



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

KHYBER PAKHTUNKHWA

AUDIT YEAR 2017-18

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	i
Preface	ii
EXECUTIVE SUMMARY	iii
SUMMARY TABLES & CHARTS	vi
I: Audit Work Statistics.....	vi
II: Audit Observations classified by Categories.....	vi
III: Outcome Statistics.....	vii
IV: Irregularities pointed out.....	viii
V: Cost Benefit.....	viii
CHAPTER-1	1
1.1 Tehsil Municipal Administrations Chitral.....	1
1.1.1 Introduction	1
1.1.2 Comments on Budget and Accounts (variance analysis)	2
1.1.3 Brief comments on the status of Compliance with PAC/DAC Directives.....	3
TEHSIL MUNICIPAL ADMINISTRATION CHITRAL.....	4
1.2 Audit Paras Tehsil Municipal Administration Chitral	5
1.2.1 Irregularity & Non compliance	5
TEHSIL MUNICIPAL ADMINISTRATION MASTUJ.....	16
1.2 Audit Paras Tehsil Municipal Administration Mastuj	17
1.3.1 Irregularity & non compliance	17
1.3.2 Internal Control Weaknesses.....	22
ANNEXURES.....	25
Annexure-1Detail of MFDAC Paras.....	25
Annexure-2 Detail of non imposition of penalty	26
Annexure-3 Detail of non-exclusion of Income Tax in cost estimates	27
Annexure-4 Detail of professional tax	28

ABBREVIATIONS AND ACRONYMS

ADP	Annual Developmental Plan
AIR	Audit and Inspection Report
BOQ	Bill of Quantity
CPWD	Central Public Works Department
CMD	Chief Minister Directives
DAC	Departmental Accounts Committee
DDO	Drawing and Disbursement Officer
DG	Director General
DPR	Disable Person Rehabilitation
FD	Finance Department
LCB	Local Council Board
LED	Light Emitting Diode
LGE&RDD	Local Government Election and Rural Development Department
LGA	Local Government Act
MFDAC	Memorandum for Departmental Accounts Committee
MRS	Market Rate Analysis
VCs	Village Councils
P&D	Planning and Development Department
PFC	Provincial Finance Commission
PLA	Personal Ledger Account
PLS	Profit and Loss Sharing
PPRA	Public Procurement Regulatory Authority
RDA	Regional Directorate of Audit
RRM	Random Rubble Masonry
SDA	Special Drawings Account
SMD	Surface Mount Device
TMA	Tehsil Municipal Administration
TAC	Tehsil Accounts Committee
TMO	Tehsil Municipal Officer
VCs	Village Councils
WSS	Water Supply and Sanitation

Preface

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

The report is based on audit of the account of TMAs in District Chitral 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 finding. 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 in the light of written replies of the TMAs. DAC meetings could not be convened despite repeated requests.

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with 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 carries out the audit of all Tehsil Municipal Administrations. The Regional Directorate of Audit Swat, on the behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of District Governments, Tehsil Municipal Administrations and VCs/NCs of five Districts i.e. Swat, Shangla, Dir Lower, Dir Upper and Chitral respectively.

The Regional Directorate has a human resource of six officers and staff with a total of 1,518 man-days. The annual budget amounting to Rs 11.447 million was allocated to the office during financial year 2017-18. The office is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audits of programs/ projects.

Tehsil Municipal Administrations in the District Chitral i.e. Chitral & Mastuj in District Chitral perform their functions under Khyber Pakhtunkhwa Local Government Act 2013. Each TMA has one Principal Accounting Officer (PAO) as provided in Rule 8 (1) (P) of the Khyber Pakhtunkhwa Tehsil and Town Municipal Administration Rules of Business 2015. Financial Provisions of the Act establish a local fund for each Tehsil and Town Administration. Annual budget is authorized by the Tehsil Council in the form of budgetary grants.

a. Scope of Audit

The total expenditure of Tehsil Municipal Administration Chitral & Mastuj in District Chitral for the Financial Year 2016-17 was Rs 243.970 million. Out of this, RDA Swat audited an expenditure of Rs 97.588 million which, in terms of percentage, is 40% of auditable expenditure.

The total of receipts of Tehsil Municipal Administration Chitral & Mastuj in District Chitral for the Financial Year 2016-17 was Rs 17.674 million. Out of this, RDA Swat audited receipts of Rs 12.372 million which, in terms of percentage, was 70% of auditable receipts.

