



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

KHYBER PAKHTUNKHWA

AUDIT YEAR 2017-18

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AA	Administrative Approval
AIR	Audit Inspection Report
ADP	Annual Development Programme
BOQ	Bill of Quantity
BTR	Black Top Road
CMD	Chief Minister Directives
CNG	Compressed Natural Gas
CNIC	Computerized National Identity Card
CPWD	Central Public Works Department
DAC	Departmental Accounts Committee
DCR	Demand & Control Register
DDAC	District Development Advisory Committee
DDC	District Development Committee
DDO	Drawing and Disbursing Officer
GFR	General Financial Rules
KPPRA	Khyber Pakhtunkhwa Public Procurement Regulatory Authority
LCB	Local Council Board
LGA	Local Government Act
MFDAC	Memorandum for Departmental Accounts Committee
MRS	Market Rate System
NOC	No Objection Certificate
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PC-1	Planning Commission-1
RDA	Regional Directorate of Audit
TAC	Tehsil Accounts Committee
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer

TO	Tehsil Officer
TOI	Tehsil Officer Infrastructure
TOR	Tehsil Officer Revenue
TS	Technical Sanction
UC	Union Council

Preface

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

The report is based on audit of the accounts of Tehsil Municipal Administrations, District Hangu for the Financial Year 2016-17. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit on test check basis during 2017-18 with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings. Relatively less significant issues are listed in the **Annexure-1** of the Audit Report. The Audit Observations listed in **Annexure-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 observation 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 were not convened despite repeated requests.

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Khyber Pakhtunkhwa Section 37 of Local Government Act 2013, to be laid before appropriate legislative forum.

Dated:
Islamabad

(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 Kohat, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of Tehsil Municipal Administrations of three Districts i.e. Kohat, Karak and Hangu respectively.

The Regional Directorate of Audit Kohat has a human resource of 07 officers and staff, constituting 1953 man days. A budget of Rs 11.996 million was allocated during Financial Year 2017-18. The directorate is mandated to conduct regularity (financial attest audit & compliance with authority audit) and performance audit of programmes and projects.

Tehsil Municipal Administrations in the District Hangu i.e. Hangu and Thall 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 for which annual budget is authorized by the Tehsil Council in the form of budgetary grants.

a. Scope of Audit

The total of expenditures of Tehsil Municipal Administrations Hangu, for the Financial Year 2016-17, was Rs 410.218 million. Out of this, RDA Kohat audited an expenditure of Rs 328.17 million which, in terms of percentage, was 80% of the auditable expenditure.

The total of receipts of Tehsil Municipal Administrations in District Hangu for the Financial Year 2016-17, was Rs 78.325 million. Out of this, RDA Kohat audited receipts of Rs 62.660 million which, in terms of percentage, was 80% of auditable receipts.

The total expenditure and receipts of Tehsil Municipal Administrations, District Hangu, for the Financial Year 2016-17 was Rs 502.800 million. Out of this, RDA Kohat audited the expenditure and receipts of Rs 390.834 million.

b. Recoveries at the instance of audit

Recovery of Rs 41.71 million was pointed out during the audit. However, no recovery was affected till the finalization of this report. Out of the total recoveries Rs 11.115 million was not in the notice of the executives before audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of TMAs, with respect to its functions, control structure, prioritization of risk areas by determining their significance and identification of key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting audit. Audit used desk audit techniques for analysis of compiled data and review of actual vouchers called during scrutiny and substantive testing in the field.

d. Audit Impact

Audit pointed out various irregularities of serious nature. Cases related to weak internal controls were also pointed out, to which management has been sensitized. In certain cases management has taken action which may further be verified. However, no impact was visible as the management failed to reply and thus irregularities could not come to the light in the proper forum i.e. DAC and PAC.

e. Comments on Internal Control and Internal Audit department

The purpose of internal control system is to ensure effective operation of an organization. It consists of measures employed by the management to achieve objectives, safeguard assets, ensure accuracy, timeliness and reliability of financial and accounting information for decision making. Deficiencies were observed in the internal controls 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

- i. Irregularity non-compliance were noticed in nine cases amounting to Rs 165.838 million.¹
- ii. Weak internal controls were noticed in nine cases amounting to Rs 41.665 million².
- iii. Non Production of record noticed in one case amounting to Rs 2.00 million³.

g. Recommendations

- i. Concrete efforts need to be made to recover long outstanding dues.
- ii. Inquiries on urgent basis to be initiated against the responsible officers and officials.
- iii. 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.
- iv. Responsibilities need to be fixed for unauthorized withdrawals and losses sustained by the administration due to overpayments and non realization of receipts.

