



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

AUDIT YEAR 2015 -16

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

ACL	Audit Command Language
AIR	Audit Inspection Report
B&R	Building & Road
C&W	Communication and Works
CDG	City District Government
DAC	Departmental Accounts Committee
DCO	District Coordination Officer
DDO	Drawing and Disbursing Officer
DDC	District Disposal Committee
DNIT	Detailed Notice Inviting Tender
FD	Finance Department
MB	Measurement Book
MRS	Market Rate Schedule
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PDG & TMA	Punjab District Governments & Tehsil Municipal Administration
PFR	Punjab Financial Rules
PLGO	Punjab Local Government Ordinance
PPRA	Punjab Procurement Regulatory Authority
PW	Public Works
RDA	Regional Directorate of Audit
Rs	Rupees
S&GAD	Services and General Administration Department
TDC	Tehsil Development Committee
TMA	Tehsil Municipal Administration
TMO	Town/Tehsil Municipal Officer
TS	Technical Sanction
TO (F)	Town/Tehsil Officer (Finance)
TO (I&S)	Town /Tehsil Officer (Infrastructure & Services)
TO (P&C)	Town /Tehsil Officer (Planning & Coordination)
TO (R)	Town /Tehsil Officer (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 the Town / Tehsil Municipal Administrations of the District Government, Narowal for the Financial Year 2014-15. The Directorate General of Audit District Governments Punjab (North), Lahore conducted audit during 2015-16 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1.00 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 in the light of written responses and discussion in DAC meetings.

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

Islamabad
Dated:

(Imran Iqbal)
Acting-Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit (DGA), District Governments, Punjab (North), Lahore is responsible to carry out the Audit of Eighty One Tehsil / Town Municipal Administrations. Its Regional Directorate of Audit, Gujranwala has audit jurisdiction of Twenty One TMAs of six (06) Districts i.e Gujranwala, Gujrat, Hafizabad, Mandi Baha-ud-Din, Narowal and Sialkot.

The Regional Directorate had a human resource of seventeen officers and staff, total 4,760 man-days and the annual budget of Rs 25.20 million for the Financial Year 2014-15. It had mandate to conduct Financial Attest Audit, Regularity Audit and Compliance with Authority & Performance Audit of entire expenditure including programmes / projects & receipts. Accordingly, Director General Audit District Governments Punjab (North), Lahore carried out Audit of accounts of Tehsil / Town Municipal Administrations of District Narowal for the Financial Year 2014-15.

Each Town/Tehsil Municipal Administration in District Narowal 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, development and to enforce all laws including Municipal Laws, Rules and Bye-laws. The Punjab Local Government Ordinance, 2001 requires the establishment of Tehsil / Town Local Fund and Public Account for which Annual Budget statement is authorized by the Tehsil / Town Nazim / Tehsil / Town Council / Administrator in the form of budgetary grants.

Audit of Tehsil / Town Municipal Administrations of Narowal District was carried out with a view to ascertain whether the expenditure was incurred with proper authorization and in conformity 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 and Rules.

a. Scope of Audit

Total expenditure of two TMAs of District Narowal for the Financial Year 2014-15 under the jurisdiction of DG District Audit (N) Punjab was Rs 445.55 million covering two PAOs and two formations. Out of this, the Directorate General Audit (N) Punjab audited an expenditure of Rs 200.50 million which in terms of percentage, was 45% of the auditable expenditure.

Total receipts of the two Tehsil / Town Municipal Administrations of Narowal District for the Financial Year 2014-15, were Rs 165.11 million. Directorate General Audit Punjab (N), audited receipts of Rs 85.86 million which was 52% of total receipts.

b. Recoveries at the Instance of Audit

Recovery of Rs 80.23 million was pointed out during audit, but no recovery was effected and verified during the year 2015-16 till 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. Formations were selected for Audit in accordance with Risks analyzed. Audit was planned and executed accordingly.

d. Audit Impact

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

Had PAC meetings been regularly held, audit impact would have been manifold.

e. Comments on Internal Controls and Internal Audit Department

Internal control mechanism of Town / Tehsil Municipal Administrations of District Narowal 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 TMAs of District Narowal authorities may be captioned as one of important reasons for weak Internal Controls.

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

f. The key Audit findings of the report

- i. Internal Control Weaknesses involving an amount of Rs 80.23 million was noted in eight cases²
- ii. Irregularity / non-compliance of Rs 11.70 million was noted in two cases¹.