The total of expenditure and receipt of Tehsil Municipal Administration Chitral & Mastuj in District Chitral, for the financial year 2016-17 was Rs 261.644 million. Out of this, RDA Swat audited the expenditure and receipt of Rs 109.96 million.

a. Recoveries at the instance of audit

Recoveries of Rs 19.136 million were pointed out during the audit. However, no recovery was affected till the finalization of this report. Out of the total recoveries, Rs 17.53 million were not in the notice of the executive before audit.

b. Audit Methodology

Audit was conducted after understanding the business processes of TMAs, with respect to their functions, 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.

c. 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.

d. 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 domain of TMAs.

f. Key audit findings of the report

- i. Irregularities & non compliance were noticed in eleven cases amounting to Rs 90.666 million.¹
- ii. Internal control weaknesses were noticed in five cases amounting to Rs 50.05 million.²

g. Recommendations

- i. Action needs to be taken for violation of the rules and regulations in spending the public money.
- ii. All sections 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.
- iii. Responsibilities need to be fixed for unauthorized withdrawals and losses sustained by the administration due to overpayments and non realization of receipts.
- iv. Deductions of taxes may be ensured and responsibility be fixed for non award of contracts of receipts.

¹ 1.2.1.1, 1.2.1.2, 1.2.1.3,1.2.1.4, 1.2.1.6,1.3.1.1, 1.3.1.2, 1.3.1.3,

² 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities in (PAO) Audit Jurisdiction	02	261.644
2	Total formations in audit jurisdiction	02	261.644
3	Total Entities in (PAOs) Audited	02	109.96
4	Total formations Audited	02	109.96
5	Audit & Inspection Reports	02	109.96
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

II: Audit Observations classified by Categories

(Rs in million)

S.No.	Description	Amount Placed under Audit Observation
1.	Unsound asset management	0
2.	Weak financial management	40.616
3.	Weak Internal controls	50.05
4.	Others	0
	Total	90.666

III: Outcome Statistics

(Rs in million)

S. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	Others	Total For the year 2016-17	Total for the year 2015-16
1.	Outlays Audited	-	61.646	17.674	30.640	109.960	129.810
2.	Amount Placed under Audit Observation /Irregularities of Audit	-	58.077	2.611	29.978	90.666	165.121
3.	Recoveries Pointed Out at the instance of Audit	-	16.525	2.611	-	19.136	14.593
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	40.616
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	0
3	Accounting Errors (accounting policy departure from NAM ³ , misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	0
4	Quantification of weaknesses of internal control systems.	50.05
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies	0
6	Non-production of record	0
7	Others, including cases of accidents, negligence etc.	0
	Total	90.666

V: Cost Benefit

(Rs in million)

S #	Description	Amount
1	Outlays Audited (item 1 of Table 3)	109.96
2	Expenditure on audit	0.50
3	Recoveries realized at the instance of audit	0
4	Cost-Benefit	1:0

³ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS(Cash) compliant.

CHAPTER-1

1.1 Tehsil Municipal Administrations Chitral

1.1.1 Introduction

District Chitral has two Tehsils i.e. Chitral & Mastuj. Each Tehsil office is managed by a Tehsil Municipal Officer. Each Tehsil 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;
- (r) Authorize officers to issue notice, prosecute, sue and follow up criminal, civil and recovery proceedings against violators of municipal laws; and
- (s) Prepare financial statements and present them for audit.

1.1.2 Comments on Budget and Accounts (variance analysis)

The budget and expenditure position of Tehsil Municipal Administrations in District Chitral for the Financial Year 2016-17 is as under:

(Rs in million)

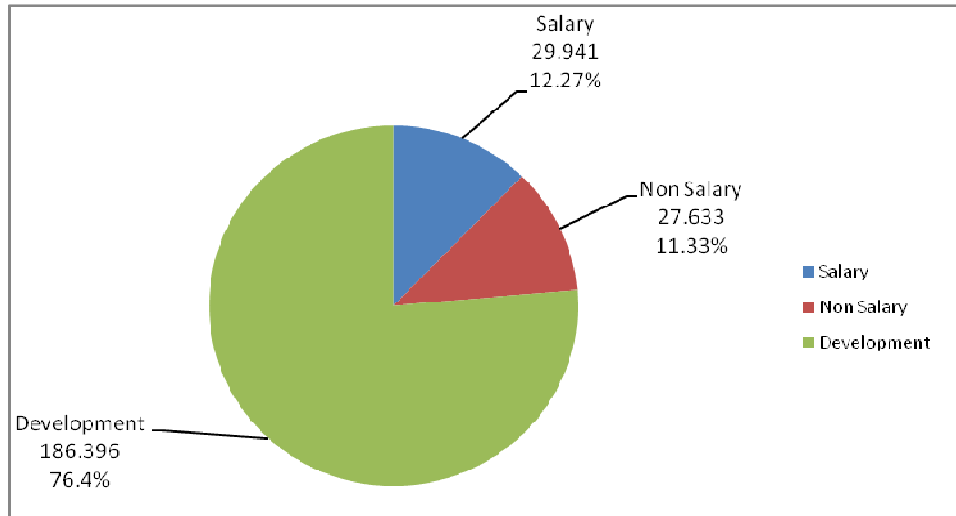
2016-17	Budget	Expenditure	(+)Excess/(-)Saving	% age
Salary	65.605	29.941	-35.664	54.36%
Non-salary	33.259	27.633	-5.626	16.92%
Developmental	393.514	186.395	-207.118	52.63%
Total	492.378	243.969	-248.408	50.45%

2016-17	Budget Receipts	Actual Receipts	Variation	% age
Receipts	15.284	17.674	2.39	15.64%

The huge savings of Rs 248.408 million in all heads of accounts indicate weakness in the capacity of these local institutions to utilize the amounts allocated.

