



**AUDIT REPORT
ON
THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS
DISTRICT MIANWALI
AUDIT YEAR 2015-16**

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS & ACRONYMS	i
PREFACE	ii
EXECUTIVE SUMMARY	iii
SUMMARY TABLES AND CHARTS	vii
Table 1: Audit Work Statistics	vii
Table 2: Audit Observations regarding Financial Management.....	vii
Table 3: Outcome Statistics.....	viii
Table 4: Irregularities Pointed Out	viii
Table 5: Cost-Benefit	viii
CHAPTER-1	1
1.1 TEHSIL MUNICIPAL ADMINISTRATIONS, DISTRICT MIANWALI.....	1
1.1.1 Introduction.....	1
1.1.2 Comments on Budget and Accounts (Variance Analysis)	2
1.1.3 Brief Comments on the Status of Compliance on MFDAC Paras of Audit Year 2014-15	4
1.1.4 Brief Comments on the Status of Compliance with PAC Directives.....	4
AUDIT PARAS	5
1.2 TMA Mianwali	6
1.2.1 Irregularity and Non-compliance	7
1.2.2 Internal Control Weaknesses	11
1.3 TMA Piplan	13
1.3.1 Non-Production of Record.....	14
1.3.2 Irregularity and Non-compliance	15
1.3.3 Internal Control Weaknesses	20
ANNEXURES	23
Annex-A	24
Annex-B	27
Annex-C	28
Annex-D.....	29

ABBREVIATIONS & ACRONYMS

CCB	Citizen Community Board
CO	Chief Officer
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
LG&CD	Local Government & Community Development
MFDAC	Memorandum for Department Accounts Committee
M&R	Maintenance and Repair
NAM	New Accounting Model
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCC	Plain Cement Concrete
PDG	Punjab District Government
PFC	Provincial Finance Commission
PLG	Punjab Local Government
PLGO	Punjab Local Government Ordinance
POL	Petroleum, Oil & Lubricants
S&GAD	Services & General Administrations Department
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TO (F)	Tehsil Officer (Finance)
TO (I&S)	Tehsil Officer (Infrastructure & Services)
UAs	Union Administrations
UIPT	Urban Immoveable Property Tax

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Section 115 of the Punjab Local Government Ordinance, 2001 require the Auditor General of Pakistan to audit the accounts of the provincial governments and the accounts of any authority or body established by, or under the control of, the provincial government. Accordingly, the audit of all receipts and expenditures of the Local Fund and Public Accounts of Town /Tehsil Municipal Administrations of the District Government is the responsibility of the Auditor General of Pakistan.

The Report is based on audit of the accounts of various offices of Tehsil Municipal Administrations of the District Government Mianwali for the Financial Year 2014-15. The Directorate General of Audit, District Governments, Punjab (North), Lahore conducted audit during 2015-16 on test check basis 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 observations of serious nature. Relatively less significant issues are listed in the Annex-A of the Audit Report. The audit observations listed in the Annex-A 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 the Public Accounts Committee through the next year's Audit Report.

The audit results indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to prevent recurrence of such violations and irregularities.

The observations included in this Report have been finalized after taking into account the replies of the department and DAC decisions / directions.

The Audit Report is submitted to the Governor of the Punjab in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 to cause it to be laid before the Provincial Assembly of Punjab.

Islamabad
Dated:

(Imran Iqbal)
Acting-Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Punjab (North), Lahore, is responsible to carry out the audit of District Government, Town/Tehsil Municipal Administrations and Union Administrations of three City District Governments and sixteen District Governments. Its Regional Directorate of Audit, Sargodha has audit jurisdiction of District Governments, TMAs and UAs of four District Governments i.e. Sargodha, Khushab, Mianwali and Bhakkar.

The Regional Directorate of Audit Sargodha had a human resource of 11 officers and staff, total 2,951 man-days and the budget of Rs 10.48 million for the Financial Year 2015-16. It had mandate to conduct Financial Attest Audit, Regularity Audit, and Compliance with Authority and Performance Audit of projects and programs. Accordingly, Directorate General Audit District Governments Punjab (North), Lahore carried out audit of the accounts of various offices of the Tehsil Municipal Administration of District Government, Mianwali for the Financial Year 2014-15.

Each Tehsil Municipal Administration in District Mianwali conducts its operations under Punjab Local Government Ordinance, 2001. Tehsil Municipal Officer is the Principal Accounting Officer (PAO) and acts as coordinating and administrative officer, responsible to control land use, its division and development and to enforce all laws including Municipal Laws, Rules and Bye-laws. The PLGO 2001 requires the establishment of Tehsil Local Fund and Public Account for which Annual Budget Statement is authorized by the Tehsil Nazim / Tehsil Council / Administrator in the form of budgetary grants.

Audit of Tehsil Municipal Administrations of Mianwali District was carried out with a view to ascertaining whether the expenditure was incurred with proper authorization, in-conformity with laws/ rules /regulations, economical procurement of assets and hiring of services etc.

Audit of receipts/ revenues was also conducted to verify whether the assessment, collection, reconciliation and allocation of revenues were made in accordance with laws and rules.

a) Scope of Audit (Audit of Expenditure and Receipts)

Out of three TMAs, two TMAs were audited. The expenditure of two TMAs of District Mianwali for the Financial Year 2014-15 under the jurisdiction of DG District Audit (N) Punjab was Rs 362.06 million, covering two PAOs and two formations. Out of this, DG District Audit (N) Punjab audited an expenditure of Rs 123.099 million which in terms of percentage, is 34% of the total auditable expenditure.

Total receipts of two Tehsil Municipal Administrations of Mianwali District for the Financial Year 2014-15 were Rs 538.48 million. DG District Audit Punjab (N) audited receipts of Rs 161.55 million which was 30% of total receipts.

b) Recoveries at the Instance of Audit

Recovery of Rs 5.37 million was pointed out during audit. Recovery of Rs 17.37 million was effected till compilation of Report.

c) Audit Methodology

Audit was performed through understanding the business process of TMAs with respect to functions, control structure, prioritization of risk areas by determining the significance and identification of key controls. This helped auditors in understanding the systems, procedures, environment and the audited entity before starting field audit activity. Formations were selected for audit in accordance with risks analyzed. Audit was planned and executed accordingly.

d) Audit Impact

A number of improvements, as suggested by audit, in maintenance of record and procedures, have been initiated by the concerned Departments. However, audit impact in shape of change in rules has not been significant due to non-convening of regular PAC meetings. Had PAC meetings been regularly held, audit impact would have been manifold.

e. Comments on Internal Control and Internal Audit Department

Internal control mechanism of TMAs of District Government Mianwali was not found satisfactory during audit. Many instances of weak Internal Controls have been highlighted during the course of audit which includes some serious lapses. Negligence on the part of authorities of TMAs of District Mianwali may be captioned as one of important reasons for weak internal controls.