Audit paras for the audit year 2015-16 involving procedural violations including internal control weaknesses, unsound asset management and irregularities not considered worth reporting are included in MFDAC (Annexure-A).

¹ Para 1.2.1.1, 1.2.1.2, 1.2.1.3, 1.2.1.4, 1.2.1.5, 1.3.1.1, 1.3.1.2, 1.3.1.3,

² Para 1.4.1.1 & 1.4.1.2

g. Recommendations

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

- i. Strengthening of internal controls
- ii. Ensuring compliance of DAC directives and decisions in letter and spirit
- iii. Expediting recoveries pointed out by Audit
- iv. Compliance of relevant laws, rules, instructions and procedures, etc
- v. Realizing and reconciling of various receipts
- vi. Addressing systemic issues to prevent recurrence of various omissions and commissions.

SUMMARY OF TABLES AND CHARTS

Table 1: Audit Work Statistics (Rs in Million)

Sr. No.	Description	Number	Budgeted Figure FY 2014-15		
			Expenditure	Receipt	Total
1	Total Entities (PAOs) in Audit Jurisdiction	02	758.65	165.11	923.76
2	Total Formations in Audit Jurisdiction	02	758.65	165.11	923.76
3	Total Entities (PAOs) Audited	02	445.56	165.11	610.67
4	Total Formations Audited	02	445.56	165.11	610.67
5	Audit & Inspection Reports	02	445.56	165.11	610.67
6	Special Audit Reports	--	--	-	-
7	Performance Audit Reports	--	--	-	-
8	Other Reports	--	--	-	-

Table 2: Audit observation regarding Financial Management

Sr. #	Description	Amount Placed under Audit Observations (Rs in millions)
1	Unsound Asset Management	-
2	Weak Financial Management	91.93
3	Weak internal controls relating to Financial Management	-
4	Others	-
Total		91.93

Table 3: Outcome Statistics

(Rs in million)

Sr. #	Description	Expenditure on Acquiring of Physical Assets	Civil Works	Receipts	Others	Total current year	Total Last year
1	Outlays Audited	-	244.34	165.11	201.22	610.67*	857.90
2	Amount placed under audit observation / Irregularities of Audit	-	13.48	76.75	1.70	91.93	46.77
3	Recoveries pointed out at the instance of Audit	-	3.49	76.75	--	80.23	45.32

Sr. #	Description	Expenditure on Acquiring of Physical Assets	Civil Works	Receipts	Others	Total current year	Total Last year
4	Recoveries accepted / established at the instance of Audit	-	3.49	76.75	--	80.23	45.32
5	Recoveries realized at the instance of Audit	-	-	-	-	-	-

* The amount mentioned against serial No.1 in column of Total Current Year is the sum of Expenditure and Receipts whereas the total expenditure for the current year was Rs 445.55 million

Table 4: Irregularities Pointed Out

Sr #	Description	Amount Placed under Audit Observations (Rs in millions)
1	Violation of Rules and regulations, principle of propriety and probity in public operations.	-
2	Reported cases of fraud, embezzlement, theft and misuse of public resources.	-
3	Provide detail of Paras related to Accounting Errors ¹ (accounting policy, departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Quantification of weaknesses of internal control systems.	11.70
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public money.	80.23
6	Non-production of record.	-
7	Others, including cases of accidents, negligence etc.	-
Total		91.93

Table 5: Cost-Benefit

Sr. #	Description	Amount (Rs in millions)
1	Outlays Audited (Items 1 of Table 3)	610.67
2	Expenditure on Audit	2.10
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	1:0

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

CHAPTER-1

1.1 TEHSIL MUNICIPAL ADMINISTRATIONS DISTRICT NAROWAL

1.1.1 Introduction

TMA consists of Town Nazim, Town Naib Nazim and Town Municipal Officer. Each TMA comprises five Drawing & Disbursing Officers i.e. TMO, TO (Finance), TO (I&S), TO (Regulation), TO (P&C). As per Section 54 of PLGO, 2001 the main functions of TMAs are as follows;

- i. Prepare spatial plans for the Town including plans for land use, zoning and functions for which TMA is responsible.
- ii. Exercise control over land-use, land-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.
- iii. Enforce all municipal laws, rules and bye-laws governing TMA's functioning.
- iv. Prepare budget, long term and annual municipal development programmes in collaboration with the Union Councils.
- v. Propose taxes, cess, user fees, rates, rents, tolls, charges, surcharges, levies, fines and penalties under Part-III of the Second Schedule and notify the same.
- vi. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties.
- vii. Manage properties, assets and funds vested in the Town Municipal Administration.
- viii. Develop and manage schemes, including site development in collaboration with District Government and Union Administration.

