



**AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS,
IN DISTRICT SHANGLA
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
II: Audit Observations classified by Categories.....	vi
IV: Irregularities pointed out.....	viii
CHAPTER-1	1
1.1 Tehsil Municipal Administrations District Shangla.....	1
1.1.1 Introduction	1
1.1.2 Comments on Budget and Accounts (variance analysis)	2
TEHSIL MUNICIPAL ADMINISTRATION ALPURI.....	4
1.2.1 Fraud & Misappropriation.....	5
1.2.2 Non Production of Record.....	8
1.2.3 Irregularity and Non compliance.....	10
1.2.4 Internal Control Weaknesses.....	15
TEHSIL MUNICIPAL ADMINISTRATION PURAN.....	21
1.3.1 Misappropriation & Fraud.....	22
1.3.2 Non Production of Record.....	23
1.3.3 Irregularity and Non compliance.....	24
ANNEXURES.....	38
Annex-1. Detail of Fraudulent award of contracts in Tehsil ADP 2016-17.....	38
Annex-2 Detail of Penalty for Incomplete Schemes	43
Annex-3 Detail of excess payment than approved Tender Cost	45
Annex-4 Detail of Non Production of Record in TMA Puran	47
Annex-5 Detail of Expenditure without TS in TMA Puran	48
Annex-6 Detail of Penalty on incomplete schemes in TMA Puran	49

ABBREVIATIONS AND ACRONYMS

ADP	Annual Developmental Plan
AIR	Audit & Inspection Report
BOQ	Bill of Quantity
B&R	Building & Roads
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
CMD	Chief Minister Directives
DAC	Departmental Accounts Committee
DG	Director General
DPR	Disable Person Rehabilitation
FD	Finance Department
GBS	General Bus Stand
GFR	General Financial Rules
KPK	Khyber Pakhtunkhwa
LCB	Local Council Board
LGA	Local Government Act
MRS	Market Rate Analysis
MVE	Motor Vehicle Examiner
NCs	Neighborhood Councils
NOC	No Objection Certificate
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCC	Plain Cement Concrete
PLA	Personal Ledger Account
PLS	Profit and Loss Sharing
PPR	Public Procurement Rules
RDA	Regional Directorate of Audit
RTA	Regional Transport Authority
TMA	Tehsil Municipal Administration
TAC	Tehsil Accounts Committee
TMO	Tehsil Municipal Officer
TS	Technical Sanction
UC/VCs	Union Council/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 Swat 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 and Town Municipal Administrations. The Regional Directorate of Audit Swat, on 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 06 officers and staff with a total of 1,518 man-days. The annual budget amounting to Rs 11.447 million was allocated to the RDA during financial year 2017-18. The directorate is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programs and projects.

Tehsil Municipal Administrations in the District Shangla i.e. Alpuri & Puran 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 Administration. Annual budget is authorized by the Tehsil Council in the form of budgetary grants.

a. Scope of Audit

The total expenditure of TMAs Alpuri & Puran in District Shangla for the Financial Year 2016-17 was Rs 324.241 million. Out of this, RDA Swat audited an expenditure of Rs 145.908 million which, in terms of percentage, was 45% of auditable expenditure.

The total of receipts of TMAs Alpuri & Puran in District Shangla for the Financial Year 2016-17 was Rs 72.545 million. Out of this, RDA Swat audited

receipts of Rs 72.545 million which, in terms of percentage, was 100% of auditable receipts.

The total of expenditure and receipt of TMAs Alpuri & Puran in District Shangla, for the Financial Year 2016-17 was Rs 396.786 million. Out of this, RDA Swat audited transactions of Rs 218.453 million.

b. Recoveries at the instance of audit

Recoveries of Rs 25.185 million was pointed out during the audit. However, no recovery was effected till the finalization of this report.

c. Audit Methodology

Audit was conducted after understanding the business processes of TMAs in District Shangla 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 scrutiny and substantive testing in the field.

a. 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, and 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 TMAs.

e. Key audit findings of the report;

- i. Fraud / Misappropriation of Rs 72.732 million was noted in three cases¹
- ii. Non production of record of Rs 66.322 million was noted in two cases²
- iii. Irregularities & non-compliance of Rs 23.426 million were noted in nine cases.³
- iv. Weak internal control of Rs 22.972 million were noted in twelve cases.⁴

f. Recommendations

- i. Disciplinary actions need to be taken against the officers/ officials responsible for non production of record.
- ii. Inquiry need to be held to fix responsibility for fraud and misappropriation.
- iii. Corrective actions need to be taken to stop the practice of violation of rules and regulations while spending the public money.
- iv. Internal controls in all areas i.e. financial, managerial, operational, administrative and accounting need to be strengthened at TMAs to pre-empt the reported lapses and fair value for money is obtained from public spending.

¹ 1.2.1.1 to 1.2.1.2 & 1.3.1.1

² 1.2.2.1 & 1.3.2.1

³ 1.2.3.1 to 1.2.3.5 & 1.3.3.1 to 1.3.3.4

⁴ 1.2.4.1 to 1.2.4.5 & 1.3.4.1 to 1.3.4.7

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget		
			Expenditure	Receipts	Total
1	Total Entities (PAOs) in Audit Jurisdiction	2	324.242	72.545	396.787
2	Total formations in audit jurisdiction	2	324.242	72.545	396.787
3	Total Entities(PAOs) Audited	2	145.908	50.781	196.689
4	Total formations Audited	2	145.908	50.781	196.689
5	Audit & Inspection Reports	2	145.908	50.781	196.689

II: Audit Observations classified by Categories

(Rs in million)

S. No.	Description	Amount Placed under Audit Observation
1.	Unsound asset management	3.937
2.	Weak financial management	135.372
3.	Weak Internal controls	22.972
4.	Others	23.171
	Total	185.452

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	3.937	117.322	50.781	24.648	196.688	134.849
2.	Amount Placed under Audit Observation /Irregularities of Audit	3.937	109.059	49.285	23.171	185.452	283.99
3.	Recoveries Pointed Out at the instance of Audit	-	11.834	11.82	1.531	25.185	53.574
4.	Recoveries Accepted /Established at the instance of Audit	-	0.255	0	0	0.255	0
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	0
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	72.732
3	Accounting Errors (accounting policy departure from NAM ⁵ , 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.	22.972
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	0.255
6	Non-production of record	66.322
7	Others, including cases of accidents, negligence etc.	23.171
	Total	185.452

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

S #	Description	Amount
1	Outlays Audited (item 1 of Table 3)	180.477
2	Expenditure on audit	0.156
3	Recoveries realized at the instance of audit	0
	Cost-Benefit Ratio	1:0

CHAPTER-1

1.1 Tehsil Municipal Administrations District Shangla

1.1.1 Introduction

District Shangla has two TMAs i.e. Alpuri & Puran. Each Tehsil office is managed by a Tehsil Municipal Officer. 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 Shangla for the Financial Year 2016-17 is as under:

(Rs in million)

