



**AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL
ADMINISTRATIONS
DISTRICT SHEIKHUPURA**

AUDIT YEAR 2012-13

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ACL	Audit Command Language
ADP	Annual Development Plan
B&R	Buildings and Roads
BDD	Budget Demand - Development
CAATs	Computer Assisted Audit Techniques
CCB	Citizen Community Board
CFT	Cubic Feet
DAC	Departmental Accounts Committee
DNIT	Draft Notice Inviting Tenders
FCR	Final Completion Report
IPSAS	International Public Sector Accounting Standards
NAM	New Accounting Model
MB	Measurement Book
MRS	Market Rate System
PAO	Principal Accounting Officer
PCC	Plain Cement Concrete
PFR	Punjab Financial Rules
PDG & TMA	Punjab District Governments & Tehsil Municipal Administration
PLA	Personal Ledger Account
PLGO	Punjab Local Government Ordinance
RCC	Re-enforced Cement Concrete
RDA	Regional Director Audit
RMR	Road Metal Return
SAE	Schedule of Authorized Expenditure
SAP	System Application Product
SFT	Square Feet
SOP	Standing Operating Procedure
TMA	Town/Tehsil Municipal Administration
TST	Triple Surface Treatment
T&P	Tools & Plants
UA	Union Administration

PREFACE

Articles 169 & 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 shall be conducted by the Auditor General of Pakistan. Accordingly, the audit of all receipts and expenditures of the Local Fund and Public Accounts of Tehsil / Town Municipal Administrations of the Districts is the responsibility of the Auditor General of Pakistan.

The report is based on audit of accounts of Tehsil Municipal Administrations of District Sheikhpura for the financial year 2011-12. The Directorate General of Audit District Governments Punjab (North), Lahore conducted audit during 2012-13 on test check basis with a view to report 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 Annexure-A of the Audit Report. The Audit observations listed in the Annexure-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 meetings were convened despite repeated requests.

The Audit Report is submitted to the Governor of 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:

(Muhammad Akhtar Buland Rana)
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Punjab (North), Lahore, is responsible to carry out the audit of eighty one Tehsil Municipal Administrations. Its Regional Directorate Lahore has audit jurisdiction of twenty three TMAs of five Districts i.e. Lahore, Okara, Nankana Sahib, Kasur and Sheikhupura.

The Regional Directorate has a human resource of 20 officers and staff, total of 5706 man days and annual budget of Rs15.816 million for the financial year 2011-12. It has mandate to conduct Financial Attest, Regularity Audit, Audit of Sanctions and Compliance with Authority and Performance Audit of entire expenditure including programmes / projects & receipts. Accordingly, Regional Directorate Lahore carried out audit of three TMAs of District Sheikhupura for financial year 2011-2012.

Each Tehsil Municipal Administration in District Sheikhupura conducts its operations under Punjab Local Government Ordinance, 2001. It comprises one Principal Accounting Officer (PAO) i.e Tehsil Municipal Officer 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 By-laws. The financial provisions of the Punjab Local Government Ordinance, 2001 require the establishment of Tehsil/Town Local Fund and Public Account for which Annual Budget Statement is authorized by the Nazim / Council / Administrator in the form of budgetary grants.

Audit of TMAs of District Sheikhupura was carried out with a view to ascertaining that 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 was conducted to verify whether the assessment, collection, reconciliation and allocation of revenues were made in accordance with laws and rules, there was no leakage of revenue and revenue did not remain outside Government Account/Local Fund.

Audit Objectives

Audit was conducted to ensure that:

1. Money shown as expenditure in the accounts was authorized for the purpose for which it was spent.

2. Expenditure incurred was in conformity with the laws, rules and regulations framed to regulate the procedure for expending public money.
3. Every item of expenditure was incurred with the approval of the competent authority in the Government for expending the public money.
4. Public money was not wasted.
5. The assessment, collection and accountal of revenue is made in accordance with prescribed laws, rules and regulations.

a) Audit Methodology

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

b) Audit of Expenditure and Receipts

Total expenditure of three TMAs of Sheikhpura for the financial year 2011-12 was Rs1,305.850 million. Out of this, Regional Director Audit (RDA) Lahore audited an expenditure of Rs610.86 million which, in terms of percentage, was 47% of the total expenditure. Regional Director Audit planned and executed audit of three TMAs i.e. 100% achievement against the planned audit activities.

Total receipts of three TMAs of Sheikhpura for the financial year 2011-12, were Rs1,336.582 million. RDA Lahore audited receipts of Rs935.607 million which were 70% of total receipts.

c) Recoveries at the instance of audit

Recovery of Rs251.053 million was pointed out, which was not in the notice of executive before audit.

d) Key audit findings of the report

- i. Non-production of record of Rs6.624 million was noted in two cases.¹
- ii. Non-compliance of Rules of Rs26.319 million was noted in three cases.²
- iii. Recovery of Rs251.053 million was noted in thirteen cases.³

Audit paras for the audit year 2012-13 involving procedural violations including internal control weaknesses, unsound asset management and irregularities not considered worth reporting are included in MFDAC (Annex-A).

e) Recommendations

- i. Departments need to comply with the Public Procurement Rules for economical and rational purchases of goods and services.
- ii. Inquiries need to be held to fix responsibility for losses, unauthorized/irregular payments and wasteful expenditure.
- iii. The PAO needs to make efforts for expediting the realization of various Government receipts.
- iv. The PAO needs to take appropriate action for non-production of record.

