



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

AUDIT YEAR 2014-15

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Programme
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
FD	Finance Department
LG&CD	Local Government and Community Development
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCC	Plain Concrete and Cement
PDG	Punjab District Government
PLGO	Punjab Local Government Ordinance
PLG	Punjab Local Government
POL	Petrol, Oil and Lubricants
PDSSP	Punjab Devolved Social Sector Programme
TMA	Town/Tehsil Municipal Administration
TMO	Town Municipal Officer
RCC	Reinforced Concrete Cement
RMR	Road Maintenance Register
TO (F)	Tehsil Officer (Finance)
TO (I&S)	Tehsil Officer (Infrastructure and Services)
TO (P&C)	Tehsil Officer (Planning and Coordination)
TO (R)	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 Tehsil Municipal Administrations of District Gujrat 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 City District / District Governments, Tehsil / Town Municipal Administrations and Union Administrations of three (03) City District Governments and sixteen (16) District Governments. Its Regional Directorate of Audit, Gujranwala has Audit jurisdiction of District Governments, TMAs and UAs of one (01) City District Government i.e. Gujranwala and five (05) District Governments i.e. Gujrat, Hafizabad, Narowal, Sialkot and Mandi Baha-ud-Din.

The Regional Directorate has a human resource of 17 officers and staff, total 4,760 man-days and the annual budget of Rs16.337 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, Director General Audit District Governments Punjab (North) Lahore carried out audit of the accounts of three TMAs of District Gujrat for the financial year 2013-14.

Each Tehsil Municipal Administration in District Gujrat conducts its operations under Punjab Local Government Ordinance, 2001. Tehsil Municipal Officer is the Principal Accounting Officer (PAO) and acts as coordinating and administrative officer, responsible to control land use, its division and development and to enforce all laws including Municipal Laws, Rules and Bye-laws. The PLGO, 2001 requires the establishment of Tehsil / 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 Grant.

Audit of TMAs of District Gujrat was carried out with the view to ascertaining that the expenditure was incurred with proper authorization, in conformity to laws/rule/regulations, economical procurement of assets and hiring of services etc.

Audit of receipts / revenues was also conducted to verify whether the assessment, collection, reconciliation and allocation of revenues were

made in accordance with laws and rules, there was no leakage of revenue in the Government Account / Local Fund.

a. Scope of Audit

Out of three (03) TMAs, two (02) TMAs were audited. The expenditure of two (02) audited TMAs of District Gujrat for the Financial Year 2013-14 under the jurisdiction of DG District Audit (N) Punjab was Rs 1,273.642 million, covering two (2) PAO and two (2) formations. Out of this the Directorate General Audit (N) Punjab an expenditure of Rs 165.673 million which in term of percentage was 13% of auditable expenditure.

Total receipts of the two (02) TMAs of District Gujrat for the financial year 2013-14, were Rs 935.436 million. Directorate General Audit Punjab (N) audited receipts of 191.442 million which was 21% of total receipts.

b. Recoveries at the Instance of Audit

Recovery of Rs 90.165 million was pointed out during audit but no recovery was effected and verified during the year 2014-15 till compilation of this 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 Tehsil Municipal Administrations of District Gujrat 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 Gujrat 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 Tehsil Municipal Administration.

f. Key Audit Findings of the report

- i. Non-compliance of Rs 28.819 million was noted in six cases.¹
- ii. Non-realization of Government revenue of Rs 83.267 million was noted in six cases.²

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

g. Recommendations

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

- i. Production of record to audit for verification.
- ii. Investigate cases involving wastage, fraud, misappropriation and losses, and take disciplinary actions after fixing responsibility.
- 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. Ensure 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.

¹ Para: 1.2.1.1, 1.2.1.2, 1.2.1.3, 1.2.2.2, 1.3.1.1, 1.3.1.2

² Para: 1.2.2.1, 1.2.2.3, 1.2.2.4, 1.3.2.1, 1.3.2.2, 1.3.2.3

SUMMARY OF TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in millions)

Sr. #	Description	Number	Budget
1	Total Entities (PAOs) under Audit Jurisdiction	3	1,446.974
2	Total formations under Audit Jurisdiction	3	1,446.974
3	Total Entities (PAOs) Audited	2	1,331.490
4	Audit and Inspection Reports	2	1,331.490
5	Special Audit Reports	-	-
6	Performance Audit Reports	-	-
7	Other Reports (Relating to TMAs)	-	-