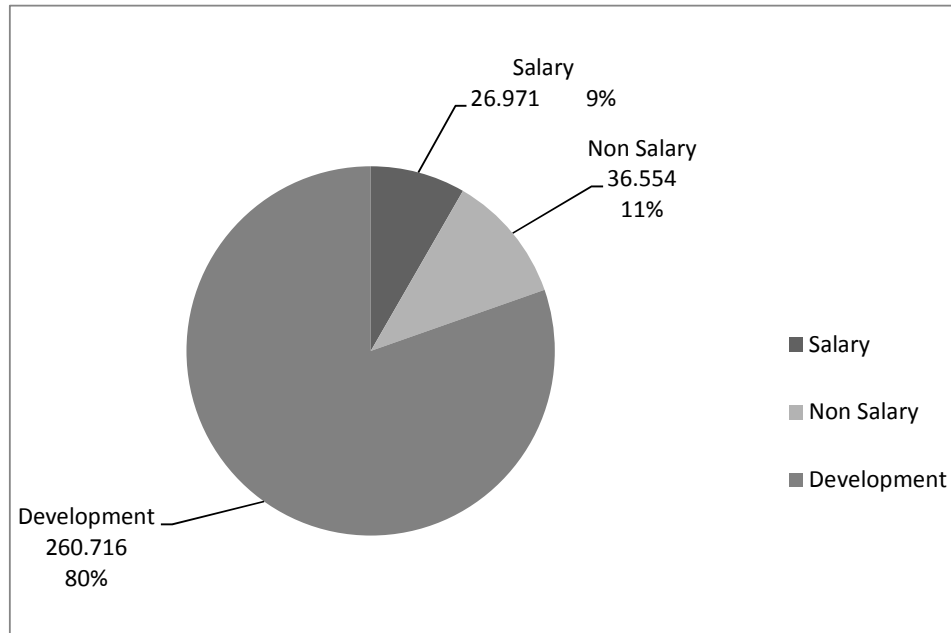
2016-17	Budget	Expenditure	Excess/(Saving)	% age
Salary	35.688	26.971	(8.717)	(24.42)
Non-salary	45.229	36.554	(8.675)	(19.18)
Developmental	360.024	260.716	(99.308)	(27.583)
Total	440.941	324.241	(116.70)	

2016-17	Budget Receipts	Actual Receipts	Variation	% age
Receipts	54.189	72.545	18.356	33.87%

The huge savings of Rs 116.70 million in all heads of accounts indicates weakness in the capacity of these local institutions to utilize the amounts allocated budget.

Expenditure 2016-17

(Rs in million)



1.1.3 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 Shangla 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 ALPURI

1.2 Audit Paras Tehsil Municipal Administration Alpuri

1.2.1 Fraud & Misappropriation

1.2.1.1 Fraudulent award of contracts - Rs 70.056 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 misprocurement and the person responsible for such breach shall be liable to be proceeded under the relevant law.

TMO Alpuri awarded the contracts of twenty seven (38) developmental works out of Tehsil ADP 216-17, Tehsil ADP 2015-16 and DDI 2015-16 by accepting the highest rates instead of lowest rates offered which resulted in loss of Rs 70,056,660. Award of contracts was made through fraudulent practice of manipulation in the tender documents as well as by ignoring the lowest bidders. Detail as per Annwxure-1, 2, 3 & 4.

Audit observed that fraud occurred due to defective tender process which resulted in loss to government.

The irregularity was pointed out in January 2018. Management stated that reply would be furnished after scrutiny of record. No reply was furnished.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

Audit recommends investigation and action against the persons at fault besides recovery of loss.

AIR Para No 39, 48, 49&50 (2016-17)

**1.2.1.2 Fraudulent award of contracts due to changing original BOQs
-Rs 2.088 million**

According to Rule 37(2) of Government of Khyber Pakhtunkhwa Public Procurement Regulatory Authority Procurement Rules 2014, 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 Alpuri Shangla awarded the work “construction of various WSS in UC Lilownai Package No.10” out of Tehsil ADP 2015-16 to M/S Baina Construction for Rs.4,150,000. The contractor had offered rate of Rs 2,275,216.60 as evident from notice to contractor for deposit of additional security of Rs1874783.41. However, as per tender documents the original BOQ of the contractor was replaced by an unsigned BOQ of Rs 3,621,360.05 which resulted in loss of Rs 1,874,784 to Government due to defective tender process.

Similarly in other work “Package-17 WSS UC Shang” out of Tehsil ADP 2015-16, the contractor offered rate of Rs 580,037.43 as per notice to contractor for deposit of additional security of Rs 219,762.57. However the work was awarded to the same contractor on Rs793,261 by changing original BOQ which resulted in loss of Rs 213,224.

Audit observed that fraudulent award of contracts was occurred due to defective tender process, which resulted in loss to Government.

The irregularity was pointed out to the management in January 2018. Management furnished no reply.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 47 (2016-17)

1.2.2 Non Production of Record

1.2.2.1 Non production of auditable record - Rs 22.187 million

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

TMO Alpuri executed the following developmental schemes during 2016-17 as per Progress Report for June 2017 with expenditure of Rs 18,250,000 but relevant record i.e. tender documents, PC-I, Administrative Approval, Technical Sanction, Contractor bills and MBs etc were not produced to audit.

S.No	Name of Scheme	Expenditure (Rs)	Remarks
1	Installation of Solar Lights in Jurisdiction of TMA Alpuri Phase-II	9,500,000	Completed as per progress report
2	Installation of Solar Lights in Jurisdiction of TMA Alpuri Phase-III	8,750,000	--do--
Total		18,250,000	

Moreover an expenditure of Rs. 3,937,215 was incurred on purchase of vehicle during 2016-17 however relevant record was not available to verify the expenditure.

Audit observed that non production of record was occurred due to weak managerial control which resulted in violation of rules.

The irregularity was pointed out in January 2018. Management stated that the record clerk was on medical leave. Reply was not tenable as record was required to be handed over to other staff.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

Audit recommends fixing responsibility on the persons at fault for non production of relevant record.

AIR Para No 38 (2016-17)

1.2.3 Irregularity and Non compliance

1.2.3.1 Irregular cash payments in violation of rules –Rs 6.322 million

According to Rule 12 (1) of Chapter- IV of the Khyber Pakhtunkhwa Local Councils Accounts Rules 1980, where the Local Fund is kept in a treasury or bank no payment exceeding Rs 500 shall be made except by means of a Cheque.

Administrator TMO Alpuri incurred expenditure of Rs 6,322,273 on non salary components during financial year 2016-17 and cash disbursements were shown instead of payments by means of Cheques in violation of relevant rules referred to above. Due to disbursements through cash, actual payments to the concerned could not be verified and chances of misappropriation could not be ruled out. Detail is as under:

S.No	Description	Amount (Rs)
01	POL charges	3,056,819
02	TA/DA	1,011,953
03	Repair of Transport	1,665,161
04	Repair of Street Lights	588,340
Total		6,322,273

Audit observed that irregular cash payment was occurred due to weak financial control which resulted in violation of rules.

The irregularity was pointed out in January 2018. Management stated that due to non availability of bank accounts of petty suppliers/vendors payment was made through cash. Reply was not satisfactory as department violated the rules.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

Audit recommends fixing responsibility on the persons at fault for violation of relevant rules.