¹Para 1.2.1.1, 1.3.1.1

²Para 1.3.2.2, 1.4.1.2

³Para 12.2.1-7,1.3.2.1,1.4.1.1,1.4.1.3-4,1.4.2.1

SUMMARY TABLES & CHARTS

Table 1 Audit Work Statistics

Rs in million			
Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) under Audit Jurisdiction	5	2,061.607
2	Total formations under Audit jurisdiction	5	2,061.607
3	Total Entities (PAOs) Audited	3	1,763.85
4	Total formations Audited	3	1,763.85
5	Audit & Inspection Reports	3	1,763.85
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

Table 2: Audit observation Classified by Categories

Rs in million		
Sr. No.	Description	Amount Placed under Audit Observation
1	Inappropriate/ irregular asset management	-
2	Weak financial management	251.053
3	Weak Internal controls	32.943
4	Others	-
Total		283.996

Table 3: Outcome Statistics

Rs in million

Sr. No.	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total Current year
1	Outlays Audited	-	387.14	1,336.582	918.71	2,642.432*
2	Amount Placed under Audit Observation / Irregularities of Audit	0	15.540	242.478	25.978	283.996
3	Recoveries Pointed Out at the instance of Audit	0	-	238.582	12.471	251.053
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-
5	Recoveries Realized at the instance of Audit	-	-	-	-	-

*The amount in Serial No.1 column of "Total Current Year" is the sum of Expenditure and Receipts whereas the total expenditure for the current period was Rs1,305.85 million.

Table 4: Irregularities pointed out

Rs in million

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	26.319
2	Reported cases of fraud, embezzlement, theft and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM ¹ , misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Quantification of weaknesses of internal control systems.	-
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	251.053
6	Non-production of record	6.624
7	Others, including cases of accidents, negligence etc.	-
Total		283.996

The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS (Cash) compliant

CHAPTER 1

1.1 Tehsil Municipal Administrations of District Sheikhpura

1.1.1 Introduction

TMA consists of Tehsil Nazim, Tehsil Naib Nazim and Tehsil Municipal Officer. Each TMA comprises of five Drawing and Disbursing Officers i.e. TMO, TO- Finance, TO- I and S, TO – Municipal Regulation, TO- B and F and Tehsil Nazim and Tehsil Naib Nazim. The main functions of TMAs are as follows:-

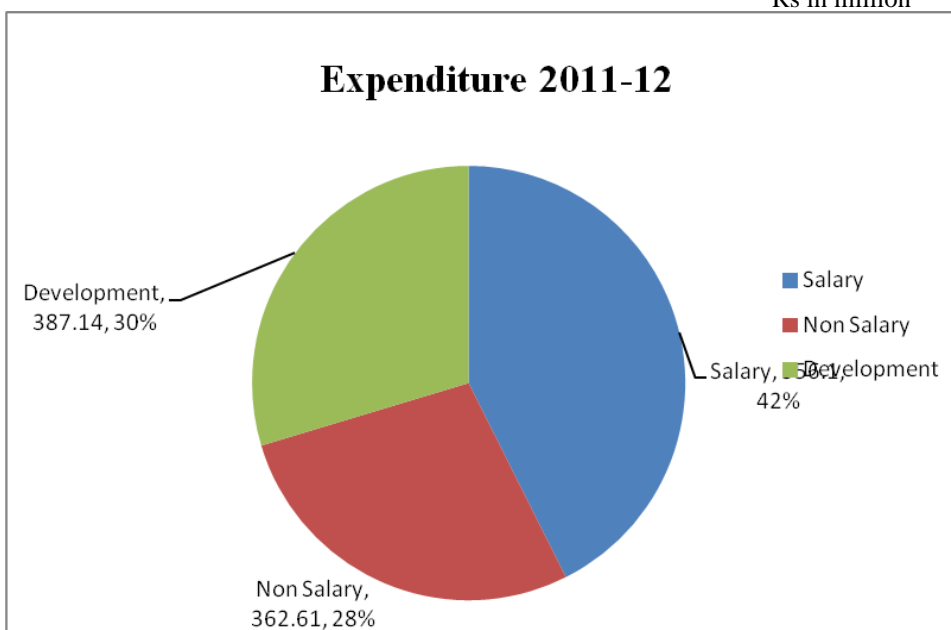
1. Prepare spatial plans for the Tehsil including plans for land use, zoning and functions for which TMA is responsible;
2. Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping 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 programmes in collaboration with the Union Councils;
5. Propose taxes, cesses, 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, cess, user fees, rates, rents, tolls, charges, fines and penalties;
7. Manage properties, assets and funds vested in the Tehsil Municipal Administration;
8. Develop and manage schemes, including site development in collaboration with District Government and Union 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)

Rs in million

2010-11	Budget	Expenditure	Excess (+) / Saving (-)	% Excess (+) / Saving (-)
Salary	659.69	556.10	-103.59	-15.70
Non-salary	440	362.61	-77.39	-17.59
Development	664.16	387.14	-277.02	-41.71
Total	1,763.85	1,305.85	-458.00	-25.97

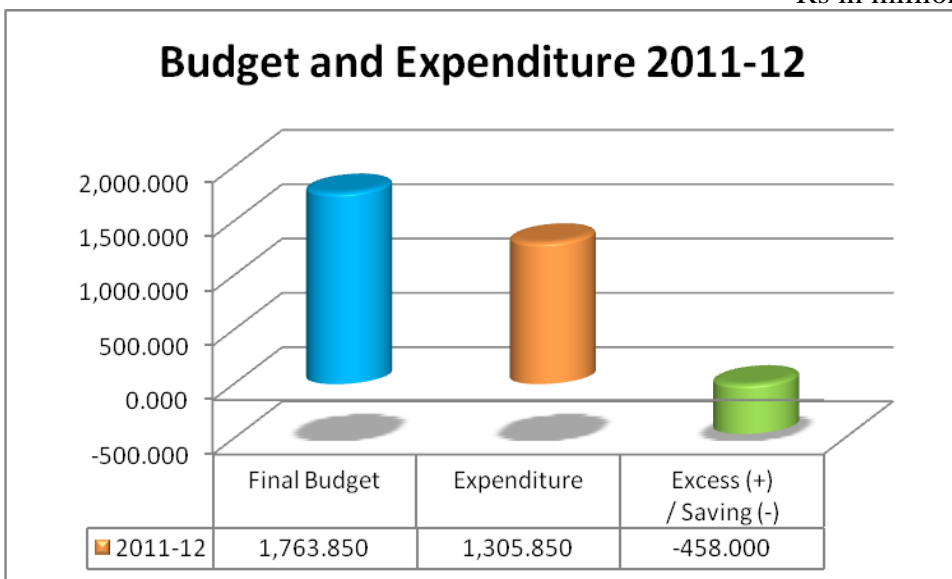
Rs in million



Detail of budget allocations, expenditures and savings of each TMA in District Sheikhpura for the financial year 2011-12 are at Annex-B.