*Figures at Serial No. 3, 4 and represents expenditure

Table 2: Audit Observations regarding Financial Management

(Rs in millions)

Sr. #	Description	Amount Placed under Audit Observation
1	Asset management	-
2	Financial management	-
3	Internal controls	83.267
4	Violation of rules	28.819
5	Others	-
Total		112.086

Table 3: Outcome Statistics

(Rs in millions)

Sr. #	Description	Expenditure on Acquiring of Physical Assets	Civil Works	Others	Receipts	Total current year	Total Last year
1	Outlays audited	-	390.981	882.661	935.436	2209.078*	2231.097
2	Amount placed under audit observation / Irregularities of audit	-	23.037	5.782	83.267	112.086	61.043
3	Recoveries pointed out at the instance of audit	-	1.116	5.782	83.267	90.165	39.739
4	Recoveries accepted / established at	-	-	-	-	-	39.739

Sr. #	Description	Expenditure on Acquiring of Physical Assets	Civil Works	Others	Receipts	Total current year	Total Last year
	the instance of audit						
5	Recoveries realized at the instance of audit	-	-	-	-	-	9.671

* 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 year was Rs 1,273.642 million.

Table 4: Irregularities Pointed Out

(Rs in millions)

Sr. #	Description	Amount Placed under Audit Observation
1	Violation of rules and regulations, principle of propriety and probity	21.921
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public resources	-
3	Quantification of weaknesses of internal control systems	-
4	Recoveries, overpayments, unauthorized payments of public monies	90.165
5	Non-production of record to Audit	-
6	Others, including cases of accidents, negligence etc.	-
7	Violation of rules and regulations, principle of propriety and probity	-
TOTAL		112.086

Table 5: Cost-Benefit

Sr. No.	Description	Amount (Rs in millions)
1	Outlays Audited (Items 1 of Table 3)	2209.078
2	Expenditure on Audit	1.361
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	1:0

CHAPTER-1

1.1 TEHSIL MUNICIPAL ADMINISTRATIONS, GUJRAT

1.1.1 INTRODUCTION

TMA consists of Tehsil Nazim / Administrator, Tehsil Naib Nazim and Tehsil Municipal Officer. Each TMA comprises of five (5) Drawing & Disbursing Officers i.e. TMO, TO-Finance, TO-I & S, TO-Municipal Regulation, and TO-P & C. 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 TMAs functioning.
4. Prepare budget, long term and annual municipal development programmes 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 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)

Total Budget of two (02) TMAs selected for audit was Rs. 1,331.490 million (inclusive salary, non-salary and development) whereas, the expenditure incurred (inclusive salary, non-salary and development) was Rs 1,273.642 million showing savings of Rs. 57.848 million which is terms of percentage was 04% of the final budget (detailed below). Less utilization of development budget (18%) deprived the community from getting better municipal facilities.

(Rs in millions)

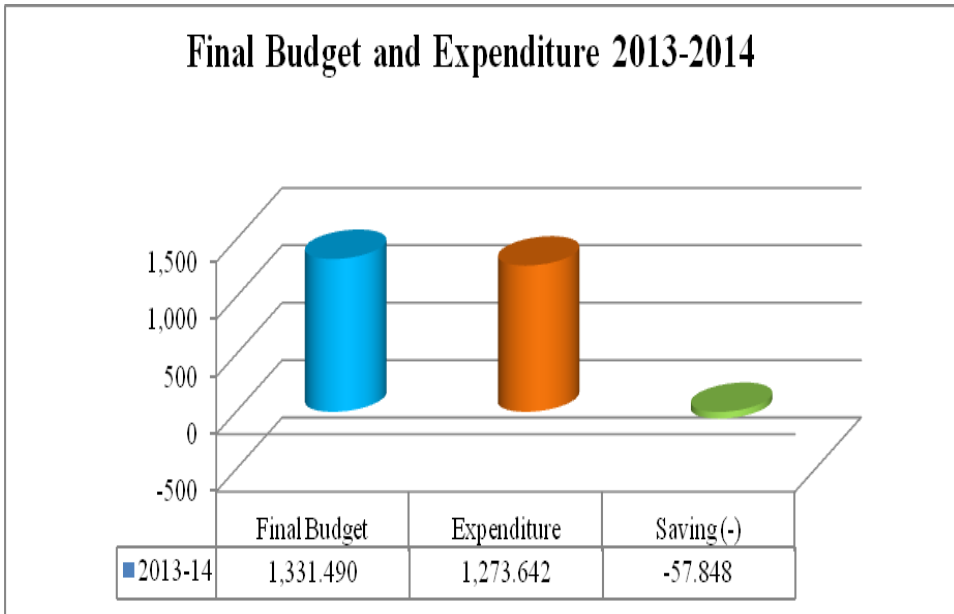
F.Y. 2013-14	Budget	Expenditure	Excess (+) / Saving (-)	%age Saving
Salary	415.417	369.480	-45.937	11
Non Salary	441.657	513.181	71.524	16
Development	474.416	390.981	-83.435	18
TOTAL	1,331.490	1,273.642	-57.848	04

