



**AUDIT REPORT
ON
THE ACCOUNTS OF
LOCAL GOVERNMENTS AND
WATER & SANITATION SERVICES
COMPANY
DISTRICT BANNU**

AUDIT YEAR 2021-22

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	i
Preface	iii
EXECUTIVE SUMMARY	iv
CHAPTER-1	1
Public Financial Management	1
1.1 Sectorial Analysis	1
1.2 Audit Paras	6
CHAPTER-2	8
District Government Bannu	8
2.1 Comments on Budget and Accounts (Variance Analysis)	9
2.2 Classified Summary of Audit observations	10
2.3 Comments on the status of compliance with ZAC Directives	10
2.5 AUDIT PARAS	11
2.5.1 Irregularities	11
HR/Employees related irregularities	11
Procurement related irregularities	12
2.5.2 Others, including cases of accidents, negligence etc	13
CHAPTER-3	19
Tehsil Municipal Administration	19
3.1 Introduction	19
3.2 Comments on Budget and Accounts (Variance Analysis)	20
3.3 Classified Summary of Audit Observations	21
3.4 Comments on the status of compliance with TAC Directives	21
3.5 AUDIT PARAS	22
3.5.1 Fraud, embezzlement and misappropriation	22
3.5.2 Irregularities	23
Procurement related irregularities	25
3.5.3 Others, including cases of accidents, negligence etc	27
CHAPTER-4	37
AD LGE&RDD	37
4.1 Introduction	37
4.2 Comments on Budget and Accounts (Variance Analysis)	39

4.4	Comments on the status of compliance with Village/Neighborhood.	41
4.5	AUDIT PARAS.....	42
4.5.1	Irregularities	42
	HR/Employees related irregularities	42
	Procurement related irregularities	43
4.5.2	Others, including cases of accidents, negligence etc.	47
	CHAPTER-5	50
	Water Supply and Sanitation Company Bannu.....	50
5.1	Introduction	50
5.2	Comments on Budget and Accounts (Variance Analysis)	50
5.3	Classified Summary of Audit Observations.....	51
5.4	AUDIT PARAS.....	52
5.4.1	Irregularities	52
	HR/Employees related irregularities	52
5.4.2	Others, including cases of accidents, negligence etc.	53
	ANNEXURES.....	56

ABBREVIATIONS AND ACRONYMS

AIR	Audit and Inspection Report
AA	Administrative Approval
AD LGE&RDD	Assistant Director Local Government Elections & Rural Development Department
ADP	Annual Developmental Program
APPM	Accounting Policies and Procedures Manual
AG	Accountant General
BHUs	Basic Health Unit
CMD	Chief Minister Directive
CPWA Code	Central Public Works Accounts Code
CVT	Capital Value Tax
DC	Deputy Commissioner
DAC	District Accounts Committee
DCA	District Comptroller of Accounts
DG	Director General
DEO	District Education Officer
DHO	District Health Officer
DO	District Officer
DPR	Disabled Person Rehabilitation
GHSS	Government Higher Secondary School
INTOSAI	International Organization of Supreme Audit Institutions
E& SE	Elementary & Secondary Education
FTR	Federal Treasury Rules
KPPPRA	Khyber Pakhtunkhwa Public Procurement Rules Authority
LED	Light Emitting Diode
LGE & RDD	Local Government, Election & Rural Development Department
LGA	Local Government Act
MCC	Medicine Coordination Cell

MFDAC	Memorandum for Departmental Accounts Committee
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PTC	Parents Teachers Council
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TAC	Tehsil Accounts Committee
TS	Technical Sanction
ZAC	Zila Accounts Committees

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 account's receipts and expenditure of Local Governments of each District of the Khyber Pakhtunkhwa.

The report is based on audit of the accounts of offices of the District Government, Tehsil Municipal Administrations, Assistant Director Local Government Elections and Rural Development Department in District Bannu for the financial year 2020-21. The Director General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit during 2021-22 on test check basis with a view to report significant findings to the relevant stakeholders. The main body of the audit report includes systemic issues and significant audit findings. Relatively less significant issues are listed in Annex-1 of the Audit Report. The audit observations listed in Annex-1 shall be pursued with the Principal Accounting Officers at the DAC level. In all cases where Principal Accounting Officers do 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.

Some of the observations included in this report were finalized in the light of written replies of the departments whereas in most the departments did not submit written replies till the finalization of this report. DAC meetings were also not convened despite reminders.

The Audit Report is submitted to the Governor, 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 for causing it to be laid before the appropriate legislative forum.

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit District Governments, Khyber Pakhtunkhwa carries out the audit of Local Governments in 35 Districts of Khyber Pakhtunkhwa. Regional Directorate of Audit (RDA) Bannu on behalf of the DG Audit District Governments, Khyber Pakhtunkhwa carried out the audit of Local Governments of three Districts namely; Bannu, Lakki Marwat and North Waziristan.

This Directorate General has a human resource of 61 officers and staff with of total of man-days 15250. The annual budget of amounting Rs 172.467 million was allocated to the office during FY 2021-22. The office is mandated to conduct regularity audit, financial attest, performance audit and special studies.

Local Governments of District Bannu consist of three tiers, which perform their operations under Khyber Pakhtunkhwa Local Government Act, 2013. Financial provisions of the Act describe the Local Consolidated Fund and Public Account for which annual Budget Statement is approved by the respective councils in the form of budgetary grants. Top Tier – The District Government comprises one Principal Accounting Officer (PAO) i.e. Deputy Commissioner for the District Government, who is officer in charge of 08 devolved departments including AD Local Government Election & Rural Development Department. The second Tier – Tehsil Municipal Administrations have one PAO i.e. Tehsil Municipal Officer for each administration. There are five Tehsils administrations in District Bannu. The third Tier-village and neighborhood Councils have AD LGE & RDD as their Principal Accounting Officer. There are 110 NCs/VCs in District Bannu.

a. Scope of audit

This office is mandated to conduct audit of 153 formations working under 8 PAOs. Total expenditure and receipts¹ of these formations were Rs.10,621.210 million and Rs. 719.076 million, respectively for the financial year 2020-21.

Audit coverage relating to expenditure for the current audit year comprises 11 formations of 08 PAOs having a total expenditure ofRs. 4,348.647

¹ District Government has no receipt

million for the financial year 2020-21. In terms of percentage, the audit coverage for expenditure is 40.94 % of auditable expenditure.

Audit coverage relating to receipt for the current audit year comprises 06 formations of 06 PAOs having a total receipt of Rs. 719.076 million for the financial year 2020-21. In terms of percentage, the audit coverage for receipt is 100% of auditable receipt.

b. Recoveries at the Instance of Audit

As a result of audit, recovery of Rs 139.711 million was pointed in this report. No recovery was made affected till finalization of this report.

c. Audit Methodology

Audit was conducted after understanding the business processes of Local Governments Bannu with respect to their functions, control structure and key controls. This helped auditors in understanding the systems, procedures, environment of the audited entity before starting the audit. Audit used desk audit techniques for analysis of compiled data and review of actual vouchers called for scrutiny and substantive testing.

d. Audit Impact

Recovery of Rs.139.711million was pointed out by the audit, however positive audit impact depends on management willingness to implement internal control framework i.e. and recommendations of the audit.

e. Comments on Internal Control and Internal Audit department

Internal control is designed to address risk and to provide reasonable assurance that in pursuit of the entity's mission, its objectives are being achieved.

Comments on five components of internal control are given below:

The organizational structure followed in the Local Government Offices was according to the LGA 2013.

No activity i.e. risks identification, risk evaluation and appropriate responses were carried out in the local government.

Accounts were not submitted by TMA concerned through DAO. No review was carried was carried out of the performances.

TMAAs did not follow the accounting procedure given in the APPM.

No system of monitoring was found to track the progress of the District Government towards its objectives. No internal Auditor was appointed. An annual Review of internal control was also not carried out.

f. Key Audit Findings of the Report

- i. Non-Compilation/Consolidation of Accounts of Local Governments-Rs201.236 million².
- ii. Un-authorized payments to DDOs instead of venders-Rs.201.236 million³.
- iii. Unverified payments –Rs 35.214 million⁴
- iv. Fraud, Embezzlement and misappropriation were noticed in 01 case amounting to –Rs.0.574 million⁵
- v. Irregularities were noticed in 12 cases amounting to Rs 323.412 million⁶
- vi. Others including cases of accidents, negligence etc were noticed in 26 cases amounting to Rs 382.605 million⁷

Minor irregularities/weaknesses pointed during the audit are being perused separately with the authorities concerned, as detailed in Annex-1.

g. Recommendations

- i. TMAAs & VCs/ NCs accounts need to be consolidated at the DAO level.
- ii. Action may be taken against those responsible for not producing record before audit;
- iii. Disciplinary actions need to be taken to stop the practice of violation of the rules and regulations in spending public money.
- iv. Strenuous efforts need to be made by the departments to recover long outstanding dues on account of water charges.

² Para 1.2.1

³ Para 1.2.2

⁴ Para 1.2.3

⁵ Para: 3.5.1.1

⁶ Para: 2.5.1.1. to 2.5.1.2, 3.5.2.1 to 3.5.2.4, 4.5.1.1 to 4.5.1.5 and 5.4.1.1

⁷ Para: 2.5.2.1 to 2.5.2.6, 3.5.3.1 to 3.5.3.13, 4.5.2.1 to 4.5.2.3 and 5.4.2.1 to 5.4.2.4

- v. Departments need to strengthen internal controls such as financial, managerial, operational, administrative, and accounting, etc. Controls to ensure that lapses of the kind reported in this audit report are pre-empted and fair value for money is obtained from public spending.
- vi the DAC meeting should be held more frequently.

CHAPTER-1

Public Financial Management

1.1 Sectorial Analysis

In compliance to the Notification of Local Government, Election and Rural Development department issued on 4th September, 2019, Councils of all tiers of District Government were stood dissolved on the culmination of their respective tenure on 29th August, 2019. The same notification authorized Deputy Commissioners (DCs), Tehsil/Town Municipal Officer (TMOs) and Assistant Director LG & RDD to perform functions of respective Nazameen as envisaged under local Government Act 2013, till the instillation of newly elected Local Governments. In the light of LGA 2013, District Bannu is headed by Deputy Commissioner who is Principal Accounting Officer of the budget grant allocated to the 08 offices devolved at district level. Similarly, Town Municipal Administration is headed by Town Municipal Officer who is the Principal Accounting Officer for the Town Municipal Administration whereas Assistant Director LGE & RDD is the Principal Accounting Officers for Village/Neighborhood Councils.

In District Bannu, Funds amounting to Rs 11,173.970 million were allocated to 153 formations working under 08 PAOs. Out of which, expenditure of Rs.10,621.210 million was made resulting into saving of Rs 552.750 million. Audit coverage relating to expenditure for the current audit year comprises of 11 formations of 08 PAOs having a total expenditure of Rs 4,348.65 million for the financial year 2020-21. In terms of percentage, the audit coverage for expenditure is 40.94% of auditable expenditure.

District Government Bannu					
2020-21	Budget	Actual Expenditure/ Receipts	(Saving)/Excess	Expenditure Audited	%age
Salary	8,694.15	9,369.77	-675.62	4,348.65	40.94
Non-Salary	1,608.76	962.48	646.28		
Developmental (A/C-IV)	871.06	288.96	582.10		
Total	11,173.97	10,621.21	552.75		
Receipt	984.987	719.076			

According to Section 36(3) of Local Government Act 2013, the District Accounts Officer was required to consolidate accounts of Local Government on quarterly and annual basis. However, District Accounts Officer, Bannu did not reflect Rs 415.688 million into the consolidated financial statement of Local Government, Bannu.

District Government, Bannu was found lagging behind in many areas envisioned as integral component of the Local Government in the Khyber Pakhtunkhwa Local Government Act 2013. The District Government could not establish & maintain Public Fund account as required under section 30 of LGA 2013. Similarly, it also failed to prepare, present and approve the budget estimates of receipts from district council for District Government, Bannu as required under section 34 of LGA 2013. The receipts collected as taxes/fees/rents under section 42 of LGA-2013 were also not credited to the District Fund. Most importantly, Finance Department, Khyber Pakhtunkhwa could not provide District Account Office, Bannu with prescribed format and necessary trainings to compile the accounts of TMAs and Village/Neighborhood councils and then reflect the same in the consolidated financial statement of the district, which resulted in disclaimer of its accounts by the Auditor General of Pakistan. Moreover, Internal Audit function could not be established as provided in sub section 4 of section 37 of LGA 2013, as internal auditors were not posted in the District and Tehsil Councils. In addition, Asset management by District Government was yet another area it could not address as required under section 38 of the LGA 2013.

