



**AUDIT REPORT
ON
THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS
DISTRICT SARGODHA
AUDIT YEAR 2014-15**

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	vii
Table 4: Irregularities Pointed Out.....	viii
Table 5: Cost-Benefit.....	viii
CHAPTER-1	1
1.1 TOWN / TEHSIL MUNICIPAL ADMINISTRATIONS, SARGODHA.	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 2013-14	4
1.1.4 Brief Comments on the Status of Compliance with PAC Directives.....	4
1.2 AUDIT PARAS	5
1.2.1 TMA Sargodha	6
1.2.1 Non-Production of Record.....	7
1.2.2 Irregularity / Non-compliance of Rules	8
1.2.3 Internal Control Weaknesses	11
1.3.1 TMA Bhalwal	13
1.3.1 Non Production of Record	14
1.3.2 Irregularity / Non-compliance of Rules	15
1.3.3 Internal Control Weakness.....	17
1.4.1 TMA Shahpur	23
1.4.1 Non Production of Record	24
1.4.2 Irregularity / Non-compliance of Rules	25
1.4.3 Internal Control Weaknesses	28
ANNEXES	33
Annex-A.....	34
Annex-B.....	37
Annex-D.....	39
Annex-E.....	40
Annex-F	41
Annex-G.....	43
Annex-H.....	44
Annex-I	45

ABBREVIATIONS & ACRONYMS

ADP	Annual Development Programme
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
DNIT	Detailed Notice Inviting Tender
FD	Finance Department
IPSAS	International Public Sector Accounting Standards
LG&CD	Local Government & Community Development
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
PAC	Public Accounts Committee
PCC	Plain Cement Concrete
PDG	Punjab District Government
PLGO	Punjab Local Government Ordinance
PLG	Punjab Local Government
PMDFC	Punjab Municipal Development Fund Company
POL	Petroleum Oil and Lubricants
TAC	Tehsil Accounts Committee
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TO (F)	Tehsil Officer (Finance)
TO (I&S)	Tehsil Officer (Infrastructure & Services)
TO (P&C)	Tehsil Officer (Planning & Coordination)
TO (R)	Tehsil Officer (Municipal Regulations)

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 City District/District Government is the responsibility of the Auditor General of Pakistan.

The report is based on audit of the accounts of various offices of Town/Tehsil Municipal Administrations of the District Government Sargodha for the Financial Year 2013-14. The Directorate General of Audit, District Governments, Punjab (North), Lahore conducted audit during 2014-15 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 findings carrying value of Rs1.00 million or more. 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 discussion of Audit paras with the management. However, no Departmental Accounts Committee meeting by PAO was convened despite repeated requests.

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:

(Rana Assad Amin)

Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General of Audit, District Governments, Punjab (North), Lahore, is responsible to carry out the audit of District Governments, Town/Tehsil Municipal Administrations and Union Administrations of three (03) City District Governments and sixteen (16) District Governments. Its Regional Directorate of Audit, Sargodha has audit jurisdiction of District Governments, TMAs and UAs of four (04) District Governments i.e. Sargodha, Khushab, Mianwali and Bhakkar.

The Regional Directorate has a human resource of 14 officers and staff, total 2,740 man-days and the budget of Rs13.021 million for the Financial Year 2014-15. It has the mandate to conduct Financial Attest Audit, Regularity Audit, and Compliance with Authority and Performance Audit of entire expenditure including programmes / projects & receipts. Accordingly, Directorate General Audit District Governments Punjab (North), Lahore carried out Audit of accounts of Town / Tehsil Municipal Administrations of Sargodha District for the financial year 2013-14.

Each Tehsil Municipal Administration in District Sargodha conducts its operations under Punjab Local Government Ordinance, 2001. Town/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 / Town 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 / Town Municipal Administrations of Sargodha District was carried out with the view to ascertaining whether the expenditure was incurred with proper authorization and inconformity with laws/ rules /regulations for 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 / rules, there was no leakage of revenue and revenue did not remain outside Government Account/ Local Fund.

a. Scope of Audit

Out of six (06) TMAs, three (3) TMAs were audited. The expenditure of three(3) audited TMAs of District Sargodha for the Financial Year 2013-14 under the jurisdiction of DG District Audit (N) Punjab was Rs809.111 million covering three(3) PAO and three (3) formations. Out of this, Directorate General Audit (N) Punjab audited an expenditure of Rs263.449 million which in terms of percentage, was 33% of the auditable expenditure.

Total receipts of the three (3) Tehsil / Town Municipal Administrations of Sargodha District for the financial year 2013-14, were Rs974.699 million. Directorate General Audit Punjab (N), audited receipts of Rs877.229 million which was 90% of total receipts.

b. Recoveries at the Instance of Audit

Recovery of Rs59.206 million was pointed out during audit but no recovery was recovered and verified during the year 2014-15 till the time of compilation of Report.

c. Audit Methodology

Audit was performed through understanding the business processes 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.

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 been less materialized due to non-convening of regular PAC meetings. Had PAC meetings been regularly convened, audit impact would have been manifold.

e. Comments on Internal Control and Internal Audit Department

Internal control mechanism of Town / Tehsil Municipal Administrations of District Sargodha 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 like withdrawal of public funds against the entitlement of employees. Negligence on the part of District Sargodha authorities 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 Rs162.359 million was noted in three cases¹
- ii. Irregularity / Non-compliance of Rules and Regulations amounting to Rs180.160 million were noted in nine cases.²
- iii. Weaknesses of Internal Controls amounting to Rs80.812 million were noted in fifteen cases³.

Audit paras for the audit year 2014-15 involving procedural violations including internal control weaknesses, poor asset management and irregularities not considered worth reporting are included in MFDAC (Annex-A).

¹Para: 1.2.1.1, 1.3.1.1 & 1.4.1.1

²Para: 1.2.2.1-1.2.2.4, 1.3.2.1-1.3.2.2 & 1.4.2.1-1.4.2.3

³Para: 1.2.3.1-1.2.3.2, 1.3.3.1-1.3.3.7 & 1.4.3.1-1.4.3.6

g. Recommendations

Audit strongly recommends that the PAO / Management of TMAs should ensure to resolve the following issues:

- i. Producing of record to audit for verification.
- ii. Investigate cases involving wastage, fraud, misappropriation and losses, and take disciplinary actions after fixing responsibilities.
- iii. Strengthening of internal controls.
- iv. Appointing of internal auditor.
- v. Holding of DAC meetings well in time.
- vi. Ensuring compliance of DAC directives and decisions in letter and spirit.
- vii. Expediting the recoveries pointed out by Audit as well as other amounts pointed out by audit and conveyed to the management.
- viii. Ensuring compliance of relevant laws, rules, instructions and procedures, etc.
- ix. Maintenance of accounts and record in prescribed format / manner.
- x. Realizing and reconciling of various receipts.
- xi. Physical stock-taking of the fixed and current assets.
- xii. Addressing systemic issues to prevent recurrence of various omissions and commissions.

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	06	1,546.423
2	Total Formations in Audit Jurisdiction	06	1,546.423
3	Total Entities (PAOs) Audited	03	809.111
4	Total Formations Audited	03	809.111
5	Audit & Inspection Reports	03	809.111
6	Special Audit Reports	Nil	Nil
7	Performance Audit Reports	Nil	Nil
8	Other Reports	Nil	Nil

* Figures at Serial no. 3, 4 & 5 represent expenditure

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	59.853
3	Weak internal controls relating to Financial Management	118.367
4	Violation of Rules	86.040
5	Others	162.359
TOTAL		426.619

Table 3: Outcome Statistics

(Rs in million)

Sr. No	Description	Physical Assets	Civil Works	Receipt	Others	Total	Total last year
1	Outlays audited	-	77.343	974.699	731.768	*1,783.810	2,336.846
2	Amount placed under audit observation / irregularities of audit	-	3.922	48.013	374.684	426.619	1,322.602
3	Recoveries pointed out at the instance of Audit	-	-	47.366	11.840	59.206	228.837

4	Recoverable accepted / established at the instance of Audit	-	-	-	-	-	-
5	Recoveries realized at the instance of Audit	-	-	-	-	-	-

*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 Rs809.111 million.