Expenditure 2016-17

(Rs in million)



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 Chitral 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 CHITRAL

1.2 Audit Paras Tehsil Municipal Administration Chitral

1.2.1 Irregularity & Non compliance

- 1.2.1.1 i. Unauthorized expenditure without Technical Sanction –Rs 20.286 million**
- ii. Non Imposition of penalty for delay in completion of work – Rs 2.409 million**

According Para 178 of GFR read with Para 56 of CPWD Code provides that no work should be commenced or liability incurred until administrative approval and sanction has been obtained from the competent authority, a properly detailed design and estimate has been sanctioned and funds to cover the charge have been provided by the competent authority.

According to 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. According to Para 2 of the work orders of the works the time period of work shall be 3 months otherwise penalty @1% would be deducted from the contractor bills for every day delay. This penalty is subject to a maximum of 10% on estimated cost.

TMO Chitral incurred an expenditure of Rs 29,923,064 on two developmental schemes during the financial year 2016-17 without obtaining technical sanction from the competent authority.

Furthermore, awarded fourteen works with estimated cost of Rs 44,557,792 during financial year 2016-17. The works were not completed within the stipulated period of time and penalty of Rs 4,455,779 @ 10% of the estimated cost was not imposed. Detail is given at annexure-2:

Audit observed that irregular expenditure occurred due to weak internal control, which resulted in violation of rules regarding ascertaining the estimate of actual quantities to be executed during the work based on engineering specification and schedules of rates as well as imposition of penalty for the delay in the execution of work.

The irregularity was pointed out to the management in February 2018. Management replied that technical sanction would be obtained and penalty recovered. Reply was not convincing as neither technical sanction was shown to audit nor the evidence of recovery provided.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests action against the person(s) at fault and inquiry by the competent forum into the actual quantities required to be executed.

AIR Para No. 04& 07 (2016-17)

1.2.1.2 Loss due to non exclusion of income tax in cost estimates of developmental schemes – Rs 5.002 million

According to Government of Khyber Pakhtunkhwa Finance Department Notification No.SO (Dev-II)FD/12-6/2014-15 dated 21.04.2015, 7% income tax shall be deducted from the cost estimates of the development projects which fall in the tax exempted areas.

TMO Chitral paid Rs 71,459,430 to the contractors for 335 no's developmental schemes during the year 2016-17. According to instructions of the Finance Department, Khyber Pakhtunkhwa, income tax @ 7% was not excluded in the cost estimates due to which Government sustained loss of Rs 5,002,160 (71,459,430 x7%). Detail is given at annexure – 3.

Non exclusion of income tax occurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2018. Management stated that detail reply would be given after verification of record. Reply was not convincing as all the schemes contained 7% income tax provision in their detail cost estimates.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests recovery and fixing responsibility on the person (s) at fault under intimation to audit.

AIR Para No. 02 (2016-17)

1.2.1.3 Excess allocation out of 30% Tehsil ADP - Rs 2.00 million

According to Local Government and Rural Development Department Government of KP letter No. AO/LCB/District Chitral/2014 dated 16.6.2015 which approved Rs. 5.00 million out of 30% PFC developmental grant for the year 2014-15, for the construction of 1st Floor of MC office building.

TMO Chitral allocated Rs 7,000,000 for the construction of 1st Floor of MC office building out of 30% PFC developmental grant while the LCB approved it for Rs 5.00 million resulting in excess allocation of funds amounting to Rs 2,000,000 without approval of the competent authority.

Excess allocation of fund occurred due to weak internal control, which resulted in violation of the government instructions.

The irregularity was pointed out to the management in February 2018. Management replied that approval of the provincial government would be shown to audit. Reply was not convincing as approval of the provincial government was not shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not convened till finalization of this report.

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

AIR Para No. 05 (2016-17)

1.2.1.4 Non deduction of professional tax and DPR fund – Rs 1.183 million

Section II of Appendix II of the KPK Act No.PA/KPK/Bills/2011/34926 dated 5.7.2011, tax on profession trade, calling or employment from the Government contractors/consultants/suppliers will be levied from 2011-12 on all contractors/suppliers.

Section-11 of the Disabled Persons (Employment & Rehabilitation) Ordinance 1981 and Disabled Persons (Employment & Rehabilitation) Rules 1991 states that it is the legal responsibility of all principal Officers of each establishment/ Organization to deduct @ 2000 from the bill to be made to contractors/ firms who have completed business of one million and above in a financial year.