As per the Budget Books for the financial year 2011-12 of TMAs in District Sheikhpura, the final budget was Rs1,763.85 million. Against budget, total expenditure incurred by the TMAs during the financial year 2011-12 was Rs1,305.85 million.

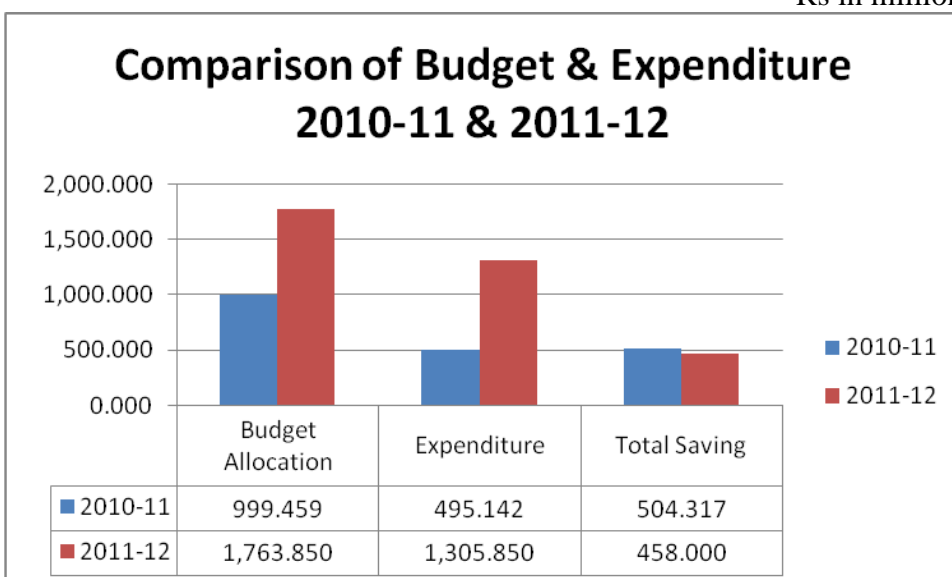
Rs in million



Ineffective financial management resulted in savings to the tune of Rs458.00 million which in term of percentage was 26% of the final budget. The same was required to be justified by the Principal Accounting Officer, Administrator and management of TMAs.

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

Rs in million



There was savings in the budget allocation of the financial year 2010-11 and 2011-12 as follows:

(Rs in million)

Financial Year	Budget Allocation	Expenditure	Savings	% of Saving
2010-11	999.459	495.142	-504.317	50%
2011-12	1,763.850	1,305.850	-458.000	26%
Total	2,763.309	1,800.992	-962.317	35%

The justification for savings and the development schemes which remained incomplete required to be provided by the Principal Accounting Officer, Administrator and management of TMAs.

1. AUDIT PARAS

1.2 TMA Sheikhpura

1.2.1 Non-production of Record

1.2.1.1 Non-production of Record

According to section 115 (6) of PLGO, 2001, the officials of local government shall afford all facilities and provide No record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

TMA Sheikhpura did not produce the auditable record such as tehbazari, fines, penalty and cash books, treasury challans etc to audit for verification. In the absence of record, authenticity, validity, accuracy and genuineness could not be verified.

Audit holds that relevant record 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 matter was reported to TMO/Administrator in November, 2012. Neither reply was furnished nor DAC meeting convened till the finalization of this report.

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

1.2.2 Irregularities / Non-compliance

1.2.2.1 Non-auction of Cattle Market - Rs60.00 million

According to Rule 3 read with 10 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. At least three attempts shall be made to award the contract of collection rights of an income through open bid by the administration of local Government concerned before the commencement of financial year if the first and second attempts of auction have failed to fetch bid equal to the reserve price or more.

Management of TMA Sheikhpura did not auction contract of cattle market during the financial year 2011-12. Further detail of receipts collected through self collection was also not provided. This resulted in approximate loss of Rs60.00 million, equal to the reserve price.

Audit holds that auction was not made due to weak internal controls and defective financial discipline.

Non auction of collection rights resulted in less recovery of Rs60.00 million.

The matter was reported to the TMO / Administrator in November 2012. It was replied that it was stated that due to non auction of new Cattle Mandi the contract was not auctioned. Reply was not accepted as no amount was even shown collected through self collection. No DAC meeting was convened till the finalization of this report.

Audit stresses fixing responsibility for non auction of collection rights under intimation to Audit.

1.2.2.2 Non-recovery of Sanitation Demand Notice Fee - Rs28.134 million

According to the PGD 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 Sheikhpura installed 18,756 sanitation connection during the financial year 2011-12 but demand notice fee @ Rs1,500 was not recovered resulting in loss of revenue of Rs28.134 million.

Audit holds that demand notice fee was not recovered due to defective financial discipline and weak internal controls.

This resulted in loss of revenue of Rs28.134 million.

The matter was reported to the TMO / Administrator in November 2012. It was replied that amount was recovered by the TMA. The reply was not acceptable because no documentary evidence was provided. No DAC meeting was convened till finalization of this report.