AIR Para No 36 (2016-17)

1.2.3.2 Unauthorized expenditure without pre-audit Rs 250.774 million

According to Local Government Department letter No.AO/LCB/4(I)06/2009-10 dated 4.9.2010 that no payment shall be made by the local councils unless the bill is pre checked in 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 Accounts Officer shall perform pre-Audit of all payments in the Local Councils before approving the disbursement of money.

TMO Alpuri Shangla incurred an expenditure of Rs 250,774,682 during 2016-17 without pre audit from local fund audit which was contrary to the above orders and needs justification.

S.No	Particulars	Expenditure
1	Salary	15,826,172
2	Non Salary	23,552,758
3	Developmental	211,395,752
	Total	250,774,682

Audit observed expenditure without pre-audit occurred due to weak internal control which resulted in violation of rules.

The irregularity was pointed out in January 2018. Management replied that according to LGA 2013 section (36), Tehsil Accounts Officer shall perform pre-audit of council expenditure. Reply was not satisfactory as there was no Tehsil Accounts Officer in TMA as well as the pre-audit function was assigned to Local Fund Audit by Finance Department.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

Audit suggests investigation and action against the persons at fault.

AIR Para No 37 (2016-17)

1.2.3.3 Unauthorized expenditure without Technical Sanction -Rs 2.483 million

According Para 178 of GFR read with Para 56 of CPWD Code 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.

TMO Alpuri Shangla incurred an expenditure of Rs 2,483,000 on two developmental schemes during 2016-17 without obtaining technical sanction from the competent authority.

Source of fund	Name of scheme	Expenditure (Rs)
Tehsil ADP for 2015-16	Pavement of Street, Drains, Bricks, PCC etc Bar Butyal	1,683,000
Priority Projects in KPK ADP No.757/150182 under CMD	Retaining Wall & PCC Road Check Post to Flour Mill	800,000
	Total	2,483,000

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.

The irregularity was pointed out to the management in January 2018. Management replied that the said schemes are in running conditions and the TS would be furnished on completion of works. Reply was not satisfactory as expenditure was incurred without TS.

Request for convening DAC meeting was made on 23rd February 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 40 (2016-17)

1.2.3.4 Non Imposition of Penalty for Incomplete Schemes- Rs 2.100 million

According to Clause 2 of the Contract Agreement requires that 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 Alpuri Shangla failed to impose penalty of Rs 2,100,000 @ 10% of the estimated cost of Rs 21,000,000 in twenty (20) schemes which were not completed in stipulated time period. Detail at annexure-5.

Non imposition of penalty was occurred due to violation of rules, which resulted in loss to Government.

The irregularity was pointed out to the management in February 2018. Management stated that the time has been extended by the Council. The copy will be furnished. Reply was not satisfactory as no documentary evidence was provided in support of reply.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 41&42 (2016-17)

1.2.3.5 Loss due to excess payment than approved bid cost – Rs 1.959 million

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

TMO Alpuri awarded nineteen (19) works with approved bid cost of Rs 17,612,713 to various contractors who offered below rates than the estimated costs. However payment was made for Rs 19,571,647. The saving amount of Rs 1,958,934 due to below rates was also paid to the contractors which resulted in excess payment from the approved tender cost. Detail at annexure-6.

Excess payment was made in violation of rules which resulted in loss to the Government.

The irregularity was pointed out in January 2018. Management replied that as per site the quantity can be reduced and exceeded. Reply was not satisfactory as excess work done was shown just to withdraw the savings.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery and action against the persons at fault.

AIR Para No 43 (2016-17)

1.2.4 Internal Control Weaknesses

1.2.4.1 Non recovery of principal amount and penalty of General Bus Stands- Rs 11.821 million

According to Serial No. 6 (a) and 7 of the Policy Guidelines for the auction of local councils contracts of cattle fair, Bus stand 2% property tax and other local taxes for the financial year 2016-17, the successful bidder shall deposit 15% of the value of the contract in advance which will be adjusted by the council in the last/final installment of the contract. The eleven installment shall however, be worked out on the full bid amount of the contract without deduction of the advance from the bid amount. The first installment shall be paid by the end of July 2016, and rest of the installments on last date of the month, to which it relates. 2% penalty per day will be liable on contractor for late deposit of the monthly installment. If the contractor/firm fails to clear dues by 10th of each month to which monthly installment relates, the contract may be cancelled and his security and advances deposited by the contractor shall be forfeited.

TMO Alpuri Shangla failed to recover outstanding amount of Rs 1,554,700 from the contractors of General Bus Stand Alpuri and Transport Stand Karora during 2016-17 as detailed below which needs immediate recovery along with 2% penalty of Rs 5,596,920.

S#	Name of Contract	Name of contractor	Amount of contract	Amount paid (Rs)	Amount Outstanding (Rs)
1	GBS Alpuri	M/S Badar Munir	2,626,000	1,444,300	1,181,700
2	Transport Stand Karora	M/S Sher Alam	1,632,000	1,259,000	373,000
Total Principal amount outstanding					1,554,700
2% Penalty on principal amount for a period of six months=1,554,700x2% per day =31,094x180 days (July 2017 to December 2017)					5,596,920
G. Total					7,151,620

Moreover Rs 4,669,236 as 2% penalty on late deposit of monthly installment was not recovered from the lease contractors during 2016-17 as detailed below:

S.No	Name of contract	2% Penalty (Rs)
1	GBS Besham	1,239,000
2	GBS Alpuri	2,519,060
3	GBS Karora	911,176
Total		4,669,236

Non recovery of outstanding dues was occurred due to weak internal control which resulted in loss to Government

The irregularity was pointed out in January 2018. Management stated that all the contractual amounts have been recovered while the penalty imposed due to late deposit of monthly installments have been waived off by the Council. Reply was not satisfactory as no documentary proof was provided in support of reply.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery and action against the persons at fault under intimation to audit.

AIR Para No 51 & 52 (2016-17)

1.2.4.2 Irregular expenditure on POL and repair of vehicle -Rs 4.721 million

According to delegation of powers 2001, second schedule S. No. 12 that log book, history sheet and petrol account register shall be maintained for each motor vehicle.

According to Rule 1 of Chapter-III of Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014, 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/ rupees one hundred thousand.

TMO Alpuri Shangla incurred an expenditure of Rs 3,056,819 on POL of vehicles during 2016-17. However, log books were not produced to verify the

expenditure. Moreover an expenditure of Rs 1,665,161 was incurred on repair of vehicles on quotation basis instead of adopting open competitive bidding to achieve economical rates.

S.No	Particulars	Amount (Rs)	Remarks
2	POL	3,056,819	Log books were not produced to verify the expenditure
1	Repair of Vehicles	1,665,161	--do--
Total		4,721,980	

Audit observed that irregular payment was occurred due to weak internal control which resulted in violation of rules.

