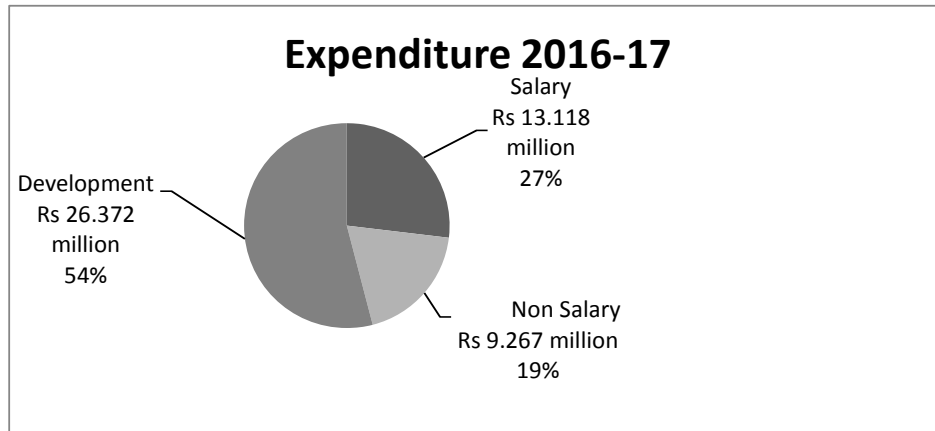
1.1.2 Comments on Budget and Expenditure (Variance Analysis)

The budget and expenditure position of Tehsil Municipal Administration (Domel) of District Bannu for the year 2016-17 is as under:

(Rs in million)

2016-17	Budget	Expenditure	Excess/ (Saving)	%age
Salary	13.118	13.118	0	0
Non-Salary	14.275	9.267	(5.008)	(35)
Developmental	51.989	26.372	(27.849)	(53.57)
Total	79.382	48.757	(32.857)	

2016-17	Budget Receipts	Actual Receipts	Variance	%age
Receipts	11.390	7.251	4.139	36.34%



1.1.3 Brief comments on the status of compliance with PAC/DAC Directives

The Audit Reports pertaining to Financial Years 2009-10 to 2015-16 on accounts of Tehsil Municipal Administration/Municipal Committees Bannu were prepared under Khyber Pakhtunkhwa Local Government Act, 2013 and submitted to Governor Khyber Pakhtunkhwa but have not yet been discussed in PAC. Provincial Assembly of Khyber Pakhtunkhwa vide letter No PA/KP/PAC/GEN. DISTT GOV/17/7935 dated 23.02.2017 has returned the Audit Reports with the remarks that the same may be examined by respective Accounts Committees of councils as provided under Khyber Pakhtunkhwa Local Government Act, 2013. Under the direction of the PAC the reports have been submitted to the District Nazim for placing before the District Accounts Committee constituted under LGA 2013.

Tehsil Municipal Administration Bannu

1.2 Audit Paras of Tehsil Municipal Administration Bannu

1.2.1 Non Production of Record

1.2.1.1 Non Production of Record

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, TMA Bannu did not produced record in support of expenditure incurred on Salaries, Non-Salaries, Development and auction files of receipts during 2016-17.

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

The irregularity was pointed out in January 2018, Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No. (2016-17)

Tehsil Municipal Administration Domel

1.3 Audit Paras Tehsil Municipal Administration Domel

1.3.1 Irregularity & Non compliance

1.3.1.1 Expenditure without pre-audit - R 48.757 million

According to Local Government Department Government of Khyber Pakhtunkhwa letter No.AO/LCB/4 (I) 06/ 2009-10 dated 4.9.2010 no payment shall be made by the local councils unless the bill is pre audit by the staff of Local Fund Audit Department. Furthermore, according to Section (36) Clause (b) (e) of the Khyber Pakhtunkhwa Local Government Act, 2013, the Tehsil Accountant Officer shall perform pre-Audit of all payments in the Local Councils before approving the disbursement of money.

TMO, TMA Domel spent Rs 48,756,557 on account of salaries / non salaries and developmental works during 2016-17 without pre audit from local fund audit.

Expenditure without pre-audit occurred due to non-compliance of rules which resulted in to violation of rules.