Audit stresses recovery of the government dues besides fixing responsibility against the person(s) at fault under intimation to Audit.

1.2.2.3 Non-recovery of Arrears – Rs18.341 million

According to the Rule 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.

Management of TMA Sheikhpura did not recover arrears of Rs18.341 million on account of water charges and sewerage charges from the domestic and commercial consumers. Only an amount of Rs5.032 million was recovered during the financial year 2011-12 against the outstanding amount of Rs23.373 million resulting in loss of revenue of Rs18.341 million.

Rs in million

Sr. No.	Description	Amount of Arrears	Amount recovered during 2011-12	Less Recovery
1	Water Charges	13.995	4.765	9.230
2	Sewerage Charges	9.378	0.267	9.111
Total		23.373	5.032	18.341

Audit holds that arrears on account of water charges and sewerage charges were not recovered due to negligence on part of the management.

This resulted in loss of revenue of Rs18.341 million.

The matter was reported to TMO/Administrator in November, 2012. Neither reply was furnished nor DAC meeting convened till the finalization of this report.

Audit stresses recovery of arrears besides fixing responsibility against the person(s) at fault under intimation to Audit.

1.2.2.4 Unauthorized Refund of Contract Amount - Rs7.00 million

According to Rule 13(3) of Punjab Local Government (Auctioning of Collection Rights) Rules, 2003, in case the contractor does not turn up to deposit dues recoverable from him in the light of terms and conditions of auction or does not enter into written agreement within the specified period mentioned in the communication, it shall be presumed that the contractor is no more interested in the contract. As such the contract shall automatically stand cancelled and the deposits made by the contractor shall stand forfeited. The income shall also be put to re-auction in such a case.

Scrutiny of records of TMA Sheikhpura for the financial year 2011-12 revealed that TMA auctioned and awarded contract of cattle market for Rs60.00 million in favour of Mr. Muhammad Ashraf, being highest bidder vide TMA letter No. 1194/TMA dated 27.12.2010. As per terms of the contract the contractor deposited Rs7.00 million with the TMA as first installment. But after that, contractor refused to continue the contract and demanded to return the amount of Rs7.00 already deposited with the TMA. In response to the demand of the contractor, TMA Sheikhpura released the stated amount to contractor without any cogent reasons. The payment of deposits of Rs7.00 million was held unauthorized because the contractor himself refused to continue the contract. The amount deposited with the TMA was required to be forfeited as per term and condition of contract.

Audit holds that unauthorized payment to contractor was made due to favoritism and poor financial discipline resulting in loss of Rs7.00 million to the public exchequer.

Management replied that the case of cattle Mandi was in the High Court Lahore. Department has not handed over the possession of the cattle Mandi to the concerned contractor. Reply was not acceptable as the amount was released to the contractor without any cogent reasons.

The matter was reported to TMO/Administrator in November, 2012. No DAC meeting was convened till the finalization of this report.

Audit stresses fixing responsibility for unauthorized payment to contractor under intimation to Audit.

1.2.2.5 Non-collection of Income Tax – Rs7.219 million

According to FBR letter No. 539/04 dated 26-09-2009, any person making sale of any property or goods through public auction including awarding of lease, lease of the right to collect toll, fee or other levy by whatever name called, shall collect advance tax @ 5% of the gross sale price.

TMO Sheikhpura leased out collection rights on account of receipts of local government to different contractors during 2009-12 but advance income tax @ 5% valuing Rs7.219 million was not collected. The detail is as under:

Sr. No.	Description of Receipt	Period	Lease amount (Rs)	Income tax @ 5% (Rs)
1	Cattle market Kudlathi more	2009-10	34,800,000	1,740,000
2	-do-	2010-11	48,582,268	2,429,113
3	-do-	2011-12	58,006,763	2,900,338
4	License fee	2011-12	3,000,000	150,000
Total			144,389,031	7,219,451

Audit was of the view that recovery of income tax was not made due to poor financial discipline and weak internal controls resulting in loss to the government for Rs7.219 million.

The matter was reported to TMO/Administrator in November, 2012. Neither the reply was submitted nor DAC meeting convened till the finalization of this report.

Audit stresses recovery of income tax besides fixing responsibility for non-recovery under intimation to Audit.

1.2.2.6 Less Recovery of Receipts - Rs3.896 million

According to Rule 76 of PDG & 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.

Scrutiny of receipt record of TMA Sheikhpura revealed that government receipts on accounts of Advertisement Fee and Slaughter House Fee was less recovered than the reserve price during 2011-12. An amount of Rs3.739 million was collected against the reserve price of Rs7.635 million resulting in less collection of receipts by Rs3.896 million as detailed below:

Sr. No.	Description	Reserved price (Rs)	Actual collection (Rs)	Less Recovery (Rs)
1	Advertisement fee	5,985,000	2,379,520	3,605,480
2	Slaughter House fee	1,650,000	1,359,635	290,365
Total		7,635,000	3,739,155	3,895,845

Audit holds that due to poor financial discipline receipts were less realized than the reserve price resulting in loss of revenue of Rs3.896 million.

Management replied that that no financial irregularity was involved in this case. Reply was not acceptable as collections were made less than the reserve price.

The matter was reported to TMO/Administrator in November, 2012. No DAC meeting was convened till the finalization of this report.

Audit stresses recovery besides fixing responsibility for less collection of government receipts under intimation to Audit.

1.2.2.7 Non-recovery of Contract Amount and Salary - Rs1.356 million

According to Rule 76 of PDG & 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.

Management of TMA Sheikhpura auctioned the collection rights on account of License Fee for Rs3.00 million during 2011-12. Only an amount of Rs1.770 was recovered and failed to recover the remaining amount of Rs1.230 million. Further salary of staff for five months amounting to Rs125,000 was also not recovered from the contractor.