- ix. Issue notice for committing any municipal offence by any person and initiate legal proceedings for commission of such offence or failure to comply with the directions contained in such notice.
- x. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
- xi. Maintain municipal records and archives.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

Total Budget of two TMAs selected for audit was Rs 758.65 million (inclusive salary, non-salary and development) whereas, the expenditure incurred (inclusive salary, non-salary and development) was Rs 445.55 million, showing savings of Rs 313.10 million which in terms of percentage was 41% of the final budget (detailed below). Less utilization of development budget 49% deprived the community from getting better municipal facilities.

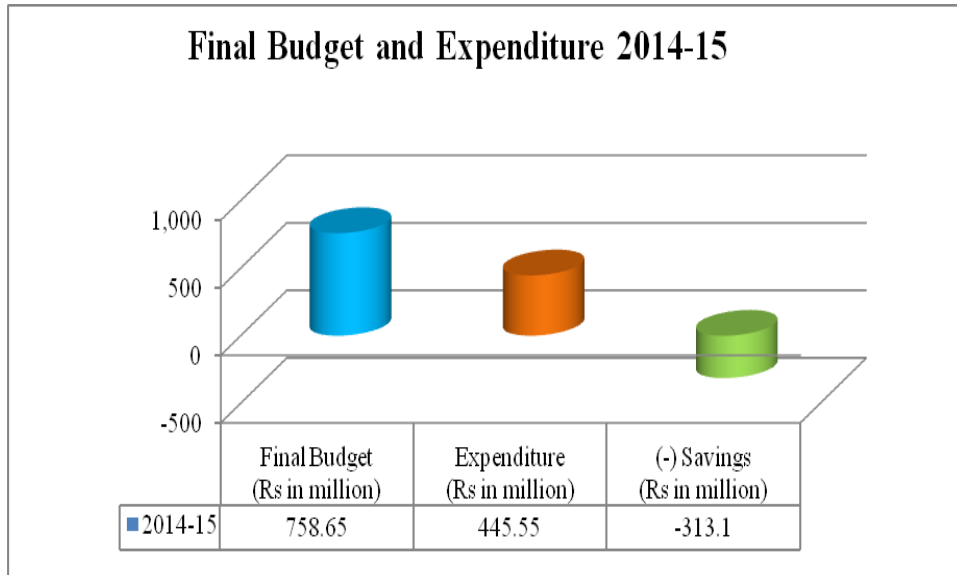
Financial Year 2014-15	Budget (Rs in million)	Expenditure (Rs in million)	(-) Saving (Rs in million)	%age of saving
Salary	132.70	96.84	-35.86	27
Non-salary	147.76	104.37	-43.39	29
Development	478.19	244.33	-233.85	49
TOTAL	758.65	445.55	-313.10	41

The budgeted outlays of Rs 758.65 million of two TMAs includes PFC award of Rs 253.86 million whereas total expenditure incurred by the TMAs during 2014-15 was Rs 445.55 million with a savings of (-) Rs 313.10 million (detailed below). This is indicative of the fact that the TMAs had sufficient funds to meet the expenditure from their own sources and there was lesser need of injection of PFC award.

(Rs in million)