The irregularity was pointed out in February 2018, Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 19 (2016-17)

1.3.1.2 Irregular expenditure without SOAE and Non-compliance with Local Government Act 2013, Rules of Business 2015 & Budget Rules 2016 –Rs 46.524 million

According to Section (50) of Budget Rule 2016, the TO (Finance) shall prepare a schedule of authorized expenditure, which was authenticated by the Nazim of Tehsil Council (TMA). According to section 37(4) of LGA 2013, every Nazim, district council and tehsil council shall appoint an Internal Auditor. According to section 39 of LGA 2013, every Nazim shall, once in every year on a date fixed by him, take physical stock of movable and immovable properties. According to clause 1 (e) of section 23 of LGA 2013, Nazim will prepare and present report on the performance of municipal administration in tehsil council at least twice a year. According to schedule-I of Rules of Business 2015, Finance section shall prepare financial statements. According to section (4) of Budget Rule 2016, the TO (Finance) shall develop fiscal forecasts for 3 years. {See Rule 3 (2)} As per instructions / requirements laid down in Schedule 1 of the Khyber Pakhtunkhwa Tehsil and Town Municipal Administration Rules of Business 2015 the Finance Office shall “prepare financial statement and present them for internal and external audit”. 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.

TMO, TMA Domel spent Rs 46,524,342 on current as well as developmental expenditure without preparing / authenticating Schedule of Authorized Expenditure for the year 2016-17. Audit further observed that:-

1. Internal Auditor has not been appointed.
2. Performance report has not been prepared.
3. Financial Statement has not been prepared for internal and external audit.
4. The 03 years fiscal forecast has not been prepared.
5. Annual accounts were not prepared.
6. The annual stock verification, report of moveable, immoveable property/stock has not been prepared for submission to local council.

Irregular expenditure without SOAE occurred due to non-compliance of rules which resulted in to violations of rules.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 11, 13 & 38 (2016-17)

1.3.1.3 Non conduct of Post audit of PLA Funds – Rs 40.675 million

Serial No 3 Accountant General Khyber Pakhtunkhwa letter No. T-015 (235) AA/TMAs/2015-16/2971 dated 30.12.2015 provides that the TMOs will submit month accounts of expenditure with copies of paid vouchers to their concerned DAOs by 15th of the each month for carry out 100% Post audit.

TMO, TMA spent Rs 40,675,032 out of PLA on account of developmental expenditure during 2016-17. TMO failed to produce record to District Accounts Office Bannu for post audit.

None conducting of post Audit occurred due to non-compliance of rules which resulted in to violations of rules.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 25 (2016-17)

1.3.1.4 Irregular execution of developmental scheme without approval of tehsil council and non-utilization of funds – Rs 35.799 million

According to Para 2 of Administration Approval issued vide 376 /TMA-Domel/Bannu dated: 29.05.2017 stated that the schemes shall be completed during the current financial year 2016-17. Section 31 (1) & (2) of Government of Khyber Pakhtunkhwa Local Government TMA Budget Rules 2016 stated that, the ADP shall be a compilation of the development projects including the communities and public private partnership projects, approved by the Tehsil Council. Further the Annual Development Program shall be submitted as part of the budget documents. Serial No 7.1 of P&D Guide lines for devolved tiers of Local Government under LGA 2013 stated that the Annual Development Programs shall be a compilation of the development projects approved by the respective Councils as part of the budget. Annexure-4 of P&D Guide lines for devolved tiers of Local Government under LGA 2013, describes the composition

of Tehsil Development Committee. SDO C&W / SDO PHE / DDO Planning / Finance Officer are the compulsory part of Tehsil Development Committee.

TMO, TMA Domel received Tehsil ADP fund Rs 35.799 during 2016-17. The developmental schemes were approved in TDC meeting. Audit observed that:-

1. Schemes were executed without incorporating it as part of budget documents and approval of tehsil council.
2. TDC meeting was conducted without inviting / participating compulsory parts / members of TDC.
3. Administrative Approval was accorded on 29.05.2017 with the condition that the schemes shall be completed within the current financial year 2016-17. However, the schemes were completed during 2016-17.

Irregular execution of development schemes occurred due to non-compliance of rules, which resulted in to violations of rules.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 33, 34 & 35 (2016-17)

1.3.1.5 Non-recovery of pension contribution from Defunct District Council Bannu - Rs 15.234 million

According to Office of the Deputy Commissioner Bannu letter No. 4155-63/DC/ADLG/Bannu dated: 22.05.2015 47 employees are adjusted into the TMA Domel w.e.f.01.09.2015.