Table 4: Irregularities Pointed Out

(Rs in million)

Sr. No.	Description	Amount under Audit observation
1	Violation of rules and regulations and violation of principle of propriety and probity in public operations.	86.040
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public resources.	-
3	Accounting errors (accounting policy departure from IPSAS, misclassification, over and understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	118.367
4	Quantification of weaknesses of internal control systems.	-
5	Recoveries and overpayments representing cases of establishment overpayment or misappropriations of public money.	59.853
6	Non-production of record	162.359
7	Others, including cases of accidents, negligence etc.	-
Total		426.619

Table 5: Cost-Benefit

(Rs in million)

Sr. No.	Description	Amount
1	Outlays Audited (Item 1 of Table 3)	1,783.810
2	Expenditure on Audit	1.628
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	-

CHAPTER-1

1.1 TOWN / TEHSIL MUNICIPAL ADMINISTRATIONS, SARGODHA

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 (P&C), Town / Tehsil Nazim and Town / Tehsil Naib Nazim. The functions of TMAs are as follows:-

1. Prepare spatial plans for the Town including plans for land use, zoning and functions for which TMA is responsible.
2. Exercise control over land-use, land-subdivision, 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.
3. Enforce all municipal laws, rules and bye-laws governing TMA's functioning.
4. Prepare budget, long term and annual municipal development programs in collaboration with the Union Councils.
5. 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.
6. Collect approved taxes, cesses, user fees, rates, rents, tolls, charges, fines and penalties.
7. Manage properties, assets and funds vested in the Town Municipal Administration.
8. Develop and manage schemes, including site development in collaboration with District Government and Town Municipal Administration.

9. 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.
10. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
11. Maintain municipal records and archives.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

Total Budget of TMAs of District Sargodha was Rs1,199.817 million (inclusive Salary, Non-salary and development) whereas, the expenditure incurred (inclusive salary, non-salary and development) was Rs809.111 million showing savings of Rs390.706 million which in terms of percentage was 33% of the final budget as detailed below:

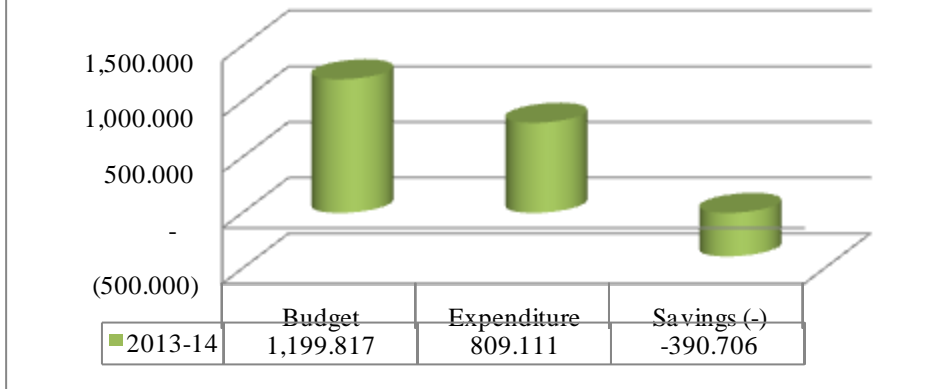
(Rs in million)

2013-14	Budget	Expenditure	Excess (+) / Saving (-)	% age (Saving)
Salary	510.738	431.969	(-) 78.769	15
Non-salary	422.982	299.799	(-) 123.183	29
Development	266.097	77.343	(-) 188.754	71
Total	1,199.817	809.111	(-) 390.706	33

The budgeted outlay was Rs1,199.817 million of three (03) TMAs includes PFC award of Rs431.332 million whereas total expenditure incurred by the TMAs during 2013-14 was Rs809.111 million with a savings of Rs390.706 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.

TMA	Budgeted Figure			Budgeted Outlay	Actual Expenditure	Savings	%age of Savings
	Own receipt including OB	PFC award	Total Receipts				
Sargodha	524.707	224.596	524.707	560.768	536.294	24.474	04
Shahpur	158.348	52.500	158.348	127.392	91.119	36.273	28
Bhalwal	291.644	154.236	291.644	511.657	181.698	329.959	64
Total	974.699	431.332	974.699	1199.817	809.111	390.706	33

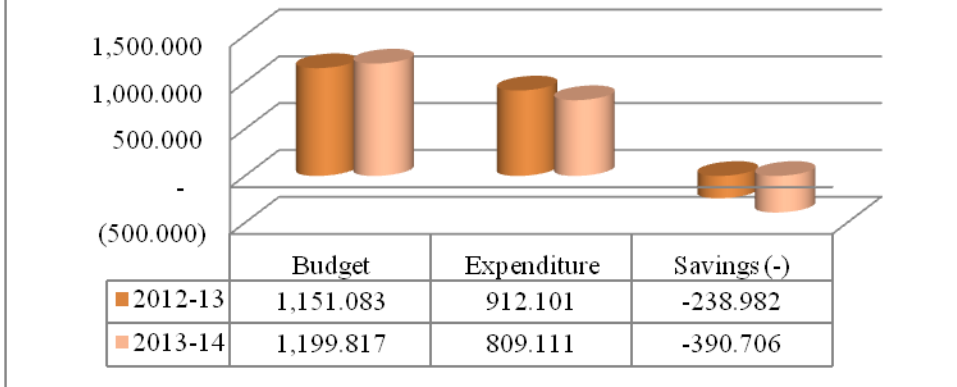
Budget and Expenditure 2013-14



The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

(Rs in Million)

Comparison of Budget and Expenditure 2012-13 & 2013-14



There was savings in the budget allocation of the financial years 2012-13 and 2013-14 as follows:

(Rs in million)

Financial Year	Budget	Expenditure	Savings	%age of savings
2012-13	1,151.083	912.101	238.982	21
2013-14	1,199.817	809.111	390.706	33

The justification of saving when the development schemes have remained incomplete 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 2013-14

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	25	Not convened
2	2012-13	10	Not convened
3	2013-14	67	Not convened

1.2 AUDIT PARAS

1.2.1 TMA Sargodha

1.2.1 Non-Production of Record

1.2.1.1 Non Production of Record - Rs4.283 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 Section 115 (6) of PLGO 2001, the officials shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

TMA Sargodha did not provide following record for audit verification despite repeated requests.

(Rs in million)

Sr. #	Description	Amount
1.	Record of water works branch	4.283
2.	Contractor's ledger	0
3.	History sheets of vehicles and machinery	0
4.	Record pertaining to road cut.	0
Total		4.283

Audit holds that non-production of expenditure records could lead to misuse of public funds and misappropriation / fraud.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends that matter may be investigated, fixing responsibility on the delinquent officers / officials for non-production of record, and ensure submission of record to audit for scrutiny.

1.2.2 Irregularity / Non-compliance of Rules

1.2.2.1 Irregular Recruitment of Daily Wages Staff – Rs53.146 million

As per Wage Rate Act 2007, the appointment to a post included in the schedule shall be advertised properly in leading newspapers and recruitment to all posts in the schedule shall be made on the basis of merits specified for regular establishment vide para 11 of the Recruitment Policy issued by the S&GAD vide No. SOR-IV(S&GAD)10-1/2003 dated 17.9.2004.

TMO Sargodha appointed 399 daily wages staff without observing codal formalities like advertisement in the print media, selection criteria and joining reports of the incumbents during 2013-14. Due to this reason the expenditure of Rs53.146 million was held irregular as detailed below;

No. of daily wages employees	Rate per day (Rs)	Amount for 2013-14 (360 days)
399	370	360daysx399 employees xRs370 =53,146,800

Audit holds that due to poor financial discipline and weak internal controls, work charge employees were appointed without the approval of competent authority.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends proper inquiry for irregular appointments and fixing responsibility besides regularization of expenditure under intimation to Audit.

