



**AUDIT REPORT  
ON THE ACCOUNTS OF  
TEHSIL MUNICIPAL ADMINISTRATIONS  
IN DISTRICT DERA ISMAIL KHAN**

**KHYBER PAKHTUNKHWA**

**AUDIT YEAR 2016-17**

**AUDITOR GENERAL OF PAKISTAN**

## TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS .....	i
PREFACE .....	ii
EXECUTIVE SUMMARY .....	iii
I: Audit Work Statistics.....	vi
II: Audit observation classified by catagories.....	vi
III: Outcome Statistics .....	vii
IV: Irregularities pointed out .....	vii
V: Cost-Benefit Ratio.....	vii
CHAPTER 1.....	1
1.1 Tehsil Muniscipal Administration in District D I Khan .....	1
1.1.1 Introduction.....	1
1.1.2 Brief comments on Budget and Expenditure (Variance Analysis).....	1
1.1.3 Comments on the status of compliance with ZAC / PAC Directives.....	2
1.2 AUDIT PARAS, TEHSIL MUNCIPAL ADMINISTRATION D.I.KHAN .....	4
1.2.1 Irregularity& Non-compliance.....	4
1.2.2 Internal Control Weaknesses .....	8
1.3 AUDIT PARAS, TEHSIL MUNCIPAL ADMINISTRATION KULACHI .....	13
1.3.1 Non Production of record .....	14
1.3.2 Irregularity and Non-Compliance .....	15
1.4 AUDIT PARAS, TEHSIL MUNCIPAL ADMINISTRATION PAHARPUR.....	26
1.4.1 Non Production of Record.....	26
1.4.2 Internal Control Weaknesses.....	27
1.5 AUDIT PARAS TEHSIL MUNCIPAL ADMINISTRATION PAROA.....	31
1.5.1 Non Production of Record .....	31
1.5.2 Irregularity & Non compliance.....	32
1.5.3 Internal Control Weakness.....	35
Annexure-1 MFDAC.....	37
Annexure-2 Detail of schemes executed without Technical Sanction.....	38
Annexure-3 Statement showing detail of non-production of record.....	39
Annexure-4 Statement showing detail of schemes executed without TS.....	41
Annexure-5 Statement showing detail of Provincial Sales Tax on Services.....	42
Annexure-6 Detail of schemes executed without technical sanction.....	43

## ABBREVIATIONS AND ACRONYMS

AP	Advance Para
ADP	Annual Development Plan
AD LGE&RDD	Assistant Director Local Government, Election & Rural Development Department
AOM&R	Annual Ordinary Maintenance and Repair
CCO	Chief Coordination Officer
CMO	Chief Municipal Officer
CMD	Chief Minister Directive
DAC	Departmental Accounts Committee
DG	Director General
GFR	General Financial Rules
FBR	Federal Board of Revenue
MB	Measurement Book
MPA	Member Provincial Assembly
NC	Neighborhood Council
PC-I	Planning Commission Proforma
RDA	Regional Directorate of Audit
TMA	Tehsil Municipal Administration
TS	Technical Sanction
VC	Village Council

## **Preface**

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

The report is based on audit of the accounts of TMAs in District D.I.Khan for the financial year 2015-16. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit on test check basis during 2016-17 with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings. Relatively less significant issues are listed in the Annex-1 of the Audit Report. The Audit observations listed in the Annex-1 shall be pursued with the Principal Accounting Officer at the DAC level. In all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of 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 in the light of written replies of the Department. However, in some observations, Department did not submit written replies. DAC meetings were not convened despite repeated requests.

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

Islamabad  
Dated:

**(Javaid Jehangir)**  
**Auditor General of Pakistan**

## EXECUTIVE SUMMARY

The Director General Audit, District Governments, Khyber Pakhtunkhwa carries out the audit of all Tehsil Municipal Administrations and Town Municipal Administrations. The Regional Directorate of Audit D.I.Khan, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carried out the audit of two District Governments, five TMAs and VCs / NCs of two Districts i.e D.I.Khan and Tank.

The Regional Directorate Audit, D.I.Khan has a human resource of 07 officers and staff with a total of 1757 mandays. The annual budget amounting to Rs 10.172 million was allocated to the RDA during financial year 2016-17. The Directorate is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programmes and projects.

Tehsil Municipal Administrations in District D.I.Khan perform their functions under Khyber Pakhtunkhwa Local Government Act 2013. Each TMA has one Principal Accounting Officer (PAO) as provided in Rule 8(1P) of the Khyber Pakhtunkhwa Tehsil and Municipal Administration Rules of Business 2015. Financial provisions of the Act establish a Local Fund for each Tehsil and Town Administrations for which Annual Budget Statement is authorized by the Tehsil / Town Council in the form of budgetary grants.

### **a. Scope of Audit**

The total expenditure of Tehsil Municipal Administrations in District D.I.Khan for the financial year 2015-16 was Rs 1,090.918 million. RDA D.I.Khan audited the total expenditure of Rs 818.188 million which, in terms of percentage, was 75 % of auditable expenditure.

The total of receipts of Tehsil Municipal Administrations in District D.I.Khan for the financial year 2015-16 were Rs 604.858 million. Out of this, RDA D.I.Khan audited receipts of Rs 423.400 million which, in terms of percentage, was 70% of auditable receipts.

The total of expenditure and receipts of Tehsil Municipal Administrations in District D.I.Khan for the financial year 2015-16 were Rs 1,695.776 million.

Out of this, RDA D.I.Khan audited transactions of Rs 1,241.588 million which, in term of percentage, was 73% of auditable amount.

**b. Recoveries at the instance of audit**

Recovery of Rs.79.213 million was pointed out during the audit. However, no recoveries were affected till the finalization of this report. Out of the total recoveries, Rs.45.206 was not in the notice of the executive prior to audit.

**c. Audit Methodology**

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

**d. Audit Impact**

Audit pointed out various irregularities of serious nature besides cases related to weak internal control to which management has been sensitized. In certain cases management has taken action which may further be verified. However, no impact was visible as the management failed to reply and 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.

Another basic component of Internal Control, as envisaged under Section 37(4) of LGA 2013, is internal audit which was not found in place in the domain of TMAs.

**f. Key audit findings of the report;**

- i. Non Production of Record was noticed in three cases amounting to Rs.49.957 million.<sup>1</sup>
- ii. Irregularity & non compliance were noticed in eighteen cases amounting to Rs.297.956 million.<sup>2</sup>
- iii. Internal Control weaknesses were noticed in ten cases amounting to Rs 114.905 million.<sup>3</sup>

**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 Municipal Committees/District Council need to strengthen internal controls.