The irregularity was pointed out in January 2018. Management stated that log books will be provided. Reply was not satisfactory as no documentary proof was provided in support of reply.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 54 (2016-17)

1.2.4.3 Unauthorized and unauthentic expenditure on account of Hot & Cold Weather charges - Rs 1.538 million

According to Rule 1 of Chapter-III of Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014, 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/ rupees one hundred thousand.

TMO Alpuri Shangla incurred an expenditure of Rs 1,538,302 during 2016-17 on hot and cold weather charges (purchase of fire wood and charcoal) without adopting open tender system to achieve economical rates. Further the

delivery challans, stock register of fire wood/charcoal, actual payee receipts, Govt. Notification regarding scale of utilization/consumption of firewood/charcoal was not produce to verify the expenditure.

Audit observed that unauthorized/unauthentic expenditure was occurred due to weak internal controls, which resulted in violation of rules.

The irregularity was pointed out in January 2018. Management stated that reply would be furnished after scrutiny of record. No reply furnished.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 55 (2016-17)

1.2.4.4 Irregular expenditure on purchase of Vehicles and other stock -Rs 4.404 million

1. According to Rule-1 Chapter-II of PPR 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 (rupees one hundred thousand).

2. According to Para 10 (i) of GFR Volume-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

TMO Alpuri Shangla incurred an expenditure of Rs 4,404,937 on purchase of vehicles, IT equipments, machinery and equipments and furniture fixtures during 2016-17 without adopting open tender system. Moreover the items purchased were not taken on stock register which indicates that the items were not actually received as delivery challans were not shown to audit. Detail is given below:

S.No	Particulars	Total Amount (Rs)
1	Purchase of Vehicles	3,937,215
3	Purchase of IT Equipments	47,700
4	Purchase of Furniture & Fixture	174,632
5	Purchase of Plant & Machinery	245,390
	Total	4,404,937

Audit observed that unauthorized expenditure was occurred due to weak internal controls, which resulted in violation of rules.

The irregularity was pointed out in January 2018. Management stated that reply would be furnished after scrutiny of record. No reply furnished.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 56 (2016-17)

1.2.4.5 Loss due to non deduction of Income tax non-deposit of RTA share -Rs 0.943 million

According to GFR-23 every Government officer shall be held personally responsible for any loss sustained to Government through negligence or fraud on his part or on the part of his subordinate staff.

According to Rule-259 Sub Rule (3) of West Pakistan Motor Vehicles Rules 1969, the Government share will be 3% of the gross receipt from fee shown by the TMA for a period of one year.

TMO Alpuri Shangla paid Rs 9,499,832 to M/S Integrated Techno Services Peshawar on account of execution of work "Streets Lights Phase-I" during 2016-17 without deduction of income tax of Rs 712,500.

Moreover 3% RTA share amounting to Rs 230,829 was not deposited into Government treasury as detailed below:

Year	Gross Income (Rs)	3% RTA Share (Rs)
2016-17	7,694,300	230,829

Non deduction/deposit of income tax/RTA share was occurred due to weak internal control which resulted in loss to Government.

The irregularity was pointed out in January 2018. Management stated that recovery will be made. Reply was not satisfactory as no documentary proof was provided and in the second case management stated that TMA Alpuri for the provision of transport services, limited spaces have been acquired on share basis in the area of district Shangla wherein the facilities required as per RTA rules cannot be provided. This TMA is in search of suitable site for the establishment of proper general bus stand as and when acquired. The RTA will be approached for obtaining D Class license and RTA share will be deposited. Reply was not satisfactory as the Secretary RTA Malakand Division directed for deposit of 3% RTA share of all stands vide letter No. 2361-68/31/RTA (Vol-14) dated 23/05/2014.

Request for convening DAC meeting was made on 23rd February 2018, however meeting of DAC could not be convened till finalization of this report.

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

AIR Para No 46&53 (2016-17)

TEHSIL MUNICIPAL ADMINISTRATION PURAN

1.3 Audit Paras Tehsil Municipal Administration Puran

1.3.1 Misappropriation & Fraud

1.3.1.1 Misappropriation on account of repair of Fire Brigade vehicle and POL - Rs 0.588 million

GFR-23 requires that every government officer shall be held personally responsible for any loss sustained to government through negligence or fraud on his part or on the part of his subordinate staff.

TMO Puran Shangla drawn Rs 500,000 vide cheque No.25054014 dated 07/04/2017 on account of repair of Fire Brigade Vehicle vide receipt No.1779 of Khan Engineering Works Mingora. However on verification it was noticed that the receipt passed was collected as quotation and the supplier stated that no repair was made in the said vehicle, which shows that the amount drawn was misappropriated.

Moreover an amount of Rs 88,364 was drawn on account of POL of Vehicle No. A-1212 vide Cheque No. 29474833 dated 23.06.2017. The same bills were already passed in the months of 12/2016, 3 and 4/2017 which resulted in double drawl.

Audit observed that misappropriation occurred due to weak financial control which resulted in loss to the entity.

The irregularity was pointed out in February 2018. Management stated that reply would be obtained from the concerned staff and would be produced to Audit. Reply was not tenable as no documentary proof was 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 recommends recovery besides fixing responsibility on the person (s) at fault.

AIR Para No 70 & 72 (2016-17)

1.3.2 Non Production of Record

1.3.2.1 Non production of auditable record - Rs 44.135 million

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

TMO Puran incurred an expenditure of 44,135,153 on non salary and developmental heads during 2016-17 as per Classified abstract and Cash Book. However record of expenditure was not available to verify the payment as per detail at **Annexure-7**.

Audit observed that non production of record was occurred due to weak managerial control which resulted in violation of rules.

The irregularity was pointed out to the management in February 2018. Management stated that Ex-TMO TMA Puran has already been directed to handover the auditable record vide letter No.908-12/TMA Puran dated 22/12/2017. Reply was not satisfactory as record was not produced.

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 recommends investigation and fixing responsibility on the persons at fault for non production of record.

AIR Para No 58 (2016-17)

1.3.3 Irregularity and Non compliance

1.3.3.1 i. Blockage of Developmental fund Rs 86.734 million ii. Unauthorized transfer of Government fund to commercial bank - Rs 10.956 million

1. According to Para 12 of GFR Vol-II, a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.
2. According to KPK Tehsil & Town Municipal Administration Rules of Business 2015, Rule-8(j) that TMO will prepare reports on implementation of developmental plans, segregated by gender, for submission to the government and presentation in the Council.
3. According to KPK Tehsil & Town Municipal Administration Rules of Business 2015, Second Schedule Section-1(d)(i) that TMO/TO(I&S) will be responsible for preparation, implementation, monitoring and evaluation of Tehsil Annual Development Program in co-ordination with Tehsil Offices.
4. According to Government of Khyber Pakhtunkhwa Finance Department letter No.2/3(F/L)FD/2007-08/Vol-IX dated 10th February 2014 that no funds shall be placed in any commercial bank from the PLAs or Assignment Accounts without prior approval of the Finance Department as contained in Para-6 & 7 of GFR Volume-I. Furthermore profit earned on Government fund shall be deposited into Government Treasury under relevant head of account immediately and not later than a week declared by the commercial bank.

