



**AUDIT REPORT
ON
THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATION
DERA ISMAIL KHAN
AUDIT YEAR 2013-14**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AA	Administrative Approval
AP	Advance Para
ADP	Annual Development Plan
AOM&R	Annual Ordinary Maintenance and Repair
BOQ	Bill of Quantity
CMO	Chief Municipal Officer
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule of Rate
CTR	Central Treasury Rules
C&W	Communication and Works
DAC	Departmental Accounts Committee
DO	District Officer
DCO	District Coordination Officer
DG	Director General
GFR	General Financial Rules
MB	Measurement Book
PC-I	Planning Commission Proforma
RDA	Regional Directorate of Audit
TS	Technical Sanction
ZAC	Zilla Accounts Committee

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 115 of the Khyber Pakhtunkhwa Local Government Ordinance, 2001(as amended) require the Auditor General of Pakistan to conduct audit of the receipts and expenditure of Local Fund and Public Account of Tehsil/Town Municipal Administration.

The report is based on audit of the accounts of Tehsil Municipal Administration D.I.Khan for the Financial Years 2011-12 and 2012-13. The Director General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar conducted audit on test check basis during 2013-14 with a view to reporting significant findings to the stakeholders.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this Report have been finalized in the light of written replies of the Departments. DAC meetings could not be convened despite repeated requests.

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 115 of Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended) to be laid before appropriate legislative forum.

Islamabad
Dated:

(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, is responsible to conduct the audit of all District Governments in Khyber Pakhtunkhwa, Tehsil/Town Municipal Administrations (TMAs) and Union Administrations (UAs). Its Regional Directorate of Audit D.I.Khan has audit jurisdiction of District Governments, TMAs and UAs of two Districts i.e. D.I.Khan and Tank.

The Regional Directorate has a human resource of 07 officers and staff, constituting 1515 man days and a budget of about Rs 6.303 million was allocated during 2013-14. It has the mandate to conduct financial attest audit, audit of sanctions, audit of compliance with authority and audit of receipts as well as the performance audit of entities, projects and programs. Accordingly Regional Director Audit D.I.Khan carried out audit of the accounts of TMA D.I.Khan for the Financial Year 2012-13 and the findings included in the Audit Report.

Tehsil Municipal Administration D.I.Khan conducts its operations under Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended) and Local Government Act 2012. It comprises one Principal Accounting Officer (PAO) covering three groups of offices i.e. Tehsil Office Finance, Tehsil Office Infrastructure & Services and Tehsil Office Regulation. Financial provisions of the Ordinance describe the Government as Tehsil Local Fund and Public Account for which Annual Budget Statement is authorized by the Tehsil Nazim / Tehsil Council / Administrator in the form of budgetary grants.

Tehsil Municipal Administration D.I.Khan comprises Tehsil Nazim, Niab Tehsil Nazim and Tehsil Municipal Officer/Administrator.

a. Scope of audit

Out of the total expenditure of the TMA D.I.Khan, for the Financial Year 2012-13, the auditable expenditure under the jurisdiction of RDA was Rs 334.379 million. Out of this, RDA D.I.Khan audited an expenditure of Rs 206.627 million which, in terms of percentage, was 49 % of auditable expenditure.

The receipts of Tehsil Municipal Administration D.I.Khan for the Financial Year 2012-13, were Rs 358.012 million. Out of this, RDA D.I.Khan audited receipts of Rs 226.183 million which, in terms of percentage, was 70% of auditable receipts.

b. Recoveries at the instance of audit

Recovery of Rs 182.480 million was pointed out during the audit. However, no recovery was effected till the finalization of this report.

c. Audit Methodology

Audit was conducted after understanding the business processes of TMAs with respect to its functions, control structure, prioritization of risk areas by determining their significance and identification of key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field audit activity. Audit used desk audit techniques for analysis of compiled data and review of permanent files/record. Desk Audit greatly facilitated identification of high-risk areas for substantive testing in the field.

d. Audit Impact

On pointation of audit, the management of the Tehsil Municipal Administration D.I.Khan agreed to conduct physical verification of the government assets. The management also agreed to deposit various Government dues into Government Treasury. Audit stressed upon reconciliation of receipts and expenditure with the respective accounts office to which they agreed.

e. Comments on Internal Control and Internal Audit department

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

One of the basic component of Internal Control System, as envisaged under Para 13 of GFR Volume-I, is Internal Audit which was not prevalent in TMA D.I.Khan. Neither rules for internal audit have been framed nor internal audit report as required was provided to audit.

f. Key audit findings of the report;

- i. Non production of record was noted in one case amounting to Rs 67.721million.¹
- ii. Irregularity/non compliance was noticed in nine cases amounting to Rs 54.548 million.²
- iii. Internal control weaknesses were noticed in four cases amounting to Rs 174.137 million.³

1 Para 1.2.1.1

2 Para 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4, 1.2.2.5, 1.2.2.6, 1.2.2.7, 1.2.2.8, 1.2.2.9

3 Para 1.2.3.1, 1.2.3.2, 1.2.3.3, 1.2.3.4

Audit Paras for the audit year 2012-13 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting are included in Annex-1 (MFDAC).

g. Recommendations

- i. Disciplinary action needs to be taken for non production of record as well as violation of the rules and regulations in spending the public money.
- ii. Concerted efforts need to be made to recover long outstanding dues.
- iii. All sectors of TMA/District Council need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.
- iv. Deduction of taxes on supplies and contracts need to be ensured.
- v. Inquiries need to be held to fix responsibility for losses, irregular payments and wasteful expenditure.