The Local government provided services in the following sectors.

Education

The education sector is one of the major sectors devolved at district level. Funds to the tune of Rs 5,525.728 million were provided to elementary & secondary education headed by District Officer. Expenditure of Rs 5,691.826 million was incurred, out of which expenditure of Rs 705.786 million was audited, thus 12.40% of expenditure was audited.

Statistics show that there are 1183 primary, 150 middle, 105 secondary and 34 higher secondary schools in District Bannu. The estimated Teacher Student Ratio is 1:40 at primary, 1:65 at middle, 1:30 at secondary and 1:27 at the level of higher secondary schools. District Bannu literacy rate is 32.11% the Gross Enrollment Rate (GER) is 52.58%, and the Net Enrollment Rate (NER) is 40.93% at the primary level. On budgetary front, District Education office, Bannu succeeded in spending 90.00% of District ADP and 97.5% of non-salary budgets.

District Education Offices in Bannu were given target of enrolment of 270,000 children for current year against which 113,575 kids were enrolled; wherein, DEO (male) and DEO (female) enrolled 66,298 and 47,277 children respectively. Similarly, annual average of teacher's attendance rate and student attendance rate as per independent Monitoring Unit (IMU) data were approximately 86% & 59% respectively. Furthermore, 97% schools in district Bannu were provided with all basic facilities like classrooms, water supply, group latrine, boundary walls and electrification. However, administrative visits of DEO, DDEO and SDEOs were only 67% against the assigned targets.

Health

Health is another important sector of District Bannu with a total of 95 health facilities spread across the district, among which 09 are urban while the rest are rural based. Their further break-up is 35 BHUs, 50 CDs, 3 MCHs, 3 HOSP, 2 RHC and 2 type D with the total catchment area population of approximately 876,200 as per survey carried out by Health department in 2016.

The Department of Health has established an "Independent Monitoring Unit" for continuous monitoring of the performance of health facilities through its field based Data Collection Assistants and District Monitoring Officers. Department twice examines data collected through various sources to improve efficiency and effectiveness in the business processes of service delivery.

On mother and child health care front, 16,071 babies were born with 1,942 and 14,131 in primary and secondary health facilities respectively. Out of them, 111 infant and 04 maternal deaths were recorded. Lab investigations and diagnostic facilities were also fully utilized as 6486 lab tests, X-rays/ultrasounds

4435 and 83 ECGs were done in both primary and secondary health facilities in district Bannu. Figures of immunization from EPI register were also very impressive as 18856 pregnant women received TT-2 vaccines, 24429 kids under 12 months received full immunization, 27281 children under 12 months received 1st measles vaccines and 30065 kids under 12 received 3rd pentavalent vaccine. 19030 families were provided family planning services as evident from FP register. Human resource data from facility records revealed that these health facilities were amply provided with medical officers and paramedics as only very few positions were found vacant. As these facilities were frequently visited by patients so they also generated good revenue from OPD services, indoor patients' treatment and other lab investigations etc.

Social Welfare

In social Welfare and Women Empowerment sector, budgetary allocations were focused on providing social cushion to the deprived and marginalized segments of society especially, women and children. In the proposed development plan, the department had continued to proceed with its ongoing projects which included schemes for the wellbeing and safeguarding of destitute women, orphans, beggars, drug addicts and special persons.

Panagah(s) were established under Ehsaas Program of the Federal Government, in order to provide valued but temporary/overnight stay with two time meals to the needy individuals seeking bed and breakfast in pursuit of employment. Panagah(s) were established in major cities/Divisional Districts based on need assessment in 1st phase. However, panagah services were not existed in District Bannu.

There is one Welfare Home for orphans/ beggars in district Bannu with the objective to rehabilitate them by imparting vocational training. Rehabilitation center for drug addicts has 6 beds and it had treated 13 patients during the year. Furthermore, various vocational and industrial trainings were provided by the Social Welfare Department. However, keeping in view the spread of drug use and incidence of poverty, the efforts made by Social Welfare office are not likely to bring about any visible improvement in the short or long run unless more resources are diverted to this sector.

Municipal Services

Town Municipal Administrations, District Bannu did not fulfill some primary requirements envisioned as integral component of Local Government in the Khyber Pakhtunkhwa Local Government Act, 2013. The Local Government could not establish & maintain Tehsil Public Fund Account as required under the Section 30 of LGA. Similarly, Town Account Officers were not appointed in TMAs. The accounts of receipt and expenditure were also not maintained in such form as prescribed by Auditor General of Pakistan and required under Section 36 of LGA. Financial Statements, Finance Account and Appropriation Accounts of the TMAs were not prepared accordingly. Most importantly, Finance Department, Khyber Pakhtunkhwa could not provide District Account Office, Bann with prescribed format and necessary trainings to compile the accounts of TMAs and then reflect the same in the consolidated financial statement of the district, which resulted in disclaimer of its accounts by the Auditor General of Pakistan. Moreover, Internal Audit function could not be established as provided in sub section 4 of section 37 of LGA 2013, as internal auditors were not posted in the TMAs to support the Council. In addition, Asset Management by Tehsil Councils was yet another area it could not address as required under section 38 of the LGA 2013.

Water and Sanitation

Water and Sanitation Services Company Bannu was created as separate entity in 2016 to take over water supply, sanitation and solid waste management services in 03 urban union councils from respective Town Municipal Administrations. Under the code of corporate governance, the company is being run by the Board of Directors. Water and Sanitation Services Water and Sanitation Services Company Bannu outsourced some of their services to contractors. So far, Water and Sanitation Services Company could recover only a marginal share of water and sanitation charges from the end users and heavily depend on government grants for its functionality.

1.2 AUDIT PARAS

1.2.1 Non-Compilation/Consolidation of Accounts of Local Governments-Rs 415.688million

According to section 36(3) of the Local Government Act 2013, the District Accounts Officer shall, quarterly and annually consolidate the accounts of Local Governments in the district separately for receipts from the government and local resources and send a copy to the Government, Accountant General, and Nazim District Council.

During the certification audit of the accounts of the DAO Bannu for the financial year 2020-21, audit observed incompleteness and incorrect presentation of the financial statements as the DAO failed to consolidate them into the quarterly and annual accounts of the district, both government, and local resources, as required under section-36(3) of the Local Government Act, 2013. Receipts and expenditure of Rs. 213.452million and Rs 201.236 million respectively, of the TMAs are not reflected in accounts.

Due to non-consolidation of accounts of TMAs, the financial statements of local government remained incomplete which led to disclaimer of audit opinion.

As per decision of DAC meeting held in September 2021, Para stands till correction of these omissions.

Audit recommends that necessary action needs to be taken for the consolidation of Local Government Accounts into District Accounts.

1.2.2 Irregular payments to DDOs instead of vendors-Rs.201.236 million

According to 2.3.2.8 of APPM, the accounting system shall improve controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques (to employees/ vender concerned) instead of payment through DDOs.

Finance Department Letter No: BO (W&M) /6-5/2020-21 dated 19/02/2020 provide that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

District Accounts Officer Bannu, paid Rs 201.236 million to various DDOs instead of issuance crossed cheques to Venders/Payees accounts.

The lapse occurred due to weak internal controls, which resulted in unauthorized payment to DDO.

As per decision of DAC meeting held in September 2021, Para stands for investigation of the matter and appropriate action.

The matter should be investigated and regularized by ensuring payments to the supplier/vendor instead of DDOs as per APPM.

1.2.3 Unverified payments on account of arrears of pay and allowances –Rs. 35.214 million

Para 296 of CTR read with Para 75(2) of KP City & District Govt. Budget Rules 2016, the controlling officer shall be responsible for seeing that the expenditure included in the bills, are of obvious necessity and are at fair and reasonable rates. Sanction and the requisite vouchers are all received and in order. The calculation is correct and the grants have not been exceeded over allotment.

During certification audit of DAO Bannu for the financial year 2020-21, while analyzing HR data it was noticed that arrears of pay and allowances of Rs.35,214,492 was paid; however, local office could not produce supporting documents for verification to audit.

The lapse occurred due to weak internal controls, which resulted in unverified payments.

As per decision of DAC meeting held in September 2021, Para stands for investigation of the matter and appropriate action.

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

CHAPTER-2

District Government Bannu

2.1 Introduction

Under the Khyber Pakhtunkhwa Local Government Act 2013, activities of District Government are managed through offices of Deputy Commissioner and District Officers. Each department of the Districts is headed by a District Officer (DO). According to the Rules of Business of District Government 2015, work of the district departments is distributed among the officers, branches, and/or sections in the district departments. Deputy Commissioner is the Principal Accounting Officer for all the devolved departments of the district which includes District Officers Agriculture, Education, Health, Fisheries, Population Welfare, LGE & RDD, Sports, Animal Husbandry, Soil Conservation, and Cooperative Society & Social Welfare.

According to section 13 of the Khyber Pakhtunkhwa Local Government Act 2013, the authority and responsibilities of the District Government have been given as under:

- (1) The authority of district government shall comprise the operation, management and control of offices of the departments which are devolved to it; provided that district government shall exercise such authority in accordance with general policy of Government.
- (2) Every order in district government shall be expressed to be made in the name of the district government and shall be executed by a duly authorized officer.
- (3) The district government shall be responsible to the people and the Government for improvement of governance and delivery of services within the ambit of authority devolved to it.

Audit profile of District Government Bannu

Sr No	Description	Total Nos	Audited	Expenditure audited FY 202021 (Rs in million)	Revenue /Receipts audited FY 2020-21 (Rs in million)
1	Number of formations planned	7	04	2,913.058	NIL

2.2 Comments on Budget and Accounts (Variance Analysis)

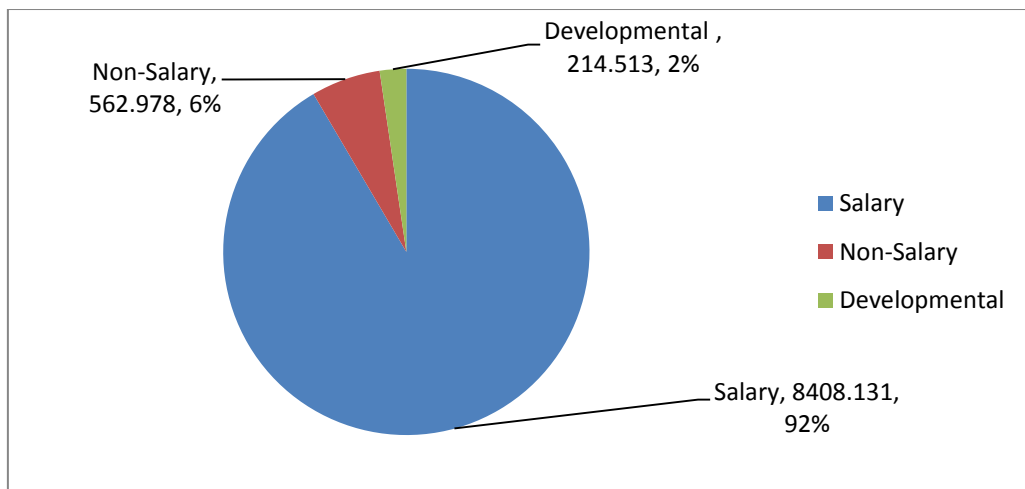
(Rs in million)

District Government Bannu				
2020-21	Budget	Actual Expenditure/ Receipts	(Saving)/Excess	%age
Salary	7,796.799	8,408.131	611.332	7.84
Non-Salary	922.292	562.978	-359.314	-38.96
Developmental (A/C-IV)	293.121	214.513	-78.608	-26.82
Total	9,012.212	9,185.622	173.41	-71.31

The savings of Rs 173.410 million indicates inefficiency in the capacity of Local Government Departments to utilize the amount allocated.