1.2.2.2 Irregular / Doubtful Expenditure on POL for Tractors without Annual Estimate -Rs15.739 million

Para 20 of West Pakistan Staff Vehicle (Use and Maintenance) Rule 1969 laid down that log book containing petrol account, history sheet and all expenditure incurred there on should be maintained for each Government vehicle. Further, as per Annex 7.1 and 7(9) of B&R Manual, annual estimate of repair and maintenance of each Government Vehicle taking both direct and indirect charges should be prepared. Moreover, Article 162-163 of Account Code Vol-III requires that operation and out of turn charges should be closed / adjusted at the end of year.

TMA Sargodha incurred an expenditure of Rs15.739 million for the purchase of POL for Tractor, Sucker Machine and Bulldozers without observing following codal formalities and austerity measures imposed by the government:

- i. Annual estimate was not prepared and approved by the competent authority
- ii. History sheet i.e. model, Manufacture, book value etc was not available.
- iii. Ceiling/ mileage /hour were not fixed.
- iv. Average consumptions certificate / fitness certificate were not obtained from the motor vehicle examiner during 2013-14.
- v. Route of each tractor / road machinery was not found.
- vi. Gate pass system was not available.
- vii. Log books were silent about the route and journey performed.

Audit holds that due to weak financial management heavy expenditure was incurred on POL, which resulted in irregular expenditure of Rs15.719 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials for non-preparation of annual demand beside regularization of expenditure from competent authority under intimation to it.

1.2.2.3 Irregular Expenditure by Violating PPR–Rs7.134 million

As per Rule 9 of PPRA Rules 2009, a procuring agency shall announce in an appropriate manner all proposed procurements 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 on the PPRA's website. Procurement over Rs100,000 and up to Rs2.00 million should be advertised on PPRA's website as well as in print media, if deemed necessary by the procuring agency.

TMA Sargodha incurred an expenditure of Rs7.134 million on hiring of tents, generators, lights, purchase of Interceptor, electric items and repair of loader during financial year 2013-14 in violation of PPRA Rules 2009. (Annex-C)

Audit holds that incurring expenditure without advertisement on PPRA website was due to defective financial discipline and non-compliance of Punjab Procurement Rules.

This resulted in irregular expenditure of Rs7.134 million without advertisement at PPRA Website.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials for non-observance of PPRA Rules beside regularization of expenditure from competent authority under intimation to Audit.

1.2.2.4 Irregular Payment without Entries in MB – Rs3.441 million

As per Rule 4(4) (e-iv) of Punjab Union Administration (Works) Rules 2002 read with Rule 4.5 of B&R Code, “the measurement book must be looked upon as a most important record since it is the basis of all accounts of quantities, whether of work done by labor or by the piece or by contract, or of material received, which have to be counted or measured. The description of the work must be lucid, so as to admit of easy identification and check”.

TMA Sargodha incurred an expenditure of Rs3.441 million on the Repair and Maintenance of different schemes within the range of Rs20,000 to Rs25,000 during 2013-14. The amounts were paid to the contractors on the basis of bills provided by him. The work done was not recorded in Measurement Book which makes the whole transaction doubtful.

Audit holds that due to weak internal control expenditure was incurred, which resulted in an irregular expenditure of Rs3.441 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials besides regularization of expenditure from competent authority under intimation to it.

1.2.3 Internal Control Weaknesses

1.2.3.1 Loss due to Less Realization of Receipts – Rs12.522 million

According to Rule 76(1) read with Rule 77, 78 & 79 of PDG & TMA (Budget) Rules, 2003, the primary obligation of the collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head.

Contrary to the above, a scrutiny of Demand and Collection Register of TMA Sargodha revealed that the management did not realize cost of land and development charges from residence of the Katchi Abadies, recoveries on grounds of civil suits, rent of shops and water charges worth Rs12.522 million during financial year 2013-14, as detailed below:

Name of Head	Demand (Rs)	Recoveries (Rs)	Balance (Rs)
Cost of land	6,539,157	3,942,597	2,596,560
Development charges	4,197,760	3,319,366	878,394
5959 Nos. of civil suits	6,243,500	2,603,004	3,640,496
1168 Nos. of rent of shops	25,000,000	20,310,153	4,689,847
7104 Nos. of connections of water charges	5,000,000	4,283,121	716,879
Total	46,980,417	34,458,241	12,522,176

Audit holds that less collection of receipts was made due to inefficient financial management and poor performance which resulted in a loss of Rs12.522 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends that the matter needs to be investigated at an appropriate level against the officers / officials at fault. The outstanding amount must be recovered and credited into TMA account under report to Audit.

1.2.3.2 Loss due to Non-auction of Condemned Store and Stock – Rs4.250 million

According to laid down procedure vide paragraph 4.35 & 4.37 of Buildings & Roads (B&R) Code, the surplus stores should be evaluated at the end of each financial year and put to auction.

Scrutiny of record of TMA Sargodha for the financial year 2013-14 revealed that different unserviceable / condemned items having estimated value of Rs4.250 million were not auctioned. These items were lying in the open and were further losing their value. The detail is as under:

(Rs in million)

Description	Amount
Vehicles Jeep SGA-7194, Jeep SGC-780, Jeep SGE-5593, Car SGF-259, Car without number, Jeep SGE-4315	2.400
Electric material, choke, rod etc.,	0.200
Banners	0.250
Bamboo	0.200
Furniture	0.350
Encroached material	0.550
Sign board	0.300
Total	4.250

Audit holds that due to weak internal controls, inefficient financial management and poor performance, auction of the unserviceable / condemned items was not made, which resulted in a loss of Rs4.250 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends recovery besides fixing responsibility for lapse and negligence against the person(s) at fault under intimation to Audit.

1.3.1 TMA Bhalwal

1.3.1 Non Production of Record

1.3.1.1 Non Production of Record - Rs158.076 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 Section 115 (6) of PLGO 2001, the officials shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

TMA Bhalwal did not provide following record worth Rs158.076 million for audit verification despite repeated requests.

(Rs in million)

Sr. #	Description	Amount
1	Agreement deed regarding Punjab Municipal Development Fund Company (PMDFC) schemes	5.00
2	CO Units Bhalwal, Miani, Bhera, Phullarwan, Sanitation, Encroachment challans issued and amount realized, Fire brigade, Water boozer record, Self-Collection of receipts books, Receiving record of Tractors Johan Deer, Security register	0.00
3	Record pertaining to liquidation of contractor's security	0.00
4	Ongoing schemes, CCB Liabilities, Other development	153.076
Total		158.076

Audit holds that the relevant record of the expenditure was not maintained and hence not produced to audit for verification which may lead to apprehension of misappropriation and misuse of public resources.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against person(s) at fault for non-production of record besides early production of record under intimation to Audit.

1.3.2 Irregularity / Non-compliance of Rules

1.3.2.1 Unlawful Expenditure Incurred on Non TMA Land - Rs3.00 million

As per Government of the Punjab letter No.SO (UNIV) 5-10/2004 dated 28.04.2005 “The property of educational institutions remains vested in the Provincial Government even after devolution and it is directed not to allow any charge of usage of Government property without prior permission of the Provincial Government”. As per rules 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part or to the extent he contributed to the loss by his own action or negligence.

TMA Bhalwal incurred an expenditure of Rs3.00 million on the construction of Slaughter House Scheme No.5 on the property of Provincial Government during 2013-14 without obtaining legal ownership in violation of ibid criteria.

Audit holds that due to weak internal controls TMA incurred unlawful expenditure of Rs3.00 million on construction of slaughter house.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials concerned under intimation to Audit.

