



**AUDIT REPORT
ON
THE ACCOUNTS OF
DISTRICT COUNCIL AND MUNICIPAL
COMMITTEES
DISTRICT LAKKI MARWAT
AUDIT YEAR 2015-16**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AP	Advance Para
ADP	Annual Development Plan
CCO	Chief Coordination Officer
CMO	Chief Municipal Officer
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
DG	Director General
GFR	General Financial Rules
LCB	Local Council Board
MFDAC	Memorandum for Departmental Accounts Committee
PAO	Principal Accounting Officer
PAC	Public Accounts Committee
RDA	Regional Directorate of Audit
PFC	Provincial Finance Commission
PUGF	Provincial unified Group of Functionaries

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 168 of Local Government Act 2012, require the Auditor-General of Pakistan to conduct audit of the receipts and expenditure of Local Fund of District Council and Municipal Committees.

The report is based on and it of the accounts of District Council Lakki Marwat and Municipal Committees in District Lakki Marwat for the Financial Years 2014-15. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar conducted audit on test check basis during 2015-16 with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The Audit Observations listed in the Annexure-1 shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of Public Accounts Committee through the next year's Audit Report.

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

The observations included in this Report have been finalized without 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 168 of Khyber Pakhtunkhwa Local Government Act 2012 to be laid before appropriate legislative forum.

Islamabad
Dated:

(Rana Assad Amin)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, is responsible to conduct the audit of all District Councils, Municipal Committees (MCs) and Union Councils (UCs). Its Regional Directorate of Audit Bannu has audit jurisdiction of District Councils, Municipal Committees and UCs of two Districts i.e. Bannu and Lakki Marwat.

The Regional Directorate has a human resource of 06 officers and staff, constituting 1506 man days and A budget of Rs 9.759 million was allocated during 2015-16. 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 Bannu carried out audit of the accounts of District Council Lakki Marwat and Municipal Committees in District Lakki Marwat for the Financial Years 2014-15 and the findings included in the Audit Report.

District Council Lakki Marwat and Municipal Committees in District Lakki Marwat perform their functions under Khyber Pakhtunkhwa Local Government Act 2012. Administrative Secretary i.e Secretary Local Government and Rural Development Department, Khyber Pakhtunkhwa is the Principal Accounting Officer for these local bodies. According to financial provisions of the Act the Secretary Local Government and Rural Development Department, Khyber Pakhtunkhwa authorizes the Annual Budget Statement for these local bodies in the form of budgetary grants.

a. Scope of audit

The total expenditure of District Council Lakki Marwat and Municipal Committees in District Lakki Marwat, for the Financial Years 2014-15 was Rs 182.418 million. Out of this, RDA Bannu audited an expenditure of Rs 91.209 million which, in terms of percentage, was 50% of auditable expenditure.

The receipts of District Council Lakki Marwat and Municipal Committees in District Lakki Marwat for the Financial Years 2014-15, were Rs 173.763 million. Out of this, RDA Bannu audited receipts of Rs 173.763 million which, in terms of percentage, was 100% of auditable receipts.

The total expenditure and receipts of District Council and Municipal Committees, District Lakki Marwat, for the Financial Years were Rs 356.181 million. Out of this, RDA Bannu audited the expenditure and receipts of Rs 264.972 million.

b. Recoveries at the instance of audit

Recovery of Rs 82.734 million was pointed out during the audit. However, no recovery was affected till the finalization of this report. Out of the total recoveries Rs 82.734 million was not in the notice of the executives prior to audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of District Council Lakki Marwat and Municipal Committees in District Lakki Marwat, 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 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

Audit pointed out various irregularities of serious nature to the management. However, no impact was visible as the management failed to reply and the irregularities could not come to the light in the proper forum i. e. DAC.

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 components of Internal Control System, as envisaged under Para 13 of GFR Volume-I, is internal audit which was not found prevalent in District

Council Lakki Marwat and Municipal Committees in District Lakki Marwat. 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. Irregularity and Non-compliance of Rs 122.640 million were noted in twenty two cases.¹

¹ 1.2.1.1 to 1.2.1.3, 1.3.1.1 to 1.3.1.14, 1.4.1.1 to 1.4.1.5

g. Recommendations;

- i. Disciplinary actions need to be taken to stop the practice of 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 MCs/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.

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S. No	Description	No.	Budget
1	Total Entities in (PAO) Audit Jurisdiction	01	356.181
2	Total formations in audit jurisdiction	03	356.181
3	Total Entities in (PAO) Audited	01	264.972
4	Total formations Audited	03	264.972
5	Audit & Inspection Reports	03	264.972
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	0
2	Weak financial management	0
3	Weak Internal controls relating to financial management	0
4	Others	122.640
Total		122.64

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

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total For the years 2014-15	Total for the year 2013-14
1	Outlays Audited	0	31.456	132.554	100.962	264.972	89.386
2	Amount Placed under Audit Observations /Irregularities of Audit	-	35.093	44.907	42.640	122.64	156.161
3	Recoveries Pointed Out at the instance of Audit	-	34.679	30.821	17.234	82.734	116.275
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

Table 4: Irregularities pointed out

		(Rs in million)
S. No	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	-
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 established overpayment or misappropriations of public monies	62.165
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	60.475
Total		122.64

Table 5: Cost – Benefit

		(Rupees in million)
Sr. No.	Description	Amount
1	Outlays Audited	264.972
2	Expenditure on Audit	9.759
3	Recoveries realized at the instance of audit	0
4	Cost – Benefit Ratio	1:0

CHAPTER 1

1.1 District Council & Municipal Committees District Lakki Marwat

1.1.1 Introduction

District Lakki Marwat has two tehsils i.e. Lakki Marwat and Serai Nourang. There is a District Council and two Municipal Committees. District Council has a Chief Coordination Officer, District Officer (Finance), District Officer (Infrastructure) and District Officer (Regulation). Municipal Committees have Chief Municipal Officers, Municipal Officers (Finance), Municipal Officers (Infrastructure) and Municipal Officers (Regulation). District Council Lakki Marwat has one Drawing and Disbursing Officer (DDO) i.e. Chief Coordination Officer & Chief Municipal Officers are the DDOs of Municipal Committees. According to 1998 population census, the population of District Lakki Marwat is 776,874.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

An amount of Rs 292.736 million was allocated Final Grant for District Council and Municipal Committees in District Lakki Marwat, against which an expenditure of Rs 182.418 million was incurred by the District Council Lakki Marwat and Municipal Committees in District Lakki Marwat with a saving of Rs 110.318 million during Financial Year 2014-15. Detail is given below:

An amount of Rs 118.973 million was allocated as grant in aid by the Provincial Government to District Council Lakki Marwat and Municipal Committees in District Lakki Marwat and an amount of Rs 173.763 million was realized as local receipts during the Financial Years 2014-15.