¹ Para: 1.2.1.1, 1.2.1.2, 1.2.1.3 & 1.3.2.1 to 1.3.2.6

² Para: 1.2.2.1 to 1.2.2.4 & 1.3.3.1 to 1.3.3.5

³ Para: 1.3.1.1

SUMMARY TABLES AND CHARTS

I: Audit Work Statistics

(Rs in million)

S. No	Description	No.	Budget
1	Total Entities in (PAO) in Audit Jurisdiction	02	502.800
2	Total formations in audit jurisdiction	02	502.800
3	Total Entities in (PAO) Audited	02	390.834
4	Total formations Audited	02	390.834
5	Audit and Inspection Reports	02	390.834
6	Special Audit Reports	--	--
7	Performance Audit Reports	--	--
8	Other Reports (relating to TMA)	--	--

II: Audit observations classified by categories

(Rs in million)

S. No	Description	Amount placed under Audit Observation
1	Unsound asset management	0
2	Weak financial management	165.838
3	Weak Internal controls relating to financial management	41.665
4	Others	2.00
Total		209.503

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	-	227.955	62.660	100.219	390.834	343.361
2	Amount Placed under Audit Observation /Irregularities of Audit	-	127.568	38.156	43.779	209.503	211.152
3	Recoveries Pointed Out at the instance of Audit	-	3.450	38.156	-	41.6069	25.734
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

IV: Table of Irregularities pointed out

(Rs in million)		
S. No	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	124.232
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors(accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Quantification of weaknesses of internal control systems.	41.665
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies.	41.6069
6	Non production of record	2.00
7	Others, including cases of accidents, negligence etc.	-
Total		209.503

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

S.No	Description	Amount (Rs in million)
1	Outlay Audited	390.834
2	Expenditure on Audit	0.100
3	Recoveries realized at the instance of Audit	-
4	Cost -Benefit Ratio	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, Hangu

1.1.1 Introduction

District Hangu has two Tehsil i.e. Hangu and Thall. There. Each Tehsil 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:-

- (i) 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;
- (ii) Prepare spatial plans for the Tehsil including plans for land use and zoning and disseminate these plans for public enquiry;
- (iii) Execute and manage development plans for improvement of municipal services and infrastructure;
- (iv) 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;
- (v) Enforce municipal laws, rules and bye-laws;
- (vi) Prevent and remove encroachments;
- (vii) Regulate affixing of sign-boards and advertisements;
- (viii) Provide, manage, operate, maintain and improve municipal services;
- (ix) Prepare budget, long term and annual municipal development programmes;
- (x) 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;

- (xi) Collect taxes, fines and penalties provided under this Act;
- (xii) Organize sports, cultural, recreational events, fairs and shows;
- (xiii) Organize cattle fairs and cattle markets;
- (xiv) Co-ordinate and support municipal functions amongst village and neighborhood councils;
- (xv) Regulate markets and services, issue licenses, permits, grant permissions and impose penalties for violation thereof;
- (xvi) Manage municipal properties, assets and funds;
- (xvii) Develop and manage schemes, including site development in collaboration with district government;
- (xviii) Authorize officers to issue notice, prosecute, sue and follow up criminal, civil and recovery proceedings against violators of municipal laws; and
- (xix) Prepare financial statements and present them for audit.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

An amount of Rs 331.893 million was allocated as budget by the Provincial Government to Tehsil Municipal Administrations of District Hangu. Receipts of Rs 78.325 million were realized during the financial year 2016-17. Thus making a total of Rs 410.218 million at the disposal of Tehsil Municipal Administrations, against which an expenditure of Rs 424.475 million was incurred by Tehsil Municipal Administrations of District Hangu, with an excess of Rs 14.26 million during Financial Year 2016-17. Detail is given below:

Detail of budget and expenditure during financial year 2016-17

(Rs in millions)

2016-17	Budget	Expenditure	Excess (+) / Saving (-)	% age
Salary	83.082	82.082	(1.00)	-1.20
Non-salary	42.101	57.448	15.35	36.45
Developmental	285.035	284.945	(0.090)	-0.0316
Total	410.218	424.475	14.26	35.22

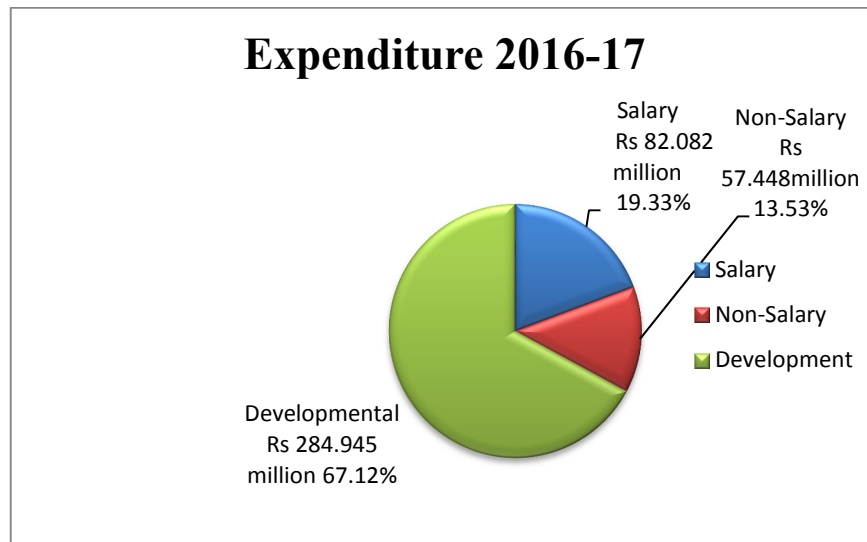
Detail of receipts realized during Financial Year 2016-17
(Rs in millions)