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	01	692.391
2	Total formations in audit jurisdiction	01	692.391
3	Total Entities(PAO) Audited	01	432.810
4	Total formations Audited	01	432.810
5	Audit & Inspection Reports	01	432.810
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

Table 2: Audit Observations classified by categories

(Rs in million)

S. No	Description	Amount Placed under Audit Observation
1	Unsound asset management	-
2	Weak Financial Management	54.548
3	Weak Internal controls relating to Financial Management	174.137
4	Others	67.721
	Total	296.406

Table 3: Outcome Statistics**(Rs in million)**

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total for the year 2011-12	Total for the year 2012-13
1	Outlays Audited	-	31.176	358.012	313.203	432.810	139.820
2	Amount Placed under Audit Observations/ Irregularities of Audit	-	18.743	130.135	147.528	296.406	57.36
3	Recoveries Reported at the instance of Audit	-	-	130.135	-	130.135	12.143
4	Recoveries Accepted /Established at the instance of Audit	-	-	130.135	-	130.135	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-		

Table 4: Table of Irregularities pointed out (Rs in million)

S. No	Description	Amount Placed under Audit Observations
1	Violation of Rules and regulations, principle of propriety and probity in public operation	98.550
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Quantification of weaknesses of internal control systems.	-
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	130.135
6	Non-production of record	67.721
7	Others, including cases of accidents, negligence etc.	-
	Total	296.406

Table 5: Cost - Benefit Ratio (Rupees in million)

Sr. No.	Description	Amount
1	Outlays Audited (Item 1 of Table 3)	432.810
2	Expenditure on Audit (TA/DA)	0.632
3	Recoveries realized at the instance of audit	
4	Cost – Benefit Ratio	1.0

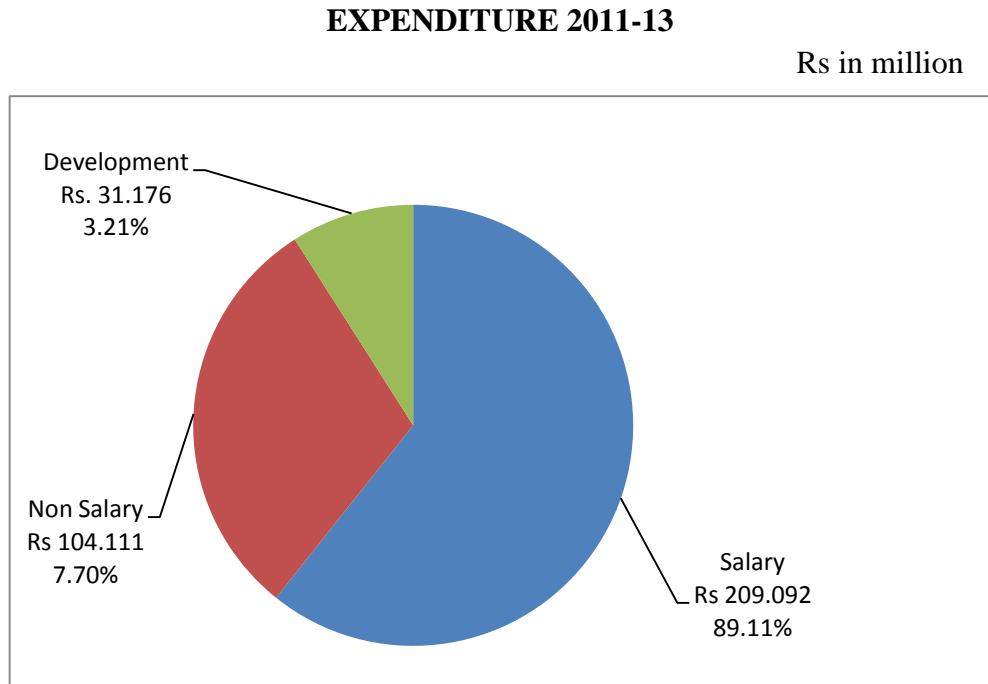
Chapter-1

1.1 Tehsil Municipal Administration D.I.Khan

1.1.1 Introduction

D.I.Khan is a Tehsil of District D.I.Khan. According to 1998 population census the population of Tehsil D.I.Khan is 1,020,560. Tehsil Municipal Administration, D.I.Khan consists of Tehsil Nazim, Tehsil Naib Nazim and Tehsil Municipal Officer. TMA D.I.Khan has one Drawing & Disbursing Officer i.e. Tehsil Municipal Officer.