Detail of Expenditure

(Rs in million)

2014-15	Budget	Expenditure	Saving/Excess	%age Excess/Saving
Salary	117.183	117.183	0.000	0.000%
Non-Salary	52.138	33.779	18.359	35.000%
Developmental	123.415	31.456	91.959	75.000%
Total	292.736	182.418	110.318	37.685%

Detail of Receipts

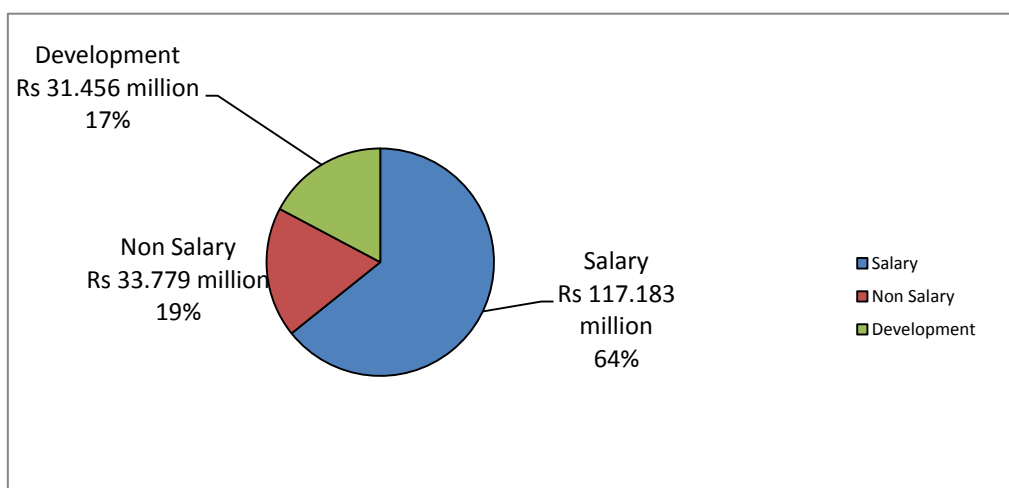
(Rs in million)

2014-15	Budget	Expenditure	Saving/Excess	%age Excess/Saving
Receipts as Grant in Aid	118.973	118.973	0	0
Local Receipts	173.763	173.763	0	0
Total	292.736	292.736	0	0

The savings of Rs 110.318 million in current and developmental budget indicate weakness in the capacity of these local institutions to utilize the amounts allocated.

Expenditure 2014-15

(Rs in million)



1.1.3 Comments on the status of compliance with ZAC / PAC Directives

The audit reports on the accounts of newly formed District Council and Municipal Committees Lakki Marwat under the LGA 2012, have not yet been discussed in PAC.

MUNICIPAL COMMITTEE SERAI NOURANG

1.2 Municipal Committee Serai Naurang

1.2.1 Irregularity & Non Compliance

1.2.1.1 Loss to Municipal Committee –Rs 5.968 Million

Serial No. 29(5) of Government of Khyber Pakhtunkhwa Procurement of Goods Works & Services Rules 2003 that if the tender whose tender/auction has been accepted fails to sign the contract agreement or provide any required security for the performance of contract, the procuring entity shall order the forfeiture of earnest money and shall give order of acceptance to second lowest in purchases and highest in case of auction, or in the case of second bidder to the third lowest / highest.

Chief Municipal Officer, Municipal Committee, Serai Naurang during 2014-15 awarded contract for collection of 2% Immovable property tax to contractor for Rs 2.052 million instead of offering to 2nd highest bidder of Rs 8.020 million after rejected the first highest bidder of Rs 8.100 million.

Loss was occurred due to non-compliance of rules which resulted into loss to Municipal Committee. .

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 31.07.2015, which could not be convened till finalization of this report.

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

AP 35 (2014-15)

1.2.1.2 Non Surrender of Saving-Rs 5.191 Million

Para 26 & 28 of GFR Vol-I stipulates that controller officer is required to ensure that all sums due to government are regularly and promptly assessed regularized and duly credited in the government account and that no amount due to government should be left out standing without sufficient reasons.

Chief Municipal Officer, Municipal Committee, Serai Naurang during 2014-15 awarded the following schemes to different contractors at 40.04 % less than the estimated cost. All the schemes were completed within the stipulated period. As a results an amount to Rs. 5,191,200 were saved. The savings are required to be deposited into the Government Exchequer as required under the rules.

S.#	Schemes	E/Cost	Expenditure	Saving (Diff)
1	Improvement of Municipal Roads in Urban Area MC, Nerai Naurang-ADP# 1119/140711 (2014-15)	8000000	4800000	3200000
2	Replacement of rusted water supply pipes at Kotka khan bahadar, Atlas khan and kotka Muhammad Khan in urban area of MC Serai Saurang	2727000	1635800	1091200
3	Improvement of Water Supply /Sewerage/Drainage system in Urban Area of Serai Nurang (2000000	1100000	900000
	Total	12,727,000	7,535,800	5,191,200

Non surrendering of saving occurred due to weak internal control which effect financial management of the Government.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 31.07.2015, which could not be convened till finalization of this report.

Audit recommends surrendering the funds well in time.

AP41 (2014-15)

1.2.1.3 Loss to Government Due to Non Recovery of Income Tax – Rs 4.814 Million

Section 236 (A) of the Income Tax Ordinance 2001 requires the recovery of Advance Income Tax at time of sale by auction @ 10% of the bid amount.

Chief Municipal Officer, Municipal Committee, Serai Naurang during 2014-15 awarded different contracts to various contractors valuing Rs 48,144,000 without collecting accumulated Advance income tax worth Rs 4,814,462.

Sr. No.	Name of Contract	2013-14		2014-15	
		Bid Amount	Income Tax @ 10%	Bid Amount	Income Tax @ 10%
1	Lorry Adda Sarai Naurang	5385,000	538,500	6,200,000	620,000
2	Cattle Fair Market	18,435,000	1,843,500	13,500,827	1,350,082
3	2% Property Tax	0	0	2,052,000	205,200
4	Water Rate	0	0	925,000	92,500
5	Building Plan	0	0	897,800	89,780
6	Sign Board	0	0	250,000	25,000
7	Teh Bazari	0	0	371,000	37,100
8	Licence Fee	0	0	128,000	12,800
	Total Rs	23,820,000	2,382,000	24,324,627	2,432,462

Loss was occurred due to non compliance of rules, which deprived the Government from revenue.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 31.07.2015, which could not be convened till finalization of this report.

Audit recommends the deposit of Income Tax to Government.

AP 32 (2014-15)

1.2.1.4 Loss Due To Non-Engaging Of MC Staff- Rs 2.256 Million

Government of KPK LG & RDD Local Council Board letter No AO-II/LCB/6-11/2012 dated:06.04.2012 vides Serial No XXVII, stated that at the time of execution of contract with the contractor the name and designation of the staff, be clearly mentioned. The contractor is bound to engage Municipal committee staff and the contractor shall not be authorized to appoint private staff. Further the contract shall be bound to pay all dues i.e pay and allowances, leave salary, pension contribution at 33%etc.