Section 115-A (1) of PLGO, 2001 empowers Town/Tehsil Municipal Administration to appoint an Internal Auditor but the same was not appointed in Town/Tehsil Municipal Administrations.

f. Key Audit Findings

- i. Non production of record for Rs 96.09 million was noted in one case¹
- ii. Irregularities and Non-compliance of Rules and Regulations amounting to Rs 44.96 million were noted in seven cases² and
- iii. Weaknesses of Internal Controls valuing Rs 294.91 million were noted in six cases.³

Audit paras involving procedural violations including Internal Control weaknesses, poor Asset Management and irregularities not considered worth reporting to provincial PAC have been included in MFDAC. (**Annex-A**)

¹ Para : 1.3.1.1

²Paras: 1.2.1.1-1.2.1.4 & 1.3.2.2- 1.3.2.4

³Paras: 1.2.2.1-1.2.2.2,1.3.2.1 & 1.3.3.1-1.3.3.3

g) Recommendations

Audit recommends that the PAO / Management of TMAs should ensure the following:

- i. Production of record to audit for scrutiny
- ii. Holding of investigations for wastage, fraud, misappropriation and losses, and take disciplinary actions against the person (s) at fault
- iii. Expediting recoveries pointed out by Audit
- iv. Realizing and reconciling of various receipts
- v. Strengthening of Internal Controls and
- vi. Compliance of DAC directives and decisions in letter and spirit.

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

Sr. No.	Description	No.	Budget (F.Y. 2014-15)		
			Expenditure	Receipt	Total
1	Total Entities (PAOs) in Audit Jurisdiction	03	521.90	635.39	1,157.29
2	Total formations in audit jurisdiction	03	521.90	635.39	1,157.29
3	Total Entities (PAOs) Audited	02	362.06	538.48	900.54
4	Total formations Audited	02	362.06	538.48	900.54
5	Audit & Inspection Reports	02	362.06	538.48	900.54
6	Special Audit Reports	-	-	-	-
7	Performance Audit Reports	-	-	-	-
8	Other Reports	-	-	-	-

Table 2: Audit Observations regarding Financial Management

(Rs in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Unsound asset Management	-
2	Weak Financial Management	5.37
3	Weak Internal Controls relating to Financial Management	289.54
4	Violation of Rules	44.96
5	Others	96.09
Total		435.96

Table 3: Outcome Statistics

(Rs in million)

Sr #	Description	Physical Assets	Civil Works	Receipts	Others	Total	Total last year
1	Outlays audited	-	82.26	538.48	279.80	900.54*	725.66
2	Amount placed under audit observation / irregularities of audit	-	3.11	5.37	427.48	435.96	86.81
3	Recoveries pointed out at the instance of Audit	-	-	5.37	-	5.37	15.45
4	Recoverable accepted / established at the instance of Audit	-	-	5.37	-	5.37	15.45
5	Recoveries realized at the instance of Audit	-	-	17.37	-	17.37	-

*The amount in serial No.1 column of "total" is the sum of Expenditure and Receipts whereas the total expenditure for the current year was Rs 362.06 million.

Table 4: Irregularities Pointed Out

(Rs in million)

Sr. No.	Description	Amount under Audit observation
1	Violation of Rules, Regulations and principle of propriety and probity in public operations	44.96
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public resources.	-
3	Accounting Errors ¹ (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	If possible quantify weaknesses of internal control system.	289.54
5	Recoveries and overpayments representing cases of established overpayment of misappropriations of public money	5.37
6	Non-production of record	96.09
7	Others, including cases of accidents, negligence etc.	-
Total		435.96

Table 5: Cost-Benefit

(Rs in million)

Sr. No.	Description	Amount
1	Outlays Audited (Item 1 of Table 3)	900.54
2	Expenditure on Audit	1.31
3	Recoveries realized at the instance of Audit	17.37
4	Cost Benefit Ratio	1:13.26

¹ The accounting Policies and procedures prescribed by the Auditor General of Pakistan.

CHAPTER-1

1.1 TEHSIL MUNICIPAL ADMINISTRATIONS, DISTRICT MIANWALI

1.1.1 Introduction

TMA consists of Tehsil Nazim, Tehsil Naib Nazim and Tehsil Municipal Officer. Each TMA comprises five Drawing and Disbursing Officers i.e. TMO, TO- Finance, TO-I&S, TO-Regulation, TO-B&F and Tehsil Nazim and Tehsil Naib Nazim. As per Section 64 of PLGO 2001, the functions of TMAs are as follows:

- i. Prepare spatial plans for the Town including plans for land use, zoning and functions for which TMA is responsible
- ii. Exercise control over land use, land sub-division, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations
- iii. Enforce all municipal laws, rules and by-laws governing TMA's functioning
- iv. Prepare budget, long term and annual municipal development programmes in collaboration with the Union Councils
- v. Propose taxes, cess, user fees, rates, rents, tolls, charges, surcharges, levies, fines and penalties under Part-III of the Second Schedule and notify the same
- vi. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties
- vii. Manage properties, assets and funds vested in the Town Municipal Administration
- viii. Develop and manage schemes, including site development in collaboration with District Government and Union Administration
- ix. Issue notice for committing any municipal offence by any person and initiate legal proceedings for commission of such offence or failure to comply with the directions contained in such notice

- x. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction and
- xi. Maintain municipal records and archives.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

Total Budget of TMAs of District Mianwali was Rs 396.65 million (Salary, Non-salary and Development) whereas the expenditure incurred (Salary, Non-salary and Development) was Rs 362.06 million showing saving of Rs 34.59 million which in terms of percentage was 09% of the final Budget as detailed below:

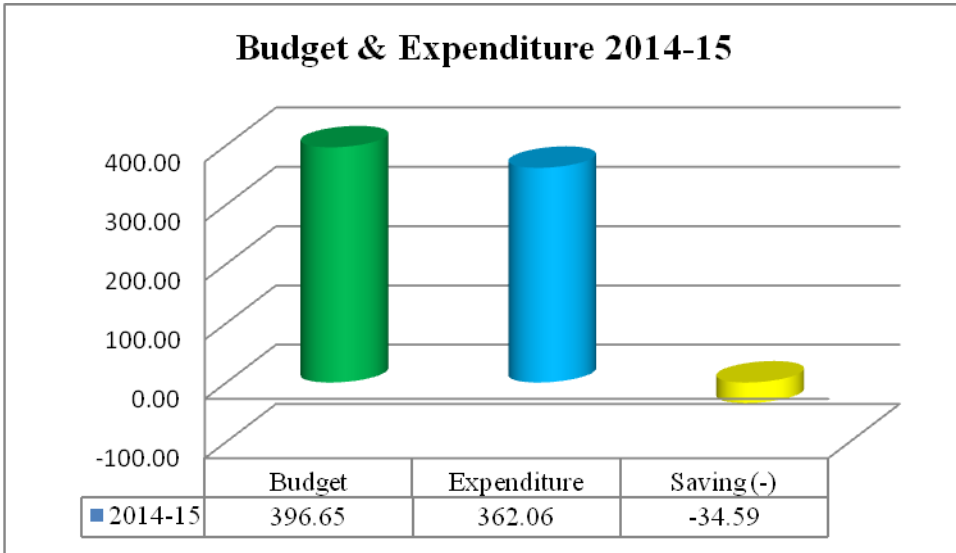
(Rs in million)

F.Y. 2014-15	Budget	Expenditure	Excess (+) / Saving (-)	% age (Saving)
Salary	174.78	165.91	(-) 8.87	05
Non-salary	129.96	113.89	(-)16.07	12
Development	91.91	82.26	(-) 9.65	11
Total	396.65	362.06	(-) 34.59	09

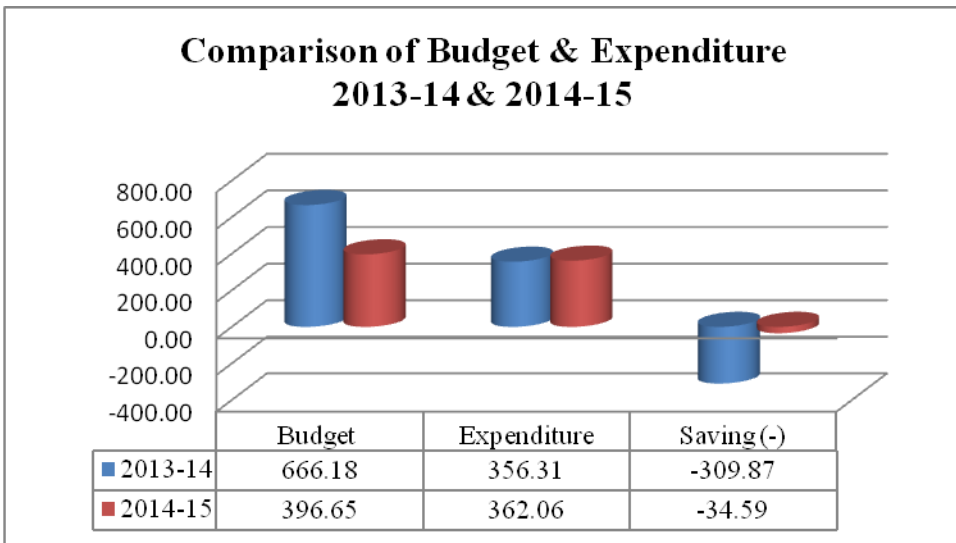
The budget outlays of Rs 396.65 million of two TMAs includes PFC award of Rs 148.96 million whereas total expenditure incurred by the TMAs during 2014-15 was Rs 362.06 million with a saving of Rs 34.59 million (detailed below). This indicated that either the PFC award was allocated over and above the actual needs or the management failed to achieve the developmental targets for the welfare of masses during the financial year.

(Rs in million)

TMA	Budgeted Figure			Budgeted Outlay	Actual Expenditure	Saving	%age of Saving
	Own receipt including OB	PFC Award	Total Receipts				
Mianwali	349.87	96.46	446.34	253.41	232.62	20.79	08
Piplan	188.61	52.50	241.11	143.24	129.44	13.80	10
Total	538.48	148.96	687.45	396.65	362.06	34.59	09



The comparative analysis of the Budget and Expenditure of current and previous financial years is depicted as under:



There was saving in the Budget allocation of the Financial Years 2013-14 and 2014-15 as follows:

(Rs in million)

Financial Year	Budget	Expenditure	Saving	%age of Saving
2013-14	666.18	356.31	309.87	47
2014-15	396.65	362.06	34.59	09

The justification of saving when the development schemes remained incomplete besides poor Public Service Delivery is required to be provided, explained by PAOs and TMO concerned.

1.1.3 Brief Comments on the Status of Compliance on MFDAC Paras of Audit Year 2014-15

Audit paras reported in MFDAC of last year audit report which have not been attended in accordance with the directives of DAC have been reported in **Part-II of Annex-A**.

1.1.4 Brief Comments on the Status of Compliance with PAC Directives

The Audit Reports pertaining to following years were submitted to the Governor of the Punjab:

Status of Previous Audit Reports

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2009-12	32	Not convened
2	2012-13	05	Not convened
3	2013-14	23	Not convened
4	2014-15	13	Not convened

AUDIT PARAS

1.2 TMA Mianwali

1.2.1 Irregularity and Non-compliance

1.2.1.1 Irregular Auction of Collection Rights - Rs 12.19 million

As per Rule 14(1) of PPRA Rules 2014, in no circumstances, the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice.

According to Rule 3 of PLG Auction of Collection Rights of 2003, a local government may prefer to collect any of its income as specified in the Second Schedule of the Ordinance and duly approved and notified in the official Gazette, through contractor by awarding collection rights to him for a period not exceeding one financial year. Rule 11(2) of the said Rules, the highest bid; equal to reserve price or above, received in open auction shall be accepted by the respective Nazim/Administrator.