1.1.2 Comments on Budget and Accounts (Variance Analysis)



Original budget of Rs 367.568 million was allocated under various grants, the total expenditure incurred by the TMA during 2011-13 was Rs 344.379 million as details in below mentioned summary.

**Summary of Appropriation Accounts by Grants and Appropriations for the
Financial year 2011-13 of TMA D.I.Khan**

2012-13	Budget	Expenditure	Saving/Excess	%age Excess/Saving
Salary	228.665	209.092	19.573	9.362
Non-salary	105.335	104.111	1.224	1.175
Developmental	33.265	31.176	2.089	6.700
Total	367.568	344.379	22.886	17.237

The variance analysis of the Final Grant and Actual Expenditure for the Financial Year 2011-13 depicted that there was saving of Rs 17.237 million in non-development & development component which leads towards weak Financial Management by TMA D.I.Khan.

1.1.3 Compliance with PAC/ZAC directives

The audit reports on the accounts of Tehsil Municipal Administration have not been discussed in PAC/ZAC.

1.2 AUDIT PARAS

1.2.1 Non Production of Record

1.2.1.1 Non production of Record-Rs 67.721 million

According to Para 17 of GFR Vol-I read with Section 14 (3) of the Auditor General's Ordinance, 2001, no such information nor any books or other document, to which the Auditor General has the statutory right of access, be withheld from Audit. Moreover under section 115 (7) of the Local Government Ordinance 2001, the Auditor General of Pakistan shall have access to all the books and documents pertaining to the accounts and may also examine any public servant or premises of the local Government concerned.

CMO D.I.Khan collected receipts of Rs 67,721,456 during Financial Years 2011-12 and 2012-13 but record of same was not produced for scrutiny to verify whether the collection was made in accordance with the prescribed rates and rules.

S No.	Name of contract	Amount (Rs)
1	2% Property Tax during 2011-12	26,800,788
2	2% Property Tax during 2012-13	33,650,668
3	Map fees during 2011-12	3,510,000
4	Map fees during 2012-13	3,760,000
	Total	67,721,456

Audit observed that non production of record was a violation of Government rules, which resulted in non authentication of public spending.

When reported in February 2014, management did not respond to the preliminary audit observations. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

Audit recommends inquiry and action against person (s) at fault besides production of record for audit.

AP # 649 (2011-13)

1.2.2 Irregularity and non-compliance

1.2.2.1 Unauthorized expenditure on account of POL-Rs 15.104 million

S.No. 5 (xxxiv) of the 2nd Schedule of Delegation of Financial Powers Rules-2001 provides that officers in category II have full powers for sanction of expenditure on POL and no powers have been delegated to Category III & IV officers. Moreover according to Rule at Motor Car Maintenance Rules-1997 requires the proper maintenance of log book for a Government vehicle by recording each and every entry of POL and repair work on each occasion.

TMO D.I.Khan paid Rs 15,104,709 as POL charges during 2011-13. It was observed that:

- i. Logbooks of the vehicles showing consumption of POL were not available on record.
- ii. Sanction of the competent authority for expenditure was also not obtained.
- iii. Consumption certificate from the Agriculture Engineering workshop was also not available.

Audit observed that unauthorized expenditure occurred due to weak internal control.

When reported in February 2014, management did not respond to the preliminary audit observations. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

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

AP # 625 (2011-13)

1.2.2.2 Unauthorized expenditure on account of civil works-Rs 9.445 million

According to Notification No. AO I /LCB/Estt/3-5/2005 dated 22-11-2005, LG & RDD KPK Engineers in BPS-18 are empowered to grant technical sanction for schemes up to Rs4,000,000 and Engineers in BPS-17 up to Rs1,500,000.

TMA D.I.Khan executed following schemes during 2011-13. It was observed that technical sanction was granted by T.O.I of TMA D.I.Khan who was not competent to accord such sanction.

S.No.	Name of scheme	Amount (Rs)
1	Block 1 to 8 1 st floor Doda Haqani Plaza	3,584,000
2	Block 9 to 15 of Doda Haqani Plaza	3,350,000
3	General repair of Moharam Routes	1,281,500
4	Construction of RCC Slabs	600,000
5	Rehabilitation of street lights sheikh yousaf road	629,840

Audit observed that unauthorized expenditure incurred due to weak internal control.

When reported in February 2014, management did not respond to the preliminary audit observations. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

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

AP # 643 (2011-13)

1.2.2.3 Unauthorized re appropriation-Rs 8.857 million

According to condition No. 12 of the 7th Rule of the Delegation of Financial Powers Rules 2001, no re-appropriation will be made to or from the primary units of

appropriation pay of officers, pay of establishment, regular allowances/other allowances, medicines and dietary charges, telephone, electricity, gas, water charges and taxes. Moreover condition No.3 of the 7th Rule of the Delegation of Financial Powers Rules 2001 states that no re-appropriation shall be made from development to current expenditure and vice verses.