2016-17	Provincial Grant in Aid	Realization from own sources	Total
Receipts	331.893	78.325	410.218

The excess of Rs 14.260 million in non-salary budgets indicate weakness in the capacity of these local institutions to manage their expenditure according to budgetary provisions.

EXPENDITURE FOR THE YEAR 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 2014-15 on accounts of Tehsil Municipal Administrations were prepared under the Khyber Pakhtunkhwa Local Government Act, 2013 and submitted to Governor Khyber Pakhtunkhwa but have not yet been discussed in PAC. The Provincial Assembly 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 council 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 HANGU

1.2 Tehsil Municipal Administration Hangu

1.2.1 Irregularity & Non- Compliance

1.2.1.1 Non-transparent tendering of work-Rs 2.200 million

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

TMO Hangu awarded the work “Installation of hand pumps in various places at UC Kach” to a contractor “At Par” during 2016-17. Another contractor also quoted “At Par” but his BOQ was tempered to 100% above, which is evident from his BOQ. This shows that the tendering process was not transparent. PC-1 and technical sanction was also not accorded by the competent authority. Moreover, the work was retendered on MRS-2016, which was initially tendered on MRS-2015 but its Administrative Approval was not revised.

Non-transparent tender process occurred due to non compliance of Government rules.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 03 (2016-17)

1.2.1.2 Doubtful award of tender worth -Rs 1.500 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. As per standing orders of Government of Khyber Pakhtunkhwa every official advertisement should be made through Information Department.

TMO Hangu awarded a work “Const: of PCC road & drain at GMS to Asif Koroona Merobak Banda” for Rs 1,500,000 to a contractor besides no call deposit was attached with his tender form as evident from record and comparative statement, which seems non transparent and the contract was awarded to the man of choice. Moreover, signatures on the first page of BOQ, 2nd page of BOQ i.e. on rates, envelop and CNIC were different from each other, which shows that the pages were changed by the dealing hands.

Non-transparent tender process occurred due to non compliance of Government rules.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 07 (2016-17)

1.2.1.3 Irregular award of work-Rs 1.200 million & loss of -Rs 0.120 million

Accordance to miscellaneous provisions in KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

TMO Hangu awarded the work “Improvement of main street at Mohallah Haji Abad” with estimated cost of Rs 1,200,000 out of CMD” to a contractor “At Par” during 2016-17. Audit observed that BOQ of the successful contractor was tempered / manipulated from 10% below to At Par while BOQ of another contractor was also tempered/ manipulated from 10% below to 10% above. The comparative statement was also fluided in the remarks column. It revealed that the tendering process was not transparent and Government exchequer was put into loss of Rs 120,000 by giving the contract to the man of choice.

Irregular award of tender occurred due to non compliance of Government rules.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No.02 (2016-17)

1.2.2 Internal Control Weaknesses

1.2.2.1 Non-recovery of outstanding Government dues on account of water rates-Rs 14.509 million

According to para 8 and 26 of the General Financial Rules Volume-I each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

TMO Hangu failed to recover Rs 14,509,650 on account of water charges during the year 2016-17 from 1080 water users. This indicates not only the failure of the department to recover previous outstanding dues but also shows the fruitless efforts to recover the current dues, which needs to be recovered and be deposited into Government treasury under intimation to audit.

Non recovery of outstanding Government dues occurred due to weak internal control.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 01 (2016-17)

1.2.2.2 Non-realization of revenue on account of CNG, Petrol Pumps NOC and Annual Renewal Fee-Rs 9.400 million

According to Government of Khyber Pakhtunkhwa, Local Government Department letter No.AO-II/LCB/2-15/2008 dated 07-04-2008 rate of tax on installation of CNG and Petroleum/Diesel filling stations in the jurisdiction of TMAs at District Hangu are mentioned below:-

Existing Rate of Tax (Rs)		Approved Rate of Tax (Rs)	
NOC Fee	Annual Fee	NOC Fee	Annual Fee
200,000	80,000	200,000	80,000

TMO Hangu did not recover Rs 9,400,000 on account of fee for issuing of NOC and annual renewal fee for the installation of CNG and Petrol Pumps in area falling under the jurisdiction of TMA Hangu since 2012-13 to 2016-17 detail given at annexure-2.