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1 Para 1.3.1.1, 1.4.1.1, 1.5.1.1

2 Para 1.2.1.1, 1.2.1.2, 1.2.1.3, 1.2.1.4, 1.3.2.1, 1.3.2.2, 1.3.2.3, 1.3.2.4, 1.3.2.5, 1.3.2.6, 1.3.2.7, 1.3.2.8, 1.3.2.9, 1.4.2.1, 1.4.2.2, 1.5.2.1, 1.5.2.2, 1.5.2.3

3 Para 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4, 1.2.2.5, 1.4.2.1, 1.4.2.2, 1.5.3.1, 1.5.3.2

## SUMMARY TABLES & CHARTS

### I: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	05	1,695.776
2	Total formations in audit jurisdiction	05	1,695.776
3	Total Entities(PAO) Audited	05	1,241.588
4	Total formations Audited	05	1,241.588
5	Audit & Inspection Reports	05	1,241.588
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

### II: Audit Observations classified by categories

(Rs in million)

S. No	Description	Amount Placed under Audit Observation
1	Unsound asset Management	-
2	Weak Financial Management	297.956
3	Weak Internal controls relating to Financial Management	114.905
4	Others	49.957
	<b>Total</b>	<b>462.818</b>



**III: Outcome Statistics****(Rs in million)**

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total for the year 2015-16	Total for the year 2014-15
1	Outlays Audited	-	480.250	423.40	337.938	1,241.588	464.504
2	Amount Placed under Audit Observations/ Irregularities of Audit	-	339.863	58.130	64.825	462.818	410.76
3	Recoveries Reported at the instance of Audit	-	45.236	-	33.977	79.213	39.413
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

Note: The outcome figures reported for the year 2014-15 pertain to the Two Tehsil Municipal Committees audited last year. Since PAOs are the same therefore, these amounts have been included here to show cumulative effect against the PAOs.

**IV: Table of Irregularities reported****(Rs in million)**

<b>S. No.</b>	<b>Description</b>	<b>Amount Placed under Audit Observations</b>
1	Violation of Rules and regulations, principle of propriety and probity in public operation	333.648
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.	79.213
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies.	-
6	Non-production of record	49.957
7	Others, including cases of accidents, negligence etc.	-
	<b>Total</b>	<b>462.818</b>

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

<b>Sr. No.</b>	<b>Description</b>	<b>Amount</b>
1	Outlays Audited (Item 1 of Table 3)	1,241.588
2	Expenditure on Audit (TA/DA)	0.143
3	Recoveries realized at the instance of audit	0
4	Cost – Benefit Ratio	1:0

## **CHAPTER-1**

### **1.1 Tehsil Municipal Administrations in District D.I.Khan.**

#### **1.1.1 Introduction**

District D.I.Khan has five Tehsils i.e. D.I.Khan, Kulachi, Paharpur, Prova & Daraban. Each Tehsil Municipal Office is managed by Tehsil Municipal Officer. Each Tehsil Municipal Office has its own Tehsil Officer (Finance), Tehsil Officer (Infrastructure) and Tehsil Officer (Regulation). The functions and powers of Tehsil Municipal Administration shall be to;

- Monitor and supervise the performance of functionaries of Government offices located in the Tehsil and prepare spatial plans for the Tehsil including plans for land use and zoning and disseminate these plans for public enquiry;
- Execute and manage development plans for improvement of municipal services and infrastructure;
- Exercise control over land-use, land-subdivision, land development and enforce municipal laws, rules and bye-laws and prevent and remove encroachments;
- Regulate affixing of sign-boards and advertisements;
- Prepare budget, long term and annual municipal development programmes;
- Collect taxes, fines and penalties and organize sports, cultural, recreational events, fairs and shows; organize cattle fairs and cattle markets, co-ordinate and support municipal functions amongst village and neighborhood councils;
- Prepare financial statements and present them for Audit

#### **1.1.2 Comments on Budget and Accounts (Variance Analysis)**

The budget and expenditure position of Tehsil Municipal Administrations in District D.I.Khan for the year 2015-16 is as under:

(Rs in million)

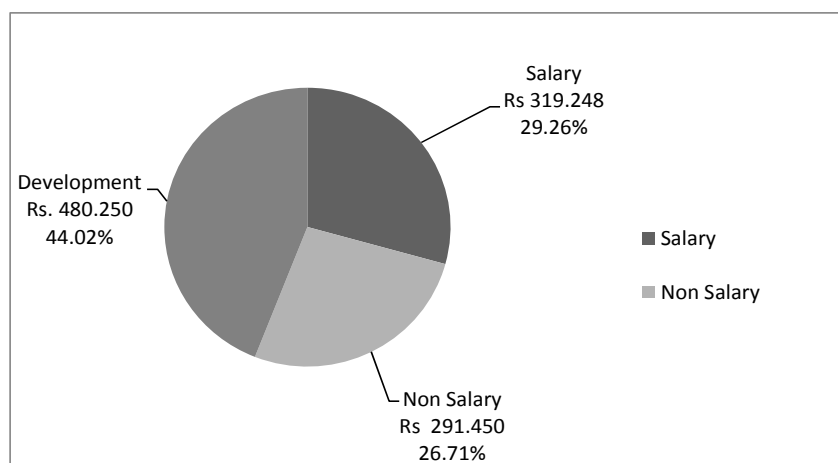
2015-16	Budget	Expenditure	Excess /Saving	%age
Salary	322.10	319.248	(2.852)	1.882
Non-salary	295.32	291.450	(3.87)	0.293
Development	485.50	480.25	(5.25)	1.080
<b>Total</b>	<b>1102.92</b>	<b>1090.948</b>	<b>(11.972)</b>	<b>3.255</b>

2015-16	Budgeted Receipts	Actual Receipts	Variation	% age
Receipts	652.813	604.858	47.955	7.34

The savings of Rs 11.972 million indicates weaknesses in the capacity of these local institutions to utilize the allocated budget.

### EXPENDITURE 2015-16

Rs in million



#### 1.1.3 Brief comments on the status of compliance with PAC Directives

The Audit Reports pertaining to Financial Years 2009-10 to 2014-15 on accounts of Tehsil Municipal Administration/Municipal Committees have not been discussed in PAC/ZAC. The Provincial Assembly Khyber Pakhtunkhwa has returned the Audit Reports during February, 2017 with the remarks that the same may be examined by respective Accounts Committees as provided under Khyber Pakhtunkhwa Local Government Act, 2013.

**TMA D.I.Khan**

**1.2 Tehsil Municipal Administration, D.I.Khan**

**1.2.1 Irregularity and Non-Compliance**

**1.2.1.1 Unauthorized expenditure without Technical Sanction-Rs.40.007 million**

According to Para 178 of GFR Vol-I read with Para 56 of CPWD Code and Para 2.4 of B&R Department Code, no work should be commenced or liability incurred in connection with it until technical sanction has been obtained from competent authority.

Tehsil Municipal Officer, D.I.Khan executed various development schemes amounting to Rs 400,070,000 during 2015-16 but technical sanction was not obtained from the competent authority and thus the expenditure stood unauthorized. Detail is given in Annex-2.

Audit observed that unauthorized expenditure incurred due to non-compliance of rules.

The irregularity was pointed out to the management in January 2017. Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 12-2-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 01 (2015-16)

**1.2.1.2 Un-authorized issuance of 141 Nos. Transformers to a Private Person-Rs.84.73 million**

According to Para-23 of GFR Vol-I, 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 on his or on the part of any other government official.

Tehsil Municipal Officer, D.I.Khan purchased 141 Nos. Transformer by incurring expenditure of Rs 84,730,000 during 2015-16 as per detail given below.