The budgeted outlay was Rs. 1331.490 million of two (02) TMAs includes PFC award of Rs. 202.433 million whereas total expenditure incurred by the TMAs during 2013-14 was Rs. 1273.642 million with a savings of (-) Rs. 57.848 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 no need of any injection of PFC award.

(Rs in million)

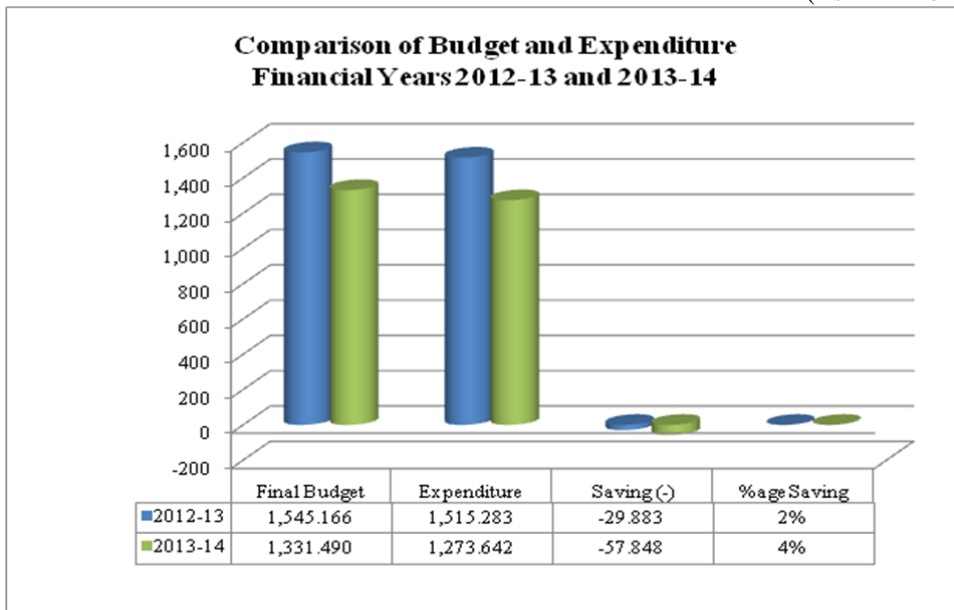
Name of TMAs	Budgeted Figure			Budgeted Outlay	Actual Expenditure	Savings	%age of Savings
	Own receipt including OB	PFC award	Total Receipts				
Gujrat	1040.266	40.000	1080.266	1012.413	983.259	29.154	3
Kharian	171.381	162.433	333.814	319.077	290.383	28.694	9
Total	1211.647	202.433	1414.08	1331.490	1273.642	57.848	4

(Rs in millions)



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

(Rs in million)



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

(Rs in millions)

Financial Year	Final Budget	Expenditure	Saving (-)	%age Saving
2012-13	1,545.166	1,515.283	-29.883	2%
2013-14	1,331.490	1,273.642	-57.848	4%

The justification of saving when the development schemes have remained incomplete is required to be explained by the Principal Accounting Officer, Administrator and management of TMAs.

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. #	Audit Year	No. of Paras	Status of PAC meetings
1	2009-10 to 2011-12	18	Not convened
2	2012-13	12	Not convened
3	2013-14	13	Not convened

1.2 AUDIT PARAS

1.2.1 TMA, GUJRAT

1.2.1 Irregularity / Non-compliance

1.2.1.1 Unauthorized Payment on account of Non-scheduled Item – Rs 1.893 million

The rates for various components of the Non-Scheduled items of work shall be based on Composite Schedule of Rates (CSR) 1998 Vol-III, Part-II, (now MRS) and where such components of item of work are not contained in the CSR 1998 Vol-III, Part-II (MRS) average prevailing market rates shall be made basis for arriving at the Non-Schedule Rate. Copies of the analysis and of Composite Rates sanctioned by the Superintending Engineer for non-schedule items shall be sent to the Secretary, Standing Rates Committee, according to para 4(iii & iv) of CSR. In no case, the procurement shall be made without getting the specification of stores vetted / approved by the competent authority as per para 5 of the Purchase Manual. Further in order to arrive at the rate analysis of non schedule items, the standard format on website has been prescribed which is to be filled from MRS and the market rates.