CMO D.I.Khan allocated an amount of Rs 7,740,000 & Rs 3,645,000 for electricity charges during 2011-12 and 2012-13 respectively. Out of which expenditure of Rs 2,027,240 & Rs 500,000 was incurred in 2011-12 and 2012-13 respectively under said head but remaining balance of Rs 8,857,760I was re-appropriated and payment was made in other heads.

Audit observed that unauthorized payment was occurred due to weak internal control.

When reported in February 2014, management did not respond to the audit observation. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

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

AP # 636 (2011-13)

1.2.2.4 Non-collection of income tax on auction of contracts-Rs 4.828 million

According to Section-236 (A) of Income Tax Ordinance 2009, advance income tax @5% should be collected on auction/ sale of property including award of lease, right to collect tolls or other levies.

CMO, D.I.Khan auctioned contracts for collection of various taxes during 2011-12 and 2012-13 but income tax amounting to Rs 4,828,600 was not recovered from the contractors as detail given in Annex-3.

Audit observed that non collection of income tax occurred due to weak internal control which resulted in loss to Government.

When reported in February 2014, management did not respond to the audit observation.

When reported in February 2014, management did not respond to the preliminary audit observations. However, the reply was not received till finalization of the report in November 2014.

Audit recommends inquiry and recovery of income tax from the defaulter under intimation to audit.

AP # 620 (2011-13)

1.2.2.5 Unauthorized advance payment –Rs 4.236 million

Rule 379 of CTR Vol-1 prohibits the drawal of money from Government Treasury in advance of the supply received.

Treasury Rule 7 (i) and Rule 69 of the KPK District Government and Tehsil/Town Municipal Administration (TMA) (Budget) Rules 2003 provides that two elements are necessary before public money is spent:-

- i. There must be an appropriation of funds for the purpose, and
- ii. There must be sanction of the competent authority to incur the expenditure

Under section 69(2) (i) of the District Government and Tehsil Municipal Administration (Budget) Rules, 2002, there must be an appropriation of funds for the purpose before public money can be spent.

CMO D.I.Khan paid Rs 4,236,084 on various items as detailed in Annex-4.

It was observed that: -

- i. Sanction of the competent authority was not obtained.
- ii. It was not known as to where the amount was spent.
- iii. The amount was shown on distribution of sweets but distribution of sweets was unknown.
- iv. Expenditure made on electrical items was unauthorized.

Audit observed that unauthorized expenditure was occurred due to weak internal control.

When reported in February 2014, management did not respond to the preliminary audit observations. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

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

AP # 633 (2011-13)

1.2.2.6 Unauthorized and Doubtful expenditure on supply of Electric materials-Rs. 3.913 million

According to Para 148 of GFR Vol-1, all material received should be examined, counted, measured, weighed as the case may be, when delivery is taken, and it should be taken on charge by a responsible Government officer who should see that quantities are correct and their quality is good, and record a certificate that he has actually received the materials and recorded them in the appropriated stock register.

CMO D.I.Khan incurred expenditure of Rs 3,913,000 on supply of electrical material during 2011-13. It was observed that the material was entered on stock register in an improper way and it was not known as what quantity of items were received and issued and where each item was utilized.

Audit observed that unauthorized and doubtful expenditure was made due to weak internal control.

When reported in February 2014, management did not respond to the preliminary audit observations. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

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

AP # 629 (2011-13)

1.2.2.7 Unauthorized payment of rent-Rs 3.629 million

As per S No. 5 (xvi) of Delegation of Financial Powers Rules-2001, sanction must be obtain from the administrative department for the incurrence of expenditure on rent of non-residential buildings and land above Rs. 25,000 per annum, CMO being officer of category-III is empowered to sanction rent upto Rs. 20,000 per annum under the same rule.

Para 3.11 of B & R Code states that, “When no suitable Government building is available, private building may be hired for use of offices. Before it is decided to hire a privately owned building, it is necessary to obtain a non-availability of accommodation certificate from the Divisional Officer concerned that should also be consulted about the reasonableness of the rental proposed.

The CMO D.I.Khan paid Rs 3,629,000 as rent of land 15km away from city situated at Qureshi more D. I. Khan for the Goat and Sheep market during 2011-12 and 2012-13.

It was observed that: -

- i. Rent was extremely high as compared to market rate.
- ii. Sanction of the competent authority for the payment of rent was not obtained.
- iii. The rent assessment certificate from the Excise & Taxation Department was not available.
- iv. Non availability certificate of land from C&W Department was also not available.

Audit observed that grave irregularity resulted due to weak internal control.

When reported in February 2014, management did not respond to the preliminary audit observations. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

Audit recommends action against person (s) at fault.