Chief Municipal Officer, Municipal Committee, Serai Naurang during 2014-15 awarded following contracts to various contractors. Chief Municipal Officer, Municipal Committee failed to engage the his staff , due to which loss of Rs 2,256,204 was occurred. Detail given as under:

S#	Name of Contract	Number of Employees to be engage	BPS	Salaries
1	2% Property Tax	3	BPS-7, 2 & 1	752,068
2	Larri Ada	3	BPS-7, 2 & 1	752,068
3	Tehbazari	3	BPS-7, 2 & 1	752,068
			Total	2,256,204

Loss to Municipal Committee was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting mad on 31.07.2015, which could not be convened till finalization of this report.

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

AP 40 (2014-15)

1.2.1.5 Loss To Municipal Committee –Rs 1.735 Million

Serial No. 29(5) of Government of Khyber Pakhtunkhwa Procurement of Goods Works & Services Rules 2003 that if the tender whose tender/auction has been accepted fails to sign the contract agreement or provide any required security for the performance of contract, the procurement entity shall order the forfeiture of earnest money and shall give order of acceptance to second lowest in purchases and highest in case of auction, or in the case of second bidder to the third lowest / highest.

Chief Municipal Officer, Municipal Committee, Serai Nourang during 2014-15 award contract of building plan fee to contractor for Rs 275,000 instead of offering to 2nd highest bidder of Rs 2,010,000 after rejecting the first highest bidder of Rs 2,020,000 .

Loss was occurred due to non compliance of rules, which deprived the Municipal Committee from revenue.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 31.07.2015, which could not be convened till finalization of this report.

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

AP 36 (2014-15)

1.2.1.6 Loss Due To Non Forfeiter Of Security - Rs. 1.240 Million

As per Model terms and conditions of contracts no 4(b) for the year 2014-15, "If contractors/firms fails to clear dues by 10th of each month to which monthly installment relates, the contract may be cancelled and his security and advances deposited by the contractor shall be forfeited.

Chief Municipal Officer, Municipal Committee, Serai Nourang during 2014-15 awarded contract of Larri Ada Serai Naurang to the contractor for Rs 6,200,000. The Contractor was bound to deposit Rs 563,636 as monthly installment up to 10th of the following month (maximum period). As contractor failed to deposit the amount of monthly installments within stipulated period. The amount of Rs. 1,240,000 already deposited (being amount of 15% security and 5% advance) was required to be forfeited.

Non-forfeiture of security occurred due to weak internal control, which deprived the Government from its due local revenue.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 31.07.2015, which could not be convened till finalization of this report.

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

AP 28 (2014-15)

1.2.1.7 Non Deduction on Account of Group Insurance/Benevolent Fund and Provident Fund-Rs 1.15 Million

Section 74 (4) and 5(c) of Government of Khyber Pakhtunkhwa Local Government Act 2012 states that a local council may operate a schemes of Group insurance and benevolent fund and require its servants to subscribe to it. Further Section 74 (1) of Government of Khyber Pakhtunkhwa Local Government Act 2012 states that a local council may establish and maintain a provident fund and required its servants to contribute to such fund.

Chief Municipal officer, Municipal Committee, Serai Naurang during 2014-15 failed to deduct compulsory Group insurance, benevolent fund and General Provident Fund from its employees valuing Rs 1,158,116.

Non-deduction of compulsory deduction occurred due to non compliance of rules, which resulted into violation of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 31.07.2015, which could not be convened till finalization of this report.

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

AP 46,47,48 (2014-15)

MUNICIPAL COMMITTEE LAKKI MARWAT

1.3 Municipal Committee Lakki Marwat

1.3.1 Irregularity & Non compliance

1.3.1.1 Loss to Municipal Committee - Rs 11.966 million

Serial No. 29(5) of Government of Khyber Pakhtunkhwa Procurement of Goods Works & Services Rules 2003 that if the tenderer whose tender/auction has been accepted fails to sign the contract agreement or provide any required security for the performance of contract, the procurement entity shall order the forfeiture of earnest money and shall give order of acceptance to second lowest in purchases and highest in case of auction, or in the case of second bidder to the third lowest / highest.

Chief Municipal Officer, Municipal Committee, Lakki Marwat during 2014-15 awarded contracts to the following contractor for Rs 12,334,000 instead of offering to second highest bidder of Rs. 24,300,000 after rejecting contract of highest bidders of Rs 24,810,000, which resulted in to loss of Rs 11,966,152 as per detail given below.

Amount in Rupees					
Name of Contract	1st Highest Bid	2nd Highest Bid	Bid Approved	Loss	
2% Property Tax	8,100,000	8,000,000	1,720,000	6,280,000	
Bus Stand Lakki Marwat	4,710,000	4,700,000	2,670,000	2,030,000	
Cattle Fair Lakki	12,000,000	11,600,000	7,943,848	3,656,152	
Total	24,810,000	24,300,000	12,333,848	11,966,152	

Loss was occurred due to non compliance of rules, which deprived the Municipal Committee from revenue.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of loss.

AP 50 (2014-15)

1.3.1.2 Wastage of Public Money – Rs 10.00 Million

According to PC-I of schemes, funds should be utilized for the benefit of the community and not for a particular person.

Chief Municipal Officer, Municipal Committee, Lakki Marwat during 2014-15 spent Rs 10,000,000 on the installation of pressure pumps under Chief Minister Directives, inside the homes of various people instead of open area to benefit the local inhabitants which were evident from the photographs available on the record of Municipal Committee.

Wastage of public money was occurred due to weak internal control, which deprived the Government from its due local revenue.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery.

AP 62 (2014-15)

1.3.1.3 Payment on Already Installed Pressure Pumps - Rs 10.00 Million

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

Chief Municipal Officer, Municipal Committee, Lakki Marwat during 2014-15 paid Rs 10,000,000 to contractor for installation of Pressure pumps in various areas of District Lakki Marwat. Accounts record of MC Lakki Marwat revealed that works were started on 30.06.2014 and completed on 10.11.2014, whereas according to handing taking over report of the concerned community members the pressure pumps were completed / handed over before its date of commencement (i. e. on 30.06.2014).

Payment on already installed pressure pumps was occurred due to weak internal control which resulted into loss to Government.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery.

AP 58 (2014-15)

1.3.1.4 Unauthorized Diversion of Funds- Rs 7.848 Million

Serial No viii Government of KPK LGE & RDD Local Council Board Notification No. AO/LCB/ADP/2014-15 dated: 14-01-2015 stated that the ADP allocation if intended to be diverted for M&R of works and facilitates of the Municipal Committees will be subject to prior approval of Local Government Department with the condition that in no case shall such funds be utilized for payment of the salaries of the staff.

Chief Municipal Officer, Municipal Committee, Lakki Marwat during 2014-15 spent 7,848,000 on the salaries of the staff out of District Development funds release under grant in lieu of Octrai and Zilla Tax.