EXPENDITURE 2020-21

(Rs in million)



2.3 Classified Summary of Audit observations

Audit observations amounting to Rs 73.531 million were raised as a result of this audit. This amount also included recoverable of Rs 6.804million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs in million)		
Sr. No.	Classification	Amount (Rs)
1	Irregularities	-
A	Human Resource Management	2.66
B	Procurement related irregularities	2.392
2	Others, including cases of accidents, negligence etc.	68.479
Total		73.531

2.4 Comments on the status of compliance with Zila Accounts Committee Directives

The audit reports pertaining to the following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC meetings are given below:

Sr. No.	Audit Year	ZAC meeting
1.	2002-03	Not Convened
2.	2003-04	Not Convened
3.	2005-06	Not Convened
4.	2006-07	Not Convened
5.	2007-08	Not Convened
6.	2008-09	Not Convened
7.	2009-10	Not Convened
8.	2010-11	Not Convened
9	2011-12	Not Convened
10	2012-13	Not convened
11	2013-14	Not Convened
12	2016-17	Not Convened
13	2017-18	Not Convened
14	2018-19	Not Convened
15	2019-20	Not Convened
16	2020-21	Not Convened

2.5 AUDIT PARAS

2.5.1 Irregularities

A. HR/Employees related irregularities

2.5.1.1 Non-recovery of house rent allowance from Government accommodations Rs.2.66 million

According to provisions of Allotment of Residential Accommodation Rules 1980 as amended in 1992, the government servants who have been provided government accommodation or having designated accommodation are not entitled to house rent allowance and their salary will be subjected to deduction of 5% maintenance charges.

The office of Deputy Commissioner Office Bannu allotted government accommodations including Bungalows & Quarters to District, Provincial & Federal Governments employees since long but the house rent allowance for Rs 2,660,040 was not recovered from the occupants as per detail below.

S	Type of Accommodation	HRA	Period	Amount	
1	BPS-19	1 Bungalows	8856	1.07.2020to 30.06.2021	106,272
2	BPS-18	11 Bungalows	5810	1.07.2020 to 30.06.2021	766,920
3	BPS-17	16 Bungalows	4433	1.07.2020 to 30.06.2021	851,136
4	BPS-16	2 Bungalows	2727	1.07.2020 to 30.06.2021	65,448
5	BPS-15	2 Bungalows	2349	1.07.2020 to 30.06.2021	56,376
2	36 Quarters		942	01.07.2018 to 30.06.2020	813,888
Total				2,660,040	

Non recovery of house rent allowance occurred due to weak internal control, which resulted in loss to government.

When reported in July 2021, management stated that recovery would be made from the quarter concerned. Reply was not tenable due to non-deduction of house rent till the finalization of report.

Request for convening the DAC meeting was made on 21.10.2021, which could not be convened till finalization of this report.

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

AIR Para-07 (2020-21)

B. Procurement related irregularities

2.5.1.2 Irregular Purchase of furniture-Rs 2.392 million

According to the KPPRA 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.

Accordingly to the order of honorable high court Peshawar dated 07.2.16, department concerned shall take care of healthy competition between different supply materials and would not make it practice or precedent to deprive others in the process of supply of items.

The office of Deputy DEO (male) working under the administrative control of District Education Officer (male) Bannu paid Rs 2,392,385 under head purchase of furniture during the year 2020-21 as detailed below.

S. No	Cheque No	Date	Amount-Rs
1	2197581	17.06.21	441,421
2	2197590	17.06.21	297,289
3	2197591	17.06.21	540,117
4	1073564	17.06.21	228,985
5	2197579	17.06.21	884,573
Total Payment			2,392,385

Furniture was purchased directly from wood working center D.I.Khan of SIDB through direct contracting and open competition was not adopted to get competitive bidding. Moreover, advance payment was made to the suppliers and furniture was still not received till the date of audit.

The lapse occurred due to defiance of KPPRA rules and high court judgment, which resulted in uncompetitive bidding for purchase of furniture.

When reported in August 2021, management stated that detail reply would be submitted after consultation of record. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 21.10.2021, which could not be convened till finalization of this report.

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

AIR Para-03(2020-21)

2.5.2 Others, including cases of accidents, negligence etc.

2.5.2.1 Unauthorized re-appropriation of funds-Rs 31.130 million

According to Rule-4(2)(J) of Khyber Pakhtunkhwa, District or City District Government budget rules 2016, the head of the offices shall be responsible for ensuring that the fund allotted are spent on the activities for which the money was provided.

The office of Deputy Commissioner Bannu received Rs 38.350 million from Provincial Government for onward release to District Health office for grant against emergency funds during financial year 2020-21. The local office released only Rs 7.220 million to DHO Bannu and remaining Rs 31.130 million were blocked or released to another departments and general public was deprived of light saving and other basic need of emergency medicines and other medical facilities.

The lapse occurred due to violation of delegation financial powers, which resulted in unauthorized re-appropriation of funds.

When reported in July 2021, management stated that after consultation of record detail reply would be furnish. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 21.10.2021, which could not be convened till finalization of this report.

Audit recommends justification besides inquiry and action against the person at fault.

AIR Para-09(2020-21)

2.5.2.2 Irregular drawl on account of purchase of medicines-Rs28.784 million

According to clause 22 of Government MCC rate contract agreement issued vide Director General Health Services Khyber Pakhtunkhwa Peshawar letter No. 1805-1909/DD(Preq/Reg/Drugs) dated 11.09.2018. The supplier agrees that the supply of the ordered goods under this agreement shall be completed by

the supplier within thirty (30) days after the receipts of supply orders from the purchasing Agency.

As per Accountant General, Khyber Pakhtunkhwa Letter No. DAG/PR/2019-20/08 dated 25.03.2019 endorsed by the Government of Khyber Pakhtunkhwa, Finance Department No SO/(Admn)/FD/3-19/2018 dated 01.04.2019, payment should be made through vender cross cheques and payment through DDO is not permissible.

The office of District Health Officer, Bannu drew Rs. 28,785,068 from government treasury during the month of June 2021 on account of purchase of medicines during the FY 2020-21. Audit noticed the following irregularities:

1. Cheques were issued to District Health officer instead of cross cheques to suppliers.
2. Further disbursement of funds was not clear.
3. Medicines were not supplied till the date of audit.
4. No delivery challan of medicines were available on record.
5. No penalty was imposed for lat supply of medicines.

Non-supply of medicines occurred due to weak internal controls resulting in non-availability of medicine for community in health facilities, when required

When reported in July 2021, the management stated that disbursement record and actual payee receipts would be produced in DAC. Reply of department was not satisfactory as no DAC was conducted as well as no record was produced to justify the payment.

Request for convening the DAC meeting was made on 21.10.2021, which could not be convened till finalization of this report.

Audit recommends justification besides supply of medicines forthwith and action against the person(s) at fault.

AIR Para-01&2(2020-21)

2.5.2.3 Less deposit of receipts under the head of penalties-Rs. 4.108 million

According to rule 69(2)(a) of Khyber Pakhtunkhwa District Or City District Government Budget rules 2016 public money shall in so far as possible

be deposit directly in the bank through prescribed challan forms on the same day but not later than the close of following day.

The office of Deputy Commissioner, Bannu collected Rs. 13,904,270 under the head of fines during the FY 2020-21. However, amount deposited in government treasury was Rs. 9,795,970 resulting in less deposit of Rs. 4,108,300 as detailed below.

S.No	Account fined/penalty by DC Office Bannu	Amount Deposited as per DAO record.	Difference/Less deposited
1	13,904,270	9,795,970	4,108,300

Less deposit of receipt occurred due to weak internal control which resulted in loss to public exchequer.

When reported in July 2021, the management stated that detail reply would be submitted later on. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 21.10.2021, which could not be convened till finalization of this report.

Audit recommends immediate deposit of remaining receipts besides inquiry and action against person(s) at fault.

AIR Para-14(2020-21)

2.5.2.4 Non deposit of health receipts into Government Treasury-Rs.2.104 million

According to rule 69(2)(a) of Khyber Pakhtunkhwa District Or City District Government Budget rules 2016 public money shall in so far as possible be Deposit directly in the bank through prescribed challan forms on the same day but not later than the close of following day.

The office of District Health Officer Bannu did not deposit health receipts of Rs2,104,760 into Government treasury during FY 2020-21 as detail below:

S.No	Centre	Particular	Fee not deposited- Rs
1	Health facilities Under DHO	Fee collected but deposit challan not available (2,390,000 – 1,140,000)	1,250,000
2		Fee not collected (June 21)	355,000
3	Health facilities Under DY DHO	Fee collected but deposit challan not available (1035000- 470,000)	565,000
4		Fee not collected	59,760
Total Receipts not deposited			2,229,760

Non deposit of health receipts in to government treasury was occurred due to weak internal control which resulted in loss to public exchequer.

When reported in July 2021, the management stated that detail reply would be submitted later on. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 21.10.2021, which could not be convened till finalization of this report.

Audit recommends immediate deposit of receipts besides inquiry and action against person(s) at fault.

AIR Para-02(2020-21)

2.5.2.5 Irregular cash payments through DDO instead of vendors- Rs1.153 million

As per Accountant General, Khyber Pakhtunkhwa letter No. DAG/PR/2020-21/08 dated 25.03.2019 endorsed by the Government of Khyber Pakhtunkhwa, Finance Department No SO/(Admn)/FD/3-19/2018 dated 01.04.2019, payment to should be made through vender cross cheques and payment through DDO is not permissible.

According to Rule 157 of FTR Vol-1, payment should be made to suppliers through Cross Cheques.

The office of District Education officer (Male) Bannu drew Rs 1,153,583 from A/C No IV under various object heads during FY 2020-21. Following irregularities were noticed:

1. Cheques were drawn in the name of DEO (Male) and DDEO (Male) Bannu instead of cross cheques in the name of suppliers/ vendors.
2. Photocopies of cheques were not available on record.
3. Designated bank account statement was also not produced to audit.

The lapse was occurred due to weak managerial controls, which resulted in violation of rules.

When reported in August 2021, management stated that detail reply would be submitted later on. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 21.10.2021, which could not be convened till finalization of this report.

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

AIR Para-01(2020-21)

2.5.2.6 Non supply of medicines-Rs 1.200 million.

According to clause 22 of Government MCC rate contract agreement issued vide Director General Health Services Khyber Pakhtunkhwa Peshawar letter No. 1805-1909/DD(Preq/Reg/Drugs) dated 11.09.2018. The supplier agrees that the supply of the ordered goods under this agreement shall be completed by the supplier within thirty (30) days after the receipts of supply orders from the purchasing Agency.

According to Director General Health Services Khyber Pakhtunkhwa Notification No.2655-2755/ DDC/DGHS/KP dated 16-10-2020, any complaint regarding suppliers, the matter shall be shall be communicated to Director MCC/Officer in-charge in writing within the contractual time period positively, otherwise the CDR of the suppliers would be released in July, 2021 and no reason for delay in lodging a complaint shall be entertained.

The office of District Health Officer Bannu drew an amount of Rs 1.200 million from public exchequer for further payment to suppliers for purchase of medicine during the financial year 2020-21. However, supplier did not complete till the date of audit i.e. august 2021. Details are provided below:

Name Item	Rate	Quantity	Amount	Penalty
Syp Amoxicillin 125mg	48	25,000	1,200,000	36,000

Non supply of medicines within stipulated period of time was occurred due to non-compliance of government rules, which resulted in to loss to government.

When reported in July 2021, management stated that the penalty would be imposed and would be recovered from concerned and would be deposited into Government treasury and challan would be produced to audit. No evidence of supply of medicine and recovery of penalty were shown to audit.

Request for convening the DAC meeting was made on 21.10.2021, which could not be convened till finalization of this report.

Audit recommends proper verification to authenticate the actual supply of medicines besides recovery of penalty amount and action against the person(s) at fault.

AIR Para-11(2020-21)

CHAPTER-3

Tehsil Municipal Administration

3.1 Introduction

District Bannu has six Tehsils i.e. Bannu, Domel, Kakki, Bakakhel, Wazir and Miryan the office of a Tehsil Municipal Administration is managed by the Tehsil Municipal Officer. He is assisted by a Tehsil Officer (Finance), a Tehsil Officer (Regulation) and a Tehsil Officer (Infrastructure).