1.3.2.2 Irregular Expenditure without Getting Revised Administrative Approval- Rs0.902 million

According to Para 2.7 of B&R Code, the cases in which it becomes apparent during execution of work, that the amount of technical sanction will be exceeded by more than 5% owing to increase of rates or other causes, the revised administrative approval of competent authority must be obtained for the increased expenditure without delay.

TMA Bhalwal enhanced the cost estimates of the schemes amounting to Rs0.902 million without obtaining revised Administrative Approval during 2013-14. All the estimates enhanced were beyond the permissible limit of 5%, which resulted in an irregular expenditure of

Rs0.902 million (Annex-D).

Audit holds that due to non-compliance of rule payments were made without obtaining revised Administrative Approval.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials concerned under intimation to Audit.

1.3.3 Internal Control Weakness

1.3.3.1 Less Realization due to Non-auction of Cattle Mandi Rs20.508 million and Non recovery of Income Tax and Professional Tax - Rs1.803 million

According to Rule 3 of the PLG (Auction of Collection Rights) Rules 2003, a local government may prefer to collect any of its income as specified in Second Schedule of the Ordinance through contractor by awarding collection rights to him for a period not exceeding one financial year. According to Rule 4(b) of the PLG (Property) Rules 2003, the manager shall administer the property as a trust used to the maximum benefit of the public. According to Section 153 of Income Tax Ordinance 2001, every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person shall, at the time of making the payment, deduct tax from the gross amount @ 5% on account of supplies and services rendered.

A scrutiny of record of TMA Bhalwal for the period 2013-14, revealed that the collection rights of the cattle market Bhalwal were not auction and departmental/self-collection was made resulting in a loss of Rs20.508 million as detailed below: -

Name of Head	Reserve Price	Departmental collection	Less recovery (Rs)
Cattle market Bhalwal	56,473,400	35,964,990	20,508,410

It is worthwhile to mention here that the highest offer of Rs40,000,000 was given by Mr. Syed Jamil Abbas S/o Tasneem Hussain M.B. Din on auction held at 05.06.13 and afterwards an offer of Rs30,000,000 was given by Mr. Ilyas Qureshi S/o M. Irshad Qureshi Rawalpindi on auction held on 18.09.13 (3,333,333 per month for nine months) and during this period the departmental recovery was only Rs8,211,612 which is too less besides deputing the whole staff for collection of dues and bearing their pay and allowances by the TMA, no rational approach was made to make good the resources.

b) TMA Bhalwal set a receipt target of Rs56.473 million in the Budget Book 2013-14 for the auction of cattle mandi Pull Nehar Bhalwal. TMA failed to lease out cattle mandi. Departmental collection was amounting to Rs35.965 million without realization of Income Tax @5% and professional tax amounting to Rs1.803 million (Rs1,798,250+5,000).

Audit holds that due to weak internal controls, inefficient financial management and poor performance, resulted TMA sustained a loss of Rs22.311 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials concerned under intimation to Audit.

1.3.3.2 Loss due to Non Realization of Sundry Fees–Rs13.699 million

According to the PDP 76 (1) of The Punjab District Government & TMA (Budget) Rules 2003, the primary obligation of the Collecting Officers shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head.

TMA Bhalwal did not realize an amount of Rs1.699 million on account of conversion fee, building fee and development fee, map approval fee, commercial map fee and residential fee from Private Schools, control sheds, Kino factories and Private and Commercial Housing Schemes as detailed below:

Description	Nos	Rate	Amount (Rs)
Private Schools	154	50,000 conversion fee, scrutiny fee and development fee from school	7,700,000
Control Sheds	27	21,000 per control shed	567,000
Kino Factories	34	14,400 per building fee	489,600
		50,000 conversion fee	1,700,000
Private Housing Schemes		185,500 security fee 1829770 conversion fee 917500 map approval fee	2,932,770
Commercial /Residences maps		261,606 commercial map fee 78,055 residential map fee	309,661
Total			13,699,031

Audit holds that less collection of receipts was made due to weak internal controls, inefficient financial management and poor performance which resulted TMA did not realize fee amounting to Rs13.699 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in

February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials concerned under intimation to Audit.

1.3.3.3 Loss due to Non-realization of Rent of Shops - Rs2.808 million

As per letter No.T-84/7490/LF dated 30-04-1969, where it is considered that permission may continue, then permission should be granted to all. Uniformly arrears plus penalties should be realized from those who have encroached without permission and without Tehbazari licenses, if they do not then action for demolition should take place.

TMA Bhalwal for the period 2013-14 it was observed from the Record of TO (R) that there were 28 points of encroachment at general bus stand at Bhalwal from which the TMA collected encroachment fee, now it was known that these encroachment places were turned into shops without the intention of the TMA, no check was applied to stop construction and after construction no rent was collected from these shop holders resulting in a loss to TMA upto the tune of Rs2.808 million.

Audit holds that due to weak internal controls, inefficient financial management and poor performance which resulted TMA sustained a loss of Rs2.808 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials concerned under intimation to Audit.

1.3.3.4 Loss to TMA due to Non Selling of Maize Crop - Rs1.485 million

As per Rule 4 (c) of PLG (Property) Rules 2003, requires that manager shall take steps to ensure that property meant for use of public is actually used to the maximum benefit of the public.

TMA Bhalwal was in possession of an agriculture land 131 kanal and 16 marlas with standing maize crop worth Rs1.485 million situated at Mauza Fateh Garh, Bhera during 2013-14 as detailed below:

Land (Acre)	Yield per acre	Rate	Calculation	Amount (Rs)
16.5	90 mund	1000/acre	90x1000x16.5	1,485,000

The TMA placed an advertisement in the press or auction of the maize crop but did not receive any bid. Failing to attract any buyer the management should have sold the produce in the open market which could have enabled it to fetch an amount of Rs1.485 million. This was not done which resulted into loss of revenue to the management.

Audit holds that due to weak internal controls, inefficient financial management and poor performance which resulted TMA sustained a loss of Rs1.485 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials concerned under intimation to Audit.

1.3.3.5 Non Imposition of Penalty due to Delay in Work – Rs1.365 million

As per Rule 52 (2) of Tehsil / Town Municipal Administration (Works) Rules, 2003, if due to any unavoidable circumstances, a work cannot be completed within the period specified in a contract an extension in such period may be allowed as per contract conditions by-

- (a) the Tehsil Officer (I&S) if the period of extension does not exceed one month;
- (b) the Tehsil Municipal Officer if the period of extension does not exceed two months;
- (c) the Tehsil / Town Nazims if the period of extension does not exceed three months; and
- (d) the concerned Tehsil / Town Council if the period of extension exceeds three months.
- (e) According to clause 39(a) of the contract agreement, the time frame given from completion of work is required to be observed and in case of failure to complete the work within stipulated time, a maximum penalty of 10% shall be imposed of agreement amount.

The accounts record of TMA Bhalwal revealed that 20 schemes costing Rs13.651 million remained incomplete after the expiry of stipulated period but the penalty of Rs1.365 million upto 10% of the estimated cost for delay in completion of work was not imposed (Annex-F).

Audit holds that due to weak financial management and weak internal controls, no penalty was imposed on the contractors for delay in completion of projects, which resulted in a loss of Rs1.365 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility, besides recovery of penalty for delayed works from concerned contractors after inquiry and effecting recovery of Rs1.365 million under intimation to Audit.

1.3.3.6 Non Imposition of Penalty to TMAs Shops Holders – Rs0.968 million

According to auction of Collection Rights 1993 the lessee will not be authorized to sublet the allotted shops to anyone. In case of failure to do so, the TMA would cancel the lease agreement and would recover penalty as per clause 17 of the Contract Agreement. (In this instance penalty being 1½ times the rent)

TMA Bhalwal leased out the shops to the various persons but it was noticed that the shops were sub let by actual lessees to others without the consent of the TMA during 2013-14. It was also noticed that no penalty @ 1½ times the rent, amounting to Rs0.968 million was imposed by the TMA on illegal occupants in violation of rule ibid.