47 Employees were transferred / adjusted in TMA Domel from the defunct District Council Bannu w. e. f. 01.09.2015 without their pension contribution of Rs 15,231,447. As per rules Defunct District Council Bannu had deduct pension @ 33% of the basic pay of each employee.

Non-recovery of pension contribution occurred due to non-compliance of rules, which resulted in to violations of rules.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 12 (2016-17)

1.3.1.6 Unauthorized cash payment of monthly salaries / honoraria – Rs 13.269 million

Finance Department Letter No FA/FD/1-14/2007/Salaries dated Peshawar, the 10/5/2007 says, “that with effect from 01-07-2007 salaries of all Provincial and District Employees in the NWFP, in BPS-1 and above shall be disbursed in the manner, prescribed by the Auditor General of Pakistan, in Para 4.6.3 of Accounting Policies and Procedures Manual (APPM) of New

Accounting Model (NAM) by direct credit/transfer to the employees nominated Bank Accounts”.

TMO, TMA Domel paid Rs 13,268,759 to all Gazetted / Non Gazetted employees / Nazim / Naib Nazim on account of salaries / honoraria through DDO instead of direct credit/transfer to their respective Bank Accounts, in violation of Government instructions during 2016-17.

Payment of salaries through DDO occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 17 (2016-17)

1.3.1.7 Irregular preparation of revised salary budget in violation of TMA Budget Rules 2016 and misclassification of expenditure – Rs 13.118 million

According to section 8(1) (m) of Tehsil Municipal Administration Budget Rules 2016, Budget shall be prepared in accordance of with chart of accounts issued by the Auditor General of Pakistan. According to section 4(2) (m) of Tehsil Municipal Administration Budget Rules 2016 stated that The Tehsil Officer Finance ensure the chart of Accounts as prescribed by the Auditor General of Pakistan for recording transactions.

TMO, TMA Domel prepared revised salary budget under head A-01 (Employee related expenditure) (A-01101-Establishment Charges) without proper classification of (Pay of Officers-Pay of Establishment and Allowances) during 2016-17 for Rs 13,118,053. Further all expenditure incurred under head salaries was booked under head A-01101 instead of proper classification, which leads to misclassification of expenditure.

Misclassification of expenditure occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 26 (2016-17)

1.3.1.8 Less recovery of rent - Rs 12.914 million

As per Para 2 of the policy of Government of KPK Local Government elections and Rural Development Department for streamlining the affairs in the interest of Local Councils property circulated vide No. AO-V/LCB/4-1/99 dated 21 July 1999. The occupant of the property will be given an option to keep the property with him as a lessee at the market rate as referred to above. Moreover according to Para 1 of the policy of Government of KPK Local Government elections and Rural Development Department for streamlining the affairs in the interest of Local Councils property circulated vide No AO-V/LCB/4-1/99 dated 21 July 1999 “the Local Council will assess the rate of annual lease money for each unit at the prevailing market rate in the locality”.

Tehsil Municipal Officer, Domel owned 244 shops on various locations during 2016-17. It was observed that leases of all the shops have been expired since long but the lessees were not paying the rent nor the local office made any effort to vacate the property from them. Due to this, a loss of Rs 12,914,172 was sustained as rent of Rs 1,725,828 was collected against an admissible rent of Rs 14,640,000.

Less recovery of rent occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests recovery besides inquiry and action against the person(s) at fault.

AIR Para No 10 (2016-17)

1.3.1.9 Loss to TMA due to illegal occupation of state land and non-recovery of assessed rent of - Rs 11.982 million

According to Section 3 of the Khyber Pakhtunkhwa Public Property Act 1977, “If Government, or any authority or officer authorized by Government in this behalf, is satisfied that any person is an un-authorized occupant, it or he may by order in writing, direct such person to vacate the public property and to remove the structures, if any raised by him on the public property, within such period as may be specified in the order; provided that such period shall not be less than three days.”

TMO, TMA Domel owned open plot (2 kanal and 15 Marlas) valuing Rs 200 million which was occupied by Mr. Bahadar Nawaz (private person) since long without executing any rent/lease agreement resulting in loss Rs 11,981,640 to TMA as per detail given below.

Location of Land	Occupied area	Period 01.07.15 to 30.06.2017 (months)	Present rent as per market rate assessed by TMO Domel Rs 33.34 per SFT (9077 Per marla)	Loss (Rs)
Domel Bazar	14973.75 SFT	24	499,235	11,981,640

Illegal occupation occurred due to weak financial and administrative control, resulted in loss to TMA.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests recovery besides inquiry and action against the person(s) at fault.