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

- (a) Monitoring and supervising the performance of functionaries of Government offices located in the Tehsil,
- (b) Land management in the Tehsil, provision of municipal services, execution and management of development plans for improvement of municipal services and infrastructure.
- (c) Enforcing municipal laws, rules and bye-laws, Preventing and removing encroachments, regulate affixing of sign-boards and advertisements;
- (d) Financial management of the Tehsil such as, Preparation of budget and annual municipal development programmes, collection of revenue such as taxes, penalties, fines etc. manage municipal properties, assets and funds, and liaise with the district government in all these matters.
- (e) Maintaining 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;
- (f) Organizing sports, cultural, recreational events, fairs, cattle fairs and cattle markets;
- (g) Co-ordinate and support municipal functions amongst village and neighborhood councils;
- (h) Regulate markets and services, issue licenses, permits, grant permissions and impose penalties for violation thereof;

Audit profile of TMAs of District Bannu

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2020-21	Revenue /Receipts audited FY 2020-21
1	Formations	5	5	1,131.627	711.876

3.2 Comments on Budget and Accounts (Variance Analysis)

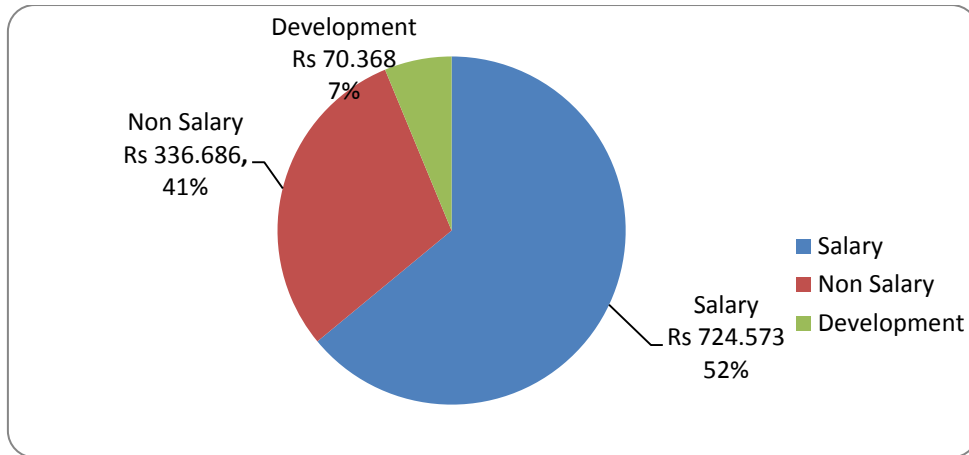
(Rs in million)

TMAs				
2019-20	Budget	Actual Expenditure/ Receipts	(Saving)/Excess	%age
Salary	491.279	724.573	233.294	
Non-salary	573.493	336.686	-236.100	
Developmental	538.287	70.368	-467.919	
Total	1,603.059	1,131.627	-470.725	
Receipts	973.787	711.876	261.911	

The savings of Rs 470.725 million indicates inefficiency in the capacity of Local Government Departments to utilize the allocated budget.

EXPENDITURE 2020-21

(Rs in million)



3.3 Classified Summary of Audit Observations

Audit observations amounting to Rs. 207.32 million were raised in this audit report. This amount also includes recoverable of Rs.92.520 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr. No.	Classification	Amount
1	Reported cases of fraud, embezzlement and misappropriation	0.574
2	Irregularities	0
A	Human resource Management	11.389
B	Procurement	16.613
3	Others, including cases of accidents, negligence etc.	178.744
Total		207.32

3.4 Comments on the status of compliance with Tehsil Accounts Committee Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC meetings are given below:

Sr. No.	Audit Year	TAC meeting
1.	2002-03	N/A
2.	2003-04	N/A
3.	2005-06	N/A
4.	2006-07	N/A
5.	2007-08	N/A
6.	2008-09	N/A
7.	2009-10	N/A
8.	2010-11	N/A
9	2011-12	N/A
10	2012-13	Not Convened
11	2013-14	Not Convened
12	2016-17	Not Convened
13	2017-18	Not Convened
14	2018-19	Not Convened
15	2019-20	Not Convened

3.5 AUDIT PARAS

3.5.1 Fraud, embezzlement and misappropriation

3.5.1.1 Embezzlement of TMA Funds – Rs. 0.574 million

Section 41 of LGA 2013, states that, “Every official or servant of a local government, every member of a local council, and every person charged with administration and management of property of a local government shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a local government which is a direct consequence of decisions made by him personally or under his directions in violation of this Act or any other law for the time being in force or which accrues as a result of his negligence or misconduct, and shall be liable to pay such surcharge as may be determined by the respective Accounts Committee and such amount shall be recoverable as arrears of land revenue.

Office of the TMA Bannu shown deposited Rs. 574,000 in to TMA Bank accounts. However, comparison with bank statements revealed that the amount was not actually deposited, but was embezzled.

Embezzlement was occurred due to non-deposit of amount in to Government treasury, which resulted in to loss to Government.

When reported in October 2021, Management stated that the relevant vouchers would properly be checked with the bank accounts and difference if noticed would be recovered. Reply was not tenable as no record was produced.

Request for convening the DAC meeting was made on 29.10.2021, which could not be convened till finalization of this report.

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

AIR Para-23&24(2020-21)

3.5.2 Irregularities

A. HR/Employees related irregularities

3.5.2.1 Un-authorized cash payment of monthly salaries / honoraria / Pension-Rs 6.916 million

Finance Department Letter No FA/FD/1-14/2007/Salaries dated Peshawar, the 10/5/2007 says, “that with effect from 01-07-2007 salaries of all Provincial and District Employees in the Khyber Pakhtunkhwa, in BPS-1 and above shall be disbursed in the manner, prescribed by the Auditor General of Pakistan, in Para 4.6.3 of Accounting Policies and Procedures Manual (APPM) of New Accounting Model (NAM) by direct credit/transfer to the employees nominated Bank Accounts”.

Office of the Tehsil Municipal Officer, Bannu paid Rs. 6,915,789 on account of monthly salaries / honoraria and pension to retired TMA employees in cash through DDO instead of direct credit/transfer to their respective Bank Accounts during FY 2020-21.

Unauthorized cash payment was occurred due to non-compliance of rules, which occurred, which is held unauthorized.

When reported in October 2021, Management stated that the payments are made through DDO because some employees have problem in biometric verification due to old age. Opening of bank account are in process. Payment would be streamline soon.

Request for convening the DAC meeting was made on 29.10.2021, which could not be convened till finalization of this report.

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

AIR Para-09(2020-21)

3.5.2.2 Irregular payment through DDO instead of direct credit-Rs.3.265 million

Government of KPK Finance department letter No. BO(W&M)/6-5/2019-20 Dated Peshawar the 19th February, 2020, all the Principal Accounting officers

and DDOs are advised to stop henceforth all cash payments and open cheques payments.

Office of the TMA Kakki during FY 2020-21 Paid Rs 3,265,187 on account of monthly pay through DDO instead of credit to their respective bank accounts. Detail is given below:

S.No	Salary for the Month	Payment Method	Total Amount
01	07/2020	Through DDO	168,700
02	09/2020		169,135
03	11/2020		610,340
04	12/2020		591,327
05	01/2021		557,200
06	02/2021		621,061
07	03/2021		547,424
Total			3,265,187

The lapse was occurred due to non-compliance of rules which resulted into violation of rules.

When reported in October 2021, Management stated that detail reply would be submitted after consultation of record. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 27.10.2021, which could not be convened till finalization of this report.

Audit recommends immediate stoppage of payment through DDO besides regularization of expenditure under intimation to audit.

AIR Para-06(2020-21)

3.5.2.3 Unauthorized daily wages drawl to employees-Rs. 1.208 million

Para 23 of GFR Vol.-I states that 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.

Office of the TMA Kakki paid to daily wages employee amounting Rs.1,208,420 during the FY 2020-21. Following irregularities were noticed:

1. Most of the bills were un-passed by Resident Auditor Officer (RAO).
2. Office orders regarding appointment was not available in TMA.
3. CNIC/Domical/Father name /Bio data was also not provided.
4. No record regarding utilization of these daily wages employees was provided to audit.

The lapse was occurred due to non-compliance of rules, which resulted into violation of rules.

When reported in October 2021, Management stated that detail reply would be submitted after consultation of record. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 27.10.2021, which could not be convened till finalization of this report.

Audit recommends a proper inquiry in matter besides fixing the responsibility under intimation to audit.

AIR Para-17(2020-21)

B. Procurement related irregularities

3.5.2.4 Overpayment due to exceeded claim as per estimated cost - Rs.16.713 million.

Para 129 of central public works department Manual Chapter-VI states that the Sub Divisional Officer, while preparing a bill must satisfy himself that work is actually done in accordance with the claim. Para 209 (d) of CPWA Code provides that it is incumbent upon the person, responsible for measurements in the measurement book (MB), to record the correct and actual figures.

Office of the TMA Bannu overpaid Rs. 16,712,553 to various contractors on account of exceeded claim as per estimated cost of each work during FY 2020-21. (Detail at Annexure-03)

Overpayment was occurred due to non-compliance of government rules, which resulted in to loss to government.

When reported in October 2021, Management stated that the management replied that detail reply would be submitted accordingly. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 29.10.2021, which could not be convened till finalization of this report.

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

AIR Para-30(2020-21)

3.5.3 Others, including cases of accidents, negligence etc.

3.5.3.1 Non preparation of Appropriation, Finance and Financial Statements 55.527 million

According to section 36(3) of Local Government Act 2013, the District Accounts Officer shall, quarterly and annually consolidate the accounts of Local Governments in the district separately for receipts from the government and local resources and send a copy to the Government, Accountant General and Nazim District Council.

Office of the TMA Domaldid not submit the accounts of receipts to DAO Bannu for consolidation in Financial Statement of the District for the FY 2020-21. Detail is given below:

Head of Accounts	Budget for 2020-21
Opening Balance on 1st July, 2020	68,568,715
Receipts during the year	110,124,376
Total Receipts	178,693,091
Total Expenditure	55,527,748
Closing Balance on 30 th June, 2021	71,250,368

The lapse occurred due to weak internal controls, which resulted in non-submission of receipts' accounts.

When reported in October 2021, Management stated that we are updating/maintaining the accounts and would be produced to audit. Reply of the department is not tenable as no documentary evidence is provided in support of the reply.

Request for convening the DAC meeting was made on 22.10.2021, which could not be convened till finalization of this report.

Audit recommends preparation of Appropriation Account, Finance Account and Financial Statement for year 2020-21 and be produced to audit.

AIR Para-05(2020-21)

3.5.3.2 Non recovery of rent of shops–Rs. 51.458 million

According to Para 6 (1-c) of TMA Budget rules 2016, each controlling officer ensuring all sums due to TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund.

Office of the TMA Bannu allotted shopping plaza, markets, plots and shops on rent basis. However huge amount of Rs.51,458,172 was outstanding since long against the various allottees.

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

When reported in October 2021, Management stated recovery would be made from the defaulters concerned. Reply is not tenable as no documentary evidence was provided to audit.

Request for convening the DAC meeting was made on 29.10.2021, which could not be convened till finalization of this report.

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

AIR Para-03(2020-21)

3.5.3.3 Non conduct of post audit PLA funds – Rs. 29.260 million

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

Office of the TMA Domel spent Rs. 29,260,241 out of PLA without submitted record to District Accounts Office Bannu for post audit during FY 2020-21.

None conducting of post audit was occurred due to weak internal control, which resulted in to non-authentication of expenditure.

When reported in October 2021, Management stated that detail reply would be submitted soon. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 22.10.2019, which could not be convened till finalization of this report.

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

AIR Para-06(2020-21)

3.5.3.4 Non recovery of departmental dues –Rs. 19.065 million

According to Para 6 (1-c) of TMA Budget rules 2016, each controlling officer ensuring all sums due to TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund.

Office of the TMA Bannu did not recover arrears Rs. 19,065,270 outstanding against various contracts of sale by auction detail as under:

S.No	Name of Contractor	Contract years	Bid Amount	Outstanding
1.	Shah Naraz khan CNIC No 11101-6307492-9	Cattle fair Urban	31,300,000	16,140,000
2.	Khairullah khan	Goat & Sheep Market	7,720,000	2,876,000
3.	Husain Khan	Slaughter House fee	636,800	49,270
Total			39,656,800	19,065,270

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

When reported in October 2021, Management stated that notices have already been issued to defaulters to deposit the outstanding amount of arrears. Reply is not tenable as no documentary evidence was provided to audit.

Request for convening the DAC meeting was made on 29.10.2021, which could not be convened till finalization of this report.

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

AIR Para-01(2020-21)

3.5.3.5 Non-recovery of income tax –Rs. 4.299 million

Terms & conditions of the agreement with the contractor state that “contractor would be bound to pay income tax @ 10% on the total bid amount.”

Office of the TMA Bannu did not recover income tax outstanding against various contractors worth Rs. 4,299,680 during 2020-21 detail as under:

S.No	Name of Contractor.	Contract years	Bid Amount	Outstanding
1.	Shah Naraz khan CNIC No 11101-6307492-9	Cattle fair Urban	31,300,000	3,130,000
2.	Khairullah khan	Goat & Sheep Market	7,720,000	772,000
3.	Husain Khan	Slaughter House fee	636,800	63,680

4	Khairullah	Entry fee	1,550,000	155,000
5	Amirdad khan	The Bazari	1,160,000	116,000
6	Amir dad khan	Mall Ghodam	630000	63000
7	Total		42,996,800	4,299,680

Non recovery of income tax was occurred due to non-compliance of rules, which deprived the Government from revenues.