Audit holds that due to weak financial management and weak internal controls, no penalty was imposed on the contractors for delay in completion of projects which resulted in a loss of Rs0.968 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility, besides recovery of penalty for delayed works from concerned contractors after inquiry and affecting recovery of Rs1.091 million under intimation to Audit.

1.3.3.7 Loss due to Less Realization of Receipts – Rs0.647 million

According to Rule 76(1) read with Rule 77, 78 & 79 of PDG & TMA (Budget) Rules, 2003, the primary obligation of the collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head.

TMA Bhalwal auctioned the collection rights of advertisement / publicity boards amounting to Rs1.825 million during 2013-14, against which an amount of Rs1.178 million was realized and remaining amount of Rs0.647 million was not realized.

Audit holds that due to weak internal controls, inefficient financial management and poor performance receipt was not realized which resulted in a loss of Rs0.647 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends that the matter needs to be investigated at an appropriate level against the officers / officials at fault. The outstanding amount must be recovered and credited into TMA account under report to Audit.

1.4.1 TMA Shahpur

1.4.1 Non Production of Record

1.4.1.1 Non Production of Record- Rs5.022 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 Section 115 (6) of PLGO 2001, the officials shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

TMA Shahpur did not provide following record for audit verification despite repeated requests.

Sr. No.	Description	Amount (Rs)
1.	CO Unit Jhawrian	5,022,012
2.	Encroachment challan issued and amount realized thereof for the year 2013-14	Figure not available
3.	Muharram record	Figure not available
4.	Receipts books of Self Collection	Figure not available
5.	Security register	Figure not available

Audit holds that relevant record of the expenditure was not maintained and hence was not produced to audit for verification which may lead to apprehension of misappropriation and misuse of public resources.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility for non-production of record under intimation to Audit.

1.4.2 Irregularity / Non-compliance of Rules

1.4.2.1 Non-maintenance of DDO-wise Cash Books – Rs91.120 million

A simple Cash Book in PFR Form-I should be kept in every office receiving or disbursing money on behalf of Government regularly or frequently for recording all transactions of moneys received by Government Servants in their official capacity. At the end of each month the head of the office should personally verify the cash balance and record below the closing entries in the Cash Book a certificate to that effect over his dated signature specifying both in words and figures the actual cash balance (exclusive of Imprest and temporary advances).

TMA Shahpur did not prepare DDO-wise Cash Books of the Tehsil Nazim and Naib Nazim office, TMO, TO (I&S), TO (Finance), TO (Regulation), TO (P&C), CO Unit, CO City, and CO Jhawerian as each officer was declared separate DDO. The drawl and disbursement of Rs91.120 million was held irregular and unauthentic in the absence of cash books. Detail as per expenditure statement is as under:

Sr. No.	Name of office	Amount (Rs)
1	Tehsil Nazim	1,353,801
2	Tehsil N Nazim	204,405
3	TMO	4,489,198
4	TO(I&S)	40,573,899
5	TO(Finance)	12,798,723
6	TO (Regulation)	1,957,188
7	TO (P&C)	1,071,221
8	CO Unit	15,781,821
9	CO City	7,867,576
10	CO Jhawerian	5,022,012
Total		91,119,844

Audit holds that due to non-compliance of rules DDO wise Cash Book was not maintained.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends that responsibility be fixed for non-observance of rules under intimation to Audit.

1.4.2.2 Irregular Expenditure due to Substandard PCC Work - Rs3.020 million

As per section 511-4(a)(b)(c), prior to start of works contractor will carry out test of soils to be used to determine the exact percentage of cement to be used in consultation with engineer. Likewise PCC test was also to be conducted to find out the load bearing capacity.

TMA Shahpur incurred an expenditure of Rs3.020 million on 3 schemes without soil test before actual execution of work during 2013-14 in violation of the rule *ibid*. The works were sub-standard because:

1. No soil test before executing work was taken by contractor and similarly PCC item 1:7:20, 1:2:4 and 1:6:12 were advised without any consultation.
2. 2 cubic pieces of PCC 2 test obtained instead of 5 cylindrical pieces test.
3. Lab report remained silent in all cases regarding the mean strength of the PCC.

Sr. No.	Name of project	MB No.	Qty	Amount (Rs)
2013-14	Const. of PCC drain St Shahid Hussain Sharazi at Road Moharram-ul-Haram Gujjar Colony	1387 page 18-20		49,694
Scheme 19 2012-13	Const. of drain & soling PCC slab at Jhawerian	1991 page 95-97	3,185	525,285
Scheme 12 2013-14	Const. of PCC at GBS Shahpur Sadar		13,776	2,445,000
Total				3,019,979

Audit holds that due to non-compliance of rules soil test was not carried out prior to execution of schemes, which resulted in substandard construction of schemes amounting to Rs3.020 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

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

1.4.2.3 Irregular Expenditure Violating PPR– Rs2.658 million

As per Rule 9 of PPRA Rules 2009, a procuring agency shall announce in an appropriate manner all proposed procurements 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 on the PPRA's website. Procurement over Rs100,000 and up to Rs2.00 million should be advertised on PPRA's website as well as in print media, if deemed necessary by the procuring agency.

TMA Shahpur incurred an expenditure of Rs2.658 million on the eve of Ramzan Bazar and Mela Shah Shamas Sherazi during financial year 2013-14 in violation of PPRA Rules 2009 (Annex-G).

Audit holds that due to non-compliance of PPRA rules irregular expenditure was incurred for Rs2.658 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials for non-observance of PPRA Rules beside regularization of expenditure from competent authority under intimation to Audit.

1.4.3 Internal Control Weaknesses

1.4.3.1 Non Recovery of Cattle Mandi Khushab's Auction Share - Rs 9.858 million

According to clause 3 of the agreement deed signed between the TMA Khushab and TMA Shahpur for operation of joint cattle mandi, TMA Khushab was bound to pay 31% of the auction value of the cattle Mandi to TMA Shahpur. In case of dispute between the parties mentioned in the agreement deed, Secretary Local Government & Rural Development as an administrative authority, shall be the arbitrator and decide the issue whose decision will be binding for both parties.

As per agreed formula TMA Shahpur was to receive Rs55.800 million as 31% of the share whereas it got only Rs45.942 million from TMA Khushab against a total auction money Rs180.000 million during 2013-14. As a result it was deprived of Rs9.858 million of its due share.

Audit holds that due to weak internal controls and poor financial management the authority sustained substantial loss.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials concerned under intimation to Audit.

1.4.3.2 Less Realization of Water Rate Charges – Rs 7.484 million

According to Rule 76 of PGD and TMA budget Rule 2003, the primary obligation of the collecting officer shall to ensure that all revenue due is claimed, realized and credited into the Govt. treasury under proper head.

TO (Finance), TMA Shahpur realized Rs1.294 million against the demand of Rs8.778 million from 2776 water connection on account of water rates during 2013-14. The remaining amount of Rs7.484 million was not realized. This resulted in loss to government for Rs7.484 million as detailed below.

Name of Area	No. of connection	Total demand (Rs)	Amount recovered (Rs)	Less Recovery (Rs)
Shahpur Sadar	1357	4,222,821	810,400	3,412,421
Shahzad Pur	255	289,450	151,260	138,190
Bhakkar Bar	258	2,364,263	102,510	2,261,753

Name of Area	No. of connection	Total demand (Rs)	Amount recovered (Rs)	Less Recovery (Rs)
Shahpur city	433	613,240	155,320	457,920
Jhawarian	229	164,880	26,440	138,440
Kalra	244	1,123,242	47,940	1075302
Total	2776	8,777,896	1,293,870	7,484,026

Audit holds that due to weak internal controls and financial mismanagement that the amount of water rate was not realized which resulted in a loss of Rs7.484 to the TMA.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends recovery besides fixing responsibility for lapse and negligence under intimation to Audit.