Scrutiny of accounts record of TMA Mianwali revealed that the advertisement was featured in “Daily Nawai Waqt” & “Daily Ausaf” Lahore dated 09.07.14 for Auction of Collection Rights under the jurisdiction of TMA Mianwali with bid opening date of 19.07.14. Moreover, auction was made on 25.06.14 wherein highest bidder was rejected without any reason. The auction was awarded to the lower bidder who failed to pay the due amount as per agreement. Subsequently, department made self collection but collection record was withheld from presentation before the audit team in order to conceal the recovery and loss figure.

(Rs in million)

Sr. No.	Auction of Collection Rights	Amount
1	Slaughter House	0.19
2	Adda Patri Chingchi Rickshaw Stand	1.53
3	Parking fee Adda coaches Mianwali	7.11
4	Parking fee Adda coaches Daudkhel	1.45
5	Advertisement Fee	1.91
Total		12.19

Audit holds that due to defective financial discipline less response time was given in respect of auction of Collection Rights and collection rights were awarded to the lowest bidder who also failed to pay the due amount.

This resulted in irregular auction of collection rights of Rs 12.19 million.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 12.05.2016, decided to keep the para pending and directed to probe the matter and ensure recovery of penalty for late deposit of installments.

Audit recommends investigation of the matter for fixing responsibility against the person (s) at fault under intimation to Audit.

[AIR Para No. 1,2,3,4 & 5]

1.2.1.2 Doubtful Expenditure on Repair of Electric Motors of Water Supply Schemes – Rs 6.55 million

According to Rule 2.2 of PFR Vol-I read with Rule 67(2)(i)(ii) & (3) of the PDG & TMA (Budget) Rules 2003, Receipt Side of the Cash Book is required to be compared with payment side thereof on the basis of schedule of payments received from Accounts Office every month. Moreover, on the basis of schedule of payments reconciliation statement is to be prepared and reconciled every month upto 10th of every calendar month with Accounts Office for the purpose of rectification of discrepancies and errors with regard to misclassification and wrong booking of expenditure.

TMA Mianwali incurred an expenditure of Rs 6.55 million for the repair of electric motors of water supply schemes during 2014-15 without M&R Register & History Sheet. An expenditure of Rs 9.29 million was shown recorded in the cash book whereas expenditure statement showed expenditure of Rs 6.55 million. Difference of Rs 2.74 million was not rectified in the record of TMA till the date of audit.

Audit holds that due to defective financial discipline expenditure of Rs 6.55 million was incurred without maintenance of proper record.

This resulted in doubtful expenditure of Rs 6.55 million.

Management replied that water supply schemes were earmarked in budget for repair and maintenance in order to provide the facility of pure and portable water to the inhabitants of the localities. Reply was not accepted being evasive.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 12.05.2016 decided for verification of record.

Audit recommends investigation of the matter for fixing responsibility against the person (s) at fault under intimation to Audit.

[AIR Para No. 07]

1.2.1.3 Irregular Expenditure - Rs 3.12 million

As per Rule 4 read with Rule 7 of Tehsil / Town Municipal Administration (Works) Rules, 2003, works costing below five hundred thousand shall be prepared and approved on the basis of cost estimates only and a draft scheme prepared under these rules shall among other matters, specify-(a) detailed history of the scheme including nature and location of the schemes; (b) full particulars of the works to be executed; (c) justification for the scheme; (d) the estimated cost; (e) the manner in which the scheme shall be financed; (f) the agency through which the scheme shall be executed; (g) the phases in which the scheme shall be executed; (h) the period during which the scheme in its various phases shall be completed; (i) the benefits and returns from the scheme; (j) agencies responsible for maintenance; and (k) such other particulars as prescribed in the standard PC-I form issued by the Planning and Development Department.

Scrutiny of accounts record of TMA Mianwali revealed that following schemes of CCBs worth Rs 3.12 million were executed without fulfilling codal formalities in violation of the rules ibid.

(Rs in million)

Scheme #	Year	Work	Contractor	Estimated Cost
51	2013-14	PCC Slab Model City UC Mari Indus	Saeed Akhtar Khan & Co.	0.60
03	2013-14	Providing & lying pipeline 6" dia PVC pipe BSS, Class B supply scheme Bani Afghanan	Mohammad Altaf	0.63
-	2014-15	P/I Iron shade for Ramzan Bazar Wan Bhachran	M/s Shahid Irfan & Co.	0.84
21	2013-14	Const. of Baramda Janaza Gha Wasti Shah Gul Muhammad Wali UC Dher Umeed Ali Shah	M/s Khan Baig Khan	0.55
02	2013-14	Repair/supply of manhole covers CO Unit Daud Khel	M/s Muhammad Khan Zade Khel	0.50
Total				3.12

Audit holds that due to Weak Internal Controls, codal formalities were not fulfilled.

This resulted in irregular expenditure of Rs 3.12 million.

The management did not furnish any reply.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 12.05.2016 directed for regularization as schemes were executed without codal formalities.

Audit recommends regularization of expenditure besides fixing responsibility against the person (s) at fault under intimation to Audit.

[AIR Para No. 18]

1.2.1.4 Irregular Expenditure on Hiring of Tentages for Ramzan Bazar - Rs 2.87 million

According to Rule 12 (1) of PPRA Rule 2014, a procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without any splitting or regrouping of procurement so planned. The annual requirements thus determined would be advertised in advance at the PPRA's website. Procurement over Rs 100,000 and up to Rs 2.00 million should be advertised on PPRA's website as well as in print media if deemed necessary by the procuring agency.

TMA Mianwali incurred an expenditure of Rs 2.87 million on account of hiring of tents for the establishment of Ramzan Bazars under the jurisdiction of TMA Mianwali during 2014-15 in violation of the Rule **ibid. (Annex-C)**

Audit holds that due to defective financial management expenditure of Rs 2.868 million was incurred in violation of PPRA Rules.

This resulted in irregular expenditure of Rs 2.87 million.

Management replied that TMA arranged tentages on the directions of LG&CD Department. Now new tents have been purchased in the year 2015 by TMA on the direction of Govt. Reply was not accepted being evasive.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 12.05.2016, directed for verification of record i.e. copy of action/site plan and minutes of meeting with DCO.