Scrutiny of accounts record of TMA, Gujrat revealed that scheme, Fixing of new well Mohullah Jogi pura Jalal pur Jattan awarded to M/s Bilal Construction with the provision of non scheduled item Turbine. 1 Cusec KSB Turbine with 40 HP motor was provided and fixed at site without approval of rate analysis by the competent authority. Neither quotations were called nor comparative statement was prepared to calculate most economical rate. Further after sale services along with warranty period was also not mentioned in the agreement. Therefore, expenditure on the purchase of non-scheduled items was unjustified.

MB No. Page	Description	Qty paid	Rate (Rs)	Amount (Rs)
5800 / 9-14	1 Cusec KSB Turbine with 40 HP motor	I No.	1,893,202	1,893,202

Audit is of the view that due to non-compliance of rule, an amount of Rs 1.893 million of non-schedule items was paid.

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in March, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report.

Audit recommends inquiry besides fixing of responsibility against the officers/officials at fault under intimation to Audit.

[AIR Para No.34]

1.2.1.2 Wasteful Expenditure due to Non-completion of schemes – Rs 1.526 million

As per clause 61 of the Contract Agreement, in every case in which contract should be rescinded under clause 60 and in the opinion of the engineer in-charge such work should be done at the risk and expense of the contractor and the work shall be executed out of his hand and give it to another contractor.

TMO, Gujrat awarded three schemes to different contractors with a completion period of 3 to 4 months. After the payment of 1st/ running contractor bills, they failed to complete the work in spite of several notices by TO (I&S) due to site dispute. The site disputes were required to be resolved before the issuance of work order. The payments made through 1st/ruuning bills were gone waste which needs to be recovered from the concerned contractors.

Scheme	Contractor	Estimated cost of the scheme (Rs)	Amount of 1 st / Contractor bill paid (Rs)
Constn. Of PCC Street & Nullah B/W And Gate Park Bohra Village	Tariq Usman Contn.	1,700,000	187,997
Contn. Of Nullah Bagdad Colony Gujrat	Sajjad Haider	1,000,000	187,082
Boring Including Turbine Zemindar Degree College Lalazaar Colony Graveyard	Sufi Constn.	3,000,000	1,151,086
Total			1,526,165

Audit is of the view that due to non compliance of rules, the funds were issued to disputed scheme.

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in March, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report.

Audit recommends inquiry besides fixing of responsibility against the officers/officials at fault under intimation to audit.

[AIR Para No.36]

1.2.1.3 Undue favor to Contractor – Rs 1.116 million

According to Contract Agreement Clause No 26 (a), In case the total tendered amount is less than 5% of the approved estimated (DNIT) 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.

TMO, Gujrat awarded certain schemes to certain contractors below the TS Estimate during the financial year 2013-14. However, additional performance security was not taken and contractor started work without depositing of performance security as detailed at Annex-C.

Audit is of the view that due to non-compliance of rules, additional performance security was not recovered from contractor

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in March, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report.

. Audit stresses that additional performance security may be recovered from the contractor under intimation to Audit

[AIR Para No.28, 30, 31 & 37]

1.2.2 Internal Control Weaknesses

1.2.2.1 Non-recovery of Arrears of Water Rate – Rs 65.162 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. Further, as clause 12 (C) of Local Rate (Assessment & Collection) rules, 2001, the Nazim of the Local Government may direct that tax with costs of recovery shall be recovered as arrears of Land Revenue.