Non realization of revenue occurred due to weak internal control.

Non realization of revenue was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 05(2016-17)

1.2.2.3 Loss to Government on account of Rent of Shops-Rs 1.400 million

According to clause 08 of the Agreement Deed for the lease of TMA shops “The monthly rent of shops are to be increased by 10% annually”.

TMO Hangu failed to receive Rs 1,400,808 on account of rent of shops at increased rate during 2016-17. According to the agreement deed, the rent of shops was required to be increased by 10% annually, which was not recovered by the local office resulting into loss to the authority detail given at annexure-3. Moreover, the concerned shops were rented on very nominal rent, which is very low from market rate prevailing in the market besides the shops were subletted by the owners on handsome rent per month.

Non recovery of outstanding Government dues occurred due to weak internal control.

Non recovery was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 06 (2016-17)

1.2.2.4 Non imposition of 10% penalty-Rs 1.00 million and non deduction of 11% voids-Rs 275,556

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. And as per clause 20(d) of the contract agreement, 11% voids were required to be deducted from the contractor's bill.

TMO Hangu awarded the work "construction of road & drain at Gul Bagh Kallay" to a contractor for Rs 10,000,000 during the year 2016-17. As per work order of the scheme the completion date was 09.07.2015 but the said scheme was incomplete till date of audit i.e. February, 2018 and thus general public was deprived of the benefits from the timely utilization of developmental funds. Neither time extension was given to the contractor nor penalty @10% amounting to Rs 1,000,000 for abnormal delay was imposed and recovered from the contractor. Moreover TMO failed to deduct 11% voids amounting to Rs 275,556 from the contractors bill as detailed below.

S. No	Name of Item	Amount (Rs)	11% Voids (Rs)
1	Base Course/ Water Bound Macadam	2,305,327	253,585
2	Sub Base Course	199,732	21,970
Total		2,505,059	275,556

Non-imposition of penalty occurred due to weak internal control.

Non imposition of penalty was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 04 (2016-17)

TEHSIL MUNICIPAL ADMINISTRATION THALL

1.3 Tehsil Municipal Administration Thall

1.3.1 Non-Production of record

1.3.1.1 Non Production of record worth Rs 2.00 Million

Section 14 (3) of the Auditor General's Powers and Terms and Conditions of Service) Ordinance, 2001 provide that any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under the relevant Efficiency & Discipline Rules, applicable to such person. According to Government of Khyber Pakhtunkhwa Planning and Development Department Notification No. C/RD/P&DD/6-24/1850-1070 dated Peshawar 19th October 2015 Planning and Development Guidelines 2015, the Tehsil Councils shall allocated 10% to Sports/Youth/Women sectors of its total financial resources but within the budgetary ceiling allocated by the Provincial Finance Commission.

TMO, Thall paid Rs 2,000,000 to the Tehsil Nazim Thall on account of youth & sports funds out of 30% Tehsil ADP during the year 2016-17 detail given below.

S.No	To Whom Paid	Cheque No. & Date	Amount Paid
01	Mr. Pio Zar Tehsil Nazim	367382 18-01-2017	1,000,000
02	-do-	367751 11-05-2017	1,000,000
Total amount paid out of 30% Tehsil ADP for Sports			2,000,000

1. Proper Acknowledgment of receipt was not available on record.
2. The amount was required to be utilized on the women / youth schemes which was not utilized hence resulted into negligence on the part of management.
3. Vouched account of the expenditure incurred was not produced to audit to verify the expenditure.

Non-production of record was occurred due to non-compliance of rules.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 13 (2016-17)

1.3.2 Irregularity & Non Compliance

1.3.2.1 Non Utilization of Development Fund Rs 97.920 million

According to Para 12 of GFR Vol.-1, 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.

TMO Thall received an amount of Rs 97,920,000 under the head 30% ADP which were kept in the TMA Thall PLA account during 2016-17. The local office failed to utilize the fund during the year resultantly depriving the public of Tehsil Thall at large from the benefit of the developmental fund.

S. No	Fund Name	Date of Release	Financial Year	Closing Balance of fund as on 30-06-15
01	30% District ADP Share	01-07-2016	2016-17	24,480,000
02	30% District ADP Share	12-12-2016	2016-17	24,480,000
03	30% District ADP Share	19-03-2017	2016-17	24,480,000
04	30% District ADP Share	19-03-2017	2016-17	24,480,000
Total				97,920,000

Irregular retention and non-utilization occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 19(2016-17)

1.3.2.2 Irregular expenditure amounting to Rs 43.779 million on account of Pay and allowances through DDO

According to Finance Department notification No. FA/FD/1-14/2007 dated 10-05-2007 salaries of all provincial and District Government Employees in Khyber Pakhtunkhwa shall be distributed in the manner prescribed by Auditor

General of Pakistan, by direct credit transfer to the employees nominated Bank Accounts.