Funds were diverted towards payment of salaries and pension of retired employees without any authorization.

Un authorized diversion of funds was occurred due to non compliance of rules which resulted into violation of financial rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery.

AP 76 (2014-15)

1.3.1.4 Payment for Work Already Done - Rs 7.561 Million

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

Chief Municipal Officer, Municipal Committee, Lakki Marwat during 2014-15 awarded contract under “30% PFC Award” for installation of P/Pumps of estimated value of Rs 10.150 million to contractor. Work order was issued on 26.03.2015 and the work was started on 27.03.2015, whereas contractor before issuance of work order applied for first running bill and 5th running bill on (07.03.2015) and (26.03.2015) for work done of Rs 7,561,450, which creates doubt regarding payment on already executed schemes.

Payment for work already done occurred due to violation of rules , which resulted into loss to Government.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery.

AP 57 (2014-15)

1.3.1.5 Overpayment On Account of Shrouding Material - Rs 6.077

Million

Para-220 of CPWA Code requires the payment for work done duly measured in accordance with rates, quantity and quality approved in the T.S.

Chief Municipal Officer Municipal Committee Lakki Marwat during 2014-15 Paid Rs 6,817,930/- for item of work shrouding material in the following works. It was observed that shrouding material was paid for the whole depth of bore instead of only the portion of filter which resulted into overpayment of Rs 6,077,301 (as per detail given below).

Name of schemes	Item of work	No of P/Pumps	Quantity Paid (M)	Quantity Admissible (M)	Item Rate (Rs)	Overpayment (Rs)
Installation of submersible pumps AA No. 3035 dated: 15.05.2014	Shrouding material	12	731.48	120	1,226.22	749,809
Installation of submersible pumps AA No. 2940 dated: 08.04.2014	Shrouding material	11	975.31	110	1,226.22	1,061,060
Installation of submersible pumps AA No. 3169 dated: 20.05.2014	Shrouding material	16	195	160	1,226.22	42,918
Installation of submersible pumps AA No. 1551 dated: 09.04.2014	Shrouding material	25	1716.85	250	1,226.22	1,798,681
Installation of submersible pumps AA No. 3346 dated: 20.06.2014	Shrouding material	20	1941.48	200	1,226.22	2,135,438
Total						5,787,906
Add 1.05% Cost Factor						289,395
Grand Total						6,077,301

Overpayment occurred due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery.

AP 67 (2014-15)

1.3.1.6 Overpayment on Account of Inadmissible Rates - Rs 6.014 million

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

Chief Municipal Officer, Municipal Committee, Lakki Marwat during 2014-15 overpaid Rs 6,013,633 to different contractors against different items of work in excess of offered rates (Detail at Annexure-2).

Overpayment in excess of offered rates was occurred due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of overpaid amount.

AP 54 (2014-15)

1.3.1.7 Non Recovery of Compensation Money -Rs 5.262 Million

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.

Chief Municipal Officer, Municipal Committee, Lakki Marwat during awarded contract valuing 52,615,000 to different contractors with completion period of 30.06.2015. However the work was not yet completed up to 25.08.2015. Neither time extension was accorded nor the penalty due for Rs 5,262,000 of estimated cost of Rs 52,615,000 was imposed on the contractor.

Sr. No.	Name of work	Date of commencement	Date of Completion	Estimated Cost	Penalty @ 10%
1	Replacement of old pipelines	26.03.2015	30.06.2015	5.465	0.547
2	Improvement of municipal roads	26.03.2015	30.06.2015	17.181	1.718
3	Improvement of water supply schemes	21.04.2015	30.06.2015	27.380	2.738
4	30% PFC	26.03.2015	30.06.2015	2.589	0.259
Total				52.615	5.262

Non imposition of penalty was occurred due to non compliance of rules.

.When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery.

AP 55 (2014-15)

1.3.1.8 Un-authorized Execution of Work - Rs 4.926 Million

Para 56 of CPWD Code stipulates that if subsequent to the grant of T.S, material structural alterations are contemplated; orders of the original sanctioning authority should be obtained, even though no additional expenditure may be involved by the alterations.

Name of Work:	1.	Installation of 5” and 6” dia P/Pumps at
	2.	Lying of 2”, 3” and 4” PVC Pipe
Estimated value:		Rs 6.662 Million
Name of contractor:		Asmat Ullah Khan

Administrative Approval to a scheme “Installation of 4 numbers 6” dia Pressure Pumps for Rs 1,720,000, “Installation of 15 numbers 5” dia Pressure Pumps for Rs 3,200,000 and Lying of 1525 meter 2” dia PVC pipe, 1219 meter 3” dia PVC Pipe and 1525 meter 4” dia PVC Pipe was issued. The work was assigned to Municipal Committee Lakki Marwat for execution through contractor. As per Original PC-I, the above mentioned schemes at a cost of Rs 6,662,000 was to be executed, but as per final bill paid the local office expended Rs 6.662 on installation of 16 number p/pumps 6” dia and lying of 3” dia pvc pipe ignoring other items of work. Thus the Original PC-I and Administrative Approval were violated which made the matter suspected and misappropriation of Rs 4,926,000 cannot be ruled out.

Un authorized execution of work made due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

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

AP 65 (2014-15)

1.3.1.9 Payment For Work Already Done - Rs 4.619 Million

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

Chief Municipal Officer, Municipal Committee, Lakki Marwat during 2014-15 awarded contract of "Improvement of Municipal Roads in urban area of Lakki Marwat for estimated value of Rs 21.800 million to contractor. Work order was issued on 26.03.2015 and the work was started on 27.03.2015, whereas contractor before issuance of work order applied for first running bill on (07.03.2015) for work done of Rs 4,618,511. Further on physical verification of main Mianwali road on 10.08.2015 it was stated by the inhabitants of road sides that no rehabilitation of road was made since three or four years.

Payment for work already done was occurred due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery.

AP 56 (2014-15)

1.3.1.10 Overpayment Due to Wrong Calculation Rs 4.157 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 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

Chief municipal Officer, Municipal Committee, Lakki Marwat during 2014-15 paid 4,617,886 for work "Improvement of Municipal Roads in Urban Area of Lakki Marwat up to 7th running bill. Due to wrong calculation of the quantities an amount of Rs 4,156,644 was overpaid (as per detail given below).

Item of Work	Quantity Paid (M3)	Quantity admissible(M3)	Difference	Rate (Rs)	Overpayment (Rs)
Sub Base	1743.14	1137.14	606	1065.23	645,529
Base Course	1122.72	718.72	404	2125.73	858,795
Asphalt	7183.83	4531.51	2652.32	1000	2,652,320
Total					4,156,644

Overpayment was occurred due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of overpaid amount.