AP # 621 (2011-13)

1.2.2.8 Unauthorized expenditure for Women Welfare Centers-Rs 3.351 million

Treasury Rule 7 (i) and Rule 69 of the KPK District Government and Tehsil/Town Municipal Administration (TMA) (Budget) Rules 2003 provides that two elements are necessary before public money is spent:-

- i. There must be an appropriation of funds for the purpose, and
- ii. There must be sanction of the competent authority to incur the expenditure

Serial No 63(5) of Government of KPK District Government and Tehsil/Town Municipal Administration (TMA) (Budget) Rules 2003 states that No lump sum provisions shall be made in the budget the details of which cannot be explained.

CMO D. I. Khan paid Rs 3,351,100 in lump sum on Woman Welfare Centers during 2011-13 without any detail classification of heads.

It was observed that salaries were paid despite the fact that there was no provision in the budget estimates for those salaries without obtaining actual payee receipts. Posts of the instructors were also not sanctioned by the competent authority. It was not known as how those instructors were for the benefit of the public at large and how these instructors were recruited. Payment of pay and allowances was also not in accordance with the pay scales of the Government. Bills of electricity were not available. Rent assessment certificate from excise department and approved agreement was also not available.

Audit observed that unauthorized expenditure was occurred due to weak internal control.

When reported in February 2014, management did not respond to the preliminary audit observations. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

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

AP # 645 (2011-13)

1.2.2.9 Unauthorized expenditure on account of repair-Rs 1.185 million

Government of KPK Finance Department vide letter No. SO (PR / FD / 9-3 / 2001 dated 24.04.2002 requires open tender system on following rates.

Open Tender System	Rs 40,000.
Limited Tender System less than	Rs 40,000.
Single tender System up to	Rs 4,000.

Motor Car Maintenance Rules-1997 requires the proper maintenance of log book for a Government vehicle by recording each and every entry of POL and repair work on each occasion.

Rule at S No. 12 of Delegation of Financial Powers 2001 provides powers upto Rs 20000 on repair of vehicles to officer in category-III.

CMO D.I.Khan paid Rs 1,185,327 on repair of sanitation vehicles during 2011-12 vide bills as detailed in Annex-5.

It was observed that: -

- i. The repair works above Rs 40,000 were not tendered.
- ii. Sanction of the competent authority was also not obtained.

- iii. Log books were not available showing repair entries.
- iv. NOC from Agriculture Engineer was not available.

Audit observed that unauthorized expenditure occurred due to weak internal control.

When reported in February 2014, management did not respond to the preliminary audit observations. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

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

AP # 626 (2011-13)

1.2.3 Internal Control Weaknesses

1.2.3.1 Loss to Government on account of rent of property Rs 126.337 million

As per Para 2 of the policy of Govt of KPK Local Govt Elections and Rural Development Department for streamlining the affairs in the interest of Local Councils property circulated vide No. AO-V/LCB/4-1/99 dated 21 July 1999, the occupant of the property will be given an option to keep the property with him as a lessee at the 70% of the market rate. Moreover according to Para 1 of the policy of Govt of KPK Local Govt Elections and Rural Development Department for streamlining the affairs in the interest of Local Councils property circulated vide No AO-V/LCB/4-1/99 dated 21 July 1999 “the Local Council will assess the rate of annual lease money for each unit at the prevailing market rate in the locality”.

CMO D.I.Khan had 427 shops and commercial property in D.I.Khan city and its surroundings but the shops were either given on very low rent without any increase or were being occupied by illegally as lease of all the property had expired for the last 3 to 14 years and resulting a loss of Rs126,337,680 as detail given in Annex-6.

Audit observed that loss occurred due to weak financial indiscipline.

When reported in Feb 2014, management stated that detailed reply would be given after consultation of record. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

Audit recommends action against person(s) at fault.

AP # 618 & 650 (2011-13)

1.2.3.2 Loss to Government due to illegal award of contract-Rs 38.100 million

According to rule 29(5) of the Procurement Rules 2003, if the tenderer whose tender has been accepted fails to sign the contract or fails to provide any required security for the performance of the contract, the procuring entity shall order the forfeiture of the earnest money and shall give order of acceptance to second lowest or in case of second bidder to the third lowest bidder and so on the same term of forfeiture of the earnest money.

CMO D.I.Khan awarded contract for collection of 2% property tax for Rs 31,900,000 to a Govt Contractor M/S Zabta Khan without participating in the auction process during 2011-12 on refusal of highest bid of offered by M/S Naveed Khan for Rs 70,000,000 and the second highest bid of Rs.68,100,000 resulting a heavy loss of Rs 38,100,000.

Audit observed that heavy loss occurred due to illegal award of contract without any auction.

When reported in February, 2014 management stated that detailed reply would be given after consultation of record. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

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

AP # 619 (2011-13)

1.2.3.3 Loss to Government due to non execution of contract-Rs 5.500 million

According to Para 38 of GFR Vol-1, the departmental authorities are primarily responsible to see that all revenues due to Government which have been brought to account are correctly and promptly assessed realized and credited to Government Treasury.

CMO D.I.Khan awarded contract for collection of Bus Stand fee for Rs 10,000,000 to M/S Haji Sharifullah during 2011-12. Later on, he refused to take over the contract and CMO cancelled the contract. The contractor filed a suit against the Department, but the court ordered for recovery of Rs 5,500,000 from the contractor which was still outstanding.