AIR Para No 08 (2016-17)

1.3.1.10 Loss to TMA due to non-auction of Cattle Fair Mangal Mela – Rs 10.400 million

Government of KPK LG & RDD Local Council Board letter No AO-II/LCB/6-11/2013 dated: 14.03.2016 vides Serial No 1 states that Auction process for the contracts shall be started after 31.03.2016 for the year 2016-17 in their territorial jurisdiction.

TMO, TMA Domel neither auctioned contracts of cattle fair mangal mela nor collects / deposited any amount (departmentally) since establishment of TMA w.e.f. 01.09.2015. When pointed out it was replied that a private person Mr. Malakllaj Khan running cattle fair Mangal Mela privately and a show cause noticed has already been issued. Reply is not tenable as the area of mangle area comes under the jurisdiction of TMA Domel. Neither any action was taken against the private person nor cattle fair Mangal Mela were executed by the TMA Domel. During physical verification on January 16, 2018 it was noticed that sales processed of thousands of animals were executed at Mangal Mela, and handsome amount of Rs 100,000 to 150,000 per day (Tuesday) will be collected if TMA Domel runs the cattle fair officially.

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

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests recovery besides inquiry and action against the person(s) at fault.

AIR Para No 07 (2016-17)

1.3.1.11 Non allocation of developmental funds – Rs 8.950 million

Government of Khyber Pakhtunkhwa Planning & Development Department notification No C/RD/P&DD/6-8/1617-1891 dated: 08.08.2016 stated that 20% must be allocated to Municipal Services & 05 % beautification projects. Serial No 2 (r) definitions in Government of Pakhtunkhwa Local Government Act 2013 stated that the Municipal services” include intra-city

network of water supply, sanitation, conservancy, removal and disposal of sullage, refuse, garbage, sewer or storm water, solid or liquid waste, drainage, public toilets, express ways bridges, flyovers, public roads, streets, foot paths, traffic signals, pavements and lighting thereof, public parks, gardens, arboriculture, landscaping, bill boards, hoardings, firefighting, land use control, zoning, master planning, classification, declassification or reclassification of commercial or residential areas, markets, housing, urban or rural infrastructure, environment and construction.

TMO, TMA Domel allocated Rs 8.950 million to construction of drain at main Kohat road, RCC Slabs and installation of 6” dia pressure pumps (TADP No 6 & 8) instead of allocating the funds to municipal services and beautification of the council projects.

Non allocation of developmental funds occurred due to non-compliance of rules, which resulted in violation of rules.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests regularization besides inquiry and action against the person(s) at fault.

AIR Para No 36 (2016-17)

1.3.1.12 Unauthorized processing of auction proceedings and irregular award of contracts worth – Rs 6.078 million non-forfeiture of call deposit worth Rs 1.255 million

Government of KPK LG & RDD Local Council Board letter No. AO-II/LCB/6-11/2013 dated: 14.03.2016 vide Serial No 1, stated that The head of the council shall be personally responsible for disposing off the auction of the contracts on due date after inviting representative of NAB, Ehtessab Commission, Anti-corruption and finance committee of the council. Serial No 13 of model terms and conditions for the year 2016-17 circulated by Government of Khyber Pakhtunkhwa LG & RDD Local Council Board No. AO-II/LCB/6-11/2013 dated: 14.03.2016 states that, the successful bidders shall within 07 days of his acceptance of bid shall execute an agreement on the stamp paper and shall also produce guarantee of two local notable residents having property equivalent to the contract amount duly attested by 1st class magistrate to the satisfaction of the council and in case the contractor does not deposit advances or does not enter in to the agreement within the specified period the bid shall be considered as cancelled while the earnest money shall be forfeited in favor of the concerned local councils.

TMO, TMA Domel advertised NIT for auction of the following contracts for collection of taxes / fee for the year 2016-17 through information department on 23.04.2016. The auction proceeding was made and contract was awarded to various contractor without inviting the representative of various departments as mentioned in criteria. Moreover, the following contractors failed to deposit the amount within stipulated period of time and execute the agreement and guarantee of two local notable residents. As per condition of the approval TMA Domel was required to cancel the contractor and call deposit Rs 1.255 million was required to be forfeited, which action was not taken by the TMO and the TMA was put to loss of Rs 1.255 million.