AP 70 (2014-15)

1.3.1.11 Non Deduction on Account of Group Insurance/Benevolent Fund and Provident Fund-Rs 3.729 Million

Section 74 (4) and 5(c) of Government of Khyber Pakhtunkhwa Local Government Act 2012 states that a local council may operate a schemes of Group insurance and benevolent fund and require its servants to subscribe to it. Further Section 74 (1) of Government of Khyber Pakhtunkhwa Local Government Act 2012 states that a local council may establish and maintain a provident fund and required its servants to contribute to such fund.

Chief Municipal officer, Municipal Committee, Lakki Marwat during 2014-15 failed to deduct compulsory Group insurance, benevolent fund and General Provident Fund from its employees valuing Rs 3,729,240.

Non-deduction of compulsory deduction occurred due to non compliance of rules, which resulted into violation of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

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

1.3.1.11 Overpayment Due to Excess of Quantity -Rs 2.420 Million

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

Chief Municipal Officer, Municipal Committee, Lakki Marwat during 2013-15 awarded works "Installation of P/Pumps 6" dia at different locations in Lakki Marwat" to Contractor Hadi Zabih. Payment was made to contractors in excess of quantity executed on site (as is evident from the Handing taking over report). Further during physical verification of the sites the owners also confirms the plea of the audit, which resulted in overpayment of Rs 2,419,564 which needs recovery.

Overpayment was occurred due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of overpaid amount.

AP 59 (2014-15)

1.3.1.12 Overpayment Due to Inadmissible Cost Factor -Rs 2.222 Million

Para-220 of CPWA Code requires the payment for work done duly measured in accordance with rates, quantity and quality approved in the T.S.

Chief Municipal Officer, Municipal Committee, Lakki Marwat during 2014-15 Paid Rs 46,662,000 on account of execution of different work including cost factor which was not admissible in MRS 2013. Payment of cost factor without authorization is held as irregular, which resulted into overpayment of Rs 2,221,998. Detail is given below.

Name of schemes	Expenditure incurred	Cost Factor Paid
Installation of submersible pumps AA No. 3035 dated: 15.05.2014	10,000,000	476,190
Installation of submersible pumps AA No. 2940 dated: 08.04.2014	10,000,000	476,190
Installation of submersible pumps AA No. 3169 dated: 20.05.2014	6,662,000	317,238
Installation of submersible pumps AA No. 1551 dated: 09.04.2014	10,000,000	476,190
Installation of submersible pumps AA No. 3346 dated: 20.06.2014	10,000,000	476,190
Total	46,662,000	2,221,998

Overpayment was occurred due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of overpaid amount.

AP 68 (2014-15)

1.3.1.13 Non Recovery of Departmental Dues - Rs 1.535 Million

Para 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.

Chief Municipal Officer, Municipal Committee, Lakki Marwat during 2014-15 failed to recover arrears outstanding against various contracts of sale by auction. Detail is given below.

Sr. No.	Name of Contractor	Description of Tax	Period	Amount Outstanding
1	Muhammad Riaz	Water rate	2014-15	392,000
2	Muhammad Riaz	Entry Fee	2014-15	724,000
3	Muhammad Riaz	The Bazari	2014-15	55,000
4	Qudrat Ullah	Rickshaw Fee	2014-15	280,000
5	Misbahuddin	Building Plan	2014-15	84,400
		Total		1,535,400

Non recovery of departmental dues was occurred due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends deposit of income tax and action against the person (s) at fault.

AP 53 (2014-15)

1.3.1.14 Overpayment on Account Of Excess Quantity - Rs1.180 Million

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

Chief Municipal Officer Municipal Committee Lakki Marwat during 2014-15 awarded works "Installation of P/Pumps 6" dia at different locations in Lakki Marwat" to Contractor. Payment was made to contractors in excess of quantity executed on site, which resulted in overpayment of Rs 1,180,074.

Overpayment was occurred due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

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

AP 63 (2014-15)

1.3.1.15 Loss to Federal Government Due to Non Recovery Of Income Tax - Rs 1.170 Million

Section 236 (A) of the Income Tax Ordinance 2001 requires the recovery of Advance Income Tax at time of sale by auction @ 10% of the bid amount during 2013-14 and 2014-15. Further Government of Pakistan Federal Board of Revenue vide letter No C No 4 (36) ITP / 2013 dated 19.07.2013 states that the rate of collection of income tax under section 236 (A) has been increased from 5% to 10%.

Chief Municipal Officer, Municipal Committee, Lakki Marwat during 2014-15 awarded different contracts to various contractors valuing 11.704 million. Advance Income Tax @ 10% was required to be recovered, which was not done and the government was put to loss of Rs 1,170,411. Detail is given below.

Sr. No.	Name of Contract	Bid Amount 2014-15 (Rs)	Income Tax @ 10% (Rs)
1	2% Property Tax	1,720,000	172,000
2	Water rate	1,100,000	110,000
3	Entry Fees	1,900,000	190,000
4	Tehbazari	203,000	20,300
5	Rickshaw Fee	135,000	13,500
6	Building Plan	125,000	12,500
7	Bus Stand	2,670,000	267,000
8	Sign board	240,000	24,000
9	Cattle Fair Lakki	3,611,115	361,111
	Total	11,704,115	1,170,411

Non recovery of income tax was occurred due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends deposit of income tax and action against the person (s) at fault.

AP 49 (2014-15)

1.3.1.16 Unauthorized Payment of Rs 1.118 Million on Account of Salaries For Absent Period

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

Chief Municipal Officer, Municipal Committee Lakki Marwat during 2014-15 paid Rs 1,118,412 to different employees on account of pay & allowances. The employees remained absent without sanction of leave from Competent Authority for several months but instead of taking action for willful absence pay and allowance were regularly paid to them.

Payment was made due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

The matter is therefore reported for recovering the amount and initiating disciplinary action against the official besides fixing responsibility on the person(s) for drawl of salary.

AP 73 (2014-15)

1.3.1.17 Unauthorized Payment of Rs 1.089 Million Resulting Extra Expenditure -Rs- 251,691

Para 56 of CPWD Code, if subsequent to the grant of technical sanction, material structural alterations are contemplated, orders of the original sanctioning authority should be obtained, even though no additional expenditure may be involved by the alterations.

Name of Work: Installation of P/Pumps 6” dia at Area Lakki Marwat

Estimated value: Rs 10.000 million
Name of contractor: Hadi Zabih

Chief Municipal Officer, Municipal Committee Lakki Marwat during 2014-15 paid Rs 1,089,329. A comparison of the payment with BOQ revealed that item of work "Installation of 3" dia PVC Pipe @ Rs 460.85 per meter was approved whereas per final bill item of work "Installation of 4" dia PVC Pipe was executed in 13 number p/pumps. Further, no TS was accorded for the same up to the last date of audit. Execution of item not provided in PC-I/BOQ resulted in extra expenditure of Rs 251,691 as per detail given below, which needs recovery.

Item of work approved	Item of work executed	Variation in Rate	Quantity	Excess Payment
PVC 3" dia	PVC 4" dia	228.81	1100	251,691

Overpayment occurred due to non compliance of rules.