Audit observed that loss occurred due to weak internal control.

When reported in February 2014, management did not respond to the preliminary audit observations. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

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

AP # 647 (2011-13)

1.2.3.4 Loss to Government-Rs 4.200 million

Rule 30(a) of the Procurement Rules 2003 states that the tender inviting authority shall return the earnest money or tender security deposited with the tender or contract when the period for which earnest money or security was valid expires.

CMO D.I.Khan conducted open auction for the collection of 2% property Tax during 2012-13.

It was observed that the call deposits Rs 2.200 million (11 contractors x Rs 200,000) who participated in the auction were released before the finalization of auction process. As the contractor offering highest bid refused to take over the contract, the offer for taking over the contract should have been given to the second lowest and so on and on the same condition of forfeiture of call deposit. But due to not adopting the procedure Govt sustained a loss of Rs 2,200,000.

Similarly auctioned contract of collection of 2% property Tax during 2011-12, It was observed that the contractor Naveed Khan refused to take over the contract and his call deposit of Rs 2,000,000 was forfeited but was later on released thus putting the Govt to a loss of Rs 2,000,000.

Audit observed that loss occurred due to weak internal control.

When reported in February 2014, management did not respond to the preliminary audit observations. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 07.02.2014. DAC meeting could not be convened till finalization of this report.

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

AP # 637 & 648 (2011-13)

ANNEXURE

Annexure-1

Detail of MFDAC Paras

AP No.	Name of Department	Title of the Para	Rs in million
622	CMO D.Khan	Non deduction of income tax	0.250
623	CMO D.Khan	Overpayment	0.275
624	CMO D.Khan	Unauthorized expenditure	0.281
628	CMO D.Khan	Unauthorized expenditure	0.024
630	CMO D.Khan	Non deduction of sales tax	0.586
631	CMO D.Khan	Unauthorized & doubtful expenditure	0.383
632	CMO D.Khan	Unauthorized expenditure	0.600
634	CMO D.Khan	Overpayment	0.350
635	CMO D.Khan	Loss to Govt	0.740
639	CMO D.Khan	Unauthorized expenditure	0.754
640	CMO D.Khan	Unauthorized expenditure	0.150
641	CMO D.Khan	Unauthorized expenditure	0.629
642	CMO D.Khan	Overpayment	0.057
644	CMO D.Khan	Unauthorized expenditure	0.403
646	CMO D.Khan	Non realization of receipt	0.600

Annex-2**Audit Impact Summary for the financial year 2012-13**

S.No	Rules/System/Procedure	Audit Impact
1	According to GFR, physical verification of store/assets should be carried out once in a year.	Increase probability for safeguarding the Government assets and stock
2	According to Financial and Treasury rules all dues of the government should be correctly and promptly assessed, collected and paid into Government Treasury.	Increase in revenue collection on account of Government dues
3	According to GFR, receipts and expenditure should be reconciled.	To ensure that the departmental accounts are sufficiently accurate and render an effective Departmental control of expenditure and receipts.

Annex-3**Statement showing detail of non-collection of income tax during 2011-12 & 2012-13**

S. No.	Name of Contract	Bid Amount (Rs.)	Income Tax Due @ 5% (Rs.)
1	2 % Property Tax	31,900,000	1,595,000
2	Goat & Sheep Mandi Fee	26,000,000	1,300,000
3	Cattle Fair Marketfor the period (01-01-2013 to 30-06- 2013)	16,725,000	836,250
4	General Bus Stand	7,378,000	368,900
5	Building Map Fee	3,760,000	188,000
6	Slaughter House	267,000	13,350
7	Professional Tax	431,000	21,550
8	Bus stand 2011-12	10,000,000	500,000
9	Sheikh Yousaf Adda	111,000	5,550
	Total	96,572,000	4,828,600