Irregular award and non-forfeiture of call deposit occurred due to non-compliance of rules, which resulted in loss to TMA.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests regularization, recovery besides inquiry and action against the person(s) at fault.

AIR Para No 02 & 05 (2016-17)

1.3.1.13 Non-surrender of official vehicle by Tehsil Nazim – Rs 4.5 million

Serial No (7) Government of Khyber Pakhtunkhwa (S&GAD) Department letter No SO(T)(S&GAD)3-22/99 dated 4-12-99 states that all the government vehicles shall ordinarily be used for Government duty only. Serial No (9 & 10) Government of Khyber Pakhtunkhwa (S & G A D) Department letter No SO(T)(S&GAD)3-22/99 dated 4-12-99 states that all the government officers irrespective of their rank/ status shall be entitled to use only one vehicle for official duty. The head of the Department shall specify the officers or officers who shall normally be entitled for the use of Government vehicles. According to condition No (a) of Government of Khyber Pakhtunkhwa Local Government Election and Rural Development Department Peshawar notification No SO (C&D) LGE & RDD / Transport Committee / 2015-16/528 dated: 03.04.2017 that, the existing old / unserviceable vehicles shall be surrendered to Administrative Department for auction.

A vehicle bearing registration No BUA-2213-Pajero Jeep owned by TMA Domel was used by Nazim Tehsil Council. Instead of surrendered the vehicle to Administrative Department, the vehicle was used by Nazim in addition to already one allotted vehicle without any authorization.

Non surrender of vehicle occurred due to non-compliance of rules, which resulted in unauthorized use of public property.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests inquiry besides surrendering of vehicle and action against the person(s) at fault.

AIR Para No 24 (2016-17)

1.3.1.14 Non recovery of Rent of shops – Rs 3.452 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, TMA Domel failed to collect rent of the TMA owned shops outstanding against 231 number tenants Rs 3,451,656 during 2016-17.

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

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests recovery besides inquiry and action against the person(s) at fault.

AIR Para No 09 (2016-17)

1.3.1.15 Unauthorized approval of deficit budget – Rs 4.210 million

According to Section (35) Clause (5) of the Khyber Pakhtunkhwa Local Government Act, 2013, a local council shall not be empowered to approve a budget if the sums required to meet estimated expenditures exceed the estimated receipts.

In violation of above TMO, TMA Domel prepared revised estimated budget of receipts of Rs 84.343 million and estimated expenditure of Rs 88.553 million, which was in excess of Rs 4.21 million over estimated receipts, which was not authorized.

Unauthorized approval occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests regularization besides inquiry and action against the person(s) at fault.

AIR Para No 20 (2016-17)

**1.3.1.16 Unauthorized expenditure on the purchase of (2) Vehicles
–Rs 2.934 million**

According to Serial No 3 of Austerity measures circulated by Government of Khyber Pakhtunkhwa Finance Department letter No. BO.I / FD/ 5-8 / 2016-17 dated: 04.07.2016 that, there shall be complete ban on the purchase of new vehicles during 2016-17. According to Note (b) to Serial No 3 of Government of Khyber Pakhtunkhwa Delegation of Powers under the financial rules and the powers of re-appropriation rules-2001, all cases involving purchase of vehicles / motor cycles shall have prior concurrence of Provincial P&D and Finance Department even it is approved as part of PC-I. According to condition No a & b of Government of Khyber Pakhtunkhwa Local Government Election and Rural Development Department Peshawar Notification No. SO (C&D) LGE & RDD / Transport Committee / 2015-16/528 dated: 03.04.2017 that, there shall be no duplication of purchases and only those District Governments & TMAs shall make procurement of new vehicles where the presently serviceable vehicle does not exist. Further the existing old / unserviceable vehicles shall be surrendered to Administrative Department for auction.

TMO, TMA Domel spent Rs 2,933,500 on the purchase of two new vehicles during ban period and without approval of Provincial P&D and Finance Department during Financial Year 2016-17. Audit further observed that:-

1. According to condition (b) of the notification mentioned above only those District Governments & TMAs shall make procurement of new vehicles where the presently serviceable vehicle does not exist. However, two serviceable vehicles for TMO and Nazim were available with the local office, which was used since establishment of TMA Domel during 2015-16 and expended Rs 6200,000 on the purchase of POL and repair of the subject two vehicles.
2. According to condition (a) of the notification mentioned above, the existing old / unserviceable vehicles shall be surrendered to Administrative Department for auction, however the vehicles were neither declared condemned nor surrendered to Administrative Department, but was used by the

local office and spent Rs 320,000 on the purchase of POL and repair of two vehicles having Registration No BUA-1030 and 2213 w. e. f 01.02.2017 to 30.06.2017 during 2016-17.