TMO Chitral did not deduct professional tax and DPR amounting to Rs 677,000 and Rs 506,436 respectively from the contractors during the year 2016-17 which resulted in loss to the Government. Detail is given at annexure-4.

Non deduction of professional tax and DPR occurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2018. Management replied that recovery would be made as per rules. Reply was not convincing as recovery evidence was not shown to audit.

Request for convening DAC meeting was made on 20th March 2018, 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. 08 (2016-17)

1.2.1.5 Non deposit of Stamp duty - Rs 1.135 million

According to Para 26 of GFR Vol-I, it is the duty of departmental controlling officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the public account.

TMO Chitral collected Rs 1,134,970 as Stamp duty from 531 developmental schemes but did not deposit into Government treasury during financial year 2016-17. Detail is given below:

S.No	Particulars	No of schemes	Estimated cost (Rs)	Stamp Duty (Rs)
1	District ADP 2015-16	237	111,201,090	489,070
2	Tehsil ADP 30%	196	114,267,000	495,400
3	(MDGs)millennium development goals	8	6,950,000	35,600
4	District Development initiative	35	6,800,000	43,750
5	Priority projects	31	7,000,000	39,950
6	Special package	24	7,000,000	31,200
	Total	531	253,218,090	1,134,970

Moreover, the office failed to deduct stamp duty from other payments made by it.

Non deposit of stamp duty and omission to deduct stamp duty occurred due to weak financial management which resulted in loss/blockage of Government money.

The irregularity was pointed out to the management in February 2018. Management replied that recovery would be made as per rules. Reply was not convincing as the amount was required to be deposited in the same financial year it was collated. Moreover, the evidence of recovery of un-collected amount was also not shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests inquiry into the non-collection /non-deposit of stamp duty and action against the person(s) at fault.

AIR Para No. 09 (2016-17)

- 1.2.1.6**
- i. Loss due to excess payment then approved in Technical sanction –Rs 711,676**
 - ii. Loss due to non-deduction of income tax –Rs 307,790 total Rs 1.019 million**

According to Technical Sanction approved by Government of Khyber Pakhtunkhwa Local Government and Rural Development Department Local Council Board letter No Ch/Engineer/LCB/TS/3-3/2016 dated 10.08.2017, purchase of furniture and 2.50% over head charges was not approved and only civil work and electrification was approved.

According to Government of Khyber Pakhtunkhwa Finance Department Notification No.SO (Dev-II)FD/12-6/2014-15 dated 21.04.2015, 7% income tax shall be deducted from the cost estimates of the development projects which fall in the tax exempted areas.

TMO Chitral paid Rs 711,676 to the contractor on account of purchase of furniture and 2.5% over head charges which were not approved in the technical sanction of the work “Additional work/renovation of district council rest house chitral” during the year 2016-17.

Moreover, Income tax @ 7% was included in MRS rates, which was not deducted from the contractor bill causing loss of Rs 307,790 (4397000 x7%).

Loss occurred due to lack of financial control, which resulted in overpayment not provided in technical sanction.

The irregularity was pointed out to the management in February 2018. Management replied that the items would be covered in technical sanction and income tax would be recovered as per rules. Reply was not convincing as neither technical sanction contain the provision of purchase of furniture nor evidence of 7% tax recovery was shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not convened till finalization of this report.

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

AIR Para No. 06 (2016-17)

1.2.2 Internal Control Weaknesses

- 1.2.2.1**
- i. Illegal retention of developmental fund into private bank account - Rs 29.437 million**
 - ii. Non deposit of bank profit on developmental funds into government treasury- Rs 541,178**

According to Para 7 of GFR Vol-I, unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Finance Department. Further, According to Finance Department Khyber Pakhtunkhwa letter No.2/3-(F/L)/FD/2007-08/Vol-IX dated 10.2.2014, no funds shall be placed in any commercial banks from the PLAs or Assignment Accounts without prior approval of the Finance Department.

TMO Chitral received Rs 29,437,100 on account of PFC 30% ADP Share for execution of developmental schemes during 2016-17. The amount was withdrawn from PLA and deposited in designated bank account of NBP Chitral No.3051567060 (PLS Account) without approval of the Finance Department.

Moreover, an amount of Rs 541,178 was credited by bank as profit on Government funds, which was required to be deposited into Government treasury.

Illegal retention of developmental funds and non-deposit of profit occurred due to weak financial controls, which resulted in violation of Government rules and instructions.

The irregularity was pointed out to the management in February 2018. MANAGEMENT stated that detail reply would be given after verification of record. Reply was not convincing as no progress shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not convened till finalization of this report.

Audit suggests probe into the matter and action against the person(s) at fault.