DP No. 1.2.2.4

Annex-4**Statement showing detail of advance payment**

S No	Name of Official paid	Designation	Voucher No and Date	Purpose	Amount
1	Atteq ur Rehman	Chief Officer	150 dated 8/2011	14 August 2011	105,180
2	Sohail Mumtaz	CMO	99 dated 11/2012	Moharam Works	150,000
3	Atteq ur Rehman	Chief Officer	46 dated 11/2011	Eid ul Azha	100,000
4	Nazir Ali Bhatti	Clerk	Nil dated Nil	Various works	160,000
5	Atteq ur Rehman	Chief Officer	74 dated 11/2011	Eid ul Azha	58,100
6	CO CMO	CMO	88 dated 11/2011	Moharram	380,000
7	DPO	DPO	89 dated 11/2011	Moharram	100,000
8	Suhail Mumtaz	CMO	99 11/2012	Moharam	150,000
9	Gohar Aziz	TOI	51 7/2012	Petty Repair	150,000
10	Abdur Rehman	Supervisor	66 7/2012	Giyari Sector	20,619
11	Mazhar Qureshi	Clerk	68 7/2012	Giyari sector	30,295
12	Sohail Mumtaz	CMO	7 10/2012	Hafta Safai	50,000
13	Sohail Mumtaz	CMO	114,115,116 8/2012	Eid ul Azha	324,390
14	Shahid Matteen	CMO	132 8/2012	14 August	159,000
15	Sohail Mumtaz	CMO	164 8/2012	POL	100,000
16	Sohail Mumtaz	CMO	109, 5/2012	Hafta Safai	30,000
17	Sohail Mumtaz	CMO	86 4/2012	Hafta Safai	20,000
18	Shahid Mateen	CMO	89-90 4/2012	Tent service	58,500
19	Sohail Mumtaz	CMO	156 23-10-2012	Eid advance	150,000
20	Atteq ur Rehman	Chief Officer	79 10/2011	CM Visit	220,000
21	Atteq ur Rehman	Chief Officer	48 10/2011	Desilting	160,000
22	Abdur Rehman	Supervisor	119,120,121 29-3-2012	Mela	910,000
23	Unknown	Unknown	136 dated 26-9-2012	Moharam	300,000
24	Sohail Mumtaz	CMO	1 dated 1-10-2012	Safai	50,000
25	Sohail Mumtaz	CMO	156 dated 23-10-2012	Eid	150,000
26	Sohail Mumtaz	CMO	99 dated 22-11-2012	Moharam	150,000
Total					4,236,084

DP No. 1.2.2.5

Annexure-5**Statement showing detail of repair of vehicles**

Items	Date	Amount
Various Repair	15-10-2011	180,520
Tyres	4-11-2011	40,000
Various repairs V No. 41	11/2011	47,066
Repair of vehicle No A-1017	16-11-11	13,415
Repair of vehicle No DNC-6312	12-7-2011	26,900
Repair of Water Tanker	18-1-11	40,000
Repair of Water Tanker No. 1834	8-9-2010	92,500
Repair of Jeep A-1139	V No27 1/2012	40,000
Tyres A-1017	V No 85 11/2012	104,650
Repair A-1017	V No 19 7/2012	22,000
Repair DN-3414	13 10/2012	35,000
Repair A-1017	20 6/2012	37,000
Repair Tractors	81,82,83 9/2012	119,364
Repair of Truck No. 2	123 8/2012	94,000
Repair A-1017	154 9/2012	30,832
Repair of Sanitation Vehicles	122 3/12	78,960
Repair of Sanitation vehicles	8 5/2012	37,600
Repair of sanitation vehicles	79,80,81 5/2012	105,520
Tyres A-1017	74 10/2011	40,000
	Total	1,185,327

DP No. 1.2.2.9

Annex-6

Statement Showing detail of loss on account of rent of property

S.No	Name of Plaza	No. of Shops	Monthly Rent/Shop	lease expiry date	Annual Rent of total shops	Annual Rent Admissible	70% Rent per month 2011-12	Rent for 2011-12	70% Rent/month for 2012-13	Rent for 2012-13
1	Shopping Center Topanwala	47	1,104	30-6-99	622,464	20,000	14,000	7,896,000	15,400	8,685,600
2	Paroa Adda Plaza	32	726	12-1-2009	278,784	15,000	10,500	4,032,000	11,550	4,435,200
3	Grain Market Cabin near City Polic station	40	440	30-6-99	211,200	20,000	14,000	6,720,000	15,400	7,392,000
4	Kaneranwala Gate	29	448	2011	156,000	20,000	14,000	4,872,000	15,400	5,359,200
5	Tijarat Ganj Plaza Block B	18	789	2011	170,400	20,000	14,000	3,024,000	15,400	3,326,400
6	Tijarat Ganj Front Cabin	26	775	1-9-2010	241,776	20,000	14,000	4,368,000	15,400	4,804,800
8	Misc. Shops Topanwala	17	1,607	30-6-99	327,828	22,000	15,400	3,141,600	16,940	3,455,760
9	Town Hall Shopping Center	51	1,400	1-8-2000	856,800	25,000	17,500	10,710,000	19,250	1,1781,000
11	Sheikh Yousaf Road Near WAPDA	5	440	17-12-2011	26,400	10,000	7,000	420,000	7,700	462,000
13	Outside Pawanda Adda No.4 School	15	660	30-6-99	118,800	20,000	14,000	2,520,000	15,400	2,772,000
14	Shangla Market	16	638	30-6-99	122,400	15,000	10,500	2,016,000	11,550	2,217,600
15	Draban Chowk Near Mission Mor	6	730	20-10-2009	52,560	15,000	10,500	756,000	11,550	831,600
16	inside topanwala Khalil ur Rehman	1	1,200	30-6-99	14,400	20,000	14,000	168,000	15,400	184,800
17	outside topanwala m sadiq	1	1,200	30-6-99	0	20,000	14,000	168,000	15,400	184,800
18	inside topanwala Raja Jahanzeb	1	900	30-6-99	0	20,000	14,000	168,000	15,400	184,800
19	outside topanwala attaulah	1	1,500	30-6-99	0	20,000	14,000	168,000	15,400	184,800
20	inside topanwala Javed	1	1,200	30-6-99	0	20,000	14,000	168,000	15,400	184,800
21	inside topanwala M Hussain	1	1,200	30-6-99	0	20,000	14,000	168,000	15,400	184,800
22	inside topanwala M Aslam	1	300	2007	0	20,000	14,000	168,000	15,400	184,800
23	Outside kirri alizai Mohd fayyaz	1	300	30-6-99	0	25,000	17,500	210,000	19,250	231,000
25	outside topanwala adj Rescue15 M Haroon	2	5000	30-6-2000	0	50,000	35,000	840,000	38,500	924,000
26	inside misgran gate syed zahoor hussain shah	1	500	30-6-99	0	20,000	14,000	168,000	15,400	184,800
27	ex national bank paroa adda	1	5000	30-6-2000	0	15,000	10,500	126,000	11,550	138,600
28	kanairawala gate ghulam qadir piece of land	1	100	30-6-99	0	15,000	10,500	126,000	11,550	138,600
29	piece of land opp townhall Master azhar	1	100	2007	0	15,000	10,500	126,000	11,550	138,600
30	land in kanchkaan wali basti Iqbal sdo	1	200	2007	0	25,000	17,500	210,000	19,250	231,000
31	land opp mc office Khurshid	1	100	30-6-99	0	10,000	7,000	84,000	7,700	92,400