Description	Auction Amount (Rs)	Amount Recovered	Less recovery	Salary of staff	Total amount to be recovered (Rs)
Licensing Fee	3,000,000	1,769,500	1,230,500	125,000	1,355,500

Audit holds that due to poor financial discipline and weak internal controls government dues were not recovered.

Less recovery resulted in loss of government revenue of Rs1.356 million.

The matter was reported to TMO/Administrator in November, 2012. Neither the reply was submitted nor DAC meeting convened till the finalization of this report.

Audit stresses recovery besides fixing responsibility for less recovery under intimation to Audit.

1.2.3 Performance

1.2.3.1 Less Realization of Receipts Targets - Rs51.491 million

According to Rule 13 (i & ii) read with 16 of the PDG & TMA Budget Rules 2003, the collecting officer shall prepare the estimates of receipts diligently and accurately and in relation to revised estimates, he shall take into consideration the actual receipts of the first eight months and head of office shall finalize and consolidate the figures.

TMO Sheikhpura collected Rs82.333 million on account of different receipts against the targeted figure of Rs133.825 million. This resulted in less realization of receipts worth Rs51.491 million as detailed at (Annex-C).

Audit was of the view that less collection of receipts was made due to inefficient financial management and poor performance.

Less realization resulted in loss of revenue to the government.

Management replied stated that department had made serious efforts to collect the Government receipt. Reply was not acceptable being evasive.

The matter was reported to TMO/Administrator in November, 2012. No DAC meeting was convened till the finalization of this report.

Audit stresses fixing responsibility for less realization under intimation to Audit.

1.3 TMA Muridke

1.3.1 Non-production of Record

1.3.1.1 Non-production of Record – Rs6.624 million

According to section 115 (6) of PLGO, 2001, the officials of local government shall afford all facilities and provide No record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

TMO Muridke did not produce the auditable record to audit for verification. In the absence of record, authenticity, validity, accuracy and genuineness could not be verified. The detail is given as under:

Sr. No.	Description	Amount (Rs)
1	License fee	757,200
2	Conversion fee	5,867,280
Total		6,624,480

Audit holds that relevant record 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 matter was reported to TMO/Administrator in November, 2012. Neither reply was furnished nor DAC meeting convened till the finalization of this report.

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

1.3.2 Irregularities / Non-compliance

1.3.2.1 Non-recovery of Water Charges – Rs37.196 million

According to the Rule 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.

Management of TMA Muridke did not recover arrears of Rs37.196 million on account of water charges for water supply connections from different consumers during the financial year 2011-12.

Audit holds that arrears on account of water charges were not recovered due to negligence on part of the management.

This resulted in less recovery of revenue of Rs37.196 million.

The matter was reported to TMO/Administrator in November, 2012. Neither reply was furnished nor DAC meeting convened till the finalization of this report.

Audit stresses recovery of arrears besides fixing responsibility against the person(s) at fault under intimation to Audit.

1.3.2.2 Irregular Payment to Daily Paid Staff - Rs10.779 million

As per wage Rate 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 17-09-2004.

Scrutiny of records of TMA Muridke for the period 2010-12 revealed that a sum of Rs10.779 million were paid to daily paid staff. The payment was held irregular because daily wages /work charge employees were appointed without adopting proper procedure as laid down above. Moreover C.N.I.C. Nos and estimates to which the expenditure is charged have not forthcoming on record.

Audit holds that due to poor financial discipline and weak internal controls irregular payment was made.

The matter was reported to TMO/Administrator in November, 2012. Neither reply was furnished nor DAC meeting convened till the finalization of this report.

Audit stresses fixing responsibility upon the person at fault besides getting the matter regularized from the competent authority under intimation to Audit.

1.4 TMA Ferozwala

1.4.1 Irregularities / Non-compliance

1.4.1.1 Non-recovery of Rent of Shops – Rs19.549 million

According to Section 118 of the PLGO 2001 read with Rule 12 of Punjab Local Government (Taxation) Rules 2001, failure to pay any tax and other money claimable under this Ordinance shall be an offence and amount shall be recoverable as arrears of land revenue.

Scrutiny of Demand and Collection Register of TMA Ferozwala revealed that an amount of Rs19.549 million was not recovered lying outstanding on account of rent of 829 shops for the period 2008-2011 as detailed below:

Rs in million				
Sr. No.	Financial Year	Description	Number of Shops	Amount
1	2010-11	Rent of Shops	90	4.985
2	2009-10	Rent of shops	82	3.910
3	2008-09	Rent of Shops	190	5.050
4	2008-09	Rent of Shops constructed at the sites of Teh Bazari	467	5.604
Total			829	19.549

Audit holds that recovery was not made due to poor performance and weak internal controls.

This resulted in loss of revenue of Rs 19.549 million.

The matter was reported to TMO/Administrator November, 2012. Management replied that challans had been served to defaulters for recovery. Department admitted the lapse and negligence. No DAC meeting was convened till the finalization of this report.

Audit stresses making recovery besides fixing responsibility against the persons at fault under intimation to Audit.

1.4.1.2 Expenditure without Approval of Rate Analysis – Rs11.986 million

According to para (ii) of FD Letter No.RO(Tech)FD.18-23/2004, the rate analysis of the item rate shall be prepared by the Executive Engineer clearly giving specifications of the material used and approved by the competent authority to accord Technical Sanction (not below the rank of S.E) before the work is undertaken.

Scrutiny of record of TMA Ferozwala for the period 2011-12 revealed that amount of Rs11.986 million was paid under different

schemes. The expenditure was held unauthorized because rate analysis was not got approved from the competent authority as detailed at (**Annex-D**). Audit holds that due to poor financial discipline un-authorized expenditure was made

Management replied that all the rate analysis including estimates were sanctioned by the chief Engineer LG & CD. Reply was not acceptable because rate analysis were not approved separately.