S.No.	Detail of Schemes	Detail of Transformers			Cost (Rs.)
		No. of 200KV	No. of 100KV	No. of 50 KV	
1.	Supply of Emergency Transformers in different UCs of D.I.Khan out of ADP-703 Estimated Cost Rs.50.00 Million	44	29	-	50,000,000
2.	Supply Transformers in PK-64 out of ADP-756 Special Package for Development initiatives in KPK. Estimated Cost Rs.35.00 Million	52	13	03	34,730,000
<b>Total</b>		<b>96</b>	<b>42</b>	<b>03</b>	<b>84,730,000</b>

The local office handed over all the Transformers to a private person Mr. Sana Ullah Khan Advocate Focal Person of city MPA PK-64 irregularly instead of to PESCO, D.I.Khan for installation. The local office neither knew about the sites where the Transformer were installed nor the detail of old Transformers which were replaced. The installation or replacement of Transformers was also not confirmed by the PESCO, D.I.Khan and thus creating a doubt about actual installation of Transformers.

Audit observed that unauthorized issuance of Transformers occurred due to non-compliance of rules.

The irregularity was pointed out to the management in January 2017. Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 12-2-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 03 (2015-16)

### **1.2.1.3 Non-recovery of Auction Money -Rs.4.842 million**

According to Para- 6 of Model Terms & Conditions for Contracts issued by the Local Government Department vide Notification No.AO-II/LCB/6-11/2013 dated 01-06-2013, 2% penalty per day will be liable on contractor/Firm for late deposit of the monthly installment. If the contractor/firm fails to clear dues by 10<sup>th</sup> 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.

Tehsil Municipal Officer, D.I.Khan awarded various contracts for collection of taxes during 2015-16 but some contractors did not deposit the full auction amount up to 30-6-2016. Hence a sum of Rs.4,842,388 was still recoverable as per detail given below.

S.No.	Name of Contract	Amount of auction (Rs.)	Amount Deposited (Rs.)	Balance amount of auction (Rs.)
1.	Cattle Fair Market	13,901,000	12,150,000	1,750,000
2.	General Bus Stand	6,222,222	5,721,556	500,666
3.	MLA Sheikh Yousaf	120,000	103,500	16,500
4.	Sign Board	3,620,000	2,189,600	1,430,400
5.	Fire Wood	706,000	621,363	84,637
6.	Professional License Fee	965,000	369,000	596,000
7.	Motor Vehicle Tax	1,010,000	545,815	464,185
			<b>Total</b>	<b>4,842,388</b>

Audit observed that non recovery of auction money occurred due to non-compliance of rules which resulted in loss to Government.

The irregularity was pointed out to the management in January 2017. Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 12-2-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 10 (2015-16)

#### **1.2.1.4 Non-recovery of provincial sales tax on services-Rs.1.364 million**

According to S.No. 37 of Schedule-II of Khyber Pakhtunkhwa Revenue Authority Finance Act-2013, Sales Tax on Services @ 15% will be recovered from the Legal Practitioners & Consultants.

Tehsil Municipal Officer, D.I.Khan did not recover Provincial Sales Tax amounting to Rs.1,364,162 on account of services provided by the Advocates and Consultants during 2015-16 as per detail given below.



<b>S.No.</b>	<b>Description</b>	<b>Amount Paid (Rs.)</b>	<b>Sales Tax @ 15% (Rs.)</b>
1.	Legal Fee paid to Lawyers	1,171,240	175,686
2.	Allied Engineering Consultants	6,544,627	981,694
3.	MAC Engineering Service	1,378,548	206,782
<b>Total</b>		<b>9,094,415</b>	<b>1,364,162</b>

Audit observed that non recovery of sales tax occurred due to non-compliance of rules which resulted in loss to Government.

The irregularity was pointed out to the management in January 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 12-2-2017. DAC meeting could not be convened till finalization of this Report in June, 2017.

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

AIR Para No. 14 (2015-16)

## 1.2.2 Internal Control Weaknesses

### 1.2.2.1 Non-imposition of Penalty due to late completion of schemes- Rs.26.824 million

According to Clause-2 of the Contract Agreement, the contractor shall pay compensation amount equal to 1% of the estimated cost for every day that work remains incomplete and the entire amount of compensation shall not exceed 10% of estimated cost.

Tehsil Municipal Officer, D.I.Khan did not impose penalty amounting to Rs.26,824,000 on various contractors as the contractors failed to complete the work within stipulated time period. The contractors neither applied for time extension nor any competent authority extended the same. The Consultant of said schemes on various occasions reported their concerns for slow progress of work as only 35% to 45% work was completed despite elapsed of more than six months of expiry of due time. Detail is as under.

S.No.	Name of work	Name of Contractor	Commencement Date	Due date of Completion	Estimated Cost (Rs.)	Penalty @10% (Rs.)	Physical Progress till 29-2-2017
1.	SH: Renovation of roads in D.I.Khan.	M/S Atta Muhammad	31-08-2015	30-8-2016	96,500,000	9,650,000	35 %
2.	SH: Provision of Green Belts in D.I.Khan.	M/S Crown Enterprises	31-08-2015	30-8-2016	63,771,000	6,377,100	40%
3.	SH: Re-Construction of 7 No. old Gates in D.I.Khan.	M/S Muhammad Aslam	31-08-2015	30-8-2016	107,975,000	1,0797,500	45%
<b>Total Penalty</b>						<b>26,824,600</b>	

Audit observed that non recovery of penalty occurred due to weak internal control.

The irregularity was pointed out to the management in January 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 12-2-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 04 (2015-16)

**1.2.2.2 Overpayment due to wrong application of item rate-Rs.16.928 million**

According to Para 2.58 of B&R Code, payment should be made for quantities and rates mentioned in the Bill of Quantity/ Technical Sanction.

Tehsil Municipal Officer, D.I.Khan paid @ Rs.94,400/m<sup>3</sup> & Rs.12,000/m<sup>3</sup> for an items of work “ RCC 1:4:8” & “ RCC 1:2:4” respectively in a works of scheme “ Up-lift & Beautification of Divisional Headquarter in KPK” whereas the contractors agreed to execute the works at par on MRS-2013 in which the rates of said items were available @ Rs.4,860/m<sup>3</sup> & Rs.9,380/m<sup>3</sup> respectively. Due to wrong application of rates, a sum of Rs.16,928,060 was overpaid to the contractors as per detail given below.

Name of Work	Item Name	Rate paid (Rs./m <sup>3</sup> )	Rate as per MRS-2013 (Rs./m <sup>3</sup> )	Quantity Executed (m <sup>3</sup> )	Difference	Overpayment (Rs.)
Re-Construction of 7 No. old Gates in D.I.Khan.	RCC 1:4:8	94,400	4,860	160	89,540	14,326,400
Renovation of roads in D.I.Khan	RCC 1:2:4	12,000	9,380	993	2,620	2,601,660
<b>Total Overpayment</b>						<b>16,928,060</b>

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

The irregularity was pointed out to the management in January 2017, Management did not respond to preliminary audit observation. Request for convening of DAC meeting was made on 12-2-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 05 & 07 (2015-16)

### **1.2.2.3 Loss due to purchase of transformers on higher Rates-Rs.10.192 million**

According to Para-23 of GFR Vol-I, 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 on his or on the part of any other government official.

Tehsil Municipal Officer, D.I.Khan called tender for purchase of 200KV & 100 KV Transformers out of ADP Scheme “ Supply of Transformers in PK-64 under Special Package for Development Initiatives in KPK” during 2015-16. It was noticed that M/S Haji Aurangzeb & Sons offered rate of Rs.399,000 for supply of 200 KV Transformers but rate of Rs.595,000 offered by M/S Fakhar Zaman was accepted and thus a loss of Rs.10,192,000 was put to Government due to ignoring the lowest rate as per detail given below.