Audit recommends investigation of the matter for fixing responsibility against the person (s) at fault under intimation to Audit.

[AIR Para No. 16]

1.2.2 Internal Control Weaknesses

1.2.2.1 Non Reconciliation of Tax on Urban Immoveable Property Tax - Rs 42.16 million

According to Rule 78 of PDG & TMA (Budget) Rules 2003, (1) The Collecting Officers shall reconcile his figures with the record maintained by the Accounts Officer by the 10th day of the month following the month to which the statement relates. Further, in order to enable the Head of Offices concerned to verify whether the amounts shown as realized in the statements have actually been realized and credited to the proper head of account, the Accounts Officer concerned shall provide the Head of Offices with statements confirming the actual amounts credited under the relevant receipt heads.

During scrutiny of the record of TMA Mianwali for the year 2014-15, it was observed that an amount Rs 42.16 million was collected from UIPT but the same was not reconciled with bank and finance department.

Audit holds that due to weak Internal Controls, Tax on Urban Immoveable Property Tax was not reconciled with Bank and Revenue Department which resulted in non reconciliation of tax.

This resulted in non-reconciliation of receipts.

Management replied that, the tax was reconciled with bank and the table of reconciliation is affixed on the general Cash Book. No documentary evidence was provided till finalization of this report.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 14.05.2016, directed for reconciliation of receipts.

Audit recommends reconciliation of UIPT under intimation to audit.

[AIR Para No. 12]

1.2.2.2 Non-recovery of Monthly Rent - Rs 1.79 million

As per Agreement Deed if the lessee failed to submit/deposit monthly rent up to 8th of each month in advance, the authority has the right to forfeit the security deposit and vacate the plot/shop, and Rs 200/day will be charged along with the agreed/defined rent.

Scrutiny of accounts record of TMA Mianwali for the period 2014-15 revealed that amount of Rs 1.79 million on account of rent of shops was not made by the TMA from the lessee in violation of the Agreement Deed. The authority neither collected rent nor imposed fine or got vacated the shops for re-auction as detailed below:

(Rs in million)		
Sr. No.	Description	Amount
1	Shops at main Bazar	0.91
2	Shops at new shopping centre	0.17
3	Shops at bank street	0.04
4	Shops outside fruit Mandi	0.04
5	-do-	0.14
6	Shops at new fruit Mandi	0.25
7	Recovery of plots at general bus stand etc.	0.17
8	Rent of octroi post	0.07
Total		1.79

Audit holds that due to weak Internal Controls, rent of shops was not recovered.

This resulted in non-recovery of rent of shops Rs 1.79 million.

Management replied that, the tenants filed a civil suit against the TMA for ownership of shops. During the trial, Court ordered that recovery of rent should be stopped till the final decision. No documentary evidence was provided till finalization of this report.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 14.05.2016, directed to effect recovery.

Audit recommends recovery of the amount under intimation to Audit.

[AIR Para No. 11]

1.3 TMA Piplan

1.3.1 Non-Production of Record

1.3.1.1 Non-production of Record - Rs 96.09 million

According to Section 14(1)(b) of Auditor General's Functions, Powers and Terms and Conditions of Service Ordinance, 2001, the Auditor-General shall have authority to require that any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection. Further, according to Section-115(5) & (6) of PLGO, 2001, at the time of audit, the officials concerned shall provide all record for audit inspection and comply with any request for information in as complete a form as possible and with all reasonable expedition.

TMA Piplan incurred an expenditure of Rs 96.09 million but accounts of the expenditure were not produced to Audit for scrutiny.

(Rs in million)	
Description	Amount
Auction rights of collection rights	-
Purchases of plant & Machinery 6/2016	4.99
Youth affairs, National Celebration (Sports) Exhibition Fairs and Other National Celebration 6/2016	1.62
Payment to CCBs	89.48
Total	96.09

Audit is of the opinion that due to defective financial discipline and weak Internal Controls, relevant record was not produced to Audit in clear violation of the constitutional provisions.

In the absence of Vouched Accounts, the authenticity, validity, accuracy and genuineness could not be ascertained.

Management replied that the relevant record was available for verification. Reply was not accepted because record was not produced at the time of Audit.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 14.05.2016, directed to produce record and fix responsibility for not producing record at the time of Audit.

Audit recommends speedy finalization of inquiry, fixing responsibility against the person (s) for non-production besides ensuring provision of record for scrutiny to Audit.

[AIR Para No.18, 19, 20, 21]

1.3.2 Irregularity and Non-compliance

1.3.2.1 Non-maintenance of DDO Wise Cash Book - Rs 168.16 million

According to Rule 2.2 of PFR Vol.1

- All cash transactions should be entered in the cash book and attested in token of check.
- The cash book should be completely checked and closed regularly
- In token of check of cash book the last entry checked therein should be initialed (with date) by the Govt. servant concerned on each occasion.

At the end of each month, the head of office should personally verify the cash balance and, record below the closing entries in the cash book, a certificate to the effect over his dated signatures specifying both in words and figures, the actual cash balance.

During scrutiny of accounts record of TMA Piplan for the year 2013-14 & 2014-15 it was noticed that an amount of Rs 167.64 million was incurred by various DDOs of TMA but the Cash Books both DDO wise and General were not maintained. In the absence of the Cash Books, volume and nature of expenditure during the year could not be ascertained as detailed below:

(Rs in million)

Name of Branch	Budget 2014-15	Expenditure	Budget 2013-14	Expenditure
Naib Tehsil Nazim	0.71	0.61	0.65	0.60
Tehsil Nazim	1.42	1.35	1.85	1.67
TMO	6.33	6.01	6.68	6.19
TO (R)	2.60	2.47	2.80	2.74
TO (I&S)	86.57	86.95	69.30	36.57
TO (Finance)	7.23	6.24	10.82	7.54
TO (P&C)	1.95	1.65	15.91	7.04
Total	105.81	105.28	108.91	62.35
Grand Total Rs 105.81+Rs 62.35				168.16

Audit holds that due to weak Internal Controls, DDO wise cash book was not maintained in violation of rules.

This resulted in non-maintenance of cashbook.