1.4.3.3 Non Imposition of Penalty due to Delay in Work – Rs3.454 million

As per Rule 52 (2) of Tehsil / Town Municipal Administration (Works) Rules, 2003, if due to any unavoidable circumstances, a work cannot be completed within the period specified in a contract an extension in such period may be allowed as per contract conditions by-

- (a) the Tehsil Officer (I&S) if the period of extension does not exceed one month;
- (b) the Tehsil Municipal Officer if the period of extension does not exceed two months;
- (c) the Tehsil / Town Nazims if the period of extension does not exceed three months; and
- (d) the concerned Tehsil / Town Council if the period of extension exceeds three months.
- (e) According to clause 39(a) of the contract agreement, the time frame given from completion of work is required to be observed and in case of failure to complete the work within stipulated time, a maximum penalty of 10% shall be imposed of agreement amount.

The accounts record of TMA Shahpur revealed that 89 schemes costing Rs33.274 million remained incomplete after the expiry of stipulated period but the penalty of Rs3.454 million upto 10% of the

estimated cost for delay in completion of work was not imposed as detailed below:

(Rs in million)			
Year	No. of scheme	Estimated cost	Penalty
2011-12	05	1.270	0.127
2012-13	75	20.70	2.197
2013-14	09	11.304	1.130
Total	80	33.274	3.454

Audit holds that the due to weak financial management and weak internal controls, no penalty was imposed on the contractors for delay in completion of projects, which resulted in a loss of Rs3.454 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility, besides recovery of penalty for delayed works from concerned contractors after inquiry and effecting recovery of Rs3.454 million under intimation to Audit.

1.4.3.4 Loss to TMA due to Undue Delay in Approval of Housing Societies Maps Rs2.254 million

According to instructions of Punjab Local Government department, Lahore, Building maps shall be approved/ rejected by the TMA within 45 days of its submission for approval.

TMA Shahpur did not approve or reject the maps within 45 days of the 16 societies in violation of the standing instructions of the local government during 2013-14 (Annex-H).

Audit holds that due to weak internal controls and in action on part of the management TMA sustained a loss of Rs2.254 million on account of Approval fee.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the officers / officials concerned under intimation to Audit.

1.4.3.5 Non Realization of Performance Security – Rs0.520 million

According to Clause 26-A of the contract under Government Instruction for the guideline as notified by the Government of the Punjab, Finance Department vide letter No. RO(Tech) FD1-2/83 (vi) (P) dated 6th April 2005, in case the total tendered amount is less than 5% of the approved estimate (DNIT) amount, the successful bidder will have to deposit additional performance security in the Scheduled Bank ranging from 5% to 10% within 15 days of the issuance of notice or within expiry of the work order whichever is earlier.

TMA Shahpur got executed different schemes having estimated cost of Rs5.520 million during 2013-14. The contractors offered rates below the TS estimates but performance security amounting to Rs0.520 million was not realized in violation of rule ibid. (Annex-I)

Audit holds that due to weak internal controls performance security was not deducted from the contractors' bills, which resulted in a loss of Rs0.520 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

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

1.4.3.6 Less Realization of Receipts – Rs0.475 million

According to Rule 76(1) read with Rule 77, 78 & 79 of PDG & TMA (Budget) Rules, 2003, the primary obligation of the collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head.

TMA Shahpur did not realize rent of shops worth Rs0.475 million from the various shopkeepers during financial year 2013-14, as detailed below:

Name of Area	No. of shops	Total demand (Rs)	Amount realized (Rs)	Less realization (Rs)
Shahpur Sadar	55	1,086,621	785,175	301,446
Shahpur City	26	475,087	442,580	32,507
Jhawarian	12	365,451	223,920	141,531
Total	93	1,927,159	1,451,675	475,484

Audit holds that due to weak internal controls and financial mismanagement that receipt was less realized which resulted in a loss of Rs0.475 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends that the matter needs to be investigated at an appropriate level against the officers / officials at fault. The outstanding amount must be recovered and credited into TMA account under intimation to Audit.

ANNEXES

PART-I
Memorandum for Departmental Accounts Committee Paras
Pertaining to Audit Year 2014-15

Sr. No.	Name of TMA	Description of Paras	Nature of Violation	Amount (Rs)
1	Sargodha	Non realization and issuance of completion certificate of building plans –recovery	Recovery	70,000
2		Non-forfeiture of earnest money	Internal control weakness	194,880
3		Non-auction of Collection Rights	Recovery	500,000
4		Irregular approval of non schedule items	Irregularity	129,400
5		Non deduction of shrinkage, overpayment to contractors	Recovery	54014
6		Overpayment	Recovery	56,286
7		Pending liability	Internal control weakness	570,066
8		Unauthorized Payment without Approval of Lead	Irregularity	34,592
9		Irregular expenditure	Irregularity	504,500
10		Non-realization of receipts target – loss to TMA	Recovery	21,012,000
11		Short realization of License fee of the Fetal Articles	Recovery	473,000
12		Non recovery of cost of old material on the repair of water supplies	Recovery	172,750
13		Wastage/ burglary of public property	Internal control weakness	0
14		Advance payment to DGPR Lahore	Irregularity	90,000
15	Bhalwal	Less Collection of Water Charges against heavy expenditure	Irregularity	2,402,000
16		Unjustified expenditure on repair & maintenance of Water supply	Irregularity	939,090
17		Less recovery against revised budgeted receipt	Recovery	51,785,000
18		Loss on account of non auction of collection rights	Recovery	204,000
19		Non Recovery of Shop Rent	Recovery	368,999
20		Non lease of agricultural land	Irregularity	500,000

Sr. No.	Name of TMA	Description of Paras	Nature of Violation	Amount (Rs)
21		Irregular payment of pay and allowance	Irregularity	1,716,000
22		Non reconciliation of Tax on Urban Immoveable property Tax	Internal control weakness	22,225,000
23		Expenditure without approval of rates of non schedule items	Irregularity	418,930
24		Irregular block allocation for ADP schemes	Irregularity	209,243,000
25		Concealment	Irregularity	7,935,565
26		Less-allocation/transfer of 2% budget for the promotion of sports activities	Internal control weakness	2,547,850
27		Uneconomical expenditure on account of replacement of transformers	Irregularity	358,235
28		Doubtful payment on account of repair of disposal works	Irregularity	414,577
29		Unauthorized expenditure on account of sanitation items	Internal control weakness	282,180
30		Non-realization of receipts target – loss to TMA	Recovery	2,313,000
31		Unauthorized retention of government money	Internal control weakness	1,010,231
32		Less collection of contractor renewal fee	Recovery	650,000
33	Shahpur	Irregular block allocation for ADP schemes	Irregularity	18,000,000
34		Unauthorized payment on account of Purchase of Base Course stone from non-approved Quarry	Irregularity	1,407,000
35		Unjustified pre-mature releasing of securities	Irregularity	586,271
36		Unjustified / excess payment of PCC	Irregularity	611,265
37		Concealment	Irregularity	39,980,860
38		Non reconciliation of Tax on Urban Immoveable property Tax	Internal control weakness	15,360,000
39		Doubtful payment on account of repair of water supply schemes Repeat.	Irregularity	651,037
40		Doubtful payment on account of sports festival	Irregularity	228,845

PART-II**[Para 1.1.3]****Memorandum for Departmental Accounts Committee Paras
Pertaining to Audit Year 2013-14**

(Rs in million)