AIR Para No. 03 (2016-17)

1.2.2.2 Unjustified expenditure on installation of solar lights - Rs 7.186 million

According to Para 23 of GFR Vol.-I, every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

According Para 178 of GFR read with Para 56 of CPWD Code provides that no work should be commenced or liability incurred in connection with in until administrative approval and sanction has been obtained from the competent authority, a properly detailed design and estimate has been sanctioned and funds to cover the charge have been provided by the competent authority.

According to KPPRA letter No. KPPRA/M&E/suggestions/4-16/2014-15/539 dated 22.05.2015, addressed to all Secretaries of the Departments, cost estimates of Non MRS items including Solar Energy and other such new technologies should be rationalized/ revised after careful market analysis by bringing those down for justification and matching to the market rates which results huge losses to the Government.

According to 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 Chitral incurred expenditure of Rs 7,186,472 on the work “Installation of Solar Street Light in Chitral Bazar” during the year 2016-17. The following shortcomings were noticed:

1. The contractor of the work was not enlisted with the AD LGE&RDD and Pakistan Engineering Council for Solar energy works.
2. The items of the contracts were Non MRS while the contracts were awarded without market analysis which was irregular.
3. Expenditure was made without obtaining technical sanction of the competent authority.
4. Work order was issued on 04.06.2015 and the work is still in progress. Penalty @ 10% of Rs 900,000 (E. Cost Rs 9,000,000x10%) was not imposed for delay of work.
5. Specifications of an item “solar module mono crystalline 180 watt” were not shown to audit.

Unjustified expenditure occurred due to weak internal control, resulted in violation of rules.

The irregularity was pointed out to the management in February 2018. Management stated that detail reply would be given after verification of record. Reply was not convincing as no progress shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not convened till finalization of this report.

Audit suggests fixing the responsibility on the person (s) at fault beside remedial measure,

AIR Para No. 10 (2016-17)

1.2.2.3 Non-recovery of outstanding water charges -Rs 1.606 million

According to Para 8 of GFR Vol-I, it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed collected and paid into the treasury.

According to Para 28 of GFR Vol-I, No amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable; the orders of competent authority for their adjustment must be sought.

TMO Chitral did not recover water user charges amounting to Rs 1,605,837 from 3717 No's of consumers during the year 2016-17. Detail is given is given below.

No of Connections/Consumers	Amount of Demand for the year (Rs)	Recovered (Rs)	Outstanding Amount (Rs)
3717	7,733,509	6,127,672	1,605,837

Non-recovery of water charges occurred due to weak financial management, which resulted in loss to Government.

The irregularity was pointed out to the management in February 2018, management replied that recovery process would be made efficient and progress would be shown to audit. Reply was not convincing as recovery progress was not shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not convened till finalization of this report.

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

AIR Para No. 01 (2016-17)

TEHSIL MUNICIPAL ADMINISTRATION MASTUJ

1.2 Audit Paras Tehsil Municipal Administration Mastuj

1.3.1 Irregularity & non compliance

1.3.1.1 Loss due to non-deduction of below rates and payment of additional security - Rs 1.477million

According to work order No. 1713/TOI/TMA-Mastuj dated 29.05.2017, the contractor quoted 54% below rate was accepted and the work was awarded on 54% below rates.

According to KPPRA Notification No KPPRA/M&E/Estt:/1-4/2016 dated 24.05.2016, addressed to all Secretaries of the Departments, the bid security of the successful bidder be retained with the procuring entity till completion of the defect liability period and the amount of guarantee will be reduced by the equivalent amount.

TMO Mastuj advertised developmental work “Solar electrification in Booni Bazar” with estimated cost of Rs 8,000,000 and the work was awarded to the contractor on 54% below with bid cost of Rs 3,680,000. Furthermore, payment of Rs 1,550,187 was paid to the contractor upto 1st running bill but 54% below rate amounting to Rs 837,101 was not deducted resulted in overpayment to the contractor during 2016-17. Moreover, the local office released Rs 640,000 on account of additional security in violation of KPPRA instructions, before the completion of defect liability period.

Loss occurred due non deduction of below rates and payment of additional security, resulted in violation of rules.

The irregularity was pointed out to the management in February 2018. Management stated that detail reply would be given after verification of record. Reply was not convincing as no progress shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not convened till finalization of this report.

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

AIR Para No. 06 (2016-17)

1.3.1.2 Non imposition of penalty- Rs 1.940 million

According to 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 Mastuj awarded 06 works with estimated cost of Rs 19,400,000 during financial year 2016-17. The works were not completed within the stipulated period of time and penalty of Rs 1,940,000 @ 10% of the estimated cost was not imposed. Detail is given below:

S.No	Name of scheme	Due date of completion	Actual date of completion	Delay (months)	Estimated cost (Rs)	Penalty @ 10% of E. Cost (Rs)
01	WSS Work VC Kosht	07.04.2017	07.11.2017	7	2,150,000	215,000
02	WSS Work VC Yarkhoon	10.06.2017	05.10.2017	4	2,600,000	260,000
03	Other works VC Charun	28.04.2017	24.09.2017	5	2,650,000	265,000
04	WSS Work VC Charun	1.06.2017	06.12.2017	6	2,000,000	200,000
05	WSS Work VC Laspur	18.06.2017	22.09.2017	3	2,000,000	200,000
06	Installation of solar light	29.5.2017	06 months	In progress	8,000,000	800,000
Total					19,400,000	1,940,000

Non imposition of penalty occurred due to weak financial control which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2018, management replied that recovery would be made from the contractors and progress would be shown to audit. Reply was not convincing as recovery evidence was not shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not convened till finalization of this report.