The matter was reported to TMO/Administrator in November, 2012. No DAC meeting was convened till the finalization of this report.

Audit stresses fixing responsibility for unauthorized expenditure under intimation to Audit.

1.4.1.3 Non-recovery of Water Charges – Rs10.172 million

According to the Rule 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.

Management of TMA Ferozwala did not recover arrears of Rs10.172 million on account of water charges for water supply connections from different consumers during the financial year 2011-12.

Description of receipt	Arrears as on 30-06-11 (Rs.)	Demand for the year 2011-12 (Rs)	Total amount due (Rs)	Receipts during 2011-12 (Rs)	Amount due as on 30-06-12 (Rs)
Water charges	9,000,000	7,500,000	16,500,000	6,327,691	10,172,309

Audit holds that arrears on account of water charges were not recovered due to negligence on part of the management.

This resulted in loss of revenue of Rs10.172 million.

Management replied that efforts are being made to recover the government dues. Department admitted the lapse and negligence.

The matter was reported to TMO/Administrator November, 2012. No DAC meeting was convened till the finalization of this report.

Audit stresses recovery of arrears besides fixing responsibility against the person(s) at fault under intimation to Audit.

1.4.1.4 Non-recovery of Share of Property Tax - Rs5.00 million

According to Rule 76 of PDG and TMA (Budget) Rules 2003, the primary obligation of Collecting Officer shall be to ensure that all revenue due is claimed, realized and credited immediately to local government fund under proper receipt head.

Scrutiny of receipt record of TMA Ferozwala revealed that share of property tax amounting to Rs 5.00 million was not recovered from the Excise & Taxation Department during 2010-11. This resulted in loss of Rs5.00 million to the TMA Fund.

Audit holds that recovery was not made due to poor performance and weak internal controls, resulting in loss of revenue of Rs5.00 million.

Management replied that recovery is awaited from the government end. Department admitted the lapse and negligence.

The matter was reported to TMO/Administrator November, 2012. No DAC meeting was convened till the finalization of this report.

Audit stresses recovery besides fixing responsibility for non recovery of share of property tax under intimation to Audit.

1.4.1.5 Unauthorized Expenditure beyond TS Estimates – Rs3.554 million

According to Para 2.7, 2.12 and 2.86 of the B & R Code as well as Govt. of the Punjab letter No. (D-2) 10(3) 190 dated 6/1991 “No change in scope of work and specification of scheme involving material deviation from original proposal, once approved, can be made without prior approval of the competent authority.”

Scrutiny of records of TMA Ferozwala for the period 2010-12 revealed that actual work done under different development schemes was deviated from their original TS Estimates. This resulted in unauthorized expenditure of Rs3.554 million as detailed at (**Annex-E**).

Audit holds due to poor financial discipline and weak internal controls unauthorized expenditure of Rs3.554 million was incurred.

Management replied that the deviation was made with in the prescribed limits as laid down in Punjab Local Government (Works) Rules 2003. Reply being evasive was not acceptable because quantity was deviated up to 600% as evident from the Annex.

Audit stresses fixing responsibility for incurring expenditure beyond the TS Estimates under intimation to Audit.

1.4.2 Performance

1.4.2.1 Less-realization of Receipts Targets - Rs1.699 million

According to Rule 13 (i & ii) read with 16 of the PDG & TMA Budget Rules 2003, the collecting officer shall prepare the estimates of receipts diligently and accurately and in relation to revised estimates, he shall take into consideration the actual receipts of the first eight months and head of office shall finalize and consolidate the figures.

Management of TMA Ferozwala collected Rs3.351 million on account of different receipts head against the targeted figure of Rs5.050 million. This resulted in less realization of receipts worth 1.699 million during 2010-12 as detailed below:

Sr. No.	Financial Year	Description	Target (Rs)	Recovery effected (Rs)	Loss to the government (Rs)
1	2011-12	Building Plan Fee	4,500,000	3,350,959	1,149,041
2	2011-12	Composition Fee	500,000	0	500,000
3	2010-11	Commercialization Fee	50,000	0	50,000
Total			5,050,000	3,350,959	1,699,041

Audit was of the view that less collection of receipts was made due to inefficient financial management and poor performance.

Less realization resulted in less recovery of revenue of Rs1.699 million.

Management replied that efforts were being made to realize the government revenue. Department admitted the lapse and negligence.

The matter was reported to TMO/Administrator in November, 2012. No DAC meeting was convened till the finalization of this report.

Audit stresses fixing responsibility for less realization under intimation to Audit.

ANNEXURES

MFDAC

Sr. No	TMA	Subject of Para	Nature of Observation	Amount (Rs in million)
1	TMA Sheikhupura	Non Utilization of Development Budget	Irregularity	47.799
2		Unauthorised/unjustified expenditure of	Irregularity	0.174
3		Non reconciliation of TTIP Income	Irregularity	97.793
4		Un-authorized payment of previous year liability	Irregularity	0.313
5		Non observing chart of classifications	Irregularity	658.937
6		Unauthorized deviation from the estimate	Irregularity	0.034
7		Non-utilization of CCB Funds	Irregularity	11.412
8		Less collection of earnest money	Irregularity	7.097
9		Less-collection of Government Receipts		4.942
10		Expenditure without advertisement on PPRA website	Irregularity	2.382
11		Non Imposition of Fine	Recovery	2.350
12		Less collection of Petrol Pump Lease Charges	Recovery	1.340
13		Unauthorized payment to contingent paid staff	Irregularity	0.957
14		Unauthorized payment for PCC & Marble Strips	Irregularity	0.875
15		Less recovery of commercialization fee	Recovery	0.831
16		Unauthorized Expenditure	Irregularity	0.639
17		Un-authorized Expenditure of POL and Repair	Irregularity	0.592
18		Less recovery of shop rent	Recovery	0.392
19		Overpayment for sand filling	Recovery	0.333
20		Unauthorized Expenditure on POL	Irregularity	0.220
21		Un-authorized payment of M.S Bars	Irregularity	0.218
22		Non deposit of Sales Tax	Recovery	0.157
23		Un-authorized payment of rent of vehicle	Irregularity	0.121