When reported in October 2021, Management stated that notices have been issued already against the defaulters to recover the outstanding amount income tax. Reply is not tenable as no documentary evidence was provided to audit.

Request for convening the DAC meeting was made on 29.10.2021, which could not be convened till finalization of this report.

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

AIR Para-02(2020-21)

3.5.3.6 Non-deposit of income tax – Rs. 3.804 million

The rates of recovery of Income Tax on contracts were 7.5% w.e.f. 1st July, 2015 vide Assistant Commissioner Circular No/WHU-XII/Bannu/434 dated: 11.08.2014.

Office of the TMA, Bannu deducted income tax Rs. 3,804,090 from contractor's bills on execution of various developmental schemes during 2020-21, but was not credit/ deposit in to government treasury.

Non deposit of income tax occurred due to non-compliance of rules, which resulted in to loss to Government.

When reported in October 2021, Management stated that taxes would be deposited in to Government treasury. Para stand till deposit of amount in question

Request for convening the DAC meeting was made on 29.10.2019, which could not be convened till finalization of this report.

Audit recommends depositing of tax and action against person(s) at fault.

AIR Para-33(2020-21)

3.5.3.7 Non-deposit of Bank Profits into Government Treasury Worth-Rs 3.591 million

According to Para 3(ix) of Khyber Pakhtunkhwa Finance Department letter No. 2/3(F/L) 2019-20/Vol-XIII Dated Peshawar the 03rd February, 2020, in case of current account the same be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government treasury immediately except where department /offices/autonomous & Sami-autonomous bodies /organizations/ corporations have been specifically permitted under some statute/act.

Office of the TMA Domel operating PLS account No. PLS 00261-01-0 and earned profit of Rs 3,591,461, but the local office could not deposit the same into Government treasury.

Non deposit of bank Profit into Government treasury was occurred due to non-compliance of rules which resulted into loss to Government.

When reported in October 2021, Management stated that the amount would be deposited into government treasury under intimation to audit. Para stand till deposit of amount in question.

Request for convening the DAC meeting was made on 22.10.2021, which could not be convened till finalization of this report.

Audit recommends that amount in question may be deposited into Government treasury.

AIR Para-09(2020-21)

3.5.3.8 Less recovery of departmental dues –Rs. 2.847 million

According to Para 6 (1-c) of TMA Budget rules 2016, each controlling officer ensuring all sums due to TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund.

Office of the TMA Domel did not recover arrears Rs. 2,847,572 outstanding against various contracts of sale by auction detail as under:

S.No	Name of Contractor	Contract Amount-(Rs)	Recovered (Rs)	Outstanding amount
2	Service taxes Domal	2,766,900	1,090,000	1,676,900
3.	Datson Adda Doeml	303,100	237,635	65,465
4.	Flying coach adda High way	139,600	80,153	59,447
5.	Flying coach adda town chowk	177,700	121,340	56,360
6.	Cattle fare Market	2,558,000	1,568,600	989,400
Total				2,847,572

The lapse occurred due to weak internal controls, which resulted in to loss to Government.

When reported in October 2021, Management stated that recovery wouldbe made under intimation to audit.Reply is not tenable as no documentary evidence was provided to audit.

Request for convening the DAC meeting was made on 22.10.2021, which could not be convened till finalization of this report.

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

AIR Para-01(2020-21)

3.5.3.9 Non-deduction of income tax – Rs. 2.510 million

The rates of recovery of Income Tax on contracts were 7.5% w.e.f. 1st July, 2015 vide Assistant Commissioner Circular No/WHU-XII/Bannu/434 dated: 11.08.2014.

Office of the TMA Bannu paid Rs. 33,472,456 to various contractors on account of execution of developmental schemes without deduction of income tax Rs. 2,510,434 in to government treasury.

S r	Name of Contractor	Contract Amount	Name of Scheme	No. of Running bills	running bill amount before deduction	Income Tax not deducted
4	M/S Friends construction & Developers(2020-21) ADP No.1	39.325 M	Solar lights in Bannu City	1st running bill	7,222,528	541,689.6
				3rd running bill	26,249,928	1,968,744.6
				Total	33,472,456	2,510,434

Non deposit of income tax occurred due to non-compliance of rules, which resulted in to loss to Government.

When reported in October 2021, Management stated that due to financial crises, the income tax were not deposited and would be deposited immediately when funds are available. Reply of the department is not tenable, audit recommends that the deducted taxes may be deposited into the Government treasury without any delay.

Request for convening the DAC meeting was made on 29.10.2021, which could not be convened till finalization of this report.

Audit recommends depositing of tax and action against person(s) at fault.

AIR Para-31(2020-21)

3.5.3.10 Un-authorized purchase of vehicle Rs. 1.941 million

According to Para-1 (b) of Government of Khyber Pakhtunkhwa Finance Department Letter No. BO. I/FD/5-8/2019-20/Austerity Measure dated 01/07/2019 that there would be a complete ban on purchase of new vehicles until recommendation of the committee consisting of Secretary Finance, Secretary Administration, Secretary Transport, Secretary P&D and Secretary of the Department Concerned and approval of the Chief Minister KPK should be sought.

Para-2.65 of GFR-Chapter-V, states that the lowest rate quoted by contractor must be accepted.

Office of the TMA Miryan incurred expenditure of Rs.1,941,000 on account of purchase of KIA Picanto M/T 1000 CC car without obtaining prior approval from the competent authority as required under the aforementioned rule.

Furthermore, Suzuki Khyber Motors have offered the lowest evaluated quotation of Rs.1,605,000 while the TMO Miryan accepted the offer of Kia Motors Khyber of Rs.19,41000, which violates the above quoted rule.

The lapse occurred due to weak internal controls, which resulted into unauthorized purchase of vehicle.

When reported in October 2021, the department agreed with the point raised by Audit. Reply is not tenable as no documentary evidence was provided to audit.

Request for convening the DAC meeting was made on 26.10.2021, which could not be convened till finalization of this report.

Audit recommends the justification of the matter beside inquiry and action against the person at fault.

AIR 2020-21Para-06

3.5.3.11 Non-deposit of income tax – Rs. 1.696 million

The rates of recovery of Income Tax on contracts were 7.5% w.e.f. 1st July, 2015 vide Assistant Commissioner Circular No/WHU-XII/Bannu/434 dated: 11.08.2014.

Office of the TMA Domel deducted income tax Rs. 1,696,000 on account of purchase of miscellaneous items and developmental works during 2020-21, but was not deposit in to government treasury.

Non deposit of income tax occurred due to non-compliance of rules, which resulted in to loss to Government.

When reported in October 2020, Management stated that the amount would be recovered soon. Para stand till full recovery.

Request for convening the DAC meeting was made on 22.10.2019, which could not be convened till finalization of this report.

Audit recommends depositing of tax and action against person(s) at fault.

AIR Para-7(2020-21)

3.5.3.12 Loss due to non-recovery of rent outstanding– Rs. 1.575million

According to Para 6 (1-c) of TMA Budget rules 2016, each controlling officer ensuring all sums due to TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund.

Office of the TMA Domel allotted shopping plaza, market and shops on rent basis. However huge amount of Rs.1,575,146 was outstanding since long against the various allottees.

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

When reported in October 2020, Management stated that the amount would be recovered from concerned. Para stand till full recovery.

Request for convening the DAC meeting was made on 22.10.2019, which could not be convened till finalization of this report.

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

AIR Para-11(2020-21)

3.5.3.13 Non deposit of profit earned on PLS account fund into Government treasury Rs.1.171 million

According to Para 1 and 2 of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2007-08/Vol-IX dated 10th February 2014, Khyber Pakhtunkhwa Finance Department has from time to time allowed sanctioned Bank accounts in the commercial bank for various Departments/Autonomous/Semi- Autonomous Bodies/Corporations in Khyber Pakhtunkhwa for particular and specific purposes. Such accounts may be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank.

Office of the TMA Bannu operating various PLS Accounts with different Banks and earned profit of Rs1,171,802.71 during the year. However, the amount of profit earned was not deposited into Government treasury, within a week time from the dates of declaration of profit by the concerned bank. (Annexure 04)

Non deposit of profit occurred due to weak financial control which resulted in understatement in provincial receipts during the year.

When reported in October 2021, Management stated that there is no direction received by the LCB to deposit profit earned on local fund into treasury account of govt. Reply of the department is not tenable,

Request for convening the DAC meeting was made on 29.10.2021, which could not be convened till finalization of this report.

Audit recommends immediate deposit of profit into Government treasury under the relevant head.

AIR Para-34(2020-21)

CHAPTER-4

AD LGE&RDD

4.1 Introduction

Assistant Director Local Government, Election and Rural Development Department in District Bannu has 110VCs/NCs. Each VC/NC has a Secretary. Assistant Director Local Government Election & Rural Development Department is Drawing and Disbursing Officer (DDO) for his office and PAO for VCs/NCs of the District Bannu.

According to section 29 of the Khyber Pakhtunkhwa Local Government Act 2013 the authority and responsibilities of the District Government have been given as under:

Functions and Powers of Assistant Director, LGE&RDD includes:

- i. Providing secretarial support to the Council, matters relating to Local Government Commission
- ii. Coordination and supervision of village and neighborhood councils
- iii. Matters related to local taxes, grants, budget of village and neighborhood councils
- iv. Coordination of activities relating to local council elections, population census and surveys in the district
- v. Rural Development Works including water supply, rural access roads, embankment and drainage works
- vi. Overseeing registration of births, deaths and marriages in village and neighborhood councils
- vii. Review, evaluation and assessment of local government system, processes and procedures in the district particularly at the village and neighborhood level
- viii. Collection, compilation and dissemination of primary data Training and research in the areas of local governance

Functions and Powers of the Village Council or Neighborhood Council include:

- i. Monitoring and supervision of the performance of functionaries of all government offices located in the area of the respective village council or neighborhood council, including education, health, public health engineering, agriculture, livestock, police and revenue, and hold them accountable by making inquiries and reports to the Tehsil municipal administration, district government or, as the case may be, the Government for consideration and action;
- ii. Providing effective forum for out of court amicable settlement of disputes and, for this purpose, constitute panels of members as conciliators;
- iii. Registration of births, deaths and marriages;
- iv. Implementation and monitoring of village level development works;
- v. Improving water supply sources, maintain water supply distribution system and take measures to prevent contamination of water;
- vi. Maintenance of village level infrastructure, footpaths, tracks, streets, playgrounds, graveyards, funeral places, eid-gah, parks, public open spaces and community centers.
- vii. Identifying development needs of the area for use by municipal administration and district government in prioritizing development plans;
- viii. Making arrangements for sanitation, cleanliness, disposal of garbage and carcasses, drainage and sewerage system;
- ix. Displaying land transactions in the area for public information;
- x. Mobilizing community for maintaining public ways, public streets, culverts, bridges and public buildings, de-silting of canals and other development activities;
- xi. Organizing cattle fairs and agriculture produce markets;
- xii. Organizing sports teams, cultural and recreational activities;
- xiii. Organizing watch and ward in the area;
- xiv. Promoting plantation of trees, landscaping and beautification of public places;
- xv. Regulating grazing areas, establish cattle ponds and provide protection against stray animals and animal trespass;

- xvi. Considering and approving annual budget presented by the respective Nazim, village council or neighborhood council;
- xvii. Facilitating formation of voluntary organizations for assistance in functions assigned to it;
- xviii. Facilitating the formation of co-operatives for improving economic returns and reduction of poverty;
- xix. Electing an Accounts Committee and review its recommendations on the annual statement of accounts and audit reports; and
- xx. Reporting cases of handicapped, destitute and of extreme poverty to district government.