TMO, Gujrat managed only to recover Rs 41.764 million against the total demand figure of Rs 106.926 million during the financial year 2013-14. Arrear of water rate of Rs 65.162 million upto 30-06-2014 were still recoverable. Further no serious efforts were made for the recovery of the outstanding Govt. dues as detailed below:

Category	Total demand of water rate (Rs)	Amount Recovered(Rs)	Arrears amount on 30-06-14 (Rs)
Industrial connections TMA Gujrat	6,703,226	692,280	6,010,946
Domestic TMA Gujrat	89,744,343	32,011,117	57,733,226
Commercial TMA Gujrat	278,840	46,998	231,842
Water Rate CO Unit Shadiwal	2,000,000	1,859,680	140,320
Water Rate CO Unit Jalalpur Jattan	8,200,000	7,153,885	1,046,115
Total	106,926,409	41,763,960	65,162,449

Audit holds that due to weak internal control, recovery of water charges was not effected resultantly TMA deprive the revenue,

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in February, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report.

Audit recommends that recovery should be effected besides appropriate action against the person(s) at fault under intimation to Audit.

[AIR Para No.03, 13 & 20]

1.2.2.2 Less recovery of Income Tax – Rs 5.782 million

As required under Section-153 of Income Tax Ordinance, 2001, the requisite deduction of Income Tax at the prescribed rate is needed to be made at source while making payments on accounts of stores / services rendered.

TMO, Gujrat awarded the contract of collection rights of Cattle Mandi to M/s Muhammad Ashraf S/o M. Aslam vide No. 241/F dated 28-06-2013 for Rs 110.600 million. However, the increase of 5% income tax amounting to Rs 5.782 million was not collected on the contract amount despite several notices served to the contractor.

Audit holds that due to weak internal controls, less income tax amount was recovered which resulted in non collection of government revenues.

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in February, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report

Audit recommends that recovery should be effected besides appropriate action against the person(s) at fault under intimation to Audit.

[AIR Para No.01]

1.2.2.3 Non-recovery of Rent of Shops – Rs 5.683 million

According to Rule 76 of Punjab District Government and TMA (Budget) Rules, 2003, the primary obligation of 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, Gujrat did not recover Rs 5.683 million on account of rent of shops upto 30-06-2014. No serious efforts were put into to recuperate the outstanding rent from the lessees as detailed below.

Location	No. of shops	Arrear amount upto 30.6.2014 (Rs)
Shops at General Bus stand Gujrat	112 Nos.	2,431,610
Shops of Municipal Market of TMA office, Gujrat	16 Nos.	2,190,965
Ghur Mandi Muslim Bazar	2/46	260,666
Chowk Maida Mandi Muslim Bazar	Plot No. 80	37,584
Near TMA Office	Building No. 86	5,371
Matchli Chowk	Plot No. 87	143,676
CO unit Kunjah		325,790
CO unit Jalal Pur Jattan	8 Nos.	123,507
CO unit Jalal Pur Jattan	8 Nos.	163,901
Total		5,683,070

Audit is of the view that due to weak internal control, rent of shops was not collected from lessees.

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in February, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report

Audit recommends that recovery should be effected besides appropriate action against the person(s) at fault under intimation to Audit.

[AIR Para No.08, 10, 14 & 23]

1.2.2.4 Less recovery of Local Receipts – Rs 4.931 million

According to Rule 76 of Punjab District Government and TMA (Budget) Rules, 2003, the primary obligation of 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.

TO (Finance), TMA, Gujrat awfully less recovered the Adda Parking Fee, Wagon Stand and General Bus Stand Fees in 2013-14 against the actual income of 2012-13 due to self collection. Further probe revealed that government revenues were curtailed by non collection of pay and allowances and income tax due to self collection. The same were self collected because of non auction of collection rights of Adda Parking Fee. The reasons of this decline amounting to Rs 4.93 million may be justified otherwise recovery may be effected from the person(s) at fault.

Description	Actual receipt 2012-13 (Rs)	Actual recovery 2013-14 (Rs)	Less recovery (Rs)
Adda Parking Fee Wagon Stand General Bus Stand Fee	16,310,975	11,379,230	4,931,745

Audit is of the view that due to weak internal control, less recovery of Adda Parking fee was made.

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in February, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report

Audit recommends recovery of Adda parking fee from the defaulters besides appropriate action against the person(s) at fault under intimation to Audit.

[AIR Para No.11]

1.3.1 TMA, KHARIAN

1.3.1 Irregularity / Non-compliance

1.3.1.1 Transfer of funds to Incomplete CCB Projects – Rs 12.002 million

According to Guidelines for CCB 2002 clause 67, each CCB will establish its own system for monitoring the project implementation activities. All CCBs will submit reports as stated in the Project document according to agreed formats to the concerned officer. The progress report will document project implementation progress, expenditures and other accounting information. However, the details to be reported in the progress report will be included in the project document.