Management replied that general cash book for the period is being maintained. No cash book was provided till finalization of this report. In

the absence of Cash Book, likelihood of misappropriation cannot be ruled out.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 14.05.2016, directed to submit Cash Book within 30 days of DAC meeting to Audit for verification.

Audit recommends the Cash Book be produced for audit scrutiny besides fixing responsibility against the person (s) at fault.

[AIR Para No. 14]

1.3.2.2 Irregular Payment of Salaries to the Contingent Paid Staff - Rs 10.11 million

According to Rule 4(3)(v) of PDG & TMA (Budget) Rules 2003, the head of office is responsible for ensuring that the funds allotted are spent on the activities for which the money was provided. Further, according to Finance Department letter No. FD. SO (GOODS)44-4/2011 dated 6th August, 2014, no contingent paid staff shall be appointed without obtaining prior approval of Finance Department to keep the expenditure strictly within the budgetary allocation.

As per preface of Schedule of Wage Rates, 2007 issued by the Government of the Punjab Finance Department, the appointment of contingent staff may be made by competent authority subject to the following conditions;

- a) The posts shall be advertised properly in leading newspapers.
- b) The recruitment to all posts in the Schedule shall be made on the basis of merit specified for regular establishment vide para 11 the Recruitment policy issued by S&GAD vide No. SOR-IV (S&GAD) 10-1/2003 dated 17.09.2004.

TMO Piplan drew Rs 10.11 million from the Local Fund for payment of salaries to daily wage staff / contingent paid staff during 2014-15. Expenditure was held irregular due to the following reasons:

- i) Money was drawn from accounting head Pay of Staff i.e. regular budget instead of relevant head payment to contingent paid staff
- ii) The prior approval of Finance Department was not obtained as it was neither available on record nor shown to audit
- iii) Staff was appointed without fulfilling codal formalities as mentioned in the recruitment policy referred ibid

- iv) No sanctioned strength of the contingent paid staff was available in the budget book and
- v) Appointment orders, duties roster, disbursement record, acquaintance rolls and CNIC copies were also neither available on record nor shown to audit.

(Rs in million)

Name of CO Unit	No. of Employees	Rate	Amount
CO Unit Piplan	10	346x365x2	2.53
CO Unit Kundian	20	346x365x2	5.05
CO Unit Harnoli	10	346x365x2	2.53
Total			10.11

Audit holds that due to poor financial discipline and weak Internal Controls, contingent paid staff was appointed in contravention of the rules *ibid*.

Management replied that contingent paid staff was appointed to cope with the work of emergent nature. Reply was not accepted being evasive.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 14.05.2016, directed to produce evidences within 30 days to Audit for verification.

Audit recommends investigation of the matter for fixing responsibility against the person (s) at fault under intimation to Audit.

[AIR Para No. 15]

1.3.2.3 Unauthorized Expenditure on Account of POL - Rs 8.04 million

According to Clause 49 of Appendix 14-Miscellaneous Rulings relating to Contingent Charges of PFR Vol-II, the accounts of petrol, oil, lubricant and spare parts should be maintained separately for each vehicle. Full particulars of the journeys and distances between two places should be correctly exhibited. The purpose of journey indicating the brief particulars of the journey performed should be recorded. The term “official” is not sufficient. The officer using the vehicle should sign the relevant entries in the Log Book.

Scrutiny of accounts record of TMA Piplan revealed that an amount of Rs 8.04 was incurred on account of POL for sanitation, fire-fighting purposes and disposal of water through peter engine etc. Further,

probe into matter revealed that the tour route of tractors along with distance covered was not mentioned / available to verify the consumption of the POL.

(Rs in million)

Year	CO Piplan	CO Kundian	CO Harnoli
2013-14	1.34	1.29	0.67
2014-15	2.41	1.59	0.74
Total	3.75	2.88	1.41
Grand Total			8.04

Audit holds that due to weak Internal Controls, expenditure was incurred without maintenance of relevant record.

This resulted in unauthorized expenditure of Rs 8.04 million.

Management replied that POL in the Financial Year 2013-14 and 2014-15 was drawn on the basis of Average Consumption Certificate issued by the competent authority. Reply was not accepted because no documentary evidence was provided till the finalization of this report.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 14.05.2016, directed to produce evidences within 30 days of DAC meeting to Audit for verification.

Audit recommends fixing responsibility against the person (s) at fault for non maintenance of record under intimation to Audit.

[AIR Para No. 03]

1.3.2.4 Doubtful Expenditure on Account of Sports Activities - Rs2.08 million

According to rule 2.10(a) of PFR Vol-I, same vigilance should be exercised in respect of expenditure incurred from government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money. Moreover, according to Rule 2.32 (a) of PFR Vol-1, all details about all accounts shall be recorded as fully as possible, so as to satisfy any enquiry that may be made into the particulars of any case.

Scrutiny of accounts record of TMA Piplan for the period 2013-14 & 2014-15 revealed that an expenditure of Rs 2.08 million was incurred on account of sports activities by TO (I&S). However, relevant record i.e. Stock Registers, acknowledgements were not made available to verify the authenticity of the expenditure.

(Rs in million)

Sr. No.	Description	Amount
1	Payment of sports items on sports festival	1.00
2	Rent of vehicle	0.11
3	Panaflex banners	0.24
4	Payment of refreshment on sports festival	0.50
5	Rent of tentage	0.16
6	Rent of generator	0.07
Total		2.08

Audit holds that due to weak Internal Controls, expenditure was incurred without maintenance of relevant record.

This resulted in doubtful expenditure.

Management replied that all payments have been released after completing relevant record and disbursed accordingly. Reply was not accepted because no documentary evidence was provided till finalization of this report.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 14.05.2016, directed to produce evidences within 30 days of DAC meeting to Audit for verification.

Audit recommends fixing responsibility against the person (s) at fault for non maintenance of record under intimation to audit.

[AIR Para No. 02]

1.3.3 Internal Control Weaknesses

1.3.3.1 Non Reconciliation of Tax on Urban Immoveable Property Tax - Rs 79.22 million

According to Rule 78 of PDG & TMA (Budget) Rules 2003, (1) The Collecting Officers shall reconcile his figures with the record maintained by the Accounts Officer by the 10th day of the month following the month to which the statement relates. Further in order to enable the Head of Offices concerned to verify whether the amounts shown as realized in the statements have actually been realized and credited to the proper head of account, the Accounts Officer concerned shall provide the Head of Offices with statements confirming the actual amounts credited under the relevant receipt heads.