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

AIR Para No. 02 (2016-17)

1.3.1.3 Non deposit of Stamp duty and DPR funds - Rs 1.114 million

According to Para 26 of GFR Vol-I, it is the duty of departmental controlling officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the public account.

According to Section-11 of the Disabled Persons (Employment & Rehabilitation) Ordinance 1981 and Disabled Persons (Employment & Rehabilitation) Rules 1991 made there under. It is the legal responsibility of all principal Officers of each establishment/ Organization to deduct @ 2000 from the bill to be made to contractors/ firms who have completed business of one million and above in a financial year.

TMO Mastuj collected Rs 1,113,942 as Stamp duty and DPR funds from the contractor bills of 515 developmental schemes but did not deposit into Government treasury. Detail is given below:

S.No	Particulars	No of schemes	Estimated cost (Rs)	Stamp Duty (Rs)	DPR 0.2% (Rs)
1	District ADP 2015-16	160	30,309,000	214,800	60,618

2	Tehsil ADP 30%	272	74,787,000	424,750	149,574
3	(MDGs)millennium development goals	19	13,050,000	86,100	37,300
4	DDI, Priority projects, Special package	64	21,000,000	98,800	42,000
	Total	515	139,146,000	824,450	289,492

Non deposit of stamp duty and DPR fund occurred due to weak financial management which resulted in blockage of Government money.

The irregularity was pointed out to the management in February 2018. Management replied that stamp duty and DPR would be deposited in to government treasury and progress would be shown to audit. Reply was not convincing as no progress shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not convened till finalization of this report.

Audit suggests deposit of the amount into Government treasury and action against the person(s) at fault.

AIR Para No. 03 (2016-17)

- 1.3.1.4**
- i. Loss due to non-deposit of revenue into government treasury – Rs 0.810 million**
 - ii. Overpayment due non utilization of available material at site – Rs 0.194 million total Rs 1.005 million**

According to Government of Khyber Pakhtunkhwa Finance Department Notification No.SO (Dev-II)FD/12-6/2014-15 dated 21.04.2015, 7% income tax shall be deducted from the cost estimates of the development projects which fall in the tax exempted areas. According to Para 26 of GFR Vol-I, it is the duty of departmental controlling officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the public account.

According to item No. (08-01-a) of MRS 2013, labour rate for RRM in Foundation Plinth Dry Masonry was Rs 850.68 (2678.48x31.76%).

TMO Mastuj collected Rs 810,214 on account income tax, stamp duty and DPR from the contractor in the work “Construction of Urban Roads in Urban area of MC Mastuj” during the year 2016-17, but did not deposit into Government treasury. Detail is given below:

E/Cost (Rs)	Expenditure (Rs)	Income tax@7% of Expenditure (Rs)	Stamp duty(Rs)	DPR @0.2% of expenditure (Rs)	Total (Rs)
11,750,000	11,002,970	770,208	18,000	22,006	810,214

Moreover, overpaid an amount of Rs 194,386.(2678.48–Rs 850.68=1827.8x106.35M³) to the contractor due to allowing full rate of Rs 2678.48/M³ instead of labour rate of Rs 850.68/M³ for the item “RRM in F/P Dry Masonry” as hard rock of 4749.82 M³ was excavated, available on site.

Non deposit and overpayment occurred due to weak internal control which resulted in loss to the Government.

The irregularity was pointed out to the management in February 2018, management replied that recovery would be made and progress would be shown to audit. Reply was not convincing as recovery evidence was not shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not convened till finalization of this report.

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

AIR Para No. 05 (2016-17)

1.3.2 Internal Control Weaknesses

1.3.2.1 Fake tenders and award of works in violation of KPPRA rules - Rs 9.73 million

According to Rule 6 of Government of Khyber Pakhtunkhwa Public Procurement Regulatory Authority Procurement Rules 2014, Save as otherwise provided hereinafter and subject to the provisions of rule 10, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 100,000

As per Rule 37(2) a procuring entity shall require bidders to submit sealed written bids or in such other manner as may be prescribed in the solicitation documents. Rule 38 requires that the procuring entity shall keep all information regarding the bid evaluation confidential until the time of the announcement of the evaluation report in accordance with the requirements of rule 45 of these rules. Rule 54 requires that any breach of these rules shall account to mis-procurement and the person responsible for such breach shall be liable to be proceeded under the relevant law.