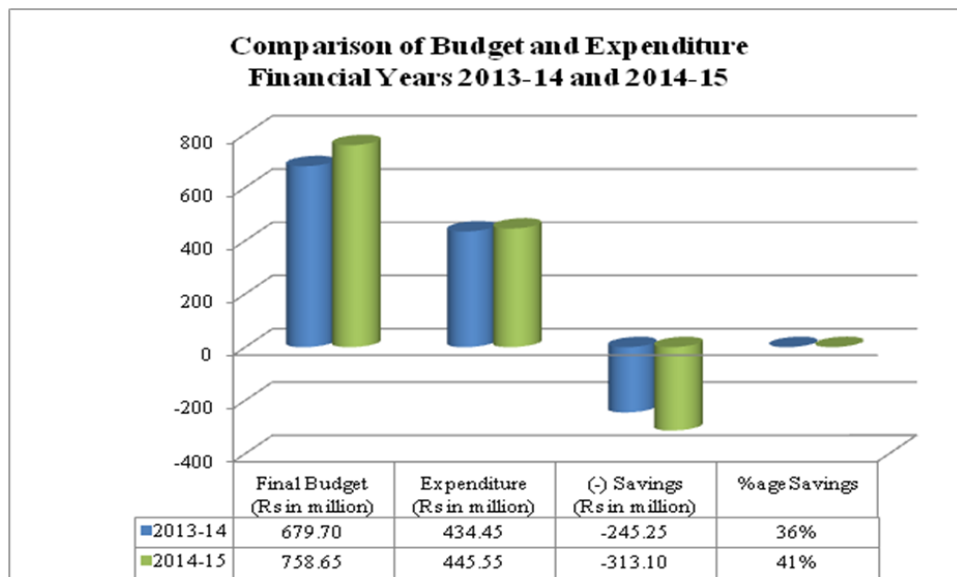
Name of TMAs	Budgeted Figure			Budgeted Outlay	Actual Expenditure	Saving	%age of Saving
	Own receipt including OB	PFC award	Total Receipts				
Narowal	195.45	127.66	323.11	376.71	255.67	121.04	32.13
Shakargarh	85.27	126.20	211.48	381.94	189.88	192.06	50.28
Total	280.72	253.86	534.59	758.65	445.55	313.10	82.41

(Rs in million)



The comparative analysis of the budget and expenditure of current and previous Financial Years is depicted as under:

(Rs in million)



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

(Rs in million)

Financial Year	Budget	Expenditure	(-) Savings	%age of savings
2013-14	679.70	434.45	-245.25	36
2014-15	758.65	445.55	-313.10	41

The justification of saving when the development schemes have remained incomplete is required to be provided, explained by administrator/ and management.

1.1.3 Brief Comments on the Status of Compliance on MFDAC Paras of Audit Year 2015-16

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 Annexure-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. #	Audit Year	No. of Paras	Status of PAC meetings
1	2009-10 to 2011-12	10	Not convened
2	2012-13	08	Not convened
3	2013-14	05	Not convened
4	2014-15	10	Not convened

1.2 AUDIT PARAS

1.2.1 TMA, NAROWAL

1.2.1 Internal Control Weaknesses

1.2.1.1 Non recovery of water rate charges - Rs 42.26 million

According to Section 118 of the Punjab Local Government Ordinance 2001, read with Rule 12 of the Punjab Local Government (Taxation Rules) 2001, Failure to pay any tax and other money claimable under this Ordinance was an offence and the arrears were recoverable as Land Revenue. Furthermore clause 12 (C) of Local Rate (Assessment & Collection) Rules, 2001 the Nazim of the Local Government may direct that the tax with costs of recovery shall be recovered as arrears of Land Revenue.

Scrutiny of demand and collection register of TMA Narowal revealed that a sum of Rs 42.26 million was due from the water users which was not recovered by the TMA as detailed below:

Unit	Amount (Rs)
CO Unit Narowal	32,141,000
CO Unit Ahmedabad	897,725
CO Unit Zafarwal	1,256,000
CO Unit Baddomalhi	796,5000
Total	42,259,725

Audit holds that due to weak internal controls, the local Government dues were not collected resultantly TMA was deprived of the revenue.

Management replied that, the efforts are being made to recover the amount.

The matter was reported to TMO/PAO in April 2016. DAC in its meeting held on 29-04-16, directed for early recovery from the defaulters but no compliance was reported till finalization of the report.

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

(A.I.R Para No. 15)

1.2.1.2 Non recovery of local Government arrears Rs 4.23 million

According to Section 118 of the Punjab Local Government Ordinance 2001, read with Rule 12 of the Punjab Local Government (Taxation Rules) 2001, Failure to pay any tax and other money claimable under this Ordinance was an offence and the arrears were recoverable as Land Revenue. Furthermore, clause 12 (C) of Local Rate (Assessment & Collection) Rules, 2001 the Nazim of the Local Government may direct that

the tax with costs of recovery shall be recovered as arrears of Land Revenue.