TMO Thall withdrew an amount of Rs 43,779,552 on account of pay & allowances and pension payments of TMA's staff during the year 2016-17 detail given below. Instead of making payment of pay & allowances through bank account the amount was withdrawn through various cheques from various banks in the name of Tehsil Officer Finance, cashier, water supply supervisor and sanitation inspector and was shown as disbursed through cash payment to the staff detail given below.

Month	Cheque No	Date	To Whom Paid	Amount Paid
July 2016	26489806 & 26489808	September 2016	TOF (pay)	2,737,134
-do-	26489810 & 26489811	-Do-	Matiullah (Pension)	769,942
-do-	868299	-do-	Mehmood tax clerk Doaba	141,220
Sub Total for one month				3,648,296
For the Financial Year 2016-17 (12 months' pay)				43,779,552
Total amount of pay and allowances drawn through DDO				43,779,552

Irregular and doubtful payment occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 10(2016-17)

1.3.2.3 Unauthorized and dubious tendering process Rs 5.824 million and overpayment of Rs 244,463

According to para 01 Chapter-II of KPPRA Rules 2014 requires that, “the Procuring entity shall use open competitive bidding as the principal method of procurement of goods over the value of Rs 100,000.

TMO Thall spent Rs 5,718,986 for the execution of developmental scheme “Construction of BT road Tablighi Markaz” during the year 2016-17. The work was tendered in the year 2015-16 where three contractors participated in the tender process. All the three contractors quoted equal rates even after the decimals which shows that the tender documents were filled and prepared by the same person. Furthermore the serial numbers of the courier company are 50007122889, 50007122890, 50007122891 which shows that the tender dispatched from the same destination. As per BOQ, comparative statement and work order the contractor was directed to complete the scheme with cost of Rs 5,474,523 within 6 months time period strictly according to PC-I whereas per 3rd running bill the contractor was paid Rs 5,718,986 resulting into overpayment of Rs 244,463 to the contractor which needs recovery.

Non-transparent tender process occurred due to weak administrative and internal control.

The irregularly was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 05(2016-17)

1.3.2.4 Unauthorized and dubious tendering process Rs 5.735 million

According to section 01 Chapter-II of KPPRA Rules 2014 “the Procuring entity shall use open competitive bidding as the principal method of procurement of goods over the value of Rs 100,000.

TMO, Thall awarded the contract for execution of developmental scheme “ Construction of Black Top road from existing main Chapri Waziran road upto Madrassa at Chapri Waziran Thall Rural” with estimated cost of Rs 5,735,000 to contractor Ms Waziran Construction Company which was owned by the Tehsil Nazim Thall. Audit was of the view that being public representative holding a public office Tehsil Nazim’s company cannot be awarded the execution of developmental scheme and is hereby held irregular and unauthorized. The matter needs to be inquired for fixing the responsibility on the person at fault.

Non-transparent tender process occurred due to weak administrative and internal control.

The irregularity was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 15(2016-17)

1.3.2.5 Irregular Expenditure amounting to Rs 5.359 million and non-imposition of penalty due to late completion schemes-Rs0.5779million

According to para 32 of CPWA Code Volume I, no work shall be executed without Administrative Approval / Technical Sanction and Budget allotment .As per condition 06 of the work order forms dated 15-05-2015 the time allowed for the completion of work was 06 months. According to Clause 6 of the work order and Clause 2 of the Contract Agreement, penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

TMO, Thall awarded developmental work “Construction of BTR from Thall Road Sarki Banda Upto Pungi Bada UC Doaba” to a contractors with estimated cost of Rs 5,778,575 under 10% Oil & Gas Royalty during 2014-15. Latter the site of the scheme was changed to a cost of Rs5,358,000 on the request of the MPA PK-43 dated 25-07-2015 and expenditure amounting to Rs 5,359,044

dated 22-09-2016 was incurred on the changed scheme without revised administrative approval and DDAC meeting. Furthermore the work was not completed within the stipulated time period of six months from the date of commencement of the work i.e. 15-11-2015. The TMO failed to impose and collect penalty @ 10% of the estimated cost amounting to Rs 535,800 from the contractors for delay in completion of work.

Non-imposition of penalty occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 16(2016-17)

1.3.2.6 Unauthorized payment of Rs 2.10 million for the execution of works

According to Para 2.58 read with Para 2.100 of B&R Code state that before a work is given out on contract, BOQ be prepared and approved for all items of works and due to site requirements only 5% excess over technically sanctioned estimate was allowed.

TMO Thall spent Rs 5,735,000 on the execution of developmental scheme “Construction of BT road from existing Main Chapri Wazira Road upto Madrassa Chapri Waziraan” during the year 2016-17. As per 2nd Running Bill a sub item of work “Dense Graded Hot Bitumen Mobile Asphalt 2” dia executed by the contractor and was paid for Rs 2,107,052 with quantity of 3122.67 M2, whereas per 3rd and final bill the sub item of work Dense Graded Hot Bitumen Mobile Asphalt 1.5” dia was executed and paid for Rs1,629,879 with quantity of 3196M2. The execution and payment of one sub item in the 2nd running bill and execution of different sub-item of work in the final bill created ambiguity in mind and have shown dubious execution of work which needs detail inquiry.