<b>Rate offered by M/S Fakhar Zaman (Rs./ Transformer)</b>	<b>Rate offered M/S Haji Aurangzeb &amp; Sons (Rs./ Transformer)</b>	<b>Difference (Rs./ Transformer)</b>	<b>No. of 200 KV Transformers Purchased</b>	<b>Loss (Rs.)</b>
595,000	399,000	196,000	52	10,192,000

Audit observed that loss occurred due to internal control weaknesses, which resulted in loss to Government.

The irregularity was pointed out to the management in January 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 12-2-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 06 (2015-16)

### **1.2.2.4 Doubtful expenditure on repair of transformer-Rs.5.00 Million**

According to Para-23 of GFR Vol-I, 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 on his or on the part of any other government official.

Tehsil Municipal Officer, D.I.Khan shown paid Rs.5,000,000 to M/S Fkhar Zaman for repair of Transformers during 2015-16 which was held doubtful as neither NOC was obtained from PESCO nor the repair work was confirmed by the PESCO, D.I.Khan. Further no detail of parts replaced was available on record and thus creating a doubt about actual repair work.

Audit observed that doubtful expenditure incurred due to internal control weaknesses.

The irregularity was pointed out to the management in January 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 12-2-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 08 (2015-16)

#### **1.2.2.5 Loss due to refusal of contractors-Rs. 5.439 million**

According to Para-26 of Model Terms & Conditions of Contracts issued of Notification No.AO-II/LCB/6-11/2013 dated 20-12-2013; "Contract once awarded to a party shall not be subletted to any other party. If the original contractor is not interested to continue then contract shall be cancelled and re-auctioned at his risk and cost. The agreement shall have to be entered into with the original highest bidder and not with his partner or agent.

Tehsil Municipal Officer, D.I.Khan auctioned contracts of Fire Wood & Sign Board for the year 2015-16 and M/S Muhammad Mushtaq & M/S Ameer Muhammad Khan offered highest bids of Rs.5,275,000 & Rs.4,490,000 respectively. But later on, the said contractors refused to execute the agreements within specified period. The local office re-auctioned the contracts on very low amount which resulted into a loss of Rs.5, 439,000 due to refusal of contractor as per detail given below.

S.No.	Name of Contract	Name of Original Contractor	Highest Bid offered (Rs.)	Re-auctioned Bid (Rs.)	Loss (Rs.)
1.	Fire Wood	M/S Muhammad Mushtaq	5,275,000	706,000	4,569,000
2.	Sign Board	M/S Ameer Muhammad Khan	4,490,000	3,620,000	870,000
<b>Total Loss</b>					<b>5,439,000</b>

Audit observed that loss to Govt. occurred due to internal control weaknesses.

The irregularity was pointed out to the management in January 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 12-2-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 13 (2015-16)

## **TMA KULACHI**

**1.3 Tehsil Municipal Administration, Kulachi**

**1.3.1 Non Production of Record**

**1.3.1.1 Non-Production of record of developmental schemes-Rs.21.435 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 excess to all the books and documents pertaining to the accounts and may also examine any public servant or premises of the Local Government concerned.

Tehsil Municipal Officer, Kulachi did not produce record of developmental schemes of Rs.21,435,974 as per Cash Book payment made during 2015-16. Tender documents, PC-1s, contract agreements, MBs and vouchers were not produced to audit for scrutiny despite repeated requests. Detail is given in Annex-3.

The veracity of expenditure could not be authenticated due to non-production of record.

The irregularity was pointed out to the management in February 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 6-3-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 05 (2015-16)



### **1.3.2 Irregularity and Non-Compliance**

#### **1.3.2.1 Unauthorized expenditure without technical sanction-Rs.70.00 million**

According to Para 178 of GFR Vol-I read with Para 56 of CPWD Code and Para 2.4 of B&R Department Code, no work should be commenced or liability incurred in connection with it until technical sanction has been obtained from competent authority.

Tehsil Municipal Officer, Kulachi executed development schemes amounting to Rs.70,000,000 during 2015-16 but technical sanction was not obtained from the competent authority and thus the whole expenditure stood unauthorized. Detail is given in Annex-4.

Audit observed that unauthorized expenditure occurred due to non-compliance of rules.

The irregularity was pointed out to the management in February 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 6-3-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 01 (2015-16)

#### **1.3.2.2 Non-recovery of provincial sales tax on Services-Rs.10.50 million**

According to Rule at S.No. 26 of Schedule-II of Khyber Pakhtunkhwa Revenue Authority Finance Act-2013, Sales Tax on Services @ 15% will be recovered from the persons engaged in contractual execution of work or furnishing supplies.

Tehsil Municipal Officer, Kulachi paid Rs.70,000,000 to contractors for execution of various developmental schemes during 2015-16 but Provincial Sales Tax on services rendered by the contractors @ 15% amounting to Rs.10,500,000 was not recovered from the contractor. Detail is given in Annex-5.

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

The irregularity was pointed out to the management in February 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 6-3-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 04 (2015-16)

### 1.3.2.3 Fictitious expenditure on installation of submersible/ pressure pumps-Rs.45.00 million

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

According to Administrative Approval accorded by DC, D.I.Khan on 18-02-2016 that TMO, Kulachi strictly ensure Photographs & Visual Videos of existing condition of all sites for record before and after the completion of work.

Tehsil Municipal Officer, Kulachi incurred Rs.45,000,000 on installation of 25 Nos. Submersible & 96 Nos. Pressure Pumps during 2015-16 as per detail given below.

S.No.	Name of work	No. of Submersible Pressure Pumps Installed	Expenditure (Rs.)
1.	Installation of Submersible Pumps in U/C Gara Essa Khan Out of CMD ADP-757/150182 " Priority Projects in KPK	7	7,500,000
2.	Installation of Submersible Pumps in U/C Daraban Out of CMD ADP-757/150182 " Priority Projects in KPK	6	7,500,000
3.	Installation of Submersible Pumps in U/C Bhiki Out of CMD District Development Initiative in KPK ADP-762/150720.	6	7,500,000
4.	Installation of Submersible Pumps in U/C Kirri Shamozaï out of CMD District Development Initiative in KPK ADP-762/150720 .	6	7,500,000
5.	Installation of Pressure Pumps in U/C Musa Zai out of CMD Special Package Development Initiative in KPK (756/150180)	55	7,500,000
6.	Installation of Pressure Pumps in U/C Choudwan out of CMD Special Package Development Initiative in KPK (756/150180)	41	7,500,000
<b>Total</b>			<b>45,000,000</b>

The expenditure, however, seemed fictitious on the following grounds.

- i. Submersible/ Pressure Pumps were installed in the homes of various individuals, not for community of the area which was against the Para 10 (iii) & (iv) of GFR.
- ii. Exact locations of Submersible/ Pressure Pumps were neither mentioned in Administrative Approval nor in PC-I besides MB was also silent about the same.
- iii. In MB, aggregate quantities of drilling, pipes etc. were recorded instead of recording separate measurement of quantities for each Submersible /Pressure Pump.
- iv. Photographs & Visual Videos of existing condition of all sites before and after the completion of work on record were not available on record as ordered by the Deputy Commissioner, D.I.Khan in Administrative Approval.
- v. The Completion Reports placed on record were neither signed by the TMO nor any other responsible officer to verify the installation of Submersible /Pressure Pump.
- vi. The installations of Submersible/ Pressure Pumps were not acknowledged by the people of the area and thus creating a doubt about actual installation at sites.