Unauthorized expenditure occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests regularization besides inquiry and action against the person(s) at fault.

AIR Para No 21 (2016-17)

1.3.1.17 Loss due to non-conducting the survey for receipt/tax -Rs 2.500 million

According to letter issued vide Local Council Board vide No. AOII/LCB/9-1/2016 dated 11.05.2016 to the TMAs' a proper survey report is required in order to streamline the recovery from various sources under the jurisdiction of TMAs.

TMO Domel failed to conduct the survey of business / trade activities such as Ice factory, Private Hospitals, Doctor clinics, Motor Car Bargains, food / juice shops, bookshops, bakeries, restaurant, hotels, suzuki stands, rackshaw stands, truck stand, car mechanics, battery dealers, Distributors (Battery, Food items, Beverages, Medicine etc), Marriage Halls etc under the jurisdiction of TMA Domel during the year 2015-17. As a result, the receipts target and

realized amount could not be properly analyzed. The receipts during the years in the contract license fee was nil as compared to receipt potential of the Tehsil.

None conducting of survey was occurred due to non-compliance of rules, which resulted in to loss to TMA.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests regularization besides inquiry and action against the person(s) at fault.

AIR Para No 15 (2016-17)

1.3.1.18 Irregulars award – Rs 2.00 million and expenditure without approval of TDC – 1.200 million on account of AOM&R

Tendering in the most open and public manner and to execute work under proper agreement is required under Para 144 of GFR Vol.-I and para 89 CPWD Code and the KPPRA rules 2014.

According to Government of Khyber Pakhtunkhwa Finance Department letter No. BOI/2-7(2005-06)/FD dated: 23-06-2006 “All PC-I for M&R works for Rs. 0.500 million and above shall require the approval of DDC/TDC concerned.

TMO, TMA Domel award work AOM&R to contractor during 2016-17 without:

- a) Preparing any PC-I / Cost Estimate
- b) Inviting Tender through the press.
- c) Approval of Tehsil Development Committee.

d) Approval of Tehsil Council.

Irregular expenditure was occurred due to non-compliance of rules, which resulted in to violation of rules.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests regularization besides inquiry and action against the person(s) at fault.

AIR Para No 29 (2016-17)

1.3.1.19 i. Irregular expenditure on account of rent of office building - Rs 0.704 million

ii. Overpayment of Rs 0.352 million

Government of Khyber Pakhtunkhwa Finance Department letter No. S.O/(A/Cs)/FD/2-5/93 dated: 14.05.1996 stated that All the Government Department / offices looking for a rented office building must **observe** the following procedure:

1. Obtain NOC from C&W Department for non-availability of office accommodation.
2. Obtain rent assessment certificate from the C&W and Excise & Taxation Department.
3. Agreement with the land owner for a period of three years as per Government approved terms and condition with no commitment for advance payment, maybe entered into.

TMO, TMA Domel hired office building on rent during 2015-16 and paid Rs 704,000 to land owner @ Rs 32,000 w. e. f. 01.09.2015 to 30.06.2017. Audit observed that:-

1. NOC from C&W Department for non-availability of office accommodation was not obtained.
2. Rent assessment certificate from the C&W and Excise & Taxation Department was not obtained.
3. Agreement with the land owner for a period of three years as per Government approved terms and condition with no commitment for advance payment, was not executed.
4. Agreement was entered only for three months w. e. f. 01.09.2015. Thus payment of 608,000 w. e. f. 01.12.2015 to 30.06.2017 without rent agreement is held as irregular
5. Advance Payment was made in violation of Finance Department letter *ibid*.
6. Approval of Tehsil council for hiring office building was also not obtained.
7. According to the standard formula rent was assessed for Rs 16,000 per month as per detail given below. However rent was paid for Rs 32,000 without approval. Thus overpayment of Rs 352,000 was made.

Irregular expenditure was occurred due to non-compliance of rules, which resulted in to violation of rules and loss to TMA.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests regularization, recovery of overpaid amount besides inquiry and action against the person(s) at fault.