Scrutiny of budget of TMA Narowal revealed that a sum of Rs 4,233,162 as arrears were due since long but not recovered by the TMA. Detail is as below:

Unit	Head	Period	Amount (Rs)
Narowal	License fee vehicle	1994-95, 1995-96, 2008-09	347,900
	Haddi Leather	1988-89	4,000
	Licence for food	1999-2000, 2002-03	196,250
	Building fee	2002-03	331,000
	Commercialization fee	2004-05 to 2007-08	1,180,000
	Rent of shops	2001-08	950,000
Ahmed Abad	Octroi duty	1996-97, 1997-98	468,538
	Parking fee	1999-2000	23,170
	Vehicles License Fee	1999-2000	15,550
Zafarwal	Adda fees	2001-02, 2003-04	403,270
	Building fee	2002-03	15,550
Baddomalhi	Octroi Duty	1983-84, 85-86, 86-87, 1991-92	279,781
	Tanga Fee	1988-89	18,153
Total			4,233,162

Audit holds that due to weak internal controls, the local Government dues were not collected resultantly TMA was deprived of the revenue.

Management replied that, the matter has already been sent to the Additional District Collector for action against the persons at fault.

The matter was reported to TMO/PAO in April 2016. DAC in its meeting held on 29-04-16, directed for early recovery from the defaulters but no compliance was reported till finalization of the report.

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

(A.I.R Para No.16)

1.2.1.3 Non imposition of penalty - Rs 2.71 million

If a contractor fails to complete the work within stipulated period, he is liable to pay compensation @1% to 10% of amount of the agreement or any smaller amount as decided by the Engineer in-charge to be worked out per day but not exceeding maximum of 10% of the construction of contract. The contractor shall have to apply within one month for extension in time

limit before the expiry of scheduled time of completion according to Clause 39 read with Clause 37 of contract agreement.

TMA Narowal issued work orders for various contracts but the contractors failed to complete the work within stipulated time and penalty of Rs 2.71 million was not imposed. Detail at **Annexure-C**.

Audit holds that due to weak internal controls, the instructions were not followed resultantly works were not completed.

Management replied that in most of the cases competent authority has given extension due to technical reasons and the contractors at fault has been imposed penalty.

The matter was reported to TMO/PAO in April 2016. DAC in its meeting held on 29-04-16 directed for imposition of penalty but no compliance was reported till finalization of the report.

Audit recommends imposition of penalty against the defaulted contractors under intimation to Audit.

(A.I.R Para No.02)

1.2.1.4 Non recovery of commercialization fee for Rs 9.77 million

According to Section 118 of the Punjab Local Government Ordinance 2001, read with Rule 12 of the Punjab Local Government (Taxation Rules) 2001, failure to pay any tax and other money claimable under this Ordinance was an offence and the arrears were recoverable as Land Revenue. Furthermore clause 12 (C) of Local Rate (Assessment & Collection) Rules, 2001 the Nazim of the Local Government may direct that the tax with costs of recovery shall be recovered as arrears of Land Revenue.

Scrutiny of record of TMA Narowal revealed that an amount of Rs 11.21 million was required to be recovered from Mr. Rana Lal Badsha , Arif Mehmood etc on account of commercialization fee during 2014-15 but Rs 1.44 million only was recovered which resulted in less recovery of Rs 9.77 million.

Audit holds that due to weak internal controls, the commercialization fee was not collected resultantly TMA was deprived of the possible revenue.

Management replied that the matter has already been sent to the Additional District Collector for action against the persons at fault.

The matter was reported to TMO/PAO in April 2016. DAC in its meeting held on 29.04.2016, directed for early recovery from the defaulters but no compliance was reported till finalization of the report.

Audit recommends that early recovery besides fixing responsibility against the person(s) at fault under intimation to Audit

(A.I.R Para No.22)

1.2.1.5 Non recovery of performance securities for Rs 0.77 million

According to Contract Agreement Clause No 26 (a), in case the total tendered amount is less than 5% of the approved estimated amount, the lowest bidder will have to deposit additional performance security from the Scheduled Bank ranging from 5% to 10%, within 15 days of issuance of notice or within expiry period of bid, whichever is earlier.

TMA Narowal did not collect performance security worth Rs 775,320 from 12 contractors tendering rates 5% below than estimated cost during 2014-15.

Audit holds that due to weak internal controls, the instructions were not followed and performance securities were not collected.

Management replied that in most of the cases competent authority has given extension due to technical reasons and the contractors at fault has been imposed penalty.

The matter was reported to TMO/PAO in April 2016. DAC in its meeting held on 29-04-16 directed for imposition of penalty but no compliance was reported till finalization of the report.

Audit recommends collection of performance security from the contractors besides fixing responsibility against the person(s) at fault under intimation to Audit.