Unauthorized expenditure occurred due to weak administrative and financial control.

The irregularity was pointed out in January 2018. Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 06(2016-17)

1.3.3 Internal Control Weaknesses

1.3.3.1 Less Realization of Revenue-Rs 4.414 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA Budget Rules 2016 the TO(R) shall ensure that all revenue dues is claimed, realized and credited immediately into Tehsil Fund under proper receipt head. According to the instruction issued to all TMOs vide letter No.AO-II/LCB/6-11/2014 dated 13-03-2014 a maximum increase not less than 20% overall in the existing revenue was required to be ensured by creating environment for competition.

TMO, Thall less collected an amount of Rs 4,414,519 on account of various receipts contract awarded/ departmentally collected during the year 2016-17 detail given at annexure-4. The local office failed to collect the receipts adding 20% increase over the previous year's bids as per model terms and conditions.

Less recovery of receipts occurred due to weak internal control.

Non recovery was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 01(2016-17)

1.3.3.2 Loss to government due to non-collection of receipts worth -Rs 3.974 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA Budget Rules 2016 the TO(R) shall ensure that all revenue dues is claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

TMO, Thall failed to collect Rs 3,975,744 on account of various receipts during the year 2016-17 as per detail given below.

S.No	Name of Receipts Contract	Required Bid Amount/ Collected Amount in 2015-16 As per DCR	Required Amount to be collected during 2016-17	Amount collected during 2016-17	Loss to the Government Due to Non Collection
01	Cess Fee Thall	1,580,000	1,896,000	-	1,896,000
02	Slaughter House Doaba	47,180	56,616	-	56,616
03	Pickup Stand Thall	73,440	88,128	-	88,128
04	Tehbazari Fee Thall (actual collection Rs 1,120,000 during F.Y 2013-14 Through Contractor)	1,612,800	1,935,000	-	1,935,000
Total non-recovery of Government receipts					3,975,744

Non recovery government receipts dues occurred due to weak internal control.

Non recovery was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 04(2016-17)

1.3.3.3 Non-recovery of Long outstanding Government dues on account of water charges-Rs 3.019 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA Budget Rules 2016 the TO(R) shall ensure that all revenue dues is claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

TMO Thall did not recover outstanding water user charges to tune of Rs 3,019,400 from water users connections accumulated during the year 2016-17as per detail given below.

Recoverable amount during 2016-17 (1379 connections @ 200/PM)	3,309,600
Total recovery during 2016-17	290,200

Total Outstanding Water charges as on 30-06-2017	3,019,400
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Non recovery of outstanding Government dues occurred due to weak internal control.

Non recovery was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 02(2016-17)

1.3.3.4 Non-realization of revenue on account of CNG & Petrol Pumps NOC and Annual Renewal fee-Rs 1.440 million

According to Para 8 and 26 of the General Financial Rules Volume I, each administrative department is required to see that the dues of the Government are correctly and promptly assessed, collected and paid into Government Treasury. As per letter No.AO-II/LCB/2-15/2008 dated 07-04-2008 requires TMAs to impose and collect NOC fee and annual renewal fee on the installation of CNG/Petroleum Station in the area under TMAs jurisdiction.

TMO, Thall did not recover Rs1,440,000 as fee for issuing NOC and annual renewal fee for the installation of Petrol Pumps falling under the jurisdiction of Municipal Administration Thall during 2016-17 as per detail given below.

S.No	Name of CNG/Petrol Pump	Outstanding Amount as on 01-07-2016	Annual renewal Fee for the year 2016-17	Outstanding Amount as on 30-06-2017
01	Supper Thall Filling Station	280,000	80,000	360,000
02	PSO Filling Station Tandoro	280,000	80,000	360,000
03	Aithemad Filling Station	280,000	80,000	360,000
04	PSO filling Station Mamoon	280,000	80,000	360,000
Total		1,120,000	320,000	1,440,000

Non realization of revenue occurred due to weak internal control.

Non realization of revenue was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 03(2016-17)

1.3.3.5 Non imposition of penalty due to non-completion of developmental schemes-Rs 2.234 million

As per condition 06 of the work order forms dated 07-01-2015 the time allowed for the completion of work was 06 months. According to Clause 6 of the work order and Clause 2 of the Contract Agreement, penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

TMO, Thall awarded developmental works to various contractors worth Rs 11,032,600 under 30% Tehsil ADP during 2015-16 and Rs11,310,000 under 10% Oil & Gas Royalty during 2014-15. As per work orders all works were required to be completed within six months from the date of commencement which completes well before of June, 2017 but the schemes were not completed till the date of audit in February 2018. The department failed to impose and collect penalty @ 10% of the estimated cost amounting to Rs 2,234,260 from the contractors for delay in completion of work detail given at annexure-5 and 6.