TMO Puran Shangla received Rs 86,734,000 on account of Tehsil ADP fund from Provincial Finance Department Khyber Pakhtunkhwa Peshawar for execution of developmental schemes in Tehsil during 2016-17. However, during the whole financial year no developmental activities were started against the received fund which resulted in blockage of government funds and deprived the area from development.

Moreover an amount of Rs 10,956,052 was transferred from PLA to commercial Bank during 2016-17 as detailed below which was unauthorized.

S#	Particulars of Fund Received	Drawn from PLA vide cheque No. & date	Deposited in Bank Account No.	Amount (Rs)
1	Developmental Fund	A-338336 dated 04.04.2017	Bank of Khyber Alpuri A/C No.00747-000 PLS	7,671,299
2	Grant for Elected Officials	A-338321 dated 02.07.2016	--do--	1,445,386
3	-do-	A-338350 dated 20.06.2017	--do--	1,839,367
Total				10,956,052

Audit observed that non utilization of developmental fund and unauthorized transfer to commercial bank was due to weak financial controls which resulted in violation of rules.

The irregularity was pointed out to the management in February 2018. Management stated that due to non availability of technical staff and non passing of ADP by the Council the developmental activities could not be made. Reply was not tenable as the fund was not utilized during the period.

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

AIR Para No 59 & 71 (2016-17)

1.3.3.2 Unauthorized expenditure without pre-audit - Rs 73.099 million

According to Section 36 (2) (b) (e) of the Khyber Pakhtunkhwa, Local Government Act 2013, the Tehsil Accounts Officer shall maintain the accounts of Tehsil Municipal Administration and the Accounts Officer mentioned in clause (b) shall perform pre-audit of all payments from the respective fund before approving disbursement of monies.

Tehsil Municipal Officer, TMA Puran incurred expenditure of Rs 73,099,237 from salary, non salary and developmental heads during financial year 2016-17 without pre-audit by the Tehsil Accounts Officer or Local Fund Audit Department as detailed below:

S.No	Head	Expenditure (Rs)
1	Salary	11,120,692
2	Non Salary	12,657,454
3	Developmental	49,321,091
	Total	73,099,237

Audit observed that unauthorized expenditure was occurred due to weak internal control which resulted in violation of rules.

The irregularity was pointed out to the management in February 2018. Management stated that Ex-post facto approval will be obtained from the competent authority. Reply was not satisfactory as no documentary proof was 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 investigation and action against the person(s) at fault.

AIR Para No 60 (2016-17)

1.3.3.3 Irregular cash payments in violation of rules –Rs 16.641 million

According to Rule 12 (1) of Chapter- IV of the Khyber Pakhtunkhwa Local Councils Accounts Rules 1980, where the Local Fund is kept in a treasury or bank no payment exceeding Rs 500 shall be made except by means of a Cheque.

TMO Puran incurred expenditure of Rs 16,041,277 on salary and non salary components during financial year 2016-17 and cash disbursements were

shown instead of payments by means of Cheques in violation of rules. sDue to disbursements through cash, actual payments to the concerned could not be verified and chances of misappropriation could not be ruled out. Detail is as under:

S. No.	Description	Amount (Rs)
01	Pay and allowances	11,120,692
02	Contingent Paid Staff	1,442,700
03	Rent of office building	283,000
05	POL charges	1,444,697
06	Advertising & Publicity	245,554
07	Purchase of Insecticide(Strychnine)	61,170
08	Repair of Transport	1,637,464
09	Repair of Machinery & Equipments	382,000
10	Repair others (M&R)	24,000
Total		16,641,277

Audit observed that irregular cash payment was occurred due to weak internal control which resulted violation of rules.

The irregularity was pointed out to the management in February 2018. Management stated that due to non availability of bank accounts of employees the salaries were paid through cash. Now all the salaries payment has been made through bank. Reply was not satisfactory as no documentary proof was provided in support of reply.

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 recommends inquiry and fixing responsibility on the person(s) at fault.

AIR Para No 61 (2016-17)

- 1.3.3.4**
- i. Irregular expenditure without Technical Sanction –Rs 8.187 million**
 - ii. Non Imposition of penalty for delay in completion of work – Rs 0.49(m)**

According to 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 Puran Shangla incurred expenditure of Rs 8,187,771 on seven developmental Schemes during 2016-17 without obtaining technical sanction from the competent authority as detail at Annexure-8.

Moreover penalty of Rs 490,000 @ 10% of the estimated cost of Rs 4,900,000 in six (06) schemes was not imposed which were not completed in stipulated time period. Detail is attached at annexure-09.

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 stated that reply would be furnished after scrutiny of record. However no progress was 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 action against the person(s) at fault and inquiry by the competent forum into the actual quantities required to be executed besides recovery of penalty under intimation to audit.

AIR Para No 62 & 63 (2016-17)

1.3.4 Internal Control Weaknesses

1.3.4.1 Overpayment due to allowing excess quantity than approved BOQ and wrong calculation - Rs 3.446 million

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

TMO Pura Shingla overpaid Rs 3,154,062 due to allowing excess quantities than approved BOQ quantities in the work "Construction of 3 No.s Play Grounds in Tehsil Pura Package-13" during 2016-17 as detailed below:

Item of work	Paid Qty (M ³)	Qty as per approved BOQ (M ³)	Diff (M ³)	Rate (Rs)	Overpayment (Rs)
Excavation in Shingle Gravel for preparation of Ground	10,860.09	346.55	10,513.54	300/M ³	3,154,062

Further BOQ was contained on seven items of works out of which only one item was executed and the work was shown finalized which shows deviation from approved BOQ/PC-I.

Moreover Rs 291,863 was overpaid due to wrong calculation in the work "DWSS Gul Baren Koroon Package-1" vide MB No.1 Page97 & 146 as detail below:

Item of work	Qty (Meters)	Rate (Rs)	Amount (Rs)	Paid amount due to wrong calculation	Overpayment (Rs)
S/F GI Pipe ¾" Ø	85.33	380/Meter	32,425	324,288	291,863

Audit observed that overpayment was occurred due to weak internal controls, which resulted in loss to Government.

The irregularity was pointed out to the management in February 2018. Management stated that the record is in the possession of NAB authorities. The

reply would be furnished as and when the record handed over back to this TMA. Reply was not satisfactory 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 investigation besides recovery and action against the person (s) at fault.

AIR Para No 64 & 65 (2016-17)

1.3.4.2 Loss due to auction of contract of 2%property tax – Rs 4.4650 million

GFR-23 requires that every government officer shall be held personally responsible for any loss sustained to government through negligence or fraud on his part or on the part of his subordinate staff.

Tehsil Municipal Officer, TMA Puran awarded the contract of 2% Property Tax on Rs 5,899,549 for the year 2016-17 which was very low price as compared to last year highest bid of Rs 9,000,000. The contract was required to be auctioned with 20% increase on last year bid i.e. Rs.10,800,000 (9,000,000x20%). However the local office auctioned the contract for Rs 5,899,549 whereas the actual tax collected under the head as per Revenue record for the year 2016-17 was Rs 10,364,408 which shows that due to auction of the contract a loss of Rs 4,464,859 was sustained to the council.