[A.I.R Para No.03]

1.3.1 TMA, SHAHKARGARH

1.3.1 Internal Control Weaknesses

1.3.1.1 Non imposition of penalty - Rs 13.00 million

If a contractor fails to complete the work within stipulated period, he is liable to pay compensation @1% to 10% of amount of the agreement or any smaller amount as decided by the Engineer in-charge to be worked out per day but not exceeding maximum of 10% of the construction of contract. The contractor shall have to apply within one month for extension in time limit before the expiry of scheduled time of completion according to Clause 39 read with Clause 37 of contract agreement.

TMA Shakargarh liability list for ADP 2013-14 revealed that 138 work orders valuing Rs 103.56 million were issued to various contractors. The works were not completed within 2013-14 and time extension was required upto 30.09.2014. Following work orders were issued for various contracts but the contractors failed to complete the work within stipulated time and penalty was not imposed. Detail is as below:

Name of work	Work Order No & Date	Completion Period/Date	Complete on	Acceptance Amount(Rs)	Amount of LD (Rs)
Const of waiting shed Shakargarh	221 dt.24.04.15	02 months	W.I.P	1,207,350	120,735
External development General Bus Stand Shakargarh	169 dt.22.04.15	04 months	07.11.15	5,000,000	500,000
Const of RCC road Nullah Darman Road Shakargarh	275 dt.11.11.14	06 months	20.09.15	14,250,002	1,425,000
Const of RCC Road Sewer line Zafarwal road to Govt Girls Degree College	174 dt.22.04.15	03 months	26.10.15	2,618,880	261,888
Const of PCC in village Noor Kot	111 dt.03.03.15	04 months	16.10.15	1,620,000	162,000
Const of street drains village Gharmrola	108 dt.03.03.15	02 months	14.07.15	810,000	81,000
Const of Janazagah Sancha	110 dt.03.03.15	03 months	09.11.15	990,000	99,000
Total				26,496,232	2,649,623
Grand Total Rs 103.563 X 10% = Rs 10.356+2.649= Rs 13.00 million					

Audit holds that due to weak internal control and non-compliance of rule, the penalty was not imposed.

Management replied that the schemes are still in running phase therefore penalty can be imposed in final bill to the permissible limit of 1%.

The matter was reported to TMO/PAO in April 2016. DAC in its meeting held on 29-04-16 directed for imposition of penalty but no compliance was reported till finalization of the report.

Audit recommends that the penalty be imposed against defaulted contractors under intimation to Audit.

(A.I.R Para No.2 , 4)

1.3.1.2 Non recovery of arrears Rs 6.46 million

According to Section 118 of the Punjab Local Government Ordinance 2001, read with Rule 12 of the Punjab Local Government (Taxation Rules) 2001, failure to pay any tax and other money claimable under this Ordinance was an offence and the arrears were recoverable as Land Revenue. Furthermore clause 12 (C) of Local Rate (Assessment & Collection) Rules, 2001 the Nazim of the Local Government may direct that the tax with costs of recovery shall be recovered as arrears of Land Revenue.

Scrutiny of budget of TMA Shahkargarh revealed that a sum of Rs 6.46 million was due on account of arrears since long and were not recovered by the TMA, detail is as below:

Sr. No.	Head of Accounts	Name of defaulter	Amount (Rs)
01	Building fee for 2001-02	M. Tufail	35,774
02	Licence fee for the year 2001-02	M. Nadeem	143,279
03	Fee tanga rikshaw stand 2007-08	Ghulam Murtaza	558,000
04	Fee TTIP for the year 2008-09	M. Nadeem Fasil	2,043,932
05	Fee General Bus Stand for the year 2010-11	Habib Ur Rehman	641,000
06	Fee taxi car stand for the year 2010-11	Abdul Hameed	34,900
07	Fee general bus stand for the year 2011-12	Abdul Ghaffar	3,008,179
Total			6,465,064

Audit holds that due to weak internal controls, the local Government dues were not collected resultantly TMA was deprived of the revenue.

Management replied that the matter was in the court of law .

The matter was reported to TMO/PAO in April 2016. DAC in its meeting held on 29-04-16, directed for early recovery from the defaulters but no compliance was reported till finalization of the report.

Audit recommends recovery besides fixing responsibility against the defaulters under intimation to Audit

(A.I.R Para No. 18)

1.3.1.3 Non recovery of water rate charges - Rs 1.01 million

According to Section 118 of the Punjab Local Government Ordinance 2001, read with Rule 12 of the Punjab Local Government (Taxation Rules) 2001, Failure to pay any tax and other money claimable under this Ordinance was an offence and the arrears were recoverable as Land Revenue. Furthermore clause 12 (C) of Local Rate (Assessment & Collection) Rules, 2001 the Nazim of the Local Government may direct that the tax with costs of recovery shall be recovered as arrears of Land Revenue.