Non-imposition of penalty occurred due to weak internal control.

Non imposition of penalty was pointed out in January 2018, Management neither submitted reply nor was DAC meeting convened till the finalization of the report despite request.

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

AIR Para No. 14 & 18(2016-17)

ANNEXURES

Annexure-1

Statement showing detail of MFDAC Paras

(Rs in millions)

S.No	AIR Para No	Caption	Amount (Rs)
TMA HANGU			
1		Irregular expenditure out of developmental funds-	0.40
2		Wasteful expenditure on incomplete scheme	0.538
3		Non transparent tendering process and loss to Government-	0.176
4		Irregular payment of salary-	0.238
TMA THALL			
5		Loss Due to Less Realization of Revenue-	0.596
6		Loss to Government due to non-recovery of income tax	0.191
7		Unauthorized advance payment to TMA Thall Officials	0.766
8		Non deduction of HRA & conveyance allowance-	0.261
9		Loss to Government due to non recovery of House Rent from occupants of Residential accommodations	0
10		Non deduction of Voids from contractors bills	0.355
11		Loss to government due to non deposit of government taxes-into government treasury & mis-appropriation of income tax	0.173
12		Irregular and unauthorized expenditure over and above of AA	0.732

Annexure-2

(Para No.1.2.2.2)

Statement showing outstanding NOC/Annual Renewal Fee Petrol Pumps

S#	Name of CNG/Petrol Pump	Outstanding NOC Fee (Rs.)	Annual Fee outstanding since 2012-13 till date (Rs.)	Total Outstanding Amount (Rs.)
01	Mr. Malik Ahmed Hussain S/O Haji Gul, R/O CNG Station	200,000	400,000	600,000
02	Zahida Perveen, CNG Station Near Gul Flour Mill Hang	200,000	400,000	600,000
03	Shah Hussain Khan S/O Ghulam Hussain Khan, CNG Pump	200,000	400,000	600,000
04	M.Ameen S/O M.Sadeeqe Resident of Bahader Banda	200,000	400,000	600,000
05	Abdul Mateen Khan Opposite DCO Office Hangu, CNG Pump	200,000	400,000	600,000
06	Proprietor Al-noor Petrol Pump Hangu Thall Road	200,000	400,000	600,000
07	Proprietor Qazi Petrol Pump Hangu Thall Road	200,000	400,000	600,000
08	Proprietor Fuji Filling Station Opposite Alshifa Medical Centre	200,000	400,000	600,000
09	Proprietor Petrol Pump Kachaa Pakka village Kahi	200,000	400,000	600,000
10	Proprietor Shell Petrol Pump Near Alfarooq Masjid	200,000	400,000	600,000
11	Proprietor Shahid Petrol Pump near FC Ground	200,000	400,000	600,000
12	Fazal Qayum Petrol Pump Opposite PTC Ground	200,000	400,000	600,000
13	Proprietor Petrol Pump Village Raisaan	200,000	400,000	600,000
14	Kalaya Filling Station Raisaan	200,000	400,000	600,000
15	Proprietor PSO Pump Samana Road Hangu	200,000	400,000	600,000
16	Proprietor Malik CNG station Kohat road Hangu	0	400,000	400,000
Total		3,000,000	6,400,000	9,400,000

Annexure-3**(Para No.1.2.2.3)****Statement showing less collection of Rent of Shops during the year 2016-17**

S#	Detail of Shops	Monthly Rent as on 1-06-2009 (Rs)	Required monthly rent as on 01-07-2014 after 10% increase annually	Monthly Rent per shop Collected as on 01-07-2014	Monthly Rent per shop required to be Collected on 01-07-2016	Difference (Rs)	Less collection (Required to be collected *12 months) (Rs)
1	10 Nos Shops Railway Road	940	1513.87	1,140	1,832	692	83,040
2	01 No Shop Railway Road	1030	1,666.88	1,250	2,017	767	9,204
3	11 Nos Shops Main Bazar Hangu	940	1,513.87	1,140	1,832	692	91,344
4	01 No Shop Main Bazar Hangu	1030	1,666.88	1,250	2,017	767	9,204
5	01 No Shops Main Bazar Hangu	1065	1,715.19	1,295	2,075	780	9,360
6	07 Nos Shops at Laary Adda	865	1393.09	1,055	1,686	631	53,004
7	01 No Shop at Laary Adda	1180	1900	1,430	2,299	869	10,428
8	01 No Shop at Laary Adda	955	1,513.87	1,165	1,832	667	8,004
9	12 Nos shops at Thall Road	1,600	2576.816	1,940	3,118	1,178	169,632
10	01 No shop at Thall Road	1870	3011.653	2270	3,644	1,374	16,488
11	02 Nos shops at Thall Road	1760	2834.497	2135	3,430	1,295	31,080