Audit Profile of AD LG &RDD Bannu

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2020-21	Revenue /Receipts audited FY 2020-21
1	Formations	01	01	84.122	Nil

4.2 Comments on Budget and Accounts (Variance Analysis)

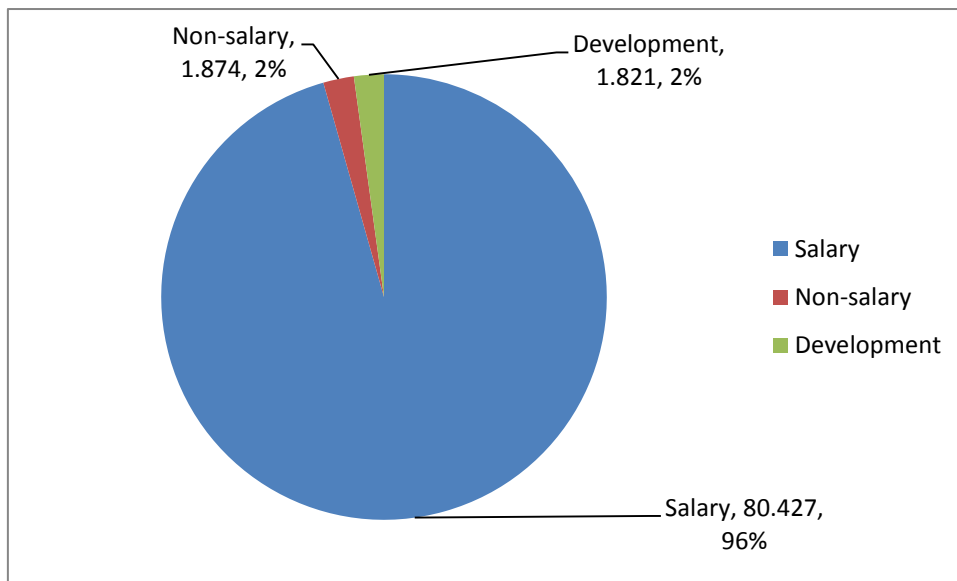
(Rs in million)

AD LGE&RDD				
2021	Budget	Actual Expenditure/ Receipts	(Saving)/Excess	%age
Salary	78.729	80.427	1.698	2.157
Non-salary	3.071	1.874	(1.197)	(38.98)
Developmental (A/C-IV)	9.654	1.821	(7.833)	(81.14)
Total	91.454	84.122	(7.332)	(117.963)

The savings of Rs 7.332 million indicates inefficiency in the capacity of Local Government Departments to utilize the allocated budget.

EXPENDITURE 2020-21

(Rs in million)



4.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 343.373 million were raised in this audit report. This amount also includes recoverable of Rs. 27.226 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs in million)
1	Irregularities	
A	HR/Employees related irregularities	52.856
B	Procurement related irregularities	233.291
2	Value for money and service delivery issues	-
3	Others, including cases of accidents, negligence etc.	27.226
Total		313.373

4.4 Comments on the status of compliance with Village/Neighborhood Accounts Committee Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VAC/NAC meetings are given below:

Sr. No.	Audit Year	VACs/NACs meeting
1.	2002-03	N/A
2.	2003-04	N/A
3.	2005-06	N/A
4.	2006-07	N/A
5.	2007-08	N/A
6.	2008-09	N/A
7.	2009-10	N/A
8.	2010-11	N/A
9	2011-12	N/A
10	2012-13	N/A
11	2013-14	Not Convened
12	2016-17	Not Convened
13	2017-18	Not Convened
14	2018-19	Not Convened

4.5 AUDIT PARAS

4.5.1 Irregularities

A. HR/Employees related irregularities

4.5.1.1 Irregular expenditure on account of Hiring of Janitors-Rs.52.856 million

The Director Local government and Ruler development has provided fund and have issued SOP for hiring and utilization of Janitors vide officer letter No Director (LG)3-22/Misc/2013 dated Peshawar 11 June 2021/962.

Office of the Assistant Director (LGE&RDD) Bannu paid Rs 52,856,000 under object head A05208-Local Bodies (BU-4455) on account of Hiring of Janitors on Daily Wage basis for Sanitation in Village Councils during 2020-21.

Following irregularities were noticed:

1. No detail of workers and the bio data was provided to audit.
2. As per rule the janitor will be initially haired on daily basis for four month i.e. 120 days of fix pay subject to condition that they will be not claimed regularization subsequently. But nothing in this regard was provided.
3. As per para 4 of SOPs the AD (LG&RDD) are required to monitor the Janitor regular basis and have to submit report but was not done.
4. Para 8 of SOPs the AD LG&RDD are required to publish widely Gmail, Telephone and mobile No to obtain complaints from public on performance of janitor but was not done by the department.
5. Para 4 of SOPs the AD LG&RDD are required to maintain a dashboard for receiving the complaint. He will convey the complaint no the software to concerned supervisor.
6. As per para 7 of the rule/notification janitor must be assigned specific area of working area within the jurisdiction of village council by the village secretary.
7. No information about the NCs/VCs produced, where the amount was transferred.

In absence of the above documents/ records audit is unable to ascertain the accuracy of the expenditures.

When reported in November 2021, Management stated that ring of janitor funds already transferred to NC/VC and the said irregularity would be properly explained in annotated reply. Reply is not tenable as no evidence is provided to audit in support of the reply.

Request for convening the DAC meeting was made on 22.10.2021, which could not be convened till finalization of this report.

Therefore the matter is reported for justification and action against the person(s) at fault.

AIR Para-10(2020-21)

B. Procurement related irregularities

4.5.1.2 Execution of works without Technical Sanction – Rs 123.972 million

Para 32 of CPWA code states that no work shall be executed without obtaining T.S and A.A. Para 89 of CPWD Code Provide that where work or the supply of material is to be given out on contract, the following condition must be observed:

- a. Tender must be invited after the estimate has been technically sanctioned.
- b. No officer may accept any contract which relates to a work not yet technically sanctioned.

Assistant Director (LGE&RDD), Bann awarded contracts of Developmental schemes of 123,972,000 without obtaining technical sanction during 2019-20.

Execution of works without obtaining technical sanction is the violation of rules and non-observing of rule put the Government into loss.

When reported in October 2020, Management stated that record would be produced to audit. Para would be stand till production of record.

DAC meeting was convened on 10.06.2021, in which DAC made the decision that parastand till production of record

Therefore, the matter is reported for Justification besides regularization of expenditure and action against person (s) at fault.

AIR Para-08(2020-21)

4.5.1.3 Irregular expenditure on developmental schemes–Rs 68.036 million

Para 10 (iii) & (iv) of GFR Vol I. requires that no authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage & Public moneys should not be utilized for the benefit of a particular person or section of the community.

Para 2.39 of the B&R code states that for water supply projects the nature and quantity of the existing supply(schemes) should be given.

Assistant Director (LGE&RDD) Sub Division Wazir Bannu paid an amount of Rs 68,036,117 on execution of various development schemes during 2020-2. Expenditure held irregular on following grounds:

1. GPRS Coordinates/particular village/ street/ persons/ Beneficiaries of the schemes were not stated in the PC-1.
2. Feasibility, design specification of the schemes were not given in PC-1.
3. Evaluation report on completion of the scheme jointly to be prepared by the DO (F&P) and the executing agency was not available on record as required under Budget rules 2003.
4. Geo tag pictures were missing almost in all the schemes.
5. Exact location and handing taking certificates were also not produced.

Non completion of codle formalities was occurred due non-compliance of government rules which resulted in to weak internal control.

When reported in November 2021, Management stated that after consultation of record the said irregularity would be removed in future. Reply is not tenable as no documentary evidence was provided to audit.

Request for convening the DAC meeting was made on 22.11.2021, which could not be convened till finalization of this report.

Audit recommends detail and proper justification regarding the said irregularities.

AIR Para-15(2019-20)

4.5.1.4 Non utilization of developmental fund of Rs 35.131million

No money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants according to Rule 290 of CTR Vol-I.

Assistant Director (LGE&RDD) Bannu awarded various developmental schemes of Rs 35,131,000 during 2019-21. On scrutiny it was observed that the said amount were released by Additional Deputy Commissioner (F&P) office Bannu, but was not utilized till the last date of audit. However Finance Office intimated this office several times regarding ongoing schemes and non-utilization fund, but no response was given by this office.

Non utilization of developmental was occurred due to non-compliance and weak administrative control.

When reported in November 2021, Management stated that funds are utilized for onward execution of work but some schemes are ongoing record of which would be provided to audit. Reply is tenable as utilization of funds were not shown to audit.

Request for convening the DAC meeting was made on 22.11.2021, which could not be convened till finalization of this report.

The matter is reported for Justification besides inquiry in the matter and action against person (s) at fault.

AIR Para-02&12(2019-20)

4.5.1.5 Execution of works without Technical Sanction–Rs 6.803 million

Para 32 of CPWA code states that no work shall be executed without obtaining T.S and A.A.

Para 89 of CPWD Code Provide that where work or the supply of material is to be given out on contract, the following condition must be observed:

- a. Tender must be invited after the estimate has been technically sanctioned.
- b. No officer may accept any contract which relates to a work not yet technically sanctioned.

Assistant Director (LGE&RDD), Sub Division Wazir Bannu awarded contracts of Developmental schemes of 68,036,117 without obtaining technical sanction during 2020-21. (Annexure 05)

The lapse occurred due to weak internal controls, which resulted into execution of developmental schemes without TS.

When reported in November 2021, Management stated than completed, the same would be produced to audit. Reply of the department is not tenable as no technical sanction was shown to audit.

Request for convening the DAC meeting was made on 22.11.2021, which could not be convened till finalization of this report.

Therefore, the matter is reported for Justification besides regularization of expenditure and action against person (s) at fault.

AIR Para-13(2020-21)

4.5.2 Others, including cases of accidents, negligence etc.

4.5.2.1 Non-deposit of saving of developmental schemes-Rs 13.592 million

Government of Khyber Pakhtunkhwa Finance department Notification Regulation No IV NO/KPPRA/Savings/Estt:1-13/2016-17 dated: 27.06.2016 states that the saving occurs due to contractor rebates may not be utilized without the approval of competent authority. Para 71 of CPWD Code stated that an officer may pass over estimates providing that the excess is not more than 5 per cent of the amount technical sanction and does not exceed the amount up to which he is entitled to accord technical sanction.

Assistant Director LGE&RDD Bannu awarded different developmental schemes of Rs 73,060,932 during FY 2019-20. The local office deducted below rates offered by contractors Rs 13,592,521 from the contractor's bills. Neither surrendered nor utilized with approval of competent authority.

Non-surrendering of saving amount in to government treasury was occurred due to non-compliance of government rules.

When reported in October 2020, Management stated that record would be produced to audit. No reply was furnished till finalization of this report.

DAC meeting was convened on 10.06.2021, in which DAC made the decision that para would be stand till production of record

Audit recommends that the amount may be deposited into government treasury besides provision of legal evidence by finance department to surrender the amount.

AIR Para-12(2019-20)

4.5.2.2 Non-imposition of penalty for non-completion of work-Rs12.397 million within stipulated period of time.

Clause- 2 of contract agreement requires the imposition of penalty @1 % per day subject to maximum 10% of the estimated cost of the work that remained un-complete/un-finished after the proper dates.

Office of the Assistant Director (LGE &RDD) Bann incurred expenditure for Rs 35,146,500 on execution of developmental schemes during FY 2019-20. The work was awarded to different contractors/ firms for Rs 123,972,000 with condition to complete the work within 06-months, but the work is in progress and behind schedule the department did not impose penalty on contractors worth Rs 12,397,200 (detail attached).

Non imposition of penalty causes into a heavy loss to public revenue and also an undue financial assistance with the contractors.

When reported in October 2020, Management stated that record would be produced to audit. No reply was furnished till finalization of this report.

DAC meeting was convened on 10.06.2021, in which DAC made the decision that para stand till production of record

Audit recommends recovery from the quarters concerned under intimation to audit.

AIR Para-01(2019-20)

4.5.2.3 Overpayment under the head cost of area factor- Rs 1.237 million

Para 10 (iii) & (iv) of GFR Vol I. requires that no authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage & Public moneys should not be utilized for the benefit of a particular person or section of the community.

Office of the Assistant Director (LGE&RDD) Sub Division Wazir Bannu paid an amount of Rs 68,036,117 on execution of various development schemes during FY 2020-21. Local office allowed Cost of Area factor on 03% instead of 1.03%, which resulted in overpayment of Rs 1,237,309.

Overpayment was occurred due to non-compliance of government rules, which resulted in to loss to government.

When reported in November 2021, Management stated that after consultation of record the deducted amount would be deposited into government treasury. Reply is not tenable and para would be stand till recovery of the amount.

Request for convening the DAC meeting was made on 22.11.2021, which could not be convened till finalization of this report.