When reported in August 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

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

AP 64 (2014-15)

DISTRICT COUNCIL LAKKI MARWAT

1.4 District Council Lakki Marwat

1.4.1 Irregularity & Non Compliance

1.4.1.1 Loss to District Council - Rs 28.960 Million

Sr. No. 29(5) of Khyber Pakhtunkhwa PPRA rules 2003, states that if the tenderer whose tender has been accepted fails to sign the contract, or fails to provide any security for the performance of the contract, the entity shall order the forfeiture of earnest money and shall give order of acceptance to second lowest , or in case of the 2nd bidder to the third lowest bidder and so on, on the same term of forfeiture of earnest money.

Chief Coordination Officer, District Council, Lakki Marwat during 2014-15 awarded Cattle fair Tajori to contractor Khan Badshah for Rs 540,000 instead of second highest bidder of Rs 29,500,000 after rejection of first highest bidder of Rs 30,000,000.

Loss was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of loss.

AP 04 (2014-15)

1.4.1.2 Irregular & Unauthorized Payment of Loan To Municipal Committee Lakki Marwat Rs- 15 Million

Para-23 of GFR Vol-I, every Government Officer should realize fully and clearly that he would be personally responsible for any loss sustained by Government to fraud or negligence on his part or on the part of his subordinate. Further as general rule no authority may incur any expenditure until the expenditure has been sanctioned by an authority to which power has been duly delegated in this behalf and the expenditure has been provided in the authorized grants and appropriations for the year according to the Para 9 of GFR Vol-I.

During the course of audit of the CCO District Council Lakki Marwat for the year 2014-15, it came to notice that Secretary Local council Board , Peshawar vide letter no. AO/LCB/Grant/DCs-MC/2014 dated 17 .07.2014, directed District Council Lakki Marwat to release an amount of Rs.15 million to MC Lakki Marwat, for payment of Salaries / Pension on loan basis out of local fund of the District council,without prior consultation regarding the availability of fund from District council.

In response to the LCB letter, District council vide letter no1121/DC/LM dated 17-17-2014, CCO informed LCB about non availability of funds in local fund except Rs.31.835 million, which is lying in PLA for development activities.

1. District council paid Rs 15 million out of PLA, which is meant for already approved developmental schemes, without the approval of competent authority. The developmental fund is meant for developmental activities not for salaries / pension purpose, beside this community were deprived from the developmental benefits.
2. Funds were provided on loan basis, whereas the loan was not refunded till the last date of audit i.e31.07.2015
3. Rs 9.8 million loan was provided in August 2013, out of which Rs. 3.8 million reimbursed and Rs. 6.0 million still remaining.
4. No provisions were made in the Budget of District Council Lakki Marwat for the said loan.

Loss was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of loss.

AP 20(2014-15)

1.4.1.3 Irregular Award of Contract Rs. 4.77 Million

No work should be commenced or liability incurred in connection with it until technical sanctions have been obtained from competent authority as per para 178 of GFR Vol-I read with para 56 of CPWD Code and para 2.4 of B&R Department Code. Further condition No.4 of the percentage rate of tender and contract for work guide line states that “any person who submits a tender shall fill up the usual printed form.”

During test audit of the accounts record of CCO District council Lakki Marwat for the year 2014-15, it was observed that contract, construction of protection bund & shingle road in Pk74 was awarded to one Mr.Usman. The irregularities noticed are as below.

1. Technical sanctions was not obtained and execution of work without obtaining technical sanctions was not authorized and resulted into irregular expenditure. It was further noticed that as a matter of practice the local office first executes the works as per their wishes and then submits cases of obtaining technical sanctions from competent authority. In such a situation the authority according technical sanctions has no option except to accept the proposed estimates as per actual work done and executed according to the wishes of the contractors and the local office.
2. The contractor was required to be registered under the category CE01, but the contractor is registered under the category CE10, therefore the contract to Mr. Usman should not be awarded.
3. Blank tender form was submitted by various contractors which is a serious irregularity on the part of District council.

4. Completion certificate not signed by the CCO.

Loss was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of loss.

AP 12 (2014-15)

1.4.1.4 Irregular Award of Contract Rs. 4.77 Million

No work should be commenced or liability incurred in connection with it until technical sanctions have been obtained from competent authority as per para 178 of GFR Vol-I read with para 56 of CPWD Code and para 2.4 of B&R Department Code. Further clause No.2 of the condition of the contract of percentage rate tender and contract for work guide line states if the work not completed within the stipulated period, then penalty of 1 % per day up to 10 % of the estimated cost will be imposed by the competent authority.

During test audit of the accounts record of CCO District council Lakki Marwat for the year 2014-15, it was observed that “contract installation of P.Pump in PK-75, was awarded to one Mr.Shahnawaz. The irregularities noticed are as below.

1. As per work order no.186/DC/LM dated 23-01-2014 s.no. 7 states that time allowed for completion of the work was 30-06-2015, but the work was not completed till the date of audit i.e. i.e 31-07-2015. Penalty at the rate of 10 % was required as 530,000/(5300000x10%)
2. Technical sanctions was not obtained and execution of work without obtaining technical sanctions was not authorized and resulted into

irregular expenditure. It was further noticed that as a matter of practice the local office first executes the works as per their wishes and then submits cases of obtaining technical sanctions from competent authority. In such a situation the authority according technical sanctions has no option except to accept the proposed estimates as per actual work done and executed according to the wishes of the contractors and the local office.

3. Blank tender form was submitted by various contractors which is a serious irregularity on the part of District council.
4. Rate analysis of the non-schedule items were not made, due to which economical rates not obtained from the market.

Loss was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of loss.

AP 15(2014-15)

1.4.1.5 Irregular Award of Contract -Rs. 4.77 Million

No work should be commenced or liability incurred in connection with it until technical sanctions have been obtained from competent authority as per para 178 of GFR Vol-I read with para 56 of CPWD Code and para 2.4 of B&R Department Code. Further clause no.2 of the condition of the contract of percentage rate tender and contract for work guide line states if the work not completed within the stipulated period, then penalty of 1 % per day up to 10 % of the estimated cost will be imposed by the district council.

During test audit of the accounts record of CCO District council Lakki Marwat for the year 2014-15, it was observed that contract water supply and sanitation scheme in pk-76, was awarded to Ahmad khel construction. The irregularities noticed are as below.

1. As per work order no.189/DC/LM dated 23-01-2014 s.no. 7 states that time allowed for completion of the work is 30-06-2015 , but the work was not completed till the date of audit i.e 31-07-2015. Penalty at the rate 10 % was required as 530,000/ (5,300,000x10%)
2. Technical sanctions was not obtained and execution of work without obtaining technical sanctions was not authorized and resulted into irregular expenditure. It was further noticed that as a matter of practice the local office first executes the works as per their wishes and then submits cases of obtaining technical sanctions from competent authority. In such a situation the authority according technical sanctions has no option except to accept the proposed estimates as per actual work done and executed according to the wishes of the contractors and the local office.
3. Blank tender form was submitted by various contractors which is a serious irregularity on the part of District council.
4. Rate analysis of the non-schedule items were not made , due to which economical rates not obtained from the market.