Scrutiny of the accounts record of TMA Piplan for the year 2014-15, it was observed that an amount Rs 79.22 million was collected from UIPT but the same was not reconciled with bank and finance department. This resulted in non reconciliation of receipts. As detailed below:

(Rs in million)

Sr. No.	Period	Tax on Transfer of Immoveable Property
1	2013-14	37.45
2	2014-15	41.77
Total		79.22

Audit holds that due to weak Internal Controls, UIPT was not reconciled with Bank and Revenue department.

This resulted in non-reconciliation of tax.

Management replied that, the tax was recovered during 2013-14 and was got reconciled by the TO (F). Reply was not accepted because no documentary evidence was provided till finalization of this report.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 14.05.2016, directed for reconciliation of receipts within 60 days under intimation to Audit.

Audit recommends reconciliation of Urban Immovable Property Tax under report to audit.

[AIR Para No. 14]

1.3.3.2 Less Recovery of Rent of Shop – Rs 1.20 million

According to Rules 76 (1) of the PDG & TMA (Budget) Rules, 2003 the Collecting Officer is to ensure that all revenue due is claimed, realized and credited to local government fund.

During audit of TMA Piplan for the period 2013-14, it was observed that 32 plots were auctioned to different vendors on the basis to construct and run the shop. No recovery on account of rent against shops was made. **(Annex-D)**

Audit holds that due to weak Internal Controls, rent of shops was not recovered.

This resulted in less recovery of Rs 1.20 million to Local Fund.

Management replied that notices have been issued to recover the arrears. Reply was not accepted because no documentary evidence was provided till finalization of this report.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 14.05.2016, directed to produce evidences within 30 days to Audit for verification.

Audit recommends recovery of the amount under intimation to Audit.

[AIR Para No. 12]

1.3.3.3 Less Recovery against Revised Budgeted Receipt - Rs 2.38 million

A Demand and Collection Register shall be maintained in Form A-XIII by the Collecting Officer of a Local Government. The demand shall be recorded on debit side of the register and when money is received against any demand necessary entry shall be made in the register on the credit side. At the beginning of each year, arrears of the previous year shall be carried forward and included in the demand for the year.

According to Rule 16(1) and 79(3) of PDG and TMA Budget Rules 2003, on receiving the estimates of receipts from the Collecting Officer, each Head of Offices concerned shall finalize and consolidate the figures furnished by his Collecting Officers. The Head of Offices and Collecting Officers shall be responsible for the correctness of all figures supplied to the Finance and Budget Officer and the sanction of the competent authority is necessary for the remission of, and abandonment of claims to revenue. As per Section 11 of Katchi Abadi Act 1992, there shall be a

separate fund of each concerned agency/ TMA to be known as Katchi Abadis Fund. The fund consist of price of land and development charges, recovered under this Act and other charges, if any, for services rendered by the Government Agency.

TMA Piplan collected Rs 1.45 million from shopkeepers, water consumers and contractors through Tax Collectors on account of license & permit fee, water rates, registration/enlistment fee and building plan fee against demand of Rs 3.83 million during the Financial Year 2014-15. Moreover, Demand and Collection Registers were withheld from presentation before the audit team in order to conceal the amount of arrears and shops/ consumer wise default.

(Rs in million)

Name of Head	Revised Budgeted 2013-14	Actual Recovery 2013-14	Less Recovery
License fee (Articles)	0.50	0.11	0.39
General Bus Stand/Parking fee	0.45	0.44	0.01
Fee for approval of building construction plan	1.20	0.33	0.87
Tehbazari fee	0.18	0.16	0.02
Water Rate	0.20	0.09	0.11
Registration /enlistment of contractor	0.70	0.12	0.58
Renewal of Registration	0.40	0.05	0.35
Receipts of Investment	0.20	0.15	0.05
Total	3.83	1.45	2.38

Audit holds that due to weak Internal control budgeted targets were not achieved.

This resulted in less/non recovery of budgeted targets.

Management replied that, the budget was got revised on presumption basis therefore, the target of receipts could not be achieved accordingly. Reply was not accepted being evasive.

The matter was reported to the TMO / PAO in February, 2016. DAC in its meeting held on 14.05.2016, directed to inquire the matter within 60 days of meeting under intimation to audit.

Audit recommends inquiry of the matter at earliest under report to audit.

[AIR Para No. 11]

ANNEXURES

PART-I
Memorandum for Departmental Accounts Committee Paras
Pertaining to Audit Year 2015-16

(Rs in million)

Sr. No.	Name of TMA	AIR Para No.	Description of Paras	Nature of violation	Amount
1	Mianwali	06	Loss to TMA by less recovery of water rate charges	Internal control weakness	35.824
2		08	Irregular Expenditure on account of repair & maintenance of drainage	Irregularity	2.305
3		09	Doubtful /fake drawl of POL	Irregularity	8.022
4		15	Doubtful/fake expenditure on account of repair of vehicle	Irregularity	0.688
5		17	Irregular expenditure on 14 th August	Internal control weakness	0.524
6		19	Defective execution of CCB scheme - Rs1,539,000	Internal control weakness	0.154
7		20	Non-realization of performance security worth	Internal control weakness	0.278
8		-	Unjustified Payment to Daily Paid Staff	Internal control weakness	17.827
9	Piplan	01	Loss to TMA due to non recovery of House Building Advance	Internal control weakness	1.080
10		04	Irregular expenditure on account of Repair of vehicle	Irregularity	1.729
11		05	Non recovery of Auction money	Internal control weakness	0.210
12		06	Non recovery of Auction money	Internal control weakness	0.177
13		07	Loss to TMA due to non deduction of Penal rent	Irregularity	-
14		08	Irregular expenditure on account of purchase of hand cart	Irregularity	0.311
15		09	Irregular expenditure on account of purchase of articles for cattle Mandi	Irregularity	0.138
16		13	Blockade of public money	Irregularity	0.867