The irregularity was pointed out to the management in February 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 6-3-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 02 (2015-16)

#### **1.3.2.4 Doubtful & un-transparent tendering process of developmental schemes-Rs.26.500 million**

According to Para-23 of GFR Vol-I, 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 on his or on the part of any other government official.

According to Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA) vide Notification No.SO (FR)/FD/9-7/2013 dated 03-02-2014, all tenders shall be advertised in Print Media, appearing in at least one National English and one Urdu Newspaper with Nationwide circulation along with advertisement the same either on the Procuring Entity or Authority Website.

According to Administrative Approval accorded by Deputy Commissioner, D.I.Khan vide No.875-91/DC/P&D/2014-15 dated 18-06-2015, payment will be made to the concerned after obtaining certificate from the community on Surety Bond by the executing agency.

Tehsil Municipal Officer, Kulachi called tenders for development schemes amounting to Rs.26,500,000 on 11-8-2015 as per detail given below.

S.No.	Name of Scheme	Cost of Scheme (Rs.)
1.	Street Pavement in UC Kulachi Urban & Rural	15,000,000
2.	Purchase of Transformers & Trolley	5,000,000
3.	Street Pavement in Garah Guldad	5,000,000
4.	Repair & maintenance of Damage Transformers'	1,500,000
<b>Total</b>		<b>26,500,000</b>

The tendering process was held doubtful and un-transparent on the following ground.

- i. The NIT was floated in an un-renowned & single Newspaper “ The Frontier Star Peshawar” has no nationwide circulation and thus against the KPPRA Rules.
- ii. Floating of NIT in an un-renowned & single Newspaper resulted into un-transparent and doubtful tendering process as all the contracts were awarded to a single contractor i.e Zam Zam Tube Well & Construction Co.
- iii. Original Administrative Approval accorded by Deputy Commissioner, D.I.Khan was not produced. There were two types of Administrative Approval bearing the same Dispatch Nos. & dates available on record in which the Clause ” payment will be made to the concerned after obtaining certificate from the community on Surety Bond by the executing agency” was mentioned in one copy of Administrative Approval while in other copy, the same Clause was deleted or missing and thus the Administrative Approval was manipulated by the dealing hands.

- iv. Detail of Sites were neither mentioned in PC-1 nor in Administrative Approval which was against the rules.
- v. Payment was made to Contractors without obtaining Surety Bond from the concerned community as required under Administrative Approval accorded by Deputy Commissioner, D.I.Khan vide No. 875-91/DC/P&D/2015-16 dated 18.11.2015.
- vi. Technical Sanction was also not obtained from the Competent Authority.

The irregularity was pointed out to the management in February 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 6-3-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 03 (2015-16)

#### **1.3.2.5 Doubtful payment for execution of scheme-Rs.5.305 million**

According to Para-23 of GFR Vol-I, 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 on his or on the part of any other government official.

Tehsil Municipal Officer, Kulachi paid Rs.5,303,799 to M/S Zam Zam Tube Well Co. for execution of scheme “ Replacement of Rusted Pipes in Mohalla Zarni Khel, Haroon Abad, Ranazai, Behlol Khel & Qasim Abad” during 2015-16. The payment was shown made for installation of PVC Pipes in said areas despite the fact that another scheme, in which GI Pipes were also installed thorough out the Kulachi city including the said sites, was also executed during the same period. Hence execution of two schemes simultaneously in same area was held doubtful. The Completion Report placed on record was not signed by the TMO besides MB was also not produced.

Audit observed that doubtful expenditure incurred due to non-compliance of rules.

The irregularity was pointed out to the management in February 2017, Management did not respond to preliminary audit observation. Request for

convening DAC meeting was made on 6-3-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 06 (2015-16)

S. No.	Cheque No. & Date	Transfer to	Amount (Rs.)
1.	No.289857 dated 14/4/2016	A/C No. 317-7 NBP	1,900,000
2.	No.289861 dated 13/4/2016	A/C No. 2527 NBP	1,120,000
3.	No.289890 dated 23/6/2016	A/C No.2527NBP Kulachi	1,255,828
<b>Total</b>			<b>4,275,828</b>

### **1.3.2.6 Un-authorized transfer of funds from PLA to designated account-Rs.4.275 million**

According to Para-290 of CTR Vol-I, no money should be drawn in advance from Government Treasury unless required for immediate disbursement or to prevent the lapse of budget grant. Moreover, Para-7 of GFR Vol-I lays down that money may not be removed from the public account for investment or deposit elsewhere without the consent of the Finance Department.

Tehsil Municipal Officer, Kulachi drew Rs.4,275,828 from PLA and transferred to Designated Bank Accounts without recording any purpose of transfer besides further utilization of funds was also not available on record. The detail is given below.

Audit observed that unauthorized transfer of funds occurred due to non-compliance of rules.

The irregularity was pointed out to the management in February 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 6-3-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 07 (2015-16)

### 1.3.2.7 Loss due to non-deduction of sales Tax-Rs.1.764million

According to S.R.O. 660(I) /2007 dated 30-6-2007, Sales tax must be deducted @ 17% from the unregistered persons under the Sales Tax Act,1990.

Tehsil Municipal Officer, Kulachi did not recover sales tax due on PVC pipes & other machinery used in Submersible Pumps & Pressure Pumps installed by the local office during 2015-16. Audit observed that neither sales tax @ 17% of Rs.1,765,068 was deducted from the contractor bills nor sales tax invoices were available on record to verify the registration of contractors with Sales Tax Department and deposit of same. Detail is given in Annex-6.

Non-deduction of sales tax occurred due to non-compliance of rules which resulted in loss to Government.

The irregularity was pointed out to the management in February 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 6-3-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 12 (2015-16)

### 1.3.2.8 Non-imposition of penalty due to late completion of works Rs.1.530 million

According to Clause-2 of the Contract Agreement, the contractor shall pay compensation amount equal to 1% of the estimated cost for every day that work remains incomplete and the entire amount of compensation shall not exceed 10% of estimated cost.

Tehsil Municipal Officer, Kulachi did not impose penalty of Rs1,530,530 on contractors because the contractors failed to complete the work within stipulated time period. Neither time extension was granted by the Competent Authority nor the contractors applied for same as required under Clause-5 of Contract Agreement. Detail of Penalty is as under.

S.No	Name of work	Name of Contractor	Date of Commencement	Date of Completion	Cost of Scheme (Rs.)	Penalty @10% (Rs.)
1.	Replacement of rusted Pipes in Kulachi City.	Zam Zam Tube Well Co.	09-03-2015	08-9-2015	5,305,300	530,530
2.	Street Pavement in UC Kulachi Site-III	Zam Zam Tube Well Co	21 29-9-2015	28-03-2016	5,000,000	500,000
3.	Street Pavement in Gara Guldad UC Looni .	Zam Zam Tube Well Co	29-9-2015	28-03-2016	5,000,000	500,000
					<b>Total</b>	<b>1,530,530</b>

Audit observed that non recovery of penalty occurred due to non-compliance of rules which resulted in loss to Government.