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

AIR Para-16(2020-21)

CHAPTER-5

Water Supply and Sanitation Company Bannu

5.1 Introduction

Water and Sanitation Services Company Bannu was created as separate entity in 2016 to take over water supply, sanitation and solid waste management services in 03 urban union councils from respective Town Municipal Administrations. Under the code of corporate governance, the company is being run by the Board of Directors. Water and Sanitation Services Water and Sanitation Services Company Bannu outsourced some of their services to contractors. So far, Water and Sanitation Services Company could recover only a marginal share of water and sanitation charges from the end users and heavily depend on government grants for its functionality.

Audit Profile of WSSC Bannu

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2020-21	Revenue /Receipts audited FY 2020-21
1	Formations	1	1	219.84	7.20
2	Authorities/Autonomous Bodies etc under the PAO	01	1	-	-

5.2 Comments on Budget and Accounts (Variance Analysis)

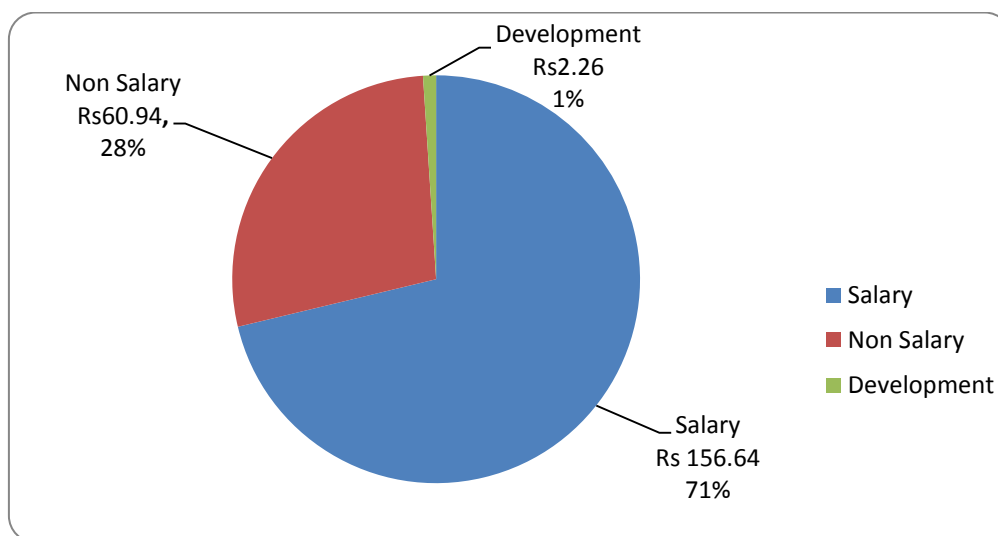
(Rs in million)

WSSC Bannu				
2017-20	Budget	Actual Expenditure/ Receipts	(Saving)/Excess	%age
Salary	327.34	156.64	-170.7	
Non-salary	109.90	60.94	-48.96	
Developmental	30.00	2.26	-27.774	
Total	467.24	219.84	-247.434	
Receipts	11.20	7.20	4.00	

The savings of Rs 247.434 million indicates inefficiency in the capacity of Local Government Departments to utilize the allocated budget.

EXPENDITURE 2020-21

(Rs in million)



5.3 Classified Summary of Audit Observations

Audit observations amounting to Rs. 112.941 million were raised in this audit report. This amount also includes recoverable of Rs. 13.161 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs in million)
1	Reported cases of fraud, embezzlement and misappropriation	0
2	Irregularities	
A	HR/Employees related irregularities	3.560
3	Others, including cases of accidents, negligence etc.	109.381
Total		112.941

5.4 AUDIT PARAS

5.4.1 Irregularities

A. HR/Employees related irregularities

5.4.1.1 Irregular payment under head of arrear of pay and allowance Rs. 3.560 million

According to para 10.4 SAMA 2016 the, second party shall not make payment of salary unless it has received additional amount from the first party:

Chief Executive Officer of WSSC Bannu paid Rs 3,560,745 on account of arrears in pay and allowance from 2017-2021 to the employees of TMA presentably working with WSSC Bannu:

The lapse occurred due to weak financial controls, which resulted in irregular payment.

When reported in December 2021, management stated that detail reply would be submitted after consultation of record. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 14.12.2021, which could not be convened till finalization of this report.

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

AIR Para-07 (2020-21)

5.4.2 Others, including cases of accidents, negligence etc.

5.4.2.1 Unauthorized advances to TMA Bannu-Rs. 96.220 million

According to clause 3(ix) of the SAMA agreement executed between TMA and WSSC Bannu, the WSSC Bannu is required to collect fees, taxes and user charges in respect of the services, receiving and appropriating all receipts and recoveries thereof.

According to clause-V (13) of the Memorandum of Association, the company should take such actions as are considered necessary to raise the funds or to promote the efficiency of the company.

Office of the WSSC Bannu paid Rs 96,220,000 in advance/ loan to TMA Bannu during Financial Year 2020-21 without any terms & condition and agreement for repayment schedule and reward/interest etc.

Non-recovery of advances is due to lack of financial controls, which resulted in loss to the Government treasury.

When reported in December 2021, that detail reply would be submitted after consultation of record. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 14.12.2021, which could not be convened till finalization of this report

Audit recommends recovery of loan and advance action against the person(s) at fault

AIR Para 06(2020-21)

5.4.2.2 Non recovery of outstanding water charges -Rs 9.269 million

According to clause 3(ix) of the SAMA agreement executed between TMA and WSSC Bannu, the WSSC Bannu is required to collect fees, taxes and user charges in respect of the services, receiving and appropriating all receipts and recoveries thereof.

According to clause-V(13) of the Memorandum of Association, the company should take such actions as are considered necessary to raise the funds or to promote the efficiency of the company.

Chief Executive Officer of Water and Sanitation Services Company Bannu did not recover water charges amounting to Rs 9,269,486 from the different areas of Bannu till the date of audit. Detail is given below:

Non recovery of water charges was occurred due to weak financial and managerial control, which resulted in loss to the Company.

When reported in December 2021, that detail reply would be submitted after consultation of record. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 14.12.2021, which could not be convened till finalization of this report

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

AIR Para 01(2020-21)

5.4.2.3.1 Non-deposit of Bank profits-Rs 2.734 million

According to Para 3(ix) of Khyber Pakhtunkhwa Finance Department Letter No. 2/3(F/L)2019-20/Vol-XIII Dated Peshawar the 03rd February, 2020, in case of current account the same be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government treasury immediately except where department /offices/autonomous & Sami-autonomous bodies /organizations/ corporations have been specifically permitted under some statute/act.

The WSSC Bannu in financial year 2020-21, has earned Profit for Rs. 2,734,429 was credited to bank account No. PLS 3001737049 but the local office could not deposit the same into Government treasury.

Non deposit of bank Profit into Government treasury was occurred due to non-compliance of rules which resulted into loss of revenue to Government.

When reported in December 2021, that detail reply would be submitted after consultation of record. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 14.12.2021, which could not be convened till finalization of this report

Audit recommends that amount in question may be deposited into Government treasury under intimation to audit.

AIR Para-02(2020-21)

5.4.2.4 Non deposit of income tax and sales tax-Rs 1.158 million

Sales Tax and Income Tax at prescribed rate from the suppliers shall be deducted as per Sales Tax Act 1990 and Income Tax Ordinance.

8 and 26 of GFR Vol -I states that each administrative department to see that the dues of the government are correctly and promptly assessed collected and paid into government treasury.

WSSC Bannu deducted income tax and sale tax for Rs 1,158,760 on account of purchase of miscellaneous items and developmental works during 2020-21. On scrutiny it was observed that income tax and sale tax was not deposited into government treasury.

Non deposit of taxes was occurred due to non-compliance of rules, which result into loss of revenue to Government.

When reported in December 2021, that detail reply would be submitted after consultation of record. No reply was furnished till finalization of this report.

Request for convening the DAC meeting was made on 14.12.2021, which could not be convened till finalization of this report

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

AIR Para 04(2020-21)

ANNEXURES

Annexure -1

Detail of MFDAC Paras

S.No	AIR No	Department	List of Paras	Amount (In Millions)
1.	1	Deputy Commissioner	Un-authorized payment under head others-	7.096
2.	2	Deputy Commissioner	Un-authorized payment funds for Law Charges-	0.159
3.	3	Deputy Commissioner	Doubtful expenditure on repair of transport -	5.798
4.	4	Deputy Commissioner	Un-authorized expenditure on account of Printing-	2.086
5.	5	Deputy Commissioner	Irregular Payment-on account of repair work.	0.997
6.	8	Deputy Commissioner	Irregular Purchase of Furniture-	4.997
7.	10	Deputy Commissioner	Variation on a/c of total payment, between DAO Bank figures	0.197
8.	11	Deputy Commissioner	Overpayment on account of conveyance allowance-	0.018
9.	13	Deputy Commissioner	Loss due to less deposit of receipts-	0.253
10.	4	DHO	Suspected loss of Medicines-	8.39
11.	5	DHO	Uneconomical Purchase of fans and solar panel-	2.165
12.	6	DHO	Irregular Payment – on account of repair of transport	0.377
13.	7	DHO	Irregular Payment on account of local purchase of articles- –	0.912
14.	8	DHO	Irregular payment- on account of rent of civil dispensary.	0.200
15.	9	DHO	Un-justified utilization of funds on account of Polio campaign--	17.00
16.	10	DHO	Loss to Government due to non-achieving of receipt targets -	21.189
17.	12	DHO	Non reporting of clinical efficacy of medicines valuing –	2.444
18.	13	DHO DHO	Loss due to non-recovery of License Renewal Fee	0.112

19.	14	DHO	Irregular Drawl of Funds without actual Supply of Medicines-	1.125
20.	15	DHO	Overpayment on account of conveyance and Health Professional Allowance	0.598
		DHO		
21.	16	DHO	Unauthorized payment of NPA to non-entitled officer-	0.720
22.	17	DHO	Overpayment on account of drawl of HRA, Conveyance Allowance –	2.724
23.	18	DHO	Irregular expenditure on account of cost of other stores-	3.281
24.	19	DHO	Unjustified expenditure	35.20
25.	1	TMA kakki	Irregular Expenditure.	0.843
26.	2	TMA kakki	Doubtful Expenditure on account of Covid-19	0.546
27.	4	TMA kakki	Loss to Government Due Non-Deposit of Bank Profits into Government Treasury worth.	0.409
	5	TMA kakki	Non deposit of income tax	0.129
28.	7	TMA kakki	Non-Adjustment of advances-	0.250
		TMA kakki		
29.	8	TMA kakki	Irregular expenditure on account of POL	0.182
30.	9	TMA kakki	Unauthorized expenditure without pre-audit -	1.020
31.	10	TMA kakki	Unauthorized drawl on account of HBA -	0.080
32.	11	TMA kakki	Misappropriation of Government Funds	0.092
33.	12	TMA kakki	Unjustified Payments on account of Arrears of Pay	0.222
34.	13	TMA kakki	Irregular Expenditure for	0.200
35.	18	TMA kakki	Unjustified Payments/misappropriation on account	0.150
36.	14	TMA kakki	Difference in the amount collected of DNC and Budget Book	0
37.	15	TMA kakki	Loss to no TMA due to non-recovery	0.931
38.	16	TMA kakki	Loss to no TMA due to non-Auction of cattle market	3.821
39.	2	TMA Domel	Irregular Payment of Taxes To Inland Revenue officer	0.390
	3	TMA Domel	Irregular expenditures amounting	0.400
40.	4	TMA Domel	Loss to Government due to non-recovery of Income Tax worth	0.594
41.	6	TMA Domel	Short dedication of taxes amounting	0.456
42.	10	TMA Domel	Loss To TMA Due To Non-Recovery Of Out	0.713