	begum									
32	land moh jogianwala qadir bux	1	200	2000	0	5,000	3,500	42,000	3,850	46,200
33	land opp topanwala qudratullah	1	0	0	0	20,000	14,000	168,000	15,400	184,800
	land opp townhall saeed khan	1	50	2007	0	25,000	17,500	210,000	19,250	231,000
35	land near basti kanchkan wali ghulam rasool	1	15	2007	0	15,000	10,500	126,000	11,550	138,600
36	land basti kanchkan wali piao khan	1	20	2007	0	15,000	10,500	126,000	11,550	138,600
37	Land near animal husbandry hospital mah begum	1	36	2007	0	50,000	35,000	420,000	38,500	462,000
38	land at river bund M Iqbal	1	600	2007	0	15,000	10,500	126,000	11,550	138,600
39	land near liaqat park Ghulam rasool	1	60	2003	0	15,000	10,500	126,000	11,550	138,600
42	land near GHS No 4 M Akram	1	250	30-6-99	0	20,000	14,000	168,000	15,400	184,800
43	MC Shops inside topanwala shahtamas	1	900	30-6-99	0	20,000	14,000	168,000	15,400	184,800
44	land street neemwali sona khan	1	300	30-6-99	0	10,000	7,000	84,000	7,700	92,400
45	cabin masjid molvi abdulhaq m naeem	1	300	30-6-99	0	5,000	3,500	42,000	3,850	46,200
46	land near bakhri bazar sona khan	1	400	30-6-99	0	15,000	10,500	126,000	11,550	138,600
47	land basti kanchkan wali m ramzan	1	300	30-6-99	0	10,000	7,000	84,000	7,700	92,400
48	land at bus stand M salim	1	1000	30-6-99	0	10,000	7,000	84,000	7,700	92,400
49	land outside misgran gate Ghulam sarwar	1	600	30-6-99	0	15,000	10,500	126,000	11,550	138,600
50	Kacha room near GHS No 1 M Farooq	1	120	30-6-99	0	5,000	3,500	42,000	3,850	46,200
51	ex octroi post bannu road M Khalid	1	700	30-6-99	0	10,000	7,000	84,000	7,700	92,400
52	Land near city Thana Abdul rahim	1	600	30-6-99	0	15,000	10,500	126,000	11,550	138,600
53	old octroi post bannu road ghulam shabir	1	400	30-6-99	0	10,000	7,000	84,000	7,700	92,400
54	old octroi post 5x5 outside kirri alizai M Fayyaz	1	300	30-6-99	0	10,000	7,000	84,000	7,700	92,400
55	old octroi post kanairanwala gate Khuda bux	1	800	30-6-99	0	20,000	14,000	168,000	15,400	184,800
56	land at topanwala Gul Raees Khan	1	100	30-6-99	0	20,000	14,000	168,000	15,400	184,800
57	cabins near city thana	5	300	30-6-99	0	15,000	10,500	630,000	11,550	693,000
58	shops near office octroi supdt	4	1200	30-6-99	0	10,000	7,000	336,000	7,700	369,600
59	land backside daraban chowk M imran	1	100	30-6-99	0	10,000	7,000	84,000	7,700	92,400
60	Shops at Bannu Adda	16	1200	30-6-99	0	8,000	5,600	1,075,200	6,160	1,182,720
61	Shops at Bannu Adda	18	1000	30-6-99	0	10,000	7,000	1,512,000	7,700	1663200
	Total	427						60,160,800		66,176,880

DP No. 1.2.3.1