The irregularity was pointed out to the management in February 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 6-3-2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 13 (2015-16)

**1.3.2.9 Loss to government due to purchase of transformers on higher Rate-Rs.1.284 million**

According to Para-23 of GFR Vol-I, 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 on his or on the part of any other government official.

Tehsil Municipal Officer, Kulachi purchased Transformers of 100KV @ Rs.550,000 & 200KV @ Rs.750,000 whereas the same capacity of Transformers were purchased by the TMA, D.I.Khan @ Rs.277,000 Rs.595,000 respectively during the same financial year i.e. 2015-16 and thus a loss of Rs.1,284,000 was put to a Government due to purchase on higher rates as per detail given below.

Particulars	Rate Paid (Rs./ Transformer)	Rate purchased by TMA, D.I.Khan (Rs./ Transformer)	Difference (Rs./ Transformer)	No. of 200 KV Transformers Purchased	Loss (Rs.)
100 KV	550,000	277,000	273,000	3	819,000
200KV	750,000	595,000	155,000	3	465,000
<b>Total Loss</b>					<b>1,284,000</b>

Audit observed that loss occurred due to non-compliance of rules, which resulted in loss to Government.

The irregularity was pointed out to the management in February 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 6-3-2017. DAC meeting could not be convened till finalization of this Report.



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

AIR Para No. 14 (2015-16)

## **TMA PAHARPUR**

**1.4 Tehsil Municipal Administration, Paharpur**

**1.4.1 Non-Production of record**

**1.4.2.1 Non -production of record-Rs.1.215 million**

According to Para 17 of GFR Vol-I read with section 14(b) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, no such information nor any books or other documents, to which the Auditor General has a statutory right of access, may be withheld from Audit.

Tehsil Municipal Officer, Paharpur incurred expenditure of Rs.1,215,905 on account of Contingency Charges during 2015-16 but vouchers in support of expenditure was not produced to audit. Detail is given below.

<b>S.No.</b>	<b>Head of Account</b>	<b>Amount (Rs)</b>
1	Unforeseen expenditure	774,905
2	Stipends ,incentives, sports etc	211,000
3	Rent of other building	230,000
	<b>Total</b>	<b>1,215,905</b>

The veracity of expenditure incurred could not be authenticated due to non-production of record.

The irregularity was pointed out to the management in January 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 10.02.2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 14 (2015-16)

## **1.4.2 Internal Control Weaknesses**

### **1.4.2.1 Doubtful expenditure on account of installation of pressure pumps-Rs.1.064 million**

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

Tehsil Municipal Officer, Paharpur incurred expenditure of Rs.1,064,886 on installation of Pressure Pumps during 2015-16 as detailed below.

<b>S.No</b>	<b>Name of schemes</b>	<b>Payment-(Rs)</b>
1	Installation of Pressure Pumps in various UCs	556,648
2	Installation of Pressure Pumps in various UCs	194,638
3	Installation of Pressure Pumps in various UCs	313,600
Total		1,064,886

The expenditure seemed doubtful on the following grounds.

- i. The amount was shown incurred on installation of hundreds of Pressure Pumps/ Hand Pumps in the homes of various individuals, not for community of the area which was highly unauthorized.
- ii. The Pressure/Hand Pumps were installed in remote areas and could not be verified due to not mentioning of their exact locations.
- iii. The installations of Pressure/Hand Pumps were not acknowledged by the people of the area.
- iv. Proper handing /taking to any Government Department for operation & maintenance was not made.

Doubtful expenditure incurred due to weak internal control.

The irregularity was pointed out to the management in January 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 10.02.2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 04 (2015-16)

#### **1.4.2.2 Doubtful expenditure on account of POL-Rs 1.250 million**

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.

Tehsil Municipal Officer, Paharpur paid Rs 1,250,000 on account of POL charges for Fire brigade and other Govt vehicles during the year 2015-16. It was observed that;

- i. The log books of the vehicles were not maintained to verify the consumption of POL at different occasions.
- ii. As per record the fire brigade was used continuously on daily basis and huge amount of POL was consumed without any report of fire, incident and emergency.
- iii. No duty orders for tour program/ journey was filled by the DDO/Driver.

Doubtful expenditure occurred due to weak financial control.

The irregularity was pointed out to the management in January 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 10.02.2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 12 (2015-16)

#### **1.4.2.3 Loss on auction of contract-Rs.0.706 million**

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

During audit of Tehsil Municipal Officer, Paharpur for the year 2015-16, it was observed that the contract 2% property tax was auctioned for Rs.11,300,000 and approved by the LCB for remaining period of eight months but contract was executed for Rs.10,593,745 and thus resulted into loss of Rs.706,255.

Loss to Government occurred due to weak financial control.

The irregularity was pointed out to the management in January 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 10.02.2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 06 (2015-16)

## **TMA, PROVA**

**1.5 Tehsil Municipal Administration, Prova**

**1.5.1 Non Production of record**

**1.5.1.1 Non-production of record-Rs.27.307 million**

According to Para 17 of GFR Vol-I read with section 14(b) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, no such information nor any books or other documents, to which the Auditor General has a statutory right of access, may be withheld from Audit.

Tehsil Municipal Officer, Prova awarded following contracts for the collection of fees during 2015-16 but the record of same was not produced to Audit for verification.

<b>S. No.</b>	<b>Name of Contract</b>	<b>Amount (Rs.)</b>
1.	2% Property Tax	27,164,090
2.	Map Fees(Departmental Collection)	143,700
<b>Total</b>		<b>27,307,790</b>

Non production of record to audit occurred due to weak internal control.

The irregularity was pointed out to the management in February 2017, Management did not respond to audit observation. Request for convening DAC meeting was made on 10.02.2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 11 (2015-16)



## **1.5.2 Irregularity and Non-Compliance**

### **1.5.2.1 Loss due to non-recovery of auction amount –Rs.4.435 million**

Clause 33 of the Model Terms and Conditions for the auction of contracts for 2015-16 provides that the local council shall be entitled to recover all dues from the sureties and guarantors in case of default on the part of contractor due to any reason whatsoever. All cost and consequential costs of legal proceedings shall also be recoverable from them

Tehsil Municipal Officer, Prova auctioned contract for the collection of 2% Property Tax @ Rs.31,600,000 during 2015-16. The record, however, revealed that the contractor deposited a sum of Rs.27,164,090 till date of Audit while balance amount of Rs.4,435,910 was still recoverable.

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

The irregularity was pointed out to the management in February 2017, management did not respond to audit observation.

Loss to government occurred due to weak financial control.

Request for convening DAC meeting was made on 10.02.2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 04 (2015-16)

### **1.5.2.2 Non-recovery of income tax on auction of contracts –Rs.3.220 million**

Section-236 of the Income Tax Ordinance lays down that income tax is recovered from the bidder @ 10% of the bid.

Tehsil Municipal Officer, Prova failed to recover income tax @ 10% amounting to Rs.3,220,000 on auction of contracts from the contractors during 2015-16 as per detail given below.