Sr. No.	Name of Formation	Description of Paras	Nature of Violation	Amount
1	TMA Sillanwali	Irregular block allocation for ADP schemes	Violation of Rules	21.150
2	TMA Sahiwal	Wasteful Expenditure on Handling Solid Waste & Improper handling of Solid Waste loss to Government	Violation of Rules	1.3
3	TMA Sahiwal	Unauthentic payment before C&B	Internal control weakness	1.0
4	TMA Bhalwal	Irregular execution of development schemes	Violation of Rules	100.205
5	TMA Bhalwal	Loss to TMA due to Violation of PPRA	Violation of Rules	23.090
6	TMA Bhalwal	Irregular expenditure on purchase of tractor trolleys	Violation of Rules	1.624
7	TMA Bhalwal	Loss in purchase of transformers at higher rate	Internal control weakness	1.532
8	TMA Bhalwal	Poor performance due to non achievement of income targets	Internal control weakness	2.263
9	TMA Shahpur	Un-economical expenditure on tentage on the eve of Ramzan Bazar	Internal control weakness	0.814
10	TMA Shahpur	Less-allocation/transfer of 2% budget for the promotion of sports activities	Violation of Rules	3.624
11	TMA Shahpur	Irregular block allocation for ADP schemes	Violation of Rules	60.0
12	TMA Shahpur	Unauthentic Govt. receipt	Internal control weakness	123.284
13	TMA Shahpur	Unjustified expenditure on pay and allowances of regulation wing	Violation of Rules	2.561
14	TMA Shahpur	Non reconciliation of receipt	Internal control weakness	15.296
15	TMA Bhalwal	Mis-Stated figure in financial statements	Internal control weakness	7.113
16	TMA Shahpur	Non recovery of auction money	Internal control weakness	20.305

TMA of Sargodha District
Budget and Expenditure Statement for the Financial Year 2013-14

1. TMA, Sargodha

(Rs in million)

Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	334.225	304.391	(-) 29.834	09	-
Non-salary	193.043	213.350	(+) 20.307	11	-
Development	33.500	18.553	(-) 14.947	45	-
Total	560.768	536.294	(-) 24.474	04	-

2. TMA, Shahpur

Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	35.429	34.536	0.893	03	-
Non-salary	47.463	35.688	11.775	25	-
Development	44.500	20.895	23.605	53	-
Total	127.392	91.119	36.273	28	-

3. TMA, Bhalwal

Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	141.084	93.042	48.042	34	-
Non-salary	182.476	50.761	131.715	72	-
Development	188.097	37.895	150.202	80	-
Total	511.657	181.698	329.959	64	-

Annex-C

Para 1.2.2.3

Token No. & date	Description	Firm	Expenditure (Rs)
03.10.2013	Hiring of tents	Ch. Electric lights, Sargodha	1,666,490
	Inter Scepter & electric items		1,826,247
29.11.2013	Hiring of lights (1 st Muharrum to 10 th Muharrum)	Ch. Electric Lights, Sargodha	500,000
29.11.2013	Sogo lights		185,250
19.08.2013	Electric items		24,500
20.08.2013	Sogo lights		20,000
23.08.2013	Light cable wire for chehlum		23,600
20.08.2013	Generators and sogo lights		11,250
-do-	Energy saver		23,616
29.11.2013	Light imam bargah		24,200
-do-	Electric items		24,950
-do-	-do-		185,250
-do-	-do-`		500,000
19.12.2013	-do- generators		41,500
17.01.2014	Bulbs wire tap		20,000
17.1.2014	Electric material		14,200
17.1.2014	Sogo lights		64,000
18.1.2014	-do-		41,500
21.1.2014	POL for generator		18,704
22.1.2014	-do-		34,756
15.5.2014	Muharrum routs		88,116
	Loader No 1(375)		97,837
	Loader No. 29 (375)		90,349
	Loader No. 31		79,000
	Repair of machinery disposal works sillanwali	Scheme # 1 ADP 2012-13	162,100
	Providing and fixing inter scepter disposal works	Scheme # ADP 2013-14	397,902
	Providing / fixing starter, main switch for Istaklala abad disposal works	Scheme # 4 ADP 2013-14	120,000
	Repair of water boozer	Scheme # 11ADP 2012-13	244,000
	Sodium lights chowk bulbs wire etc	Scheme #1 ADP 2013-14	100,000
	P/L change over starter main switch 1400 amp main disposal Mohammad Yousaf butt		199,000
	P/L change over starter main switch		160,000
	P/L machinery for disposal works Jinnah colony		146213
Total			7,134,530

Annex-D

Para 1.3.2.2

Scheme No. / year	Name of work	Work order date	TS date	TS estimate	Revised TS dated (Rs)	Enhanced cost (Rs)	Enhanced in %age
Scheme # 50 2013-14	Const. of soling resolving drains, culverts Salam	06.05.14	30.06.2014	800,000	919,000	119,000	14.875
Scheme # 36 2013-14	Const. of soling, drains, culverts chak 4 Junabi Colony	06.05.14	30.06.2014	1,500,000	1,724,000	224,000	14.933
Scheme # 06 2013-14	Const. / repair of road Ahali Towards Tahir Abad	06.05.14	30.06.2014	1,000,000	1149000	149,000	14.900
Scheme # 112 2013-14	Const. of soling, culverts Dera Ahmed Bukhshchak 15 NB	06.05.2014	19.06.2014	250,000	287000	37,000	14.800
Scheme # 53 2013-14	Const. of soling culverts chak 4 NB AbadiJaspal	06.05.14	09.06.2014	400,000	459500	59,500	14.875
Scheme # 98 2013-14	Const. of soling drains culvertsDeraJatChawa	06.05.14	30.06.14	1,000,000	1121000	121,000	12.100
Scheme # 49 2013-14	Const. of soling drains UC 9	19.06.14	19.06.14	300,000	344500	44,500	14.833
Scheme # 79 2013-14	Const. of soling PCC LalaZar Town chak 8 NB& Green Town	06.05.14	20.06.14	600,000	689,000	89,000	14.833
Scheme # 27 2013-14	Const. of soling Col. Umer Hayat	06.05.14	30.06.14	400,000	459000	59,000	14.750
Total				6,250,000	7,152,000	902,000	

Annex-E

Para 1.3.3.3

Sr. No.	Description	Rate of rent (Approx)	Monthly Rent (Rs)	Period 2009 to 2014	Amount (Rs)
1	Mukhtar Ahmed	General Bus stand	1500x12=18,000	18,000x6	108,000
2	Khushi Muhammad	General Bus stand	1500x12=18,000	18,000x6	108,000
3	Umar Draz	General Bus stand	1500x12=18,000	18,000x6	108,000
4	Muhammad IqbalTara	General Bus stand	1500x12=18,000	18,000x6	108,000
5	Abdul Wahid	General Bus stand	1500x12=18,000	18,000x6	108,000
6	Barkat Ali	General Bus stand	1500x12=18,000	18,000x6	108,000
7	Wali Muhammad	General Bus stand	1500x12=18,000	18,000x6	108,000
8	Nisar Ahmed	General Bus stand	1500x12=18,000	18,000x6	108,000
9	Muhammad Shaffi	General Bus stand	1500x12=18,000	18,000x6	108,000
10	Habib	General Bus stand	1500x12=18,000	18,000x6	108,000
11	Muhammad Ramzan	General Bus stand	1500x12=18,000	18,000x6	108,000
12	Muhammad Afzal	General Bus stand	1500x12=18,000	18,000x6	108,000
13	Muhammad Sabtain	General Bus stand	1500x12=18,000	18,000x6	108,000
14	Ghulam Nabi	General Bus stand	1500x12=18,000	18,000x6	108,000
15	Abdul Rehman	General Bus stand	1500x12=18,000	18,000x6	108,000
16	Muhammad Aslam	General Bus stand	1500x12=18,000	18,000x6	108,000
17	RanaShahabud din	General Bus stand	1500x12=18,000	18,000x6	108,000
18	RanaShahabud din	General Bus stand	1500x12=18,000	18,000x6	108,000
19	Muhammad Ghous	General Bus stand	1500x12=18,000	18,000x6	108,000
20	Ibrahim	General Bus stand	1500x12=18,000	18,000x6	108,000
21	Muhammad Rasheed	General Bus stand	1500x12=18,000	18,000x6	108,000
22	Farzand Ali	General Bus stand	1500x12=18,000	18,000x6	108,000
23	Muhammad Ihsan	General Bus stand	1500x12=18,000	18,000x6	108,000
24	Khushi Muhammad	General Bus stand	1500x12=18,000	18,000x6	108,000
25	Maslahud din	General Bus stand	1500x12=18,000	18,000x6	108,000
26	Sardar Ahmed	General Bus stand	1500x12=18,000	18,000x6	108,000
Total					2,808,000