12	01 No shop at Samana Raoad	1730	2786.182	2350	3,371	1,021	12,252
13	01 No shops at Samana Raoad	1940	3124.38	2100	3,780	1,680	20,160
14	08 Nos shops at Samana Raoad	1320	2125.87	1605	2,572	967	92,832
15	01 No shops at Samana Raoad	1575	2536.55	1910	3,069	1,159	13,908
16	07 Nos shops at Samana Raoad	1400	2254	1605	2,727	1,122	94,248
17	06 Nos shops at Samana Raoad	1320	2125.87	1455	2,572	1,117	80,424
18	06 Nos shops at Samana Raoad	1200	1900	1455	2,299	844	60,768
19	19 Nos shops at Samana Raoad	1650	2576.816	1695	3,118	1,423	324,444
20	01 No shops at Samana Raoad		3543.122	1,605	4,287	2682	32,184
		2200					
21	10 Nos shops at Bus stand Hangu	1500	2536.55	1815	3,069	1,254	150,480
22	2 Nos shops at Bus stand Hangu	1200	1900	1455	2,299	844	20,256
23	42 Shops at Thall Road Newly constructed and allotted in March 2009	1,000	1,666	2,000	2,016	16	8,064
Total recovery							1,400,808

Annexure-4**(Para No.1.3.3.1)****Statement showing less collection of receipts during the year 2016-17**

TMA Thall Receipts	Status	Actual Receipts 2014-15	Required Bid Amount after 20% increase for 2015-16	Actual Receipts during 2015-16	Required Bid Amount after 20% increase for 2016-17	Actual Receipts during 2016-17	Loss due to less collection of receipts (Rs)
Slaughter House Fee	Deptt:	91,000	109,200	110,000	132,000	103,740	28,260
Larry Adda Fee	-do-	6,279,770	7,535,724	6,229,340	9,042,868	6,754,990	2,287,878
Group Latrines Fee	-do-	232,230	278,676	198,450	334,411	112,360	222,051
Tehbazari Fee Doaba	Cont:	350,000	420,000	305,000	504,000	375,000	129,000
Entry Fee Doaba	Cont:	3,320,000	3,984,000	3,409,670	4,780,800	3,033,470	1,747,330
Total Less recovery of receipts					14,794,079	10,379,560	4,414,519

Annexure-5

(Para No.1.3.3.5)

Statement showing non recovery of penalty during the year 2016-17

S.No	Fund Name	Name of Scheme	Estimated Cost in million	Work order	Voucher No. Date	Up-to-date Expenditure in million	10% Penalty Amount
01	10% Oil & Gas 2015-16	Pavement of Street & Drain UC Doaba	5.450	No.12 15-05-2015	8th R. Bill 08-11-2017	5,371,487	545,000
02	10% Oil & Gas 2015-16	Construction of BTR from Haji Zawar Khan House upto KakaTalab UC Tora Wari	5.860	No.04 15-05-2015	4th R. Bill 06-10-2016	4,920,359	586,000
03	10% Oil & Gas 2015-16	Construction of BTR Kaka Talab to Doaba	5.860	No.07 15-05-2015	Final Bill 08-11-2017	5,860,000	586,000
04	Priority Project CMD 2015-16	Const: of BTR road Mian Muhammad Wali Korona UC Darsamand	7.00	No.12 31-05-2016	3rd R.Bill07-08-217	4,507,509	700,000
05	30% TADP 2015-16	Const: of BT Road from Nayee Dan Kalay to Chapri Waziran UC Thall	6.548	No.31 05-08-2016	3rd R.Bill 03-10-217	6,548,000	654,800
Total non-recovery of penalty amount			11.31			10,291,846	1,131,000

Annexure-6**(Para No.1.3.3.5)****Statement showing non recovery of penalty during the year 2016-17**

S.No	Fund Name	Name of Scheme	Estimated Cost in million	Up-to-date Expenditure in million	10% Penalty Amount
01	30% TADP 2015-16	Pavement of Street with Bricks Noor Zad Khan at UC Darsamand	2,045,000	592,762	204,500
02	30% TADP 2015-16	Pavement of Street with Bricks afsar Khan UC Dallan	2,948,000	1,904,499	294,800
03	30% TADP 2015-16	Pavement of Street with Bricks Malik Salih Dad UC Karbogha	1,834,000	1,325,478	183,400
	30% TADP 2015-16	Construction of PCC road at Dappa Muhammad Zai Rural Thall	1,338,600	1,058,813	133,860
	30% TADP 2015-16	Pavement of street and drain Nan bhai Bazar Thall	2,867,000	2,349,633	286,700
Total non-recovery of penalty amount			11,032,600	7,231,185	1,103,260