TMO, Kharian approved different CCB projects and transferred 1st or 2nd installment to the concerned CCBs but after that neither the work done was recorded in Measurement Book nor its assessment was produced by the CCB to sectoral office. Without record entries payment of Rs 12.002 million was doubtful.

Audit is of the view that due to non compliance of rules, work done was not recorded in Measurement book.

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in February, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report

Audit recommends that the matter may be enquired at appropriate level besides fixing of responsibility under intimation to Audit.

[AIR Para No.10]

1.3.1.2 Un-authorized Expenditure without Advertisement – Rs 6.500 million

The Government of the Punjab Services & General Administration Department has circulated Punjab Procurement Rules, 2009 vide Notification No. MD. PPRA/1-1/2009 dated 2-10-2009. According to Rule12 of PPRA Rules, 2009, procurement over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the PPRA's website in the manner and format specified by the PPRA from time to time. In cases if procuring agency has its own website it may also post all advertisement concerning procurement on that website as well.

TMO, Kharian approved and later on awarded two development schemes to the contractors without advertising on PPRA website.

Economical rates were not achieved and government had to pay more than the actual expenditure due to non competition.

Scheme	Amount approved and paid (Rs)
Construction/Renovation of family children park	3,500,000
Construction/Repair of Dhama road Lalamusa	3,000,000
Total	6,500,000

Audit holds that due to weak internal control, unauthorized payment of Rs6.50 million was made without advertising the schemes on PPRA's website.

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in February, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report.

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

[AIR Para No.04]

1.3.2 Internal Control Weaknesses

1.3.2.1 Non-recovery of Water Rate Charges – Rs 3.395 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 as clause 12 (C) of Local Rate (Assessment & Collection) Rules, 2001 the Nazim of the Local Government may direct that tax with costs of recovery shall be recovered as arrears of Land Revenue.

TMO, Kharian did not recover the entire amount of demand on account of water rate charges during the financial year 2013-14. Actual recovery of the water rate charges was less than the target/demand of the revenues. Moreover, the connections were disconnected but arrears were not recovered till now. No serious efforts were made for the recovery of the outstanding government dues as detail below:-

Unit	Demand for the FY 2013-14 (Rs)	Actual recovery (Rs)	Non recovery of regular water rate charges (Rs)	No. of connections disconnected (Rs)	Arrears amount on 30-6-12 (Rs)	Total amount Recoverable (Rs)
1	2	3	4	5	6	4+6=7
CO unit Dinga	1,981,200	1,718,340	262,860	Domestic 73	1,051,500	1,314,360
CO unit HQ Kharian			311,390	Domestic 80	353,250	664,640
CO unit Lalamusa	5,000,000	3,584,319	1,415,681	-	-	1,415,681
Total			1,989,931		1,404,750	3,394,681

Audit is of the view that due to weak internal control, recovery of water charges was not effected.

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in February, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report.

Audit recommends that recovery should be effected besides appropriate action against the person(s) at fault under intimation to Audit.

[AIR Para No.05 & 07]

1.3.2.2 Non-recovery of Advertisement Fee – Rs 2.126 million

According to Rule 76 of Punjab District Government and TMA (Budget) Rules, 2003, the primary obligation of 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, Kharran awarded advertisement fee contract to M/S M. Nawaz r/o Gujranwala during FY 2013-14 for Rs 15.253 million. TMA recovered only Rs 13.844 million and balance amount of Rs 2.126 million including income tax was not recovered.

Audit is of the view that due to weak internal control, recovery was not effected.

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in February, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report.

Audit recommends that recovery should be effected besides appropriate action against the person(s) at fault under intimation to Audit.

[AIR Para No.19]

1.3.2.3 Non-recovery of Arrears of Rent of Shops - Rs1.970 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, as clause 12 (C) of Local Rate (Assessment & Collection) Rules, 2001, the Nazim of the Local Government may direct that tax with costs of recovery shall be recovered as arrears of Land Revenue.

TMO, Kharian did not recover the arrears of Rs 1.970 million on account of rent of shops as detailed at Annex-D.

Audit is of the view that due to weak internal control, rent of shops was not collected from lessees.

The observation was discussed with the management but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in February, 2015. Neither any reply was furnished by the Department nor DAC meeting was convened till finalization of this Report.

Audit recommends that arrears be recovered besides appropriate action against the person(s) at fault under intimation to Audit.