Audit observed that auction of contract on low price was occurred due to violation of rules which resulted in loss to the council.

The irregularity was pointed out to the management in February 2018. Management stated that reply would be furnished after scrutiny of record. However no progress was 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 investigation besides recovery of loss and action against the persons at fault.

AIR Para No 66 (2016-17)

1.3.4.3 Irregular and unauthentic expenditure on POL and repair of vehicles –Rs 3.082 million

According to delegation of powers 2001, second schedule S. No. 12 that log book, history sheet and petrol account register shall be maintained for each motor vehicle.

According to Rule 1 of Chapter-III of Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014, 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/ rupees one hundred thousand.

TMO Puran Shangla incurred an expenditure of Rs 3,082,160 on POL and repair of vehicles during 2016-17. However, log books were not produced to verify the expenditure. Moreover an expenditure of Rs 1,637,463 was incurred on repair of vehicles on quotation basis instead of adopting open competitive bidding to achieve economical rates.

S#	Particulars	Amount (Rs)	Remarks
1	POL	1,444,697	Log books were not available to verify the expenditure
2	Repair of Vehicles	1,637,463	--do--
Total		3,082,160	

Audit observed that irregular payment was occurred due to weak internal control which resulted in violation of rules.

The irregularity was pointed out in February 2018. Management stated that Log Books are in the possession of Ex-TMO, which will be produced to

audit after handing over to this office. Reply was not satisfactory as no progress was 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 recommends investigation and action against the person (s) at fault.

AIR Para No 68 (2016-17)

1.3.4.4 Unauthorized and unauthentic expenditure on account of Hot & Cold Weather charges - Rs 0.939 million

According to Rule 1 of Chapter-III of Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014, 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/ rupees one hundred thousand.

TMO Puran Shangla incurred an expenditure of Rs 939,344 during 2016-17 on hot and cold weather charges (purchase of fire wood and charcoal) without adopting open tender system to achieve economical rates. Further the delivery challans, stock register of fire wood/charcoal, actual payee receipts, Govt. Notification regarding scale of utilization/consumption of firewood/charcoal was not produced to verify the expenditure.

Audit observed that unauthorized/unauthentic expenditure was occurred due to weak internal controls, which resulted in violation of rules.

The irregularity was pointed out to the management in February 2018. Management stated that reply would be furnished after scrutiny of record. However no progress was 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 recommends investigation and action against the person (s) at fault.

AIR Para No 69 (2016-17)

1.3.4.5 Unauthentic payment on account of sanitation - Rs 1.463 million

According to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinate staff.

Tehsil Municipal Officer, TMA Puran withdrew Rs 1,463,700 on account of Sanitation during 2016-17 as detailed below. All the sanitation activities were shown carried out by the residents of the area as per applications against which the amount was drawn. No TMA staff was involved in the sanitation activities whereas a huge amount was drawn on daily wage staff and repair of sanitation vehicles. Further no record of payment was available to whom the amount was paid which shows that the amount was drawn on fake applications.

S.No	Particulars	Cheque No	Date	Amount (Rs)
1	Sanitation bill for March 2017	25054019	14.4.2017	385,000
2	--do--	25054018	14.4.2017	398,500
3	--do--	2505417	13.4.2017	418,500
4	Sanitation bill for November 2016	1601582896	09.12.2016	90,000
5	Sanitation bill for October 2016	--	--	44,250
6	Sanitation bill for September 2016	--	--	57,350
7	Sanitation bill for July 2016	--	--	46,100
8	Sanitation bill for May 2017	--	--	24,000
			Total	1,463,700

Audit observed that misappropriation occurred due to weak financial control which resulted in loss to Government.

The irregularity was pointed out to the management in February 2018. Management stated that reply would be furnished after scrutiny of record. However no progress was 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 recommends investigation besides recovery and fixing responsibility on the persons at fault.

AIR Para No 73 (2016-17)

1.3.4.6 Unauthorized purchase and doubtful payment on account of dustbins and 14th August program Rs 0.864 million

According to Rule 1 of Chapter-III of Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014, 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/ rupees one hundred thousand.

According to Para 23 of GFR Vol-I, every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinate staff.

Tehsil Municipal Officer, TMA Puran withdrew Rs 277,300 vide cheque No.1601582892 dated 02.11.2016 on account of purchase of 50 number Dustbins during 2016-17 without open tender system and no supplier bills, delivery challans were available to verify the purchase, no stock entry was made to verify the items received. Further no record of payment was available to whom the amount was paid which shows that the amount was drawn on fake bills and was misappropriated by the dealing hands.

Moreover an amount of Rs. 587,622 was drawn vide cheque No.0157925442 dated 9.9.2016 and was shown expended on celebration of 14th

August, however no expenditure vouchers, record of payment, detail of participants and where about of material purchased for stage was available to verify the expenditure/payment.

Audit observed that unauthorized purchase was occurred due to weak financial control which resulted in violation of rules.

The irregularity was pointed out to the management in February 2018. Management stated that reply would be furnished after scrutiny of record. However no progress was 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 recommends investigation and action against the persons at fault.

AIR Para No 74 (2016-17)

1.3.4.7 Non deduction of DPR fund and Professional Tax and non deposit of RTA Share- Rs 0.184 million

1. Section-11 of the “Disabled Persons (Employment & Rehabilitation) Ordinance 1981 and the Government of Khyber Pakhtunkhwa Disabled Persons (Employment & Rehabilitation) Rules,1991 read with Directorate of Social Welfare Special Education & Women Empowerment Department Khyber Pakhtunkhwa Circular letter No.DPR/Pub/PCRD/15374-403 dated 23.01.2012 deduction of DPR fund @ Rs 2,000 each per million may be made in the bills of the contractors/firms who have completed business of one million or above in a financial year.

2. 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.

3. According to Rule-259 Sub Rule (3) of West Pakistan Motor Vehicles Rules 1969, the Government share will be 3% of the gross receipt from fee shown by the TMA for a period of one year.

TMO Puran Shangla did not deduct Rs 78,000 on account of DPR fund for Rehabilitation of Disabled Persons and Rs 23,000 as Professional Tax from the contractors/firms, during financial year 2016-17 as detailed below:

S#	Name of Contractor	Amount Paid (Rs)	DPR Fund (Rs)	Professional Tax (Rs)
1	Karcon Builders	32,351,415	64,000	10,000
2	Royal Maira Construction	1,913,750	4,000	3,000
3	Haji Sultani Room	4,759,003	10,000	10,000
Total			78,000	23,000

Moreover 3% RTA share amounting to Rs 83,097 was not deposited into Government Treasury during 2016-17.

Audit observed that non deduction/deposit of DPR fund and Professional Tax/RTA share 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 stated that the same will be deposited in the relevant head. Reply was not satisfactory as no recovery proof was 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 recovery and action against the person (s) at fault.