TMO Mastuj Awarded four (04) works of Rs 9,730,000 to the contractors without observing KPPRA rules as BOQs of all 04 works were filled by one person in the office having the same rates for each item violating confidentiality of tender. No sealed envelopes found with the tender forms. Therefore, Mis-procurement/ fake tender were made.

S.No	Name of work	Contractor	E.Cost(Rs)	Date of tender	Work Order No and date
1	WSS work at Yarkhun	Amanullah	2,600,000	02.07.2016	1259/TOI/TMA/Mastuj 10.10.2016
2	Other work at Mastuj	S.Jawad Husain	3,030,000	02.07.2016	1171/TOI/TMA/Mastuj 17.08.2016
3	WSS work at Laspur	Bahadar wali	2,000,000	02.07.2016	1278/TOI/TMA/Mastuj 18.10.2016
4	WSS work at Mulkhov	M.Samiullah	2,100,000	02.07.2016	1207/TOI/TMA/Mastuj 07.09.2016
Total			9,730,000		

Fake tenders occurred due to weak internal control which resulted in violation of KPPRA rules.

The irregularity was pointed out to the management in February 2018, management stated that detail reply would be given after verification of record. Reply was not convincing as no progress shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not be convened till finalization of this report.

Audit suggests inquiry into the matter and action against the person(s) at fault.

AIR Para No. 01 (2016-17)

1.3.2.2 Unjustified expenditure on installation of solar lights - Rs 1.550 million

According to Para 23 of GFR Vol.-I, every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

According to Para 178 of GFR read with Para 56 of CPWD Code provides that no work should be commenced or liability incurred in connection with it until administrative approval and sanction has been obtained from the competent authority, a properly detailed design and estimate has been sanctioned and funds to cover the charge have been provided by the competent authority.

According to KPPRA letter No. KPPRA/M&E/suggestions/4-16/2014-15/539 dated 22.05.2015, addressed to all Secretaries of the Departments, cost estimates of Non MRS items including Solar Energy and other such new technologies should be rationalized/ revised after careful market analysis by

bringing those down for justification and matching to the market rates which results huge losses to the Government.

According to 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 Mastuj incurred expenditure of Rs 1,550,187 on the work “Solar electrification in Booni Bazar” during 2016-17. The following shortcomings were noticed:

1. Specifications of an items executed on site i.e. “solar module mono crystalline 250 watt” and “Road light fixture SMD type, white LED 60 watts 12/24 V DC, IP 65 complete in all respects”, were not shown to audit.
2. The items of the contracts were Non MRS while the contract was awarded without obtaining market analysis.
3. Expenditure was made without obtaining technical sanction of the competent authority.

Unjustified expenditure occurred due to weak internal control, resulted in violation of rules.

The irregularity was pointed out to the management in February 2018, management replied that specifications would be verified, technical sanction would be obtained and progress would be shown to audit. Reply was not convincing as no progress was shown to audit.

Request for convening DAC meeting was made on 20th March 2018, however, meeting of DAC could not convened till finalization of this report.

Audit suggests remedial measure, fixing responsibility on the persons at fault under intimation to audit.

AIR Para No. 04 (2016-17)

ANNEXURES

Annexure-1

Detail of MFDAC Paras

(Rs in million)

S.No	AP No.	Name of TMA	Caption	Amount	Remarks
			NIL		

Annexure-2**Para # 1.2.1.1****Detail of non-imposition of penalty**

S.No	Name of scheme	Due date of completion	Actual date of completion	Delay (months)	Estimated cost (Rs)	Penalty @ 10% of E. Cost (Rs)
01	Constt: of well at Chumorkon	06.02.2017	22.6.2017	4	1,200,000	120,000
02	Provision of 400 KVA Generator	30.04.2017	05.10.2017	6	1,300,000	130,000
03	Micro hydel civil work at shagram	30.04.2017	05.10.2017	6	1,500,000	150,000
04	Improvement of Road mori payeen	10.01.2017	4.08.2017	7	1,338,000	133,800
05	WSS Tarawol	23.01.2017	15.06.2017	5	2,250,000	225,000
06	Improvement of roads MC area	05.01.2017	30.04.2017	3	1,200,000	120,000
07	Improvement of Road Chumorkon Tordeh	01.04.2017	16.05.2017	1	1,000,000	100,000
08	WSS Hone	10.02.2017	22.05.2017	3	1,000,000	100,000
09	Constt: of 1 st floor MC Building Chitral	24.08.2016	In progress	16	7,000,000	700,000
10	Protection wall Tahirudin home	20.06.2017	25.01.2018	7	700,000	70,000
11	Reh: of link road at Lawi dap	30.06.2017	05.12.2017	6	700,000	70,000
12	Improvement of sanitation scheme Dorsh-II	30.06.2017	01-08-2017	2	1,276,000	127,600
13	Restoration of rest house bumbarete	20.06.2017	In progress		5,533,792	553,379
14	Repair of municipal roads in town area	06.09.17	In progress		18,560,000	1,856,000
Total					44,557,792	4,455,779