Loss was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of loss.

AP 16 (2014-15)

1.4.1.6 Irregular Award of Contract - Rs. 3.42 Million

No work should be commenced or liability incurred in connection with it until technical sanctions have been obtained from competent authority as per para 178 of GFR Vol-I read with para 56 of CPWD Code and para 2.4 of B&R Department Code. Further clause no.2 of the condition of the contract of percentage rate tender and contract for work guide line states if the work is not

completed within the stipulated period, then penalty of 1 % per day up to maximum of 10 % of the estimated cost will be imposed by the district council on the contractor.

During test audit of the accounts record of CCO District council Lakki Marwat for the year 2014-15, it was observed that contract “Installation of tube well Kotka Khan Bahadur , Naurang”, was awarded to Sher Ali & Sons. The irregularities noticed were as under.

1. As per work order No.192/DC/LM dated 23-01-2014 S.No. 7 states that time allowed for completion of the work was 30-06-2015 , but the work was not completed till the date of audit i.e 31-07-2015. Penalty at the rate 10 % amounting to Rs. 380,000/(=3,800,000x10%) was required to be imposed.
2. Technical sanctions was not obtained and execution of work without obtaining technical sanctions was not authorized and resulted into irregular expenditure. It was further noticed that as a matter of practice the local office first executes the works as per their wishes and then submits cases of obtaining technical sanctions from competent authority. In such a situation the authority according technical sanctions has no option except to accept the proposed estimates as per actual work done and executed according to the wishes of the contractors and the local office.
3. Blank tender form was submitted by various contractors which is a serious irregularity on the part of District council.
4. Rate analysis of the non-schedule items were not made , due to which economical rates not obtained from the market.
5. The scheme was executed within the jurisdiction of M.C. serai naurang, which needs justification.

Loss was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of loss.

AP 18(2014-15)

1.4.1.7 Loss Due to Non-Engaging of DC Staff Rs- 3.186 Million

Sr. No x of model term and conditions circulated vide Government of KPK LG & RDD Local Council Board letter No. AO-II/LCB/6-11/2013 dated: 20.12.2013, that at the time of execution of contract with the contractor the name and designation of the staff, be clearly mentioned. The contractor is bound to engage Municipal committee staff and the contractor shall not be authorized to appoint private staff. Further the contract shall be bound to pay all dues i.e. pay and allowances, leave salary, pension contribution at 33% etc.

CCO DC Lakki Marwat awarded following contracts to various contractors during 2014-15. As per Model Terms and condition the contractor is bound to engage DC Staff and the contractor shall not be authorized to appoint private staff. Further the contractor shall be bound to pay all dues i.e. pay and allowances, leave salary, pension contribution etc. In violation of above CCO DC did not engage the DC Staff in to the contract, due to which District Council was put to loss of Rs 3.186 million as per detail given below.

Sr. No.	Name of Contract	Number Employees to be Engaged 2014-15	Salaries	Pension Contribution (BPS-07) (5800-320-15400)
1.	2% Property Tax	2	624,000	84,000
2.	Cattle Fair Pezu	3	936,000	126,000
3.	Lorry Adda Pezu	2	624,000	84,000
4.	Lorry Adda Tajazai	2	624,000	84,000
		Total	2,808,000	378,000
		Grand Total	3,186,000	

The matter is reported for necessary action.

Loss was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of loss.

AP 07(2014-15)

1.4.1.8 Non Recovery of Outstanding Dues – Rs 2.220 million

S. No.4 and 4(a) of Model terms and conditions for the contract 2014-15 states that 5 % security will be released after 30-06-2015 if all dues are cleared. The successful bidder is required to deposit 15 % of the value of contract in advance which will be adjusted by the council in the last/final installment.

Chief Coordination Officer, District Council, Lakki Marwat during 2014-15 failed to recover the amount outstanding against various contractors.

Sr. No.	Name of Contract	Name of Contractor	Bid Amount	Total outstanding
1	Larry Adda Malang	Mir Baz Khan	247,000	81,300
2	Larry Adda Tajori	Imran Ullah	383,000	126,500
3	Larri Adda Shahbaz Khel	Naimat Ullah	235,000	5,000
4	Larri Adda Gambila	Nawab Khan	282,000	59,000
5	Cattle Fair Tajori	Khan Badshah	54,000	22,000
6	Lorry Adda Tajazai	Haleem Shah	3,017,000	738,600
7	Larry Adda Gandhi Chowk	Hayat Ullah Jan	440,000	3,000
8	Larry Adda Pezu	Mohammad Riaz	2,391,000	1,185,800
	Total		7,049,000	2,221,200

Non recovery was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

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

AP 02 (2014-15)

1.4.1.9 Non Recovery of Rent of Shops – Rs 1.966 Million

Each administrative department has to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury vide Para 8 and 26 of GFR Vol-I.

Chief Coordination Officer , District Council, Lakki Marwat during 2014-15 failed to recover rent of shops worth Rs 1,966,176 of 117 no shops located in commercial area of Serai Naurang.

Non recovery was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

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

AP 26 (2014-15)

1.4.1.10 Loss to District Council - Rs 1.808 Million

As per model terms and conditions 2014-15 issued by Local Council Board Peshawar, there is no such condition available for providing Ground / Ground Rent to Cattle fair and larry Adda by District Council. Further Para 10 of GFR Vol-I lays that, "Every Public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money."

Chief Coordination Officer, District Council, Lakki Marwat during 2014-15 allowed ground rent to the contractors without the approval of LCB as per details given as under:

S.No.	Name of Contract	% of Bid Amount	Ground Rent
1	Larry Adda Tajazai	20 % of 3017000	603400
2	Cattle Fair Pezu	10 % of 6720000	672000
3	Cattle fair Tajori	10 % of 540000	54000
4	Larry Adda Pezu	20 % of 2391000	478200
			1,807,600

Non recovery was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

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

AP 02 (2014-15)

1.4.1.11 Non-deduction on account of Group Insurance/Benevolent Fund and Provident Fund-Rs 1.764 Million

Section 74 (4) and 5(c) of Government of Khyber Pakhtunkhwa Local Government Act 2012 states that a local council may operate a schemes of Group insurance and benevolent fund and require its servants to subscribe to it. Further Section 74 (1) of Government of Khyber Pakhtunkhwa Local Government Act

2012 states that a local council may establish and maintain a provident fund and required its servants to contribute to such fund.

Contrary to the above the CCO District Council Lakki Marwat during 2014-15 did not deduct compulsory Group insurance, benevolent fund and General Provident Fund from its employees valuing Rs 1,763,880, which resulted into non-compliance of rules.

1.4.1.12 Loss to District Council – Rs 1.656 Million

Each administrative department has to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury vide Para 8 and 26 of GFR Vol-I.