Scrutiny of demand and collection register of TMA Shahkargarh revealed that a sum of Rs 1.01 million were outstanding during 2014-15 as water supply charges. This resulted in loss to Local Govt.

Audit holds that due to weak internal controls, the commercialization fee was not collected resultantly TMA was deprived of the possible revenue.

Management replied that recovery teams have been constituted for recovery.

The matter was reported to TMO/PAO in April 2016. DAC in its meeting held on 29-04-16 directed for early recovery from the defaulters but no compliance was reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility against the defaulters under intimation to Audit

(A.I.R Para No. 15)

1.4.1 Irregularity and Non compliance

1.4.1.1 Irregular administrative approval / technical sanction Rs 10.00 million

According to TMA Works Rule 2003, the Tehsil Development Committee has power to sanction administrative approval upto Rs5.000 million. Moreover, the TS was sanctioned by TO (I&S).

TMA Shahkargarh record revealed that Tehsil Development Committee has granted administrative approval of following works by splitting the schemes to avoid sanction of the higher authority. This resulted in irregular administrative approval/TS Rs 10.00 million as detailed below:

Sr. No.	Name of Scheme	Estimated cost in million (Rs)	Date of Minutes in which scheme approved administratively
01	External development of GBS Shakargarh	5.000	26.01.2015
02	Const of waiting area and offices at GBS Shakargarh	5.000	26.01.2015
Total		10.00	-

Audit holds that due to non-compliance of rule, the work was awarded irregularly.

Management replied that the schemes are of different type and were separately sanctioned by the TDC.

The matter was reported to TMO/PAO in April 2016. DAC in its meeting held on 29-04-16, directed the department to regularize the matter with the sanction of the competent authority but no compliance was reported till finalization of the report.

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

(A.I.R Para No.01)

1.4.1.2 Irregular expenditure on purchases worth Rs 1.70 million

According to rule 12 (1) of PPRA 2014, subject to rule 59, a procuring agency shall advertise procurement of more than one hundred thousand rupees and up to the limit of two million rupees on the website of the Authority in the manner and format specified by regulations but if

deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper.

TMA Shahkargarh purchased different items worth Rs 1,698,450 but advertisement was not placed on PPRA website and advertised only in one news paper instead of two news papers as detail below.

S. No.	Item	Quantity	Amount Rs
01	Mechanical Sweeper	01	1,224,000
02	Hand Carts	50	474,450
Total			1,698,450

Audit holds that due to non-observing of PPRA rules, the procurement was held non-transparent.

Management replied that all taxes are deposited into the treasury.

The matter was reported to TMO/PAO in April 2016. DAC in its meeting held on 29-04-16 directed the department for regularization of the expenditure and sales tax be deducted but no compliance was reported till finalization of the report.

Audit recommends regularization of the expenditure in question besides fixing of responsibility against the person at fault under intimation to Audit.

(A.I.R Para No. 14)

ANNEXURES

PART-I

**Memorandum for Departmental Accounts Committee
Paras Pertaining to Current Audit Year 2015-16**

Sr. #	Formation	AIR Para No.	Description of Para	Amount (Rs)	Nature of Para
1	TMA, Narowal	01	Irregular payment worth	415,717	Weakness of internal control
2		05	Irregular expenditure on repair of hand carts and less deduction of income tax	294,800 12,183	Irregularity / non-compliance
3		09	Irregular purchase of wheel barrows and doubtful payment of GST	774,620 107,728	Irregularity / non-compliance
4		13	Improper maintenance of stock register	-	Irregularity / non-compliance
5		18	Non Deduction of income tax	189,866	Weakness of internal control
6		21	Non transparent process of collection of License fee	-	Weakness of internal control
7		14	Non Follow up of default cases	-	Irregularity / non-compliance
8	TMA, Shakargarh	05	Recovery on account of non-utilization of approved sand	189,720	Irregularity / non-compliance
9		09	Less deduction of income tax and improper maintenance of stock register	14,510	Irregularity / non-compliance
10		13	Wasteful expenditure of and non-recovery	1,872,262 .502,190	Weakness of internal control
11		17	Irregular payment of income tax & sales tax recovery thereof	56,253	Weakness of internal control
12		21	Loss to Government on account of commercialization/conversion fees	-	Weakness of internal control