Sr. No	TMA	Subject of Para	Nature of Observation	Amount (Rs in million)
24		Less collection of Fire Fighting Charges	Recovery	0.065
25		Expenditure without Approval of Rate Analysis	Irregularity	0.713
26		Non collection of Govt receipts	Recovery	0.332
27		Non-accounting of stores in stock registers	Irregularity	0.312
28		PDP14 Irregular expenditure	Irregularity	0.259
29		Doubtful payment	Irregularity	1.600
30		Unauthentic payment	Irregularity	0.764
31		Irregular purchase of pedestal fans	Irregularity	0.112
32		Wastage of C.C.B. funds due to non-completion of the schemes	Performance	6.832
33		Doubtful expenditure	Irregularity	6.832
34		Irregular Payment on account of Cash Awards in Sports Festival	Irregularity	0.362
35	TMA Muridke	Non-credited of unclaimed security deposit	Recovery	0.358
36		Recoverable amount of Rs300,000	Recovery	0.300
37		Non-recovery of Rent	Recovery	0.240
38		Avoidable expenditure	Irregularity	0.228
39		Irregular expenditure	Irregularity	0.186
40		Loss of Rs184,171	Recovery	0.184
41		Non-recovery	Recovery	0.100
42		Non deduction of value of excavated earth	Recovery	0.076
43		Non recovery of Contractor profit and overhead charges	Recovery	0.274
44		Non deduction of shrinkage	Irregularity	0.647
45		Non-deduction of Income Tax	Recovery	0.103
46	TMA Ferozwala	Unauthorized expenditure on PCC	Irregularity	5.522
47		Wasteful expenditure on RCC Pipes	Irregularity	0.644

Sr. No	TMA	Subject of Para	Nature of Observation	Amount (Rs in million)
48		Overpayment to contractors for Manhole Covers	Irregularity	0.629
49		Wasteful expenditure of POL and establishment charges	Irregularity	0.551
50		Unauthorized expenditure on Cement Plaster	Irregularity	0.506
51		Loss due to non forfeiture of security deposit	Irregularity	0.336
52		Overpayment for MS Steel Bars	Recovery	0.207
53		Overpayment for tuff tiles	Recovery	0.052
54		Non imposition of penalty for late completion of works	Recovery	-
55		Loss to the government due to less realization of advertisement fee	Recovery	0.540
56		Non recovery on account of salaries	Recovery	0.500
57		Non reduction of rate of sand in RCC	Recovery	0.194
58		Non recovery of income tax on account of leases	Recovery	0.180

Annex-B

TMA of Sheikhpura District
Budget and Expenditure Statement for the Financial Year 2011-2012

TMA Sheikhpura					
Head	Budget	Expenditure	Savings	% age Savings	Comments
Salary	283.744	274.733	9.011	3	
Non Salary	232.725	213.838	18.887	8	
Development	325.600	197.520	128.080	39	
Revenue	720.215	685.900			
TMA Muridke					
Head	Budget	Expenditure	Savings	% age Savings	Comments
Salary	244.330	236.408	7.922	3	
Non Salary	103.830	87.657	16.173	16	
Development	175.640	102.348	73.292	42	
Revenue	486.300	436.500	49.800		
TMA Ferozewala					
Head	Budget	Expenditure	Savings	% age Savings	Comments
Salary	131.616	44.959	86.657	66	
Non Salary	103.445	61.115	42.330	41	
Development	162.920	87.272	75.648	46	
Revenue	275.560	214.182	61.378		

Annex-C

Major/Minor Detailed Receipt Heads		Target for the year 2011-12	Actual Total up to 01-7-2011 to 30-06-2012	Balance
B028	Taxi Car Stand	150,000	113,190	-36,810
	General Bus Stand Fee Mananwala	4,000,000	140,800	-3,859,200
C 01803	Deposit & Reserve of TMA A/c (Bnak Profit etc.)	10,000,000	6,618,803	-3,381,197
C 0388085	Board Tax/Advertisement Fee	7,000,000	2,572,370	-4,427,630
C 0388042	Slaughter House Fee	5,425,000	1,649,115	-3,775,885
C 0388087	Copying Fee	100,000	82,400	-17,600
	Contractor Registration Fee/Profetional Tax	1,000,000	607,500	-392,500
	Sewerage Connection Fee	350,000	267,444	-82,556
C 0388082	Water Rate	16,000,000	4,628,546	-11,371,454
C 0388035	Composition Fee	500,000	65,500	-434,500
C 0388081	Rent of Municipal Property	20,000,000	11,683,482	-8,316,518
C 0388086	Road Cutt	1,000,000	27,689	-972,311
C 0388062	Cattle Market	65,000,000	53,064,000	-11,936,000
C 0388090	Stock & Store	1,000,000	0	-1,000,000
C 0388091	NOC Fee	1,000,000	73,000	-927,000
C 0388071-73	Sale of Tender Form	1,000,000	558,901	-441,099
C 0388060	Fire Fighting Charges	300,000	181,179	-118,821
TOTAL		133,825,000	82,333,919	-51,491,081

Annex-D

Non approval of rate analysis (TMA Ferozwala)