			Standing Rent Of Road Roller	
43.	12	TMA Domel	Doubtful payment on account of advances	0.850
44.	13	TMA Domel	Un-authorized expenditure out of Development Funds	5.00
45.	14	TMA Domel	Irregular expenditure on account of installation of pressure pumps	1.090
46.	15	TMA Domel	Irregular expenditure on account of POL	1.016
47.	16	TMA Domel	variation in receipts balances	1.576
48.	17	TMA Domel	Difference in the amount collected amounting	0.964
		TMA Domel		
49.	18	TMA Domel	Unauthorized drawl on account of HBA	0.362
50.	19	TMA Domel	Doubtful Payments on account of Arrears of Pay	0.145
51.	20	TMA Domel	Irregular expenditure	0.508
52.	04	TMA Bannu	Doubtful payment under the head salary.	0.180
53.	05	TMA Bannu	Un-Authorized payment under head SA allowance	0.204
54.	06	TMA Bannu	Doubtful payment under head Assistance package –	0.302
55.	07	TMA Bannu	Suspected misappropriation on account of POL and repair of Government vehicle-	3.812
56.	08	TMA Bannu	Overpayment and doubtful claimed on account of TA/DA-	0.599
57.	10	TMA Bannu	Un-Authorized payment	0.125
58.	11	TMA Bannu	Irregular expenditure on account of TA/DA	0.369
59.	12	TMA Bannu	Doubtful payments on account of repair of vehicle	0.351
60.	13	TMA Bannu	Doubtful payment on account of maintenance and repair of TMA office of	0.178
61.	15	TMA Bannu	Unjustified payments to Aamir café	0.841
62.	16	TMA Bannu	Un-Authorized expenditure without Pre-Audit	0.133
63.	18	TMA Bannu	Doubtful payment on account of medical bill.	0.049
64.	19	TMA Bannu	Irregular expenditure on account of installation of lights	0.400
65.	20	TMA Bannu	Less deduction of taxes on account of purchases	0.219
66.	21	TMA Bannu	Suspected misappropriation on account of non-depositing Government dues	0.574
67.	22	TMA Bannu	Un-Authorized drawal of funds under head of honoraria	0.285

68.	24	TMA Bannu	Non-Deduction of sale tax	0373
69.	25	TMA Bannu	Non-Deduction of professional tax Rs.0.180 million.	0.180
70.	26	TMA Bannu	Loss due to Non-Deduction of DRP fund–and Non-Deposit of DRP. into Govt. treasury.	0.189
71.	29	TMA Bannu	Overpayment of –due to claim of Un-Approved item.	0.520
72.	02	TMA Miryan	Overpayment and doubtful claimed on account of TADA/Transfer grant-	0.266
73.	03	TMA Miryan	Non-Credit of Taxes into Govt treasury –	0.823
74.	04	TMA Miryan	Non-Credit of Government dues into Govt treasury –	0.055
75.	07	TMA Miryan	Recurring loss due to non-conducting the survey for receipts / tax and non Recovery of Annual Fee	0
76.	08	TMA Miryan	Improper Maintenance of Cash Book	10.445
77.	02	DEO Male	Irregular drawl of funds on account of conditnal grant-	0.160
78.	04	DEO Male	Loss due to non deduction of taxes	1.583
79.	05	DEO Male	Irregular payment- on account of rent of building.	0.095
80.	07	DEO Male	Unauthorized Payment- on account of conveyance	0.135
81.	08	DEO Male	Loss due to non deduction of taxes-	0.746
82.	09	DEO Male	Loss due to non deduction of sales taxes on services-	0.155
83.	10	DEO Male	Irregular appointment of teaching staff	0
84.	11	DEO Male	Irregular appointment of teaching staff under seseased and medical quota	0
85.	12	DEO Male	Unjustified payment on account of TA/DA-	0.371
86.	13	DEO Male	Suspected embezzlement on account of others-	0.050
87.	14	DEO Male	Doubtful expenditure on repair of transport -	0.200
88.	15	DEO Male	Loss due to non-recovery of House maintenance charges	0
89.	16	DEO Male	Irregular appointment of Teachers	0
90.	01	DEO Female	Irregular cash Payments-	0.621
91.	02	DEO Female	Irregular Payment- on simple receipt,	0
92.	05	DEO Female	Irregular appointment of staff	0
93.	06	DEO Female	Suspected embezzlement on account of others-0	0.050

94.	07	DEO Female	Unauthorized Payment on account of conveyance C	0.135
95.	09	DEO Female	Overpayment on account of TA/DA-	0.330
96.	10	DEO Female	Irregular payment on account of TA/DA-	1.46
97.	11	DEO Female	Unjustified Expenditure on account of POL & Overpayment	0.509
98.	12	DEO Female	Un-authorized expenditure on account of Printing-	0.130
99.	13	DEO Female	Irregular Payments under various heads	0.221
100.	14	DEO Female	Doubtful expenditure on repair of transport	0.200
101.	16	DEO Female	Doubtful payment on account of purchase of IT Equipment	0.400
102.	01	AD LGE & RDD	Un-authorized drawl of Conveyance Allowance	0.120
103.	02	AD LGE & RDD	Non-recovery of House Rent and 5% maintenance charges	0.104
104.	03	AD LGE & RDD	Un-authorized payment through DDO instead of vendors	0.113
105.	04	AD LGE & RDD	Non surrendering of saving amount into Government Treasury	1.746
106.	05	AD LGE & RDD	Expenditure incurred in excess than the approved budget grant	0.325
107.	06	AD LGE & RDD	Irregular expenditure on account of Transport charges	0.120
108.	07	AD LGE & RDD	Irregular expenditure on account of POL	0.600
109.	08	AD LGE & RDD	Non-Credit of Taxes into Govt treasury	0.067
110.	09	AD LGE & RDD	Non maintenance of leave record in the service books.	0
111.	11	AD LGE & RDD	Irregular expenditure due to missing vouchers of auditable records	2.224
112.	14	AD LGE & RDD	Loss due to non-deposit of saving into Government Treasury	0.844
113.	17	AD LGE & RDD	Loss due to non-deduction of DRP Fund	0.136
114.	01	AD LGE & RDD	Non recovery of compensation money worth	0.168
115.	02	AD LGE & RDD	Loss to Government due to irregular awarding of contracts	0.294
116.	03	AD LGE & RDD	Un-authorized expenditure due to non-conducting of rate analysis of non-schedule items	0.110

117.	04	AD LGE & RDD	Non-Deduction of professional tax	0.025
118.	05	AD LGE & RDD	Loss to Government due to Non-Depositing Income Tax-	0.054
119.	06	AD LGE & RDD	Irregular expenditure on account of payment to daily wage employees	0.570
120.	07	AD LGE & RDD	Un-transparent and doubtful Expenditure	0.723
121.	08	AD LGE & RDD	Loss due to non-deposit of saving into Government Treasury	0.493
122.	09	AD LGE & RDD	Non-Credit of Taxes into Govt treasury	0.032
123.	2	WSSC Bannu	Irregular expenditure on account of purchase of verious items Rs-1.016 million	
124.	6	WSSC Bannu	Short deduction of income tax from Salary – Rs 493,264	
125.	7	WSSC Bannu	Non recovery of advances Rs. 0.355 million.	
126.	10	WSSC Bannu	Non-Credit of Taxes into Govt treasury –Rs.0.168 million.	

Annexure-2**Para no. 2.5.3.3****Detail of Payments**

Cheque No	Date	Amount-Rs
1073476	16.06.21	417,273
1073477	16.06.21	138,981
1073478	16.06.21	245,302
1073479	16.06.21	86,239
1073480	16.06.21	564,656
1073482	16.06.21	415,802
1073462	16.06.21	490689
1073463	16.06.21	1,072,141
1073483	16.06.21	69,300
1073469	16.06.21	806,347
1073470	16.06.21	704,880
1073471	16.06.21	686,580
1073472	16.06.21	1790,415
Total Payment		7,488,605

Annexure-3
Para no. 3.5.2.3

Detail of Overpayment

S.No	Name of Contractors	Name of Schemes	Estimated Cost	Runnig Bills	Expenditure	Overpayment
1	M/S Shayan Khan & Co. (PK) 2020-21	Installation of 6" dia pressure pumps at UC ShahbazAzmatKhel	20,000,000	1st running bill	9516561	
				2nd running bills	11175377	
				3rd running bill	1470000	
			20,000,000		22,161,938	2161938
2	M/S Friends contruction& Developers 2020-21	Solar lights in Bannu City	39,325,000	1st running bill	7222528	
				2nd running bills	11606253	
				3rd running bill	26249928	
				4rth running bill	8796906	
	Total		39,325,000		53,875,615	14,550,615
	Grand total		59,325,000		76,037,553	16,712,553

Annexure-4**Para no. 3.5.3.13****Detail of total profit received by TMA Bannu**

Sr. No.	Account No.	Name of Bank	Profit Clearing Date	Amount of Profit
1	3001312927	Bank of Khyber	14/06/2021	46869.88
2	3001780238	Bank of Khyber	14/06/2021	237615.85
3	3001780238	Bank of Khyber	27/05/2021	189508.1
4	3001780297	Bank of Khyber	8/5/2021	2899
5	3001780297	Bank of Khyber	14/06/2021	6841.17
6	3001312927	Bank of Khyber	1/4/2021	13733
7	3001312927	Bank of Khyber	8/3/2021	6373.23
8	3001312927	Bank of Khyber	16/03/2021	4231.94
9	3001312927	Bank of Khyber	1/3/2021	6373.23
10	3001312927	Bank of Khyber	1/3/2021	4231.94
11	00620-00-9	Bank of Khyber	9/11/2020	684.16
12	00620-00-9	Bank of Khyber	18/12/2020	809.37
13	00620-00-9	Bank of Khyber	9/7/2020	38057.27
14	00620-00-9	Bank of Khyber	10/8/2020	3432.13
15	00620-00-9	Bank of Khyber	8/9/2020	4098.78
16	00620-00-9	Bank of Khyber	8/6/2020	2381.73
17	00620-00-9	Bank of Khyber	8/10/2020	692.52
18	00620-00-9	Bank of Khyber	9/11/2020	684.16
19	00620-00-9	Bank of Khyber	18/12/2020	809.37
20	00620-00-9	Bank of Khyber	16/01/2021	1189.29
21	00620-00-9	Bank of Khyber	9/2/2021	1341.69
22	0216-00295791-01	HBL	20/06/2020	98026.3
23	3113624700	NBP	23/01/2021	39660.33
24	3113624700	NBP	11/7/2020	34230.06
25	3044742384	NBP	11/7/2020	303100.17
26	3044742384	NBP	23/01/2021	123928.1
		Total		1,171,802

Annexure-5

Para no. 4.5.1.3

Detail of schemes without Technical Sanction

Sr. No.	Name of Contractor	Name of Contract	Amount
1	ZainullahWazir	Construction of overhead water tank at kotka shah hussainkhelshoiKhel	216,167
2	ZainullahWazir	Contraction of overhead water tank at kotkaNekzumankhelshoiKhel	216,167
3	ZainullahWazir	Contraction of overhead water tank at kotkaGulzadaKhelshoiKhel	216,167
4	ZainullahWazir	Contraction of PCC Approach Road at Miranshah road to kotkaBdshaistan and Kotka Mir QabalnmSuralay Sub Division Wazir	9,227,576
5	ZainullahWazir	Contraction of PCC Approach Road from main road to kotkasikanderkorumashoikhel Sub Division Wazir	15,002,006
6	SafdarZaman& Sons	Contraction of PCC Approach Road at Rahim Khelutmanzai Sub Division Wazir	3,001,553
7	MASTO KHAN WAZIR	Contraction of PCC Approach Road at KotkaNasirkhelTerkhy Obo Sub Division Wazir	2,001,701
8	MASTO KHAN WAZIR	Contraction of PCC Approach Road at KotkaKalokhelShistaKhel Sub Division Wazir	7,000,323
9	ZainullahWazir	Contraction of PCC Approach Road at Tanga Roach road to civil dispensary kotka Nor Muhammad ShoiKhel Sub Division Wazir	8,348,271
10	ZainullahWazir	Contraction of over head water Tank at KotkallyasKhelShoiKhel SDW Bannu.	216,167
11	ZainullahWazir	Contraction of Surface Water Tank along wit Pipeline and Submarsible Pressure Pump at NekzumanShoiKhel SDW.	664,766
12	ZainullahWazir	Contraction of Surface Water Tank along wit Pipeline and Submarsible Pressure Pump at NekzumanShoiKhel SDW.	664,766
13	ZainullahWazir	Contraction of open well alongwith Pipeline and Submersible Pressure Pump at JalilGurbaz area SDW Bannu.	348,970
14	ZainullahWazir	Contraction of open well alongwith Over Head Water Tank at KotkaShamadKhelSaniKhel SDW.	687,941

15	ZainullahWazir	Contruction of overhead water tank at kotkaMusharafKhelShoiKhel SDW.	216,167
16	SafdarZaman& Sons	Street Pavement at Ahmad Zai (Utmanzai) Sub Division WazirBannu	4,002,941
17	SafdarZaman& Sons	Street Pavement at Ahmad Zai (Utmanzai) Sub Division WazirBannu	4,002,941
18	MASTO KHAN WAZIR	Street Pavement Gurbaz Sub Division WazirBannu.	7,000,482
19	MASTO KHAN WAZIR	Street Pavement at KotkaAlamKhel Ahmad Zai SDW Bannu	5,001,045
		Total	68,036,117