Annexure-3**Para # 1.2.1.2****Detail of non-exclusion of Income Tax in cost estimates**

S.No	Name of Schame	No of schemes	E/Cost (Rs)	Expenditure (Rs)	Income tax (Rs)
1	District ADP 2015-16	237	111,201,090	53,006,009	3,710,420
2	MDGs Community Development Programme 2015-16	08	6,950,000	5,982,126	418,749
3	District development initiative 2015-16	35	6,800,000	4,611,090	322,776
4	Priority projects 2015-16	31	7,000,000	4,162,155	291,351
5	Special package 2015-16	24	7,000,000	3,698,050	258,864
Total		335	138,951,090	71,459,430	5,002,160

Annexure-4**Para # 1.2.1.4****Detail of professional tax**

S.No	Contractor Name	Paid Amount (Rs)	Professional Tax (Rs)
1	Abdulrauf khan	2,850,000	18,000
2	Afzal aman	500,000	5,000
3	Ahmad Khan	2,265,000	7,000
4	Anwarudin	200,000	4,000
5	Arab Khan	1,251,000	7,000
6	Aziz Rehmat Shah	8,200,000	18,000
7	Buzurg shah	700,000	40,000
8	Gul Muhammad	800,000	5,000
9	Ghulam Mohammad	9,730,000	18,000
10	Habiburahman	1,300,000	7,000
11	Hisamudin	500,000	5,000
12	Husain Khan	5,350,000	18,000
13	Haider Kirar	850,000	5,000
14	Ihsanullah	300,000	4,000
15	Iltaf Ahmad	1,650,000	7,000
16	Inayturahman	300,000	4,000
17	Irshad Ahmad	3,450,000	18,000
18	Ilmudin	2,400,000	18,000
19	Israrudin	4,463,000	18,000
20	Izaz Ali Shah	900,000	5,000
21	Jan faqir	200,000	4,000
22	Juma khan	850,000	5,000
23	Juma Wali	2,320,000	7,000
24	Khush azam	300,000	4,000
25	Khyber Constt	800,000	5,000
26	Kuligal	1,898,000	7,000
27	Lal Muhammad	700,000	5,000
28	Manager Khan	500,000	5,000
29	Mirza Khan	1,700,000	7,000
30	Miftahudin	1,800,000	7,000
31	M Akhtar	200,000	4,000
32	M Ayub	450,000	4,000
33	M Ibrahim	2,450,000	18,000
34	M Irshad	1,276,000	7,000

35	M Karim	200,000	4,000
36	M/S Dimond	6,100,000	18,000
37	Mughal Baz	9,000,000	18,000
38	M Wali shah	4,600,000	18,000
39	Mehboob wali	2,400,000	18,000
40	Maqboolalam	400,000	4,000
41	M/S Qazafi	3,388,000	18,000
42	Niamaturahman	200,000	4,000
43	Peshawar Pipe	2,700,000	18,000
44	Pinin Khan	1,199,000	7,000
45	Qazi Faizurahmat	1,050,000	7,000
46	Rehmat jalal	1,400,000	7,000
47	Rafiudin	750,000	5,000
48	Rehamat Ayaz	19,510,000	25,000
49	Rehman Khan	2,119,000	7,000
50	Sabir Mohammad	3,700,000	18,000
51	Saeedudin	2,400,000	18,000
52	Shafiqurehman	6,683,792	18,000
53	Sherabdullah	500,000	5,000
54	Shakirullah	2,300,000	7,000
55	Sher Wazir Shah	1,500,000	7,000
56	Shjaudin	160,000	4,000
57	Subhanudin Birari	5,046,829	18,000
58	Suleman shah	400,000	4,000
59	Shahabudin	600,000	5,000
60	Sohail Ahmad	3,700,000	18,000
61	Subhanudin	3,598,000	18,000
62	Syed Jawad Ali Shah	7,000,000	18,000
63	Syed Usman	300,000	4,000
64	Ubaidullah Anwar	800,000	5,000
65	Wali M.khan	829,000	5,000
66	Zahnu Khan	1,069,000	7,000
67	Zakirullah	4,600,000	18,000
68	Shafiqurehman	4,496,207	18,000
	Total	168,101,828	713,000

Detail of DPR

S.No	Particulars	Estimated cost (Rs)	DPR @ 0.2% (Rs)
1	District ADP 2015-16	111,201,090	222,402
2	Tehsil ADP 30%	114,267,000	228,534
3	(MDGs)millennium development goals	6,950,000	13,900
4	District Development initiative	6,800,000	13,600

5	Priority projects	7,000,000	14,000
6	Special package	7,000,000	14,000
	Total	253,218,090	506,436