Sr. No.	Name of TMA	AIR Para No.	Description of Paras	Nature of violation	Amount
			on account of procurement of Gym items		
17		16	Non recovery from Conversion/development/s crutiny fee	Irregularity	2.00
18		17	Unjustified payment of to Pakistan Railway on account Railway crossing	Irregularity	5.00
19		22	Non-maintenance of tree record	Irregularity	-

PART-II**[Para 1.1.3]****Memorandum for Departmental Accounts Committee Paras
Pertaining to Audit Year 2014-15**

(Rs in million)

Sr. No.	Name of TMA	Description of Paras	Nature of violation	Amount
1	Mianwali	Wastage / burglary of public property	Irregularity	
2		Unauthorized purchase of PVC pipes	Irregularity	0.153
3		Irregular TS of Development projects from unauthorized authority	Irregularity	0.700
4		Unauthorized payment without approval of lead chart	Irregularity	0.058
5		Unauthorized expenditure without approval of non scheduled item rates	Irregularity	0.700
6		Uneconomical expenditure on water charges	Internal control weakness	54.515
7		Loss due to non auction of garbage	Recovery	0.821
8	Isa Khel	Non utilization of budget	Internal control weakness	149.511
9		Non reconciliation of receipts	Internal control weakness	140.696
10		Non maintenance of DDO wise Cash Book	Internal control weakness	125.13
11		Non forfeiture of earnest money	Recovery	0.141
12		Wasteful expenditure on Regulations wing	Irregularity	0.349
13		Splitting of expenditure to avoid open tender	Irregularity	0.146
14		Non transfer of Income	Irregularity	0.531
15		Non allocation of CCB funds	Internal control weakness	2.604
16		Non utilization of Development budget	Internal control weakness	10.415
17		Uneconomical expenditure on Water Supply	Irregularity	84.994

TMA of Mianwali District
Budget and Expenditure Statement for the Financial Year 2014-15

1. TMA, Mianwali

(Rs in million)

Head	Budget	Expenditure	Excess / Saving	%age	Comments
Salary	129.007	128.405	0.602	0	-
Non-salary	101.395	90.808	10.587	10	-
Development	23.007	13.409	9.598	42	-
Total	253.409	232.622	20.787	08	-

2. TMA, Piplan

Head	Budget	Expenditure	Excess / Saving	%age	Comments
Salary	45.774	37.505	8.269	18	-
Non-salary	28.563	23.084	5.479	19	-
Development	68.906	68.847	0.059	0	-
Total	143.243	129.436	13.807	10	-

Annex-C
Para 1.2.1.3

Irregular Expenditure on Hiring of Tentages for Ramzan Bazar

(Rs in million)

Date	Description	Vr. No.	Amount
27.10.14	Rent of Sound System	44	0.173
28.11.14	Rent of CCTV Cameras	176	0.096
28.11.14	Rent of CCTV Cameras	177	0.096
28.11.14	Rent of CCTV Cameras	178	0.038
23.01.15	Panaflex	82	0.126
06.02.15	Hiring of Tentage	7	0.048
30.02.15	Partial payment of hiring of tentage 2013-14	69	0.947
30.02.15	Panaflex 2013-14	70	0.085
30.02.15	Hiring of Tentage 2013-14	-	0.800
09.08.14	Purchase of shopping bags for sugar	25	0.322
01.08.14	Repair of chairs for ramzan bazaar	60	0.001
04.09.14	P/F sign board for ramzan bazaar	139	0.100
22.09.14	Sasta Ramzan Bazar	68	0.036
Total			2.868

Annex-D
Para 1.3.3.1

Less Recovery of Rent of Shops

Shop No.	Name	Allotment Date	Monthly Rent (Rs)	Rent Received (Rs)	Annual Rent (Rs)	Less Recovery (Rs)
1	Mehmood Alam Khan S/O Muhammad Aslam Khan	17.09.09	1,000	500	6,000	6,000
2	Zahid Abbas Khan S/o Sher Abbas Khan		1,100	550	6,600	6,600
3	-do-		1,050	525	6,300	6,300
4	Faryad Ali S/o M. Azam		1,050	525	6,300	6,300
5	Zaka Ullah Khan S/o Muhammad Ramzan Khan		1,100	550	6,600	6,600
6	Mazhar Ejaz S/o Ejaz Ahmad Malik		1,100	550	6,600	6,600
7	Zaaid ullah Khan S/o Khalas Khan		1,000	500	6,000	6,000
8	-do-		1,000	500	6,000	6,000
9	-do-		1,100	550	6,600	6,600
10	-do-		1,000	500	6,000	6,000
11	Ehtsham Khan S/o Haji Javed Iqbal		1,000	500	6,000	6,000
12	-do-		1,100	550	6,600	6,600
13	-do-		1,000	500	6,000	6,000
14	-do-		1,100	550	6,600	6,600
15	Abdul Shakoor Khan S/o Abdul Ghafoor Khan		1,000	500	6,000	6,000
16	-do-		1,050	525	6,300	6,300
17	-do-		950	475	5,700	5,700
18	-do-		1,000	500	6,000	6,000
19	Abdul Star S/o Haji Muhammad Zaman		1,000	500	6,000	6,000
20	-do-		1,000	500	6,000	6,000
21	-do-		950	475	5,700	5,700
22	-do-		1,000	500	6,000	6,000
23	Muhammad Ashraf S/o Muhammad Siddique		1,000	500	6,000	6,000
24	-do-		1,000	500	6,000	6,000
25	Nasir Mehmood S/o Muhammad Rafiq		1,000	500	6,000	6,000
26	-do-		1,000	500	6,000	6,000
27	Akhtar Shakeel S/o Muhammad Rafiq		950	475	5,700	5,700
28	Tahir Irfan S/o M. Rafiq		1,000	500	6,000	6,000
29	Zaaid ullah Khan S/o Khalas Khan		800	400	4,800	4,800
29	Nasir Mehmood S/o Muhammad rafiq		1,050	525	6,300	6,300
30	Faiz Muhammad S/o Fateh Muhammad		1,050	525	6,300	6,300
31	Muhammad Sabir S/o Muhammad Iqbal		1,000	500	6,000	6,000
32	-do-		900	450	5,400	5,400
				Total	200,400	200,400
				Grand Total	200,400x6=1,202,400	