<b>S.No.</b>	<b>Name of Contract</b>	<b>Bid Amount (Rs.)</b>	<b>Income Tax Due (Rs.)</b>
1.	2% Property Tax	31,600,000	3,160,000
2.	Motor Lorry Adda Ramak	600,000	60,000
<b>Total</b>			<b>3,220,000</b>

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

The irregularity was pointed out to the management in February 2017, Management did not respond to audit observation. Request for convening DAC meeting was made on 10.02.2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 05 (2015-16)

**1.5.2.3 Loss to the Government on auction of contract-Rs.43.049 million**

Clause-2 of Model Terms and Conditions for the auction of contracts for 2015-16, the practice of auction of contracts shall continue to achieve 20% increase over the last year approved bid.

Tehsil Municipal Officer, Prova auctioned contract for the collection of 2% Property Tax @ Rs.31,600,000 during 2015-16. It was noticed that Base Price of contract was wrongly determined for 2015-16. Instead of taking into considering the bid price of Rs.36,000,000 for the year 2011-12 and by adding 20% annual increase, the bid price for the year 2015-16 comes to Rs.52,707,600. Due to wrong valuation of contract, a loss of Rs.43,049,600 was put to a Government as per detail given below.

<b>Base Price of the contract based on the Bid of 2011-12 by adding 20% increase annually (Rs.)</b>	<b>Bid accepted (Rs.)</b>	<b>Loss to the TMA (Rs.)</b>
74,649,600	31,600,000	43,049,600

Loss to Government occurred due to non-compliance of rules.

The irregularity was pointed out to the management in February 2017, Management did not respond to preliminary audit observation. Request for convening DAC meeting was made on 10.02.2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 03 (2015-16)

### **1.5.3 Internal Control Weaknesses**

#### **1.5.3.1 Loss due to non-awarding of contract-Rs.7.659 million**

Clause 1 of Model Terms and Conditions for the auction of contracts for 2015-16 provides that Proper video of the entire proceedings shall be made and shall be sent to the provincial Govt at the time of obtaining vetting of the contracts of the competent authority. Moreover, Clause-2 of Model Terms and Conditions for the auction of contracts for 2015-16 provides that the practice of auction of contracts shall continue to achieve 20% increase over the last year approved bid.

Tehsil Municipal Officer, Prova rejected the highest bid of Rs.19,000,000 for the collection of fees of Cattle Fare Market offered by the M/S Muhammad Ramzan for the period 1-10-2015 to 30-6-2016 ( 9 months) on the plea that video was not sent to Secretary LCB and decided to re-auction the contract. The local office made departmental collection of Rs.11,340,625 for the same period and thus resulted in loss of Rs.7,659,375 to Government.

Loss on auction of contract occurred due to weak internal control.

The irregularity was pointed out to the management in February 2017, Management did not respond to audit observation. Request for convening DAC meeting was made on 10.02.2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 06 (2015-16)

#### **1.5.3.2 Loss on income tax due to non-awarding of contract-Rs.1.900 million**

Section-236 of the Income Tax Ordinance lays down that income Tax be recovered from the bidder @ 10% of the bid.

Tehsil Municipal Officer, Prova rejected the highest bid of Rs.19,000,000 for the collection of fees of Cattle Fare Market offered by the M/S Muhammad Ramzan for the period 1-10-2015 to 30-6-2016 on the plea that video was not sent to Secretary LCB and the local office made departmental collection. This

resulted, loss of Rs.1,900,000 on account of income tax collection occurred due to non-awarding of contract.

Loss to Government occurred due to weak internal control

The irregularity was pointed out to the management in February 2017, Management did not respond to audit observation. Request for convening DAC meeting was made on 10.02.2017. DAC meeting could not be convened till finalization of this Report.

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

AIR Para No. 07 (2015-16)

## ANNEXURES

**Annex-1**

### Detail of MFDAC Paras

**(Rs. in Million)**

S.No.	AIR No.	Department	Gist of Para	Amount
1.	16	TMA D.I.Khan	Loss due to late handing over of contract	0.542
2.	18		Irregular expenditure on a/c of purchase of computer	0.405
3.	19		Non-deposit of income tax of pay of staff	0.324
4.	21		Doubtful expenditure on visit of VVIPs	0.290
5.	22		Unauthorized payment of T.A /D.A	0.078
6.	15	TMA Kulachi	Unauthorized deduction of stamp duty	0.693
7.	16		Unauthorized deduction of contingency charges	0.510
8.	17		Doubtful expenditure on a/c of advertisement charges	0.396
9.	20		Unauthorized and doubtful expenditure	0.212
10.	21		Non-deposit of sales/Income Tax	0.180
11.	01	TMA Paharpur	Unauthorized payment on a/c of T.S charges	0.300
12.	03		Wasteful and unauthorized expenditure	0.229
13.	05		Non recovery of water charges	0.120
14.	09	TMA Paroa	Non-deduction of sales tax on services	0.276
15.	10		Non deduction of sales tax	0.014
16.	11		Loss to TMA	0.211

**Annex-2****(Para No. 1.2.1.1)****Detail of schemes executed without Technical Sanction**

<b>S.No.</b>	<b>Name of Schemes</b>	<b>Cost of Scheme (Rs.)</b>
1.	Up-lift & Beautification of Divisional Headquarter in KPK. SH: Renovation of roads in D.I.Khan.	96,500,000
2.	Up-lift & Beautification of Divisional Headquarter in KPK. SH: Provision of Green Belts in D.I.Khan.	63,771,000
3.	Up-lift & Beautification of Divisional Headquarter in KPK. SH: Re-Construction of 7 No. old Gates in D.I.Khan.	107,975,000
4.	Supply of Emergency Transformers in different UCs of D.I.Khan out of ADP-703 Estimated Cost Rs.50.00 Million	50,000,000
5.	Supply Transformers in PK-64 out of ADP-756 Special Package for Development initiatives in KPK. Estimated Cost Rs.35.00 Million	35,000,000
6.	Construction of BTR from Police Line to Basti Dewala	6,230,000
7.	Repair of Transformers	5,000,000
8.	Replacement of rusted Pipes of existing WSS	18,368,000
9.	Construction of streets in UC-I out of ADP 2014-15	3,200,000
10.	Construction of streets in UC-2 out of ADP 2014-15	2,800,000
11.	Construction of streets in UC-3 out of ADP 2014-15	2,500,000
12.	Construction of streets in UC-5 out of ADP 2014-15	1,866,000
13.	Construction of streets in UC DD-1 out of ADP No.685-130382 of 2014-15	2,200,000
14.	Construction of streets in UC DD-2 out of ADP No.685-130382 of 2014-15	2,260,000
15.	Construction of streets in UC Dewala-2 out of ADP No.685-130382 of 2014-15	2,400,000
	<b>Total</b>	<b>400,070,000</b>