AIR Para No 67&75 (2016-17)

ANNEXURES

Annexure-1 Para# 1.2.1.1

1. Detail of Fraudulent award of contracts in Tehsil ADP 2016-17

S#	Name of Work	E.Cost (Rs)	Rate Accepted/ Awarded on	Lowest Rate	Diff	Loss (Rs)
1	Package-12 UC Malak Khel	4,950,000	11.23% below	75% Below	63.77%	3,156,615
2	Package-24 UC Butiyal	4,350,000	13.73% below	73% below	59.27%	2,578,245
3	Package-25 UC Shang-I	3,675,000	12.72% below	67% below	54.28%	1,994,790
4	Package-22 UC Kormang-I	2,025,000	12.72% below	73% below	60.3%	1,221,075
5	Package-28 UC Maira-II	6,700,000	13.77% below	74% below	60.23%	4,035,410
6	Package-27 UC Maira-I	6,400,000	12.76% below	73% below	60.24	3,855,360
7	Package-30 UC Maira-IV	8,000,000	14.78% below	73% below	58.22%	4,657,600
8	Package-31 UC Dandai-I	2,250,000	10% below	73% below	63%	1,417,500
9	Package-31 UC Dandai-II	2,375,000	13.10% below	73% below	59.9%	1,422,625
10	Package-14 UC Lilownai-II	4,220,000	11.50% below	67% below	57.43%	2,342,100
11	Package-13 UC Lilownai-I	4,530,000	10.57% below	68% below	57.43%	2,601,579
12	Package-21 UC Opal-II	3,200,000	12.56% below (original rate was 56% below as per Tender form & BOQ)	63% below	50.44%	1,614,080
13	Package-20 UC Opal-I	3,100,000	12.53% below	61% below	48.47%	1,502,570

14	Package-23 UC Kormang-II	3,075,000	12.61% below	45% below (written in Comparative statement as 2.45%)	32.39%	995,992
15	Package-15 UC Sarkool	4,750,000	10.63% below	75% below	64.37%	3,057,575
16	Package-17 UC Chakisar-I	7,800,000	12.30% below	70% below	57.7%	4,500,600
17	Package-8 UC Pirabad	3,650,000	10% below	73% below	63%	2,299,500
18	Package-6 UC Raniyal	4,550,000	13.71% below	76% below	62.29%	2,834,195
19	Package-10 UC Alpuri-I	3,100,000	12.71% below	74% below	61.29%	1,899,990
20	Package-11 UC Alpuri-II	4,350,000	11.71% below	76% below	64.29%	2,796,615
21	Package-3 UC Damori-II	4,000,000	13.61% below (As per Tender Form rate was 31.61% below)	53.53% below	39.92%	1,596,800
22	Package-1 UC Pirkhana	3,600,000	13.71% below	73% below	59.29%	2,134,440
23	Package-2 UC Damori-I	2,900,000	11.61% below	71% below	59.39%	1,722,310
24	Package-7 UC Kuzkana	3,300,000	11.61% below	73% below	61.39%	2,025,870
25	Package-26 UC Shang-II	3,425,000	14.57% below	41% below (written in comparative statement as 10.41%)	26.43%	905,227
26	Package-9 UC Dehrai	4,700,000	11.61% below	73% below	61.39%	2,885,330
27	Package-16 UC Bunerwall	2,800,000	11.61% below	42% below	30.39	850,920
Total						62,904,913

Annexure-2
Para# 1.2.1.1

2. Detail of loss due to manipulation in Bid Rates in Tehsil ADP 2015-16

S.No	Name of work	Awarded rate	Lowest Rate	Loss (Rs)
1	Package-16 Construction of various WSS in UC Butyal	2,887,610	2,316,380 (which was manipulated as 2,890,944)	571,330
2	Pavement of Streets etc. Package-2 UC Damorai	3,799,807	2,835,241(which was manipulated as 5,046,461.94)	964,566
3	Pavement of street etc UC Dandai Package-18	1,699,839	1,355,804 (which was manipulated as 1,941,723.09)	344,035
4	Pavement of streets etc. UC Butyal Package-16	2,308,192	1,953,983 (which was manipulated as 2,449,601.89)	354,209
5	Various Developmental Schemes in UC Opal Package-9 –Others	1,882,421	1,225,457(which was manipulated as 1,926,704)	656,964
6	Package-3 UC Shapur Others	3,349,523	2,440,528 (which was manipulated as 4,003,332.71)	908,995
7	Package-5 UC Kuz Kana Others	4,095,257	2,816,822 (which was manipulated as 4,106,657.14)	1,278,435
Total				5,078,534

Annexure-3

Para# 1.2.1.1

Detail of loss due to manipulation in Tender Form District Development Initiative 2015-16

Name of work	Awarded on	Lowest rate as per tender form	Difference	Estimated Cost (Rs)	Loss (Rs)
Construction of various Schemes in PK-87 Package-3	16.41% below	25% below manipulated as 9.25%	8.59%	3,015,000	258,988

Annexure-4

Para# 1.2.1.1

Detail of loss due to award of contracts on high rates in Tehsil ADP 2015-16

S#	Name of Work	Awarded on (Rs)	Lowest Rate (Rs)	Diff/Loss (Rs)
1	Construction/Repair of various Roads UC Lilownai Package-9 out of 30% Share Tehsil ADP	2,719,931	1,430,059	1,289,672
2	Various Developmental Schemes in UC Shang Package-19 out of Tehsil ADP 30% Share	2,400,000	1,897,055	502,945
3	WSS Shaheen Faizdara out of Priority Project in KPK ADP No.757/150182	408,369	386,761	21,608
Total				1,814,225

Annexure-5
Para# 1.2.3.4

Detail of Penalty for Incomplete Schemes

S#	Name of Scheme	Work Order date	Completion date	Actual completion	Delay	E.Cost (Rs)	10% Penalty (Rs)
01	WSS Asmani Gul Mohalla	27.6.16	31.12.16	Still incomplete i.e. 01/2018	12 months	670,000	67,000
02	WSS Mohammad Kamal Loder	-do-	-do-	-do-	-do-	700,000	70,000
03	Pavt. Of streets Drain, Bricks, PCC etc Bar Butyal	-do-	-do-	17.5.17	5 months	3,000,000	300,000
04	WSS Shaheen Faizdara	-do-	-do-	Still incomplete i.e. 01/2018	12 months	630,000	63,000
05	Pavt. Of street drain at Ali Abad Kunshi Phase-II	22.6.16	-do-	-do-	-do-	1,500,000	150,000
06	PCC Road Kandow Piza	23.6.16	-do-	-do-	-do-	500,000	50,000
07	PCC Road Kuz kaley to Barkaley	29.6.16	-do-	-do-	-do-	500,000	50,000
08	Pavt. Of street drain at Ali abad Kunshi Phase-I	22.6.16	-do-	-do-	-do-	1,500,000	150,000
09	Kadona Road	25.7.16	-do-	-do-	-do-	300,000	30,000
10	Package-4	25.7.16	-do-	-do-	-do-		80,000