[AIR Para No.06 & 18]

ANNEXURES

PART-I

**Memorandum for Departmental Accounts Committee
Paras Pertaining to Current Audit Year 2014-15**

Sr. No.	Name of Formations	AP No.	Description of Para	Amount (Rs)	Nature of Para
1	TMA, Gujrat	02	Loss to Govt due to improper auction	10.000 million	Non-Compliance
2		04	Misappropriation of POL	200,330	Non Compliance
3		05	Unjustified Less recovery	222,010	Recovery
4		06	Unjustified payment	2.500 million	Non-compliance
5		07	Unauthorized payment of pay & allowances to sanitary worker	2.664 million	Non-compliance
6		09	Less recovery of income tax	581,000	Recovery
7		12	Unauthorized payment of pay & allowances to sanitary worker	1.664 million	Non-compliance
8		15	Irregular drawl in cash	3.676 million	Non-compliance
9		16	Unauthorized drawl of HBA	118,000	Non-compliance
10		17	Non approval of building plans		Non-compliance
11		18	Non conduction of post completion of building plans	284,500	Non-compliance
12		19	Wastefull expenditure	2.475 million	Non-compliance
13		21	Loss to local govt annually	13.095 million	Non-compliance
14		22	Unjustified less recovery	312,865	Non-compliance
15		24	Non conduction of post completion of building plans	70,000	Non-compliance
16		25	Excess payment of quantity	124,069	Non-compliance
17		26	Non deduction of harrow sand	97,176	Non-compliance
18		27	Unauthorized expenditure on account of PVC pipe	195,812	Non-compliance
19		29	Excess payment of quantity		Non-compliance
20		32	Unjustified payment on account of earth filling	71,607	Non-compliance
21		33	Unauthorized expenditure on account of tuff tile	98,482	Non-compliance
22		35	Overpayment due to non approval of lead chart	135,740	Non-compliance
23		38	Unjustified payment	72,000	Non-compliance

Sr. No.	Name of Formations	AP No.	Description of Para	Amount (Rs)	Nature of Para
24	TMA, Kharian	01	Non Imposition of penalty	275,600	Non-compliance
25		02	Non maintenance of log book	4.56 million	Non-compliance
26		03	Unjustified payment	198,400	Non-compliance
27		08	Un authorized release of fund	1.383 million	Non-compliance
28		09	Doubt drawl from bank account	3.135 million	Non-compliance
29		11	Unauthorized payment of pension in cash	1.520 million	Non-compliance
30		12	Unauthorized expenditure on account of street light	95,200	Non-compliance
31		13	Unauthorized repair of water supply	708,463	Non-compliance
32		14	Unauthorized expenditure	556,600	Non-compliance
33		15	Unjustified payment	460,000	Non-compliance
34		16	Unauthorized payment of pay & allowances	2.480 million	Non-compliance
35		17	Irregular expenditure on stationery	10,050	Non-compliance
36		20	Doubtful expenditure on printing & Publication	114,175	Non-compliance
37		21	Irregular expenditure on previous year liability	119,614	Non-compliance
38		22	Doubtful payment on retirement	540,718	Non-compliance
39		23	Doubtful expenditure on advertisement	42,240	Non-compliance
40		24	Expenditure on pension account	211,232	Non-compliance
41		25	Short realization of local receipt	52,400	Recovery
42		26	Non recovery of slaughter house fee	300,000	Recovery
43		27	Less recovery of Parking fee	30,048	Recovery
44		28	Unauthorized drawl	363,820	Non-compliance