Chief Coordination Officer, District Council, Lakki Marwat during 2014-15, rented out 218 number shops located at Serai Naurang on very minor rent of Rs 367 per month. These shops are located in the main market, the market rate of these shops ranging from Rs 2,000 to Rs 5,000 per month. If the monthly rent of each shop is fixed at minimum level of Rs 1,000 per month then the receipt of 218 number shops will be Rs 2,616,000 per year instead of Rs 960,072 and a result the local council was put to a loss of 1,655,928 per year.

Loss was occurred due to non compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 26.08.2015, which could not be convened till finalization of this report.

Audit recommends inquiry in to matter and action against the person (s) at fault besides recovery of loss.

AP 78 (2014-15)

1.4.1.13 Loss Due to Non-Recovery of Penalty – Rs 1.138 Million

Sr. No iv (b) of model term and conditions circulated vide Government of KPK LG & RDD Local Council Board letter No. AO-II/LCB/6-11/2013 dated: 20.12.2013, the contractor is bound to deposit the monthly installment up to end of each month. If the contractor fails to deposit the monthly installments with in stipulated period of time, then penalty of 1% per days will be charged on amount of installment.”

Chief Coordination Officer, District Council Lakki Marwat during 2014-15 awarded different contracts to contractors. According to condition contractors were bound to deposit monthly installments up to end of each month. However the contractors failed to deposit the amount of monthly installments with in stipulated period of time. As per condition of the agreement DC was required to penalize the contractor @ 1% per day which action was not taken, and the DC was put to loss of Rs 1,137,504.

Loss occurred due to non-compliance of rules.

When reported in July 2015, management replied that detailed reply would be submitted after consultation of record. However, no reply was received till finalization of this report.

Request for convening of DAC meeting made on 31.07.2015, but no response was received from the Principal Accounting Officer, as a result DAC meeting could not be convened till finalization of this report in November 2015.

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

AP 22 (2014-15)

1.4.1.14 Irregular Expenditure- Rs 1.00 million

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

CCO District Council Lakki Marwat during 2014-15 approved Rs 1,500,000 for repair & improvement of Deputy Commissioner office building. The following irregularities were noticed:-

1. Nine number schemes were advertised in the local newspaper dated 01-01-2015. The subject tender was cancelled by the Secretary LCB on the direction of worthy Chief Minister. Out of ten number schemes, the scheme named repair & improvement of Deputy Commissioner office building was executed without the approval of LCB.
2. No original work out of M&R work is allowed but contrary to the above, Rs. 1005241/- were expended on construction of main building.
3. The work was required to be completed till 30-06-2015, but the work was not completed till the date of audit 31-07-2015. Penalty at the rate 10 % was required as 150,000 (1,500,000x10%)
4. The work was required to be executed by the C & W department, as the M &R of the office buildings is the responsibility of the C & W Department for which regular fund is provided by the provisional Government.
5. Tender form/ BOQ of unsuccessful bidders were defective/doubtful due to the reason that cutting / overwriting was made and the signatures of the contractors are not tally with each other.
6. Certificate issued by the District council, that the scheme is community oriented, needs justification.

ANNEXURES

Annex – 1 (Para # 1.3.1.6)

Detail of MFDAC PARAS

(Rs in million)

S. No	AP No	Department	Caption	Amount
1.	1	District Council Lakki	Loss to Government	0.719
2.	3		Loss to District Council	0.855
3.	5		Loss to District Council	0.094
4.	8		Loss to District Council	0.105
5.	9		Non deduction of Income tax	0.060
6.	10		Overpayment	0.184
7.	11		Non depositing of Income tax	0.091
8.	13		Overpayment	0.109
9.	14		Overpayment	0.920
10.	17		Overpayment	0.098
11.	19		Overpayment	0.300
12.	21		Irregular expenditure	0.250
13.	23 & 24		Non deduction of compulsory funds	1.764
14.	25		Irregular expenditure	1.000
15.	27	MC Serai Nourang	Loss to Local Council	0.309
16.	29		Loss due to non forfeiture	0.410
17.	31		Non recovery of departmental dues	0.458
18.	33		Irregular and doubtful expenditure	0.632
19.	34		Loss to MC	0.115
20.	37		Irregular expenditure	0.102
21.	38		Unauthentic drawl	0.077
22.	39		Irregular expenditure	0.459
23.	40		Loss due to Non-engaging Staff	2.256
24.	41		Non surrendering of saving	5.191
31.	42		Non Deposit of Income Tax	0.806
32.	43		Loss to Government	0.070
33.	44		Improper maintenance of cash book	0.526
34.	45		Non deduction of Income Tax	0.033

35.	46 47		Non deduction of compulsory provident fund, GI and Benevolent fund	1.158
36.	51	MC Lakki	Non recovery of rent of shops	0.801
37.	60		Overpayment due to inadmissible rates	0.119
38.	61		Overpayment due to inadmissible rates	0.180
39.	66		Overpayment due to inadmissible quantities	0.323
40.	72		Unauthorized up-gradation of posts	0.570
41.	74 & 75		Non deduction of compulsory funds	3.729

Annex – 2

Detail of Overpayment

Sr. No.	Item of Work	MRS 2013 Rate Per Meter	Rate Offered	Rate Paid Per Meter	Difference	Quantity	Amount
1.	P/L 4" dia G. I. Pipe	2,338.05	2,218.34	2,250	31.66	1950	61,737
2.	P/L 2" dia G. I. Pipe	818.46	776.55	933	156.45	1400	219,030
3.	Granular Sub Base	1,065.20	1,044.55	1,065.23	20.68	1743.14	36,048
4.	Aggregate Base Course	2,125.70	2,084.46	2,125.73	41.27	1122.72	46,335
5.	Asphalt	616.83	604.86	1,000	395.14	7183.83	2,838,619
6.	Granular Sub Base	1,065.20	1,044.55	1,070	25.45	435.29	11,078
7.	Mobilization	30,250	25,352.53	30,251	4,898.47	1	4,898
8.	Rotary Drilling	3,558.54	2982.41	3,825	842.59	76.19	64,197
9.	Rotary Drilling	4,448.18	3,728.01	4,675	946.98	114.19	108,136
10.	Excavation	109.48	91.76	109	17.24	1427.7	24,591
11.	PCC (1:4:8)	3,685.90	3,089.15	3,679.68	590.53	257.04	151,790
12.	PCC (1:3:6)	5,603.70	4,696.46	4,969.09	272.63	4169.79	1,136,810
13.	PVC Pipe 4" dia	562.63	526.62	1,100	573.38	1252.67	718,256
14.	Bail Plug	500	468	1500	1,032	15	15,480
15.	Shrouding	65.60	61.40	400	338.60	1108.50	375,372
16.	Steel rope	45.92	42.98	150	107.02	969.22	103,726
17.	Dry Brick Work	690.27	646.09	690.27	44.18	2079.59	91,876
18.	Earth filling	278.91	261.06	278.91	17.85	316.76	5,654
						Total	6,013,633