Name of Scheme	Item	Qty	Amount (Rs)
Const. of Drain, Soling Garden Town UC 37	Earthfilling lead 2 mile	92,976	499,095
	Const. of Drain Type 1	1,661	122,333
Const. of Drain, Nallah Soling and PCC Sharapur Khurd	Earthfilling lead 1 mile	23,796	156,126
Const. of Drain, Soling PCC Dera Deendaran UC 35	Const. of Nallah	1,200	687,600
	Earthfilling lead 4 miles	33,665	220,876
Repair of Mettled road Chak 37 UC 26	Earthfilling lead 2 mile	2,340	12,561
	Base Course lead 190km	1,866	152,294
Const. of B/Wall, soling for Graveyard Bharath UC 24	Earthfilling 2 miles	82,707	443,971
Const. of Drain, soling Chak 45 UC 23	Earthfilling 2 miles	79,249	425,408
Const. of Soling, Drain, PCC Bashir Town Chak 40	Earthfilling 4 miles	81,194	532,713
Const. of Soling, Drain, Nallah Marl Par UC 22	Earthfilling 2 miles	47,687	255,983
	Const. of Drain Type 1	630	138,126
Const. of PCC Gujjar Town UC 30	Earthfilling 4 miles	44,539	292,220
	Const. of G.G	56	118,767
	Const. of M/Holes	28	16,584
Const. of Drain, soling Special Burj Atari UC 42	Earthfilling 2 miles	44,024	236,321
	Const. of Drain Type 1	119	8,883
Earthfilling & Soling, Sui Gas Road Kot Abdul Malik	Earthfilling 4 miles	290,175	1,903,858
Const. of PCC, Sewerage Toheed Park UC 26	Earthfilling 4 miles	59,675	391,527
	Const. of M/Holes	20	201,980
	Const. of G.G	14	29,691
Const. of PCC Drain and Soling Abadi Anwar Chohan UC 42	Earthfilling 2 miles	31,855	170,998
	Const. of Drain Type 1	246	16,404
	Const. of G.G	37	78,468
Const. of Soling, Drain, Nallah PCC Shamke UC 26	Earthfilling 4 miles	41,153	220,901
Const. of Drain, Nallah PCC Soling Burj Atari UC 42	Const. of Nallah	1,000	343,000
Const. of Drain, Soling Noori Bori Zahid Town UC 35	Const. of G.G	66	139,970
		46,164	302,882
Const. of Soling Nalla Drain PCC Dera Aziz Shamke	Earthfilling 2 miles	133,466	716,445

Name of Scheme	Item	Qty	Amount (Rs)
Const. of Soling Main Bazar Nallah Chak 44 UC 23	Earthfilling 2 miles	59,354	318,612
Const. of Drain, PCC Nallah Pind Burj Atari UC 42	Earthfilling 4 miles	15,182	99,609
Const. of PCC Sewerage Mian Colony UC 32	Earthfilling 4 miles	23,224	152,373
Const. of Drain Street Chak 41 UC 24	Earthfilling 2 miles	42,526	228,279
Const. of Nallah PCC Main Bazar Link Street Galaxy Colony	Earthfilling 4 miles	86,510	567,592
Const. of Drain Nallah Soling PCC Bansi Nagar UC 33	Earthfilling 2 miles	219,826	1,180,026
Const. of Drain, PCC Streets Irfan Town UC 26	Earthfilling 4 miles	26,987	140,737
Const. of Sewerage PCC Main Bazar Gulshan Marriage Hall Pir Zada Colony UC 29	Const. of M/Holes	29	114,768
Const. of PCC, Drain Soling Alipur Village UC 40	Earthfilling 1 mile	8568	287,717
TOTAL			11,986,344

Deviation beyond Original Estimates

Name of Scheme	Item of Work	Estimated	Actual	Difference	% Deviation	Rate	Amount (Rs)
	Const. of Drain Type I	1263	1661	398	32	73.65	29,312
Const. of Drain, Nallah Soling and PCC Sharaqpur Khurd UC 34	Fabrication of MS Bars	937	1076	139	15	10,060.75	13,984
		1973	1115	858	43	10,060.75	8,632
Const. of Drain, Soling PCC Dera Deendaran UC 35	Manhole Covers	76	31	45	59	3,779.35	170,071
	Const. of Nallah	700	1200	500	71	573	286,500
	Const. of M/Hole	10	00	10	100	6,346.25	261,783
	RCC	578	990	412	71	252.10	13,865
	Const. of Drain I	00	759	759	100	240	182,160
Const. of PCC Sewerage Touheed Park UC 26	Pacca Brick Work (1:5)	76	570	494	650	14,940.35	7,385
	PCC 1:2:4	4335	110	4225	97	16,886.75	713,465
	M/Hole Covers	4	24	20	500	4,163.72	83,274
Const. of PCC Drain Soling Abadi Anwar Chohan UC 42	Const. of Drain Type - 1	900	246	654	73	6,668.35	43,611
Const. of Drain, Soling Noori Bori Zahid Town UC 35	RCC	1055	00	1055	100	254.65	268,655
	PCC	00	1142	1142	100	16,886.75	192,847
Const. of Soling, Nallah, Drain, PCC Dera Aziz Shamke UC 26	Const. of M/Hole	18	00	18	100	6619	119,142
	Manhole Covers	4	22	18	450	3,816.74	68,701
	Pacca Brick Work	00	185	185	100	14,490.35	26,807
Const. of Drain Nallah & PCC Pind Burj Atari UC 42	Cement Plaster	2400	00	2400	100	999.55	23,989
	RCC	1089	00	1089	100	254.05	277,314
	RCC Pipe 6"	360	2520	2160	600	99.45	214,812
	CC 1:2:4	718	2462	1744	243	16,886.75	294,505
Const. of Drain Street Chak 41 UC 24	CC 1:6:18	00	742	742	100	6,668.50	49,480
	Pacca Brick Work	00	1194	1194	100	13,901.05	166,673
	PCC	00	222	222	100	16,886.75	37,488
Total							3,554,455