	UC Kuz kana Roads					800,000	
11	P-1 Others various schemes in UC Pir Khana	26.7.16	-do-	19.6.17	6 months	2,600,000	260,000
12	P-4 Others schemes in UC Raniyal	6.6.16	-do-	16.6.17	5 months	1,700,000	170,000
13	P-14 UC Bunerwall	13.7.16	-do-	Still incomplete i.e. 01/2018	12 months	600,000	60,000
14	WSS Asmani Gul Mohallah	27.06.16	31-12-16	-do-	13 months	670,000	67,000
15	WSS Mohammad Kamal Mohallah	-do-	-do-	-do-	13 months	700,000	70,000
16	WSS Shaheen Faizdara	-do-	-do-	-do-	13 months	630,000	63,000
17	Pavement of streets at Kunshi Ali abad Phase-II	-do-	-do-	-do-	13 months	1,500,000	150,000
18	PCC Road Kandow Piza	-do-	-do-	-do-	13 months	500,000	50,000
19	PCC Road Kuz kaley to Bar Kaley	-do-	-do-	-do-	13 months	500,000	50,000
20	Pavement of street at Ali Abad Kunshi Ph-I	22.06.16	31-12-16	-do-	13 months	1,500,000	150,000
Total						21,000,000	2,100,000

Annexure-6
Para# 1.2.3.5

Detail of excess payment than approved Tender Cost

S#	Name of Work	Name of contractor	Approved Tender Cost (Rs)	Payment made (Rs)	Excess payment (Rs)
1	Repair of different WSS in UC Musa Khail	M/S Barat Khail Construction	630,000	681,000	51,000
2	Repair of diff WSS in UC Bahlool Khail	-do-	457,500	489,800	32,300
3	Repair of diff WSS UC Sarkool	-do-	456,250	489,799	33,549
4	Repair of diff WSS UC Chowga	-do-	552,000	585,920	33,920
5	Repair of diff WSS UC Ismail Khail	-do-	455,000	485,000	30,000
6	Repair of diff WSS UC Nusrat Khail	-do-	452,500	483,000	31,000
7	Repair of diff WSS UC Alouch	-do-	1,765,400	1,893,750	128,350
8	Various Developmental Schemes in PK 88 Package-02	M/S Inayat Khan	2,477,100	2,831,381	354,281
9	Pavement of Streets Rasta Bela Zara to Kabal Charai	M/S Najeebullah	319,069	409,468	90,399
10	Open well at Bar Chagam Sherinzada Koroona	-do-	262,910	298,750	35,840
11	Kacha road Shahrah-e-Resham to Kar Baba Shang	-do-	593,880	656,987	63,107
12	Pavt. Of Street/Drain at Abaseen Colony Phase-II	-do-	640,103	669,987	29,884
13	Retaining Wall & PCC Road Check Post to Flour Mill	-do-	696,640	798,150	102,000
14	PCC Road Dandai to Laro	-do-	521,095	593,300	72,205
15	Pavt. Of Street/Drain at Abaseen Colony Phase-I	-do-	877,416	1,002,749	125,333
16	Pavt. Of Street/Drain at Butyal Phase-II	-do-	1,606,271	1,735,427	129,156
17	Pavt. Of Street/Drain at Butyal Phase-IV	-do-	1,578,856	1,793,750	214,894
18	Pavt. Of Street/Drain at Butyal	-do-	1,543,724	1,693,750	150,026

	Phase-III				
19	Pavt. Of Street/Drain at Saddin Colony	-do-	1,726,999	1,979,679	252,680
		Total	17,612,713	19,571,647	1958,934

Annexure-7
Para# 1.3.2.1

Detail of Non Production of Record in TMA Puran

S#	Head	Expenditure (Rs)	Remarks
1	Purchase of miscellaneous store & stocks (Others)	2,097,552	Relevant Record i.e. press cutting, comparative statement, supply order, suppliers bills, delivery challans, stock register, payment vouchers and actual payee receipts were not available.
2	Disaster/Relief activities	3,579,800	--do--
3	Cheque No.A-338324 dated 06.10.2016 paid to Karcon Builders as per PLA Cash Book	1,667,814	Tender documents, PC-I, Technical Sanction, Contractor bills, MBs and completion report etc were not available.
4	Cheque No.A-338339 dated 03.01.2017 paid to Karcon Builders as per PLA Cash Book	1,116,108	--do--
5	Cheque No.A-338341 dated 09.03.2017 paid to Karcon Builders as per PLA Cash Book	100,000	--do--
6	Cheque No.A-338343 dated 10.03.2017 paid to Karcon Builders as per PLA Cash Book	10,000	--do--
7	Cheque No.A-338344 dated 02.04.2017 paid to Karcon Builders as per PLA Cash Book	1,392,000	--do--
8	Cheque No.A-338337 dated 18.05.2017 paid to Karcon Builders as per PLA Cash Book	3,540,000	--do--
9	Cheque No.A-338349 dated 20.06.2017 paid to Karcon Builders as per PLA Cash Book	7,731,879	--do--
10	Installation of Solar Lights in jurisdiction of TMA Puran Phase-I	10,000,000	--do--
11	Installation of Solar Lights in jurisdiction of TMA Puran Phase-II	7,400,000	--do--
12	Spring Festival	4,000,000	--do--
13	Purchase of Sports Items for students and Registered Teams in Tehsil Puran	1,500,000	--do--
	Total	44,135,153	

Annexure-8
Para# 1.3.3.4

Detail of Expenditure without TS in TMA Puran

S. No	Name of scheme	E.Cost (Rs)	Expenditure (Rs)
1	Pavement of Street at Alouch, Nimkaley, Kotkey UC Alouch	1,400,000	587,771
2	PCC at Loer Butt TMA Office Phase-I	1,200,000	1,200,000
3	PCC Road TMA Office Phase-II	800,000	800,000
4	DWSS at Gambat Phase-I WSS	1,800,000	1,000,000
5	DWSS along with Water Tank Said Wahab Koroona	1,200,000	1,200,000
6	DWSS UC Ismail Khail	2,000,000	2,000,000
7	Extension of Water Supply lines Asharkot, Faiza, Makra, Shown UC Bar Puran	1,400,000	1,400,000
	Total	9,800,000	8,187,771

Annexure-9
Para# 1.3.3.4

Detail of Penalty on incomplete schemes in TMA Puran

S#	Name of Scheme	Work Order date	Completion date	Actual completion	Delay	E.Cost (Rs)	10% Penalty (Rs)
01	Pavement of street at Alouch, Nimkaley, Kotkey UC Alouch P-9	19.5.16	30.11.16	Still incomplete i.e. 02/2018	15 months	1,400,000	140,000
02	PCC at Balwar UC Chowga P-9	-do-	-do-	-do-	-do-	300,000	30,000
03	DWSS Gambat P-1	-do-	-do-	-do-	-do-	1,800,000	180,000
04	DWSS at Farooqi Mosque P-2	17.5.16	30.6.17	-do-	8 months	200,000	20,000
05	DWSS along with water tank at Pishlor UC Bahlol Khail P-2	-do-	-do-	-do-	-do-	400,000	40,000
06	Constt. of 2Nos Suspension Bridges at UC Musa Khel P-6	17.5.16	31.8.16	-do-	18 months	800,000	80,000
Total						4,900,000	490,000