AIR Para No 32 (2016-17)

1.3.1.20 Loss to TMA due to non-auction of contract – Rs 0.700 million

Government of KPK LG & RDD Local Council Board letter No AO-II/LCB/6-11/2013 dated: 14.03.2016 vides Serial No 1 states that Auction process for the contracts shall be started after 31.03.2016 for the year 2016-17 in their territorial jurisdiction.

TMO, TMA Domel neither auctioned the following contracts nor collected / deposited any amount (departmentally) during 2016-17. In the Budget book revenue was estimated for Rs 0.700 million. TMO thus put to loss of Rs 0.700 million.

Description	Amount (Rs)
Sign board	100,000
Building Plan	500,000
Mobile Tower Fee	100,000
Loss	700,000

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

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests regularization besides inquiry and action against the person(s) at fault.

AIR Para No 06 (2016-17)

1.3.1.21 Irregular award of contract to defaulter – Rs 0.694 million

Government of KPK LG & RDD Local Council Board letter No. AO-II/LCB/6-11/2013 dated: 14.03.2016 vide Serial No 3, stated that Defaulter Firms, nominee, authority holders will not be allowed to participate in auction proceedings. The default includes any outstanding amount of the local councils of Khyber Pakhtunkhwa.

In violation of above TMO Domel awarded following contract to Sher Ahmad (Defaulter) valuing Rs 694,000 during 2016-17.

Sr. No.	Name of Contractor	Name of contract	2016-17 Rs.	Defaulter
1	Flying coach stand link road Town Ship chowk	Sher Ahmad	41,000	Defaulter TMA Bannu
2	TehBazari Fees	Sher Ahmad	513,000	
3	Bus AddaDomel	Sher Ahmad	140,000	
Total			694,000	

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

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests regularization besides inquiry and action against the person(s) at fault.

AIR Para No 04 (2016-17)

1.3.1.22 less recovery of departmental dues - Rs 0.685 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, TMA Domel did not recover tax outstanding against various contractors of sale by auction as per detail given below during 2016-17.

Sr. No.	Description of Tax	Outstanding
1	2% property Tax	223,058
2	Cattle FarirDomel	59,880
3	Bus Adda Link Road AzimKilla High way Chowk	81,600
4	Datsun AddaAzimKillaDomel	44,800
Total		409,338

Similarly TMO, TMA Domel also failed to recover rent of road roller Rs 276,000 during 2016-17.

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

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests recovery besides inquiry and action against the person(s) at fault.

AIR Para No 03 & 14 (2016-17)

1.3.1.23 Non-recovery of Income Tax worth -Rs 0.607 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.

TMO, TMA Domel awarded different contracts to various contractors valuing 6.074 million without recovery of income tax worth Rs 607,400 (as per detail given below) during 2016-17.

Sr. No.	Name of Contract	2016-17	
		Bid Amount	Income Tax @ 10%
1	Cattle Fair Domel	1,127,000	112,700
2	2% Property Tax	4,110,000	411,000
3	Datsun AddaAzimKillaDomel	54,000	5,400
4	Flying coach stand link road Town Ship	41,000	4,100
5	TehBazari Fees	513,000	51,300
6	Bus AddaDomel	140,000	14,000
7	Bus Adda Link Road AzimKilla	93,000	9,300
Total		6,074,000	607,400

Non recovery of Income Tax was occurred due to non-compliance of rules, which resulted in to violation of rules and loss to TMA.

The irregularity was pointed out in February 2018. Management did not respond to Audit observations.

Request for convening of DAC meeting was made on March 2018, but no response was received from the Principal Accounting Officer, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests recovery besides inquiry and action against the person(s) at fault.

AIR Para No 01 (2016-17)

ANNEXURE

Annex-1

Detail of MFDAC Paras

(Rs in millions)

S. No	AIR Para No	Department	Caption	Amounts
1.	16	TMA Domel	Excess Payment	0.100
2.	18	TMA Domel	Unauthorized Expenditure	0.173
3.	22	TMA Domel	Unauthorized retention	0.320
4.	23	TMA Domel	Unauthorized use of vehicle	0.250
5.	27	TMA Domel	Irregular Payment	0.047
6.	28	TMA Domel	Irregular Expenditure	0.258
7.	30	TMA Domel	Irregular Expenditure	0.494
8.	31	TMA Domel	Overpayment	0.109
9.	37	TMA Domel	Loss to TMA	0.125
10.	39	TMA Domel	Irregular payment	0.077