PART-II

**Memorandum for Departmental Accounts Committee
Paras pertaining to Previous Audit Year 2014-15**

Sr. #	Formation	AIR Para No.	Description of Para	Amount (Rs)	Nature of Para
1	TMA, Narowal	01	Non-recovery of performance security	769,901	Weakness of internal control
2		06	Irregular purchase without open tender	144,912	Irregularity / non-compliance
3		07	Non-deduction of sales tax	255,058	Weakness of internal control
4		09	Non-verification of sales tax	532,392	Irregularity / non-compliance
5		10	Non-recovery of liquidated charges	50,000	Irregularity/ non-compliance
6		11	Excess payment	55,000	Weakness of internal controls
7		12	Non-disposal of old material	10,000	Weakness of internal control
8	TMA, Shakargarh	01	Non-credit of lapse deposits to Govt. revenue	13,000,000	Irregularity / non-compliance
9		03	Doubtful payment of mild steel	1,910,035	Irregularity / non-compliance
10		05	Irregular hiring of tentage	1,439,232	Irregularity / non-compliance
11		10	Payment to mild steel	713,814	Irregularity / non-compliance
12		13	Non-forfeiture of security	487,827	Weakness of internal control
13		16	Recovery of rent of plot/ shops	166,984	Weakness of internal control
14		17	Recovery of additional performance security	120,663	Weakness of internal control
15		18	Non-auction of old material cost (approx)	100,000	Weakness of internal control
16		19	Non-deduction of old material/ excess estimating	19,000	Weakness of internal control

**TMA of Narowal District
Budget and Expenditure
Financial Year 2014-15**

1. TMA, Narowal

(Rs in million)

Head	Budget	Expenditure	Savings (-)	%age	Comment
Salary	73.29	62.23	11.06	15	-
Non-salary	101.57	84.72	16.85	17	-
Development	201.85	108.72	93.15	46	-
Total	376.71	255.67	121.05	32	-

2. TMA, Shakargarh

Head	Budget	Expenditure	Savings (-)	%age	Comment
Salary	59.40	34.61	24.79	42	-
Non-salary	46.21	19.65	26.55	57	-
Development	276.33	135.62	140.71	51	-
Total	381.94	189.88	192.05	50	-
Grand Total	758.65	445.55	313.10	41	-

Annexure-C**Non imposition of penalty Rs 2.707 million****Para No 1.2.1.3**

Name of work	Work Order No & Date	Completion Period/Date	Completed on	Acceptance Amount Rs	LD Charges Rs
Const of cricket ground Gunj Hussain Abad Phase-III	1715-16 dt.12.05.2014	30.07.2014	03.12.2014	2,869,580	286,958
Const of Nullah & soling village Rana	1719-20 dt.15.05.2014	15.06.2014	15.07.2014	995,000	99,500
De-silting of pond & const of nullah village Malokey	1721-22 dt.15.05.2014	15.06.2014	04.10.2014	990,000	99,000
Const/repair of office building TMA Narowal remaining work	1745-46 dt.13.06.2014	15.08.2014	05.09.2014	980,000	98,000
Const of swimming pool faiz ahmed faiz park Phase-III	17-18 dt.26.09.2014	26.05.2015	WIP	8,219,400	821,940
Repairing/improvement of children park Ahmedabad	27-28 dt.26.09.2014	30.04.2015	WIP	3,441,375	344,138
Const of foundation & charges of carriage FT-5 Aircraft	1157-58 dt.11.07.2014	15.10.2014	19.12.2014	1,990,000	199,000
Const of street, PCC chambers of lawyers at Judicial complex Narowal	56-57 dt.21.01.2015	15.06.2015	WIP (Notice No 1148-51 dt.20.06.15)	3,434,313	343,431
Const of streets & sewerage Near Govt National Secondary School Nwl	151-52 dt.26.03.2015	26.06.2015	10.09.2015	997,500	99,750
Const of soling drain Mahinwala	153-54 dt.26.03.2015	26.06.2015	20.07.2015	840,000	84,000
Const of drain soling Aahl Ghumna UC Feroz Pur	267-68 dt.10.04.2015	30.06.2015	11.08.2015	879,890	87,989
Const of street Minhaj-ul-Quran wali Baddomalhi	115-16 dt.26.03.2015	26.06.2015	10.07.2015	1,433,407	143,341
Total				27,070,465	2,707,047