PART-II

**Memorandum for Departmental Accounts Committee
Paras Pertaining to Previous Audit Year 2013-14**

Sr. No.	Name of Formations	AP No.	Description of Para	Amount (Rs in million)	Nature of Para
1	TMA, Gujrat	07	Non-recovery of composition charges	0.045	Recovery
2		12	Unjustified payment of electricity bills at GT Road	0.785	Non-compliance
3		17	Non-deduction of sales tax	0.147	Recovery
4		20	Recovery on account of non-reduction of steel bars	0.098	Recovery
5		21	Unauthorized payment without TS estimate	0.203	Non-Compliance
6		25	Unjustified payment of electricity bills for slaughter house and general bus stand	0.139	Non-compliance
7		28	Non-adjustment of temporary advance	0.150	Recovery
8	TMA, Kharian	15	Irregular generation of liabilities	56.700	Non-compliance
9		01	Non-imposition of penalty	0.500	Recovery
10		02	Overpayment	0.067	Recovery
11		04	Overpayment in CCB work	0.161	Recovery
12		05	Overpayment due to non-deduction of 10% overhead charges from CCB schemes	0.371	Recovery
13		08	Doubtful payment	0.050	Non-compliance
14		16	Doubtful payment of POL of firebrigade	0.137	Non-compliance
15	TMA, Sarai Alamgir	04	Unjustified payment	0.027	Recovery
16		05	Overpayment to the contractor due to non-deduction	0.025	Recovery
17		09	Unjustified payment on account of TST	0.088	Recovery
18		14	Non-recovery of water rate arrear	0.888	Recovery
19		15	Overpayment to the officials	0.071	Recovery
20		17	Non-adjustment of temporary advance	0.285	Recovery
21		18	Unauthorized drawl of POL	0.150	Non-compliance
22		20	Release of CCB funds without CCB contribution 20%	0.781	Non-compliance
23	21	Schedule of payment not obtained	-	Non-compliance	

**TMA of Gujrat District
Budget and Expenditure Statement
Financial Year 2013-14**

1. TMA, Gujrat

(Rs in million)

Head	Budget	Expenditure	Excess +/- Savings-	%age	Comments
Salary	296.58	260.56	-36.020	12.33	-
Non Salary	348.237	427.95	79.713	22.890	-
Development	367.596	294.749	-72.847	19.817	-
Total	1012.413	983.259	-29.154	2.880	-

2. TMA, Kharian

Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	118.837	108.920	-9.917	8.34	-
Non Salary	93.42	85.231	-8.189	8.76	-
Development	106.82	96.232	-10.588	9.91	-
Total	319.077	290.383	-28.694	8.99	-

Grand Total	1331.490	1273.642	-57.848	04	-
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Annex-C
Para 1.2.1.3

Undue favor to contractor – Rs1.116 million

Scheme	Contractor	Agreement amount (Rs)	% below	Add. Performance security (Rs)
Providing and laying Pan stock disposal Bollay	Qaisar Farooq	250,000	7.11	17,775
E/F and grass Nawaz Sharif Park Gujrat	M/s Mirza Abbas Biag	400,000	22%	40,000
Constn. Of Graveyard Jangi Graveyard UC 49 Gujrat	Bilal Construction	3,000,000	11%	300,000
Repairing of Hand Carts TMA Gujrat UC (50 to 56)	New Suchal Builders	487,000	15%	48,700
Construction of passage Sarhali Kalan road to Sobydar Anwar	M/s Sajjad Haider	1,500,000	25.5%	150,000
Construction of soling with soil filling PCC passage inside plot disposal station Kalra	M/s Rajid Ali	3,600,000	18%	360,000
Construction of Culverts Buddan	M/s Quick Builders	2,000,000	16%	200,000
Total		11,237,000	--	1,116,475

Annex-D

Para 1.3.2.3

Non-recovery of arrears of rent of shops - Rs1.970 million

Name of Office	Shop/Khokha /Thara #	Name of lessee	Arrears amount (Rs)	Remarks
CO Unit, Dinga	13	M. Razzaq S/o Raja Din	4,060	All lessees vacate the shops without payment of arrear of rent
	14	Ch. Ahmad Saeed S/o Walayat Khan	30,580	
	9	Mirza M. Saddiqe S/o Ghulam Muhammad	713,158	
	10	-do-	667,996	
	11	Sheikh M. Akram S/o Abdullah	353,265	
NHQ, Lalamusa	15	Mohamamd Zaman S/o Mohamamd Latif	6,776	Rent upto 30.06.2014
	10	Mohamamd Afzaal	6,776	
	8	Mohammad Asghar S/O Ashraf Alvi	68,775	
	39	Mohammad Sajjad S/O Dlawar Khan	64,122	
	1	Mohammad Hanif s/o Mohammad Saddiqe	5,394	
	2	Mohammad Shafiq S/O Mohammad Siddiq	3,342	
	3	Mohammad Younus S/O Noor Ali	7,196	
	3/8	Mohammad Imran S/o Umer Din	6,144	
	3/38	Mohammad Hanif S/O Abdul Ghani	6,872	
	3/56	Mohammad Siddiqe	9,072	
	14	Mohammad Mubeen S/O M Sharif	14,554	
2	Rashid Ahmed	1,673		
Total			1,969,755	