**Annex-3**

**(Para No. 1.3.1.1)**

<b>Statement showing detail of non-production of record</b>				
<b>S.No.</b>	<b>Chaque No. &amp; Date</b>	<b>Name of Work</b>	<b>Name of Contractor</b>	<b>Amount Paid (Rs.)</b>
1.	No.289812 dated 4/8/15	Developmental work from ADP 2014-15	Zam Zam tube well & co	868,725
2.	No.289814 dated 18/8/15	Developmental work from CMD 2014-15	Rehmatullah & Co	1,472,000
3.	No.289817 dated 21/8/15	Developmental work from ADP 2014-15	Zam Zam tube well & co	412,500
4.	No.289821 dated 31/8/15	Developmental work from ADP 2014-15	Rehmatullah & Co	5,084,256
5.	No.289822 dated 31/8/15	Developmental work from ADP 2014-15	Zam Zam tube well	1,650,000
6.	No.289828 dated 7/1/16	Construction of street drain wss civil work Developmental work from CMD 2014-15	Rehmatullah & Co	148,948
7.	No.289829 dated 7/1/16	Construction of street drain wss civil work Developmental work from CMD 2014-15	Rehmatullah & Co.	434,319
8.	No.289830 dated 7/1/16	Construction of street drain wss civil work Developmental work from CMD 2014-15	Rehmatullah & Co.	434,319
9.	No.289831 dated 7/1/16	Construction of street drain wss civil work Developmental work from CMD 2014-15	Rehmatullah & Co.	434,319
10.	No.289832 dated 7/1/16	Construction of street drain wss civil work Developmental work from CMD 2014-15	Rehmatullah & Co.	1,258,539
11.	No.289833 dated 7/1/16	Construction of street drain wss civil work Developmental work from CMD 2014-15	Rehmatullah & Co.	877,016
12.	No.289834 dated 7/1/16	Construction of street drain wss civil work Developmental work from CMD 2014-15	Rehmatullah & Co.	3,976,997
13.	No.289837 dated 18/1/16	Developmental work from CMD 2014-15	Rehmatullah & Co.	1,158,403
14.	No.289846 dated 17/2/16	-----	Zam Zam tube well & Co	292,250
15.	289863/14/4/16	Developmental work 2014-15	Zam Zam tube well & co	82,500
16.	289864/14/4/16	Developmental work 2014-15	Zam Zam tube well & co	564,508

17.	289874/9/6/16	Developmental work of CMD 2014-15	Zam Zam tube well & co	357,975
18.	289882/17/6/16	Developmental work of ADP 2014-15	Zam Zam tube well & co	928,400
19.	289883/17/6/16	Developmental work of ADP 2014-15	Zam Zam tube well & co	1,000,000
<b>Total</b>				<b>21,435,974</b>



**Annex-4**  
**(Para No. 1.3.2.1)**

**Statement showing detail of schemes executed without Technical Sanction**

S.No.	Name of work	Cost of Scheme (Rs.)
1.	Installation of Submersible Pumps in U/C Gara Essa Khan Out of CMD ADP-757/150182 “ Priority Projects in KPK during 2015-16”	7,500,000
2.	Installation of Submersible Pumps in U/C Daraban Out of CMD ADP-757/150182 Out of CMD “ Priority Projects in KPK during 2015-16	7,500,000
3.	Installation of Submersible Pumps in U/C Bhiki Out of CMD District Development Initiative in KPK (762/150720) “during 2015-16.	7,500,000
4.	Installation of Submersible Pumps in U/C Kirri Shamozia out of CMD District Development Initiative in KPK (762/150720) during 2015-16.	7,500,000
5.	Installation of Pressure Pumps in U/C Musa Zai out of CMD Special Package Development Initiative in KPK (756/150180) during 2015-16.	7,500,000
6.	Installation of Pressure Pumps in U/C Choudwan out of CMD Special Package Development Initiative in KPK (756/150180) during 2015-16.	7,500,000
7.	Purchase of Trolley Transformers	5,000,000
8.	Street Pavement in UC Kulachi Site-CMD-703/140796	5,000,000
9.	Street Pavement in UC Kulachi Site-II CMD-703/140796	5,000,000
10.	Street Pavement in UC Kulachi Site-III CMD-703/140796	5,000,000
11.	Street Pavement in Gara Guladad UC Looni CMD-703/140796	5,000,000
<b>Total</b>		<b>70,000,000</b>

**Annex-5**

**(Para No. 1.3.2.2)**

**Statement showing detail of Non-recovery of Provincial Sales Tax on Services**

S.No.	Name of work	Name of Contractor		Payment made (Rs.)	Sales Tax @ 15% (Rs.)
1.	Installation of Submersible Pumps in U/C Gara Essa Khan Out of CMD ADP-757/150182 “ Priority Projects in KPK during 2015-16”	Zam Tube Co.	Zam Well	7,500,000	1,125,000
2.	Installation of Submersible Pumps in U/C Daraban Out of CMD ADP-757/150182 Out of CMD “ Priority Projects in KPK during 2015-16	Zam Tube Co.	Zam Well	7,500,000	1,125,000
3.	Installation of Submersible Pumps in U/C Bhiki Out of CMD District Development Initiative in KPK (762/150720) “ during 2015-16.	Zam Tube Co.	Zam Well	7,500,000	1,125,000
4.	Installation of Submersible Pumps in U/C Kirri Shamozia out of CMD District Development Initiative in KPK (762/150720) during 2015-16.	Zam Tube Co.	Zam Well	7,500,000	1,125,000
5.	Installation of Pressure Pumps in U/C Musa Zai out of CMD Special Package Development Initiative in KPK (756/150180) during 2015-16.	Zam Tube Co.	Zam Well	7,500,000	1,125,000
6.	Installation of Pressure Pumps in U/C Choudwan out of CMD Special Package Development Initiative in KPK (756/150180) during 2015-16.	Zam Tube Co.	Zam Well	7,500,000	1,125,000
7.	Purchase of Trolley Transformers	Zam Tube Co.	Zam Well	5,000,000	750,000
8.	Street Pavement in UC Kulachi Site-I CMD-703/140796	Zam Tube Co.	Zam Well	5,000,000	750,000
9.	Street Pavement in UC Kulachi Site-II CMD-703/140796	Zam Tube Co.	Zam Well	5,000,000	750,000
10.	Street Pavement in UC Kulachi Site-III CMD-703/140796	Zam Tube Co.	Zam Well	5,000,000	750,000
11.	Street Pavement in Gara Guladad UC Looni CMD-703/140796	Zam Tube Co.	Zam Well	5,000,000	750,000
<b>Total Provincial Sales Tax Payable</b>					<b>10,500,000</b>

**Annex-6****(Para No. 1.3.2.7)****Detail showing non-deduction of Sales Tax**

<b>No.</b>	<b>Name of work</b>	<b>Name of Contractor</b>	<b>Cost of Scheme (Rs.)</b>	<b>Taxable Amount (Rs.)</b>	<b>Sales Tax (Rs.)</b>
1.	Installation of Submersible Pumps in U/C Gara Essa Khan out of ADP-757/150182.	Zam Zam Tube Well Co.	7,500,000	868,980	147,727
2.	Installation of Submersible Pumps in U/C Daraban Out of ADP-757/150182.	Zam Zam Tube Well Co.	7,500,000	680,756	115,729
3.	Installation of Submersible Pumps in U/C Bhiki Out of CMD ADP No.762/150720.	Zam Zam Tube Well Co.	7,500,000	868,980	147,727
4.	Installation of Submersible Pumps in U/C Kirri Shamozia out of ADP No.762/150720.	Zam Zam Tube Well Co.	7,500,000	793,310	134,863
5.	Installation of Pressure Pumps in U/C Musa Zai out of ADP No.756/150180.	Zam Zam Tube Well Co.	7,500,000	1,179,471	200,510
6.	Installation of Pressure Pumps in U/C Choudwan out of ADP No.756/150180	Zam Zam Tube Well Co.	7,500,000	991,250	168,512
7.	Purchase of Trolley Transformers	Zam Zam Tube Well Co.	5,000,000	5,000,000	850,000
<b>Total Sales Tax</b>					<b>1,765,068</b>