Annex-F

Para 1.3.3.6

Scheme # year	Name of work	Acceptance No. & duration	Time period	Work completed	Estimated cost (Rs)	10% penalty (Rs)
Scheme # 5 2012-13	Const. of slaughter house	235 dt 01.12.2012	2 months	02.11.14	3,000,000	30,000
Scheme # 19 2013-14	Const. of green belt, soling sulmanpura Road Katchari road, AC Office Road, Bhalwal	285 dt 09.01.2013	2 months	10.01.14	1,000,000	100,000
Scheme #112 2013-14	Const. of cuvertsDera Ahmed BakhshGondalcha k 15 NB	19 dt 06.05.2014	01 month	05.07.14	250,000	25,000
Scheme #93 2013-14	Const. of PCC drains, soling resoling repair of main whole chak 8 NB Takbeer Town Madina Town	15 dt 06.05.2014	1 month	15.07.14	450000	45,000
Scheme #28 2013-14	Const. of soling resoling subbasechak 7 syedanwala	92 dt 2013-14	1 month	01.10.14	250000	25,000
Scheme #84 2013-14	Const. of soling resoling drains, SulmanPuraBhal wal	17 dt 06.05.2014	1month	04.12.14	400,000	40,000
Scheme #85 2013-14	Const. of soling resoling drains Ashraf, Rana Ashraf Colony Bhalwal	78 dt 06.05.2014	1 month	24.12.14	351250	35,125
Scheme #92 2013-14	Const. of soling resoling drains, culverts Islam Pura Al-waqar Town Sultan Abad Bhalwal	119 dt 06.05.2014	1 month	24.12.14	350000	35,000
Scheme #27 2013-14	Const. of soling resoling drains, Farid Abad, Tariq Abad Bhalwal	145 dt 30.06.14	1 month	10.09.14	300,000	30,000
Scheme #72 2013-14	Const. of soling drains, PCC culverts Bhera	88 dt 06.05.2014	2months	04.08.14	2500000	250,000
Scheme #2 2013-14	Const. of soling drains, JewanLal	128 dt 6.5.14	1 month	05.08.14	500000	50,000
Scheme #15 2013-14	Const. of soling drains, Fateh Garh Kaloo	115 dt 6.5.14	2 month	05.08.14	700000	70,000
Scheme #65 2013-14	Const. of soling drains, culverts PCC City	32 dt 06.05.14	1 month	24.12.14	500,000	50,000

	Bhalwal					
Scheme #83 2013-14	Const. of soling resoling drains, Mukhtar Colony Bhalwal	77 dt 06.05.2014	One month	25.12.14	400,000	40,000
Scheme # 11 2013-14	Const. of soling drains culverts Hazoora Pura	48 dt 6.5.14	One month	24.12.14	500,000	50,000
Scheme # 19 2013-14	Const. of soling drains culverts Dewanpur Davis pura Malikwal	30 dt 6.5.14	One month	24.12.14	500,000	50,000
Scheme # 95 2013-14	Const. of soling drains culverts Mustafa Town Bhalwal	86 dt 6.5.14	One month	15.07.14	500000	50,000
Scheme # 49 2013-14	Const. of soling drains UC 9	38 dt 6.5.14	One	12.07.14	300000	30,000
Scheme # 118 2013- 14	Const. of soling drains chak 26, 23 NB Bhalwal	97 dt 6.5.14	One	15.07.14	500000	50,000
Scheme # 86 2013-14	Const. of soling drains culverts Main rasta Graveyard Zahoor Hayat colony Bhalwal	79 dt 6.5.14	One	4.07.14	400,000	40,000
Total					13,651,250	1,095,125

Annex-G

Para 1.4.2.3

Ramzan Bazar			
Date	Description	vendor/supplier	Amount (Rs)
05.09.13	Tentage	Makkah Tent Service	1,134,930
01.08.11	Iftari items	Makkah Tent Service	145,758
29.04.13	50 kg Shopping Bag / Computerized scale / 28 caps	Zahid Akhtar tent Service	47,260
Total			1,327,948
Mela Shah Shamas Sherazi			
28.05.14	Tentage	Zahid Akhtar Tent	215,115
28.05.14	Entry gate melashapur	Naseer Ahmed Contractor	16,000
28.05.14	Sound System	Shaheen Sound System	21,450
28.06.14	Decoration light	Masood Electric Decoration	36,090
17.04.14	Killa Khajoor for tent pegging	Naseer Ahmed Contractor	39,000
	Colour/Chona	Naseer Ahmed Contractor	25,000
19.06.14	Colour flags	Muhammad Ishaq Shahzad	16,500
19.06.14	Movie	Naseer Ahmed Contractor	18,000
19.06.14	Wooden waste	Muhammad Ishaq Shahzad	27,500
19.06.24	Broushers /invitation card	Sial vipanaflex	113,250
07.04.14	Bamboo	Muhammad Ishaq Shahzad	44,100
19.06.14	Panaflex	Sial vipanaflex	199,000
18.04.14	Refreshment	Naseer Ahmed Contractor	34,898
	Loud Speaker	Naseer Ahmed Contractor	15,730
404.14	Garlands	Muhammad Ishaq Shahzad	14,100
18.04.14	Shields	Muhammad Ishaq Shahzad	185,515
02.05.14	Tentage	Makkah Tent	90,170
17.04.14	Cash prizes	Muhammad Ishaq Shahzad	219,000
Total			1,330,418
Grand Total			2,658,366

Annex-H**Para 1.4.3.4**

Sr. No.	Name of Societies	Fee due (Rs)
1	Housing Scheme Gulshan Kamal	363,560
2	Housing Scheme Model Town Jhawerian	155,454
3	Gujjar Colony ShahpurSadar	155,000
4	Mahar Abad ShahpurSadar	150,000
5	Azam Park ShahpurSadar	150,000
6	Mahal Colony ShahpurSadar	150,000
7	GulshanKamalAqal Shah	150,000
8	Mahria Town Aqal Shah	150,000
9	Ahmad Colony Aqal Shah	150,000
10	Ayoub Park MouzaJhambat	150,000
11	Model Town Chak Musa	150,000
12	Syed Ghulam Akbar Shah (Market)	100,000
13	Muhammad Zahid (market)	125,000
14	Haji Nadeem (Shop)	15,000
15	ZafarIqbal (Market)	100,000
16	Muhammad Yousaf	40,000
Total		2,254,014

Annex-I**Para 1.4.3.5**

No. of Scheme	Name of scheme	Estimated cost (Rs)	10% performance security (Rs)
33 2012-13	Const. of drain and nala at Head Mohammad wals	800,000	80,000
28 2012-13	Const. of drain & soling in Karorewala	750,000	75,000
06 2012-13	Const. of drain & soling PCC, W/S pipe line in Mohallah Syed wala 1-7 shahpur city	700,000	70,000
31 2012-13	Const. of soling in Rana Mushtaq Advocate UC Mangowal	500,000	50,000
04 2011-12	Const. of drain and soling Kundan Khurd	500,000	50,000
01 2011-12	Const. of drain & soling nallah at Mochiwal UC gondal	1000,000	100,000
60 2012-13	Const. of drain and soling nallah soling b/w of graveyard Jalalpur Jadeed	950,000	95,000
Total		5,200,000	520,000