



**AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS
DISTRICT NANKANA SAHIB**

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 & Community Development
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCC	Plain Cement Concrete
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 Cement Concrete
RMR	Road Maintenance Register
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 Tehsil / Town Municipal Administrations of the Districts 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 Nankana Sahib 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 meetings by the PAO were 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 Audit (DGA), District Governments, Punjab (North), Lahore is responsible to carry out the Audit of 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, Lahore has Audit jurisdiction of District Governments, TMAs and UAs of one (01) City District Government i.e. Lahore and four (04) District Governments i.e. Kasur, Sheikhpura, Okara and Nankana Sahib.

The Regional Directorate of Audit Lahore has a human resource of 20 officers and staff, total of 5,706 man days and annual budget of Rs 27.061 million for the financial year 2014-15. It has mandate to conduct Financial Attest, Regularity Audit, Compliance with Authority and Performance Audit of programmes & projects. Accordingly, Directorate General Audit, District Governments Punjab (North), Lahore carried out Audit of accounts of various offices of one TMA of District Nankana Sahib for the financial year 2013-14.

The Tehsil Municipal Administrations in District Nankana Sahib is headed by a Tehsil Nazim / Administrator who carries out operations as per 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 Grants

Audit of Tehsil Municipal Administrations in District Nankana Sahib was carried out with the 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 / revenues was also conducted to verify whether the assessment, collection, reconciliation and allocation of revenue were made in accordance with laws and rules, there was no leakage of revenue in the Government Account / Local Fund.

a) Scope of Audit

Total expenditure of one (01) out of three (03) TMAs of District Nankana Sahib for the financial year 2013-14 under the jurisdiction of DG District Audit (North) Punjab was Rs176.907 million covering one (01) PAO and one (01) formation. Out of this, the Directorate General Audit (North) Punjab audited an expenditure of Rs. 106.144 million, which in terms of percentage, was 60% of the auditable expenditure.

Total receipts from own sources of one (01) Tehsil Municipal Administration of District Nankana Sahib for the financial year 2013-14, were Rs. 80.000 million. Directorate General Audit Punjab (North), audited receipts of Rs. 48.00 million which was 60% of total receipts.

b) Recoveries at the Instance of Audit

Recovery of Rs. 2.911 million was brought into the notice of the executive but no action to recover was affected till compilation of this report.

c) Audit Methodology

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

d) Audit Impact

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

e) Comments on Internal Control and Internal Audit Department

Internal control mechanism of TMAs of Nankana Sahib 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 TMA authorities may be captioned as one of important reasons for weak Internal Controls.

Section 115-A (1) of PLGO, 2001 empowers Nazim of each TMA to appoint an Internal Auditor but the same was not appointed in TMAs of Nankana Sahib.

f) Key Audit Findings

- i. Recoveries of Rs. 2.911 million in two cases.¹
- ii. Non-compliance of rules of Rs. 1.352 million was noted in one case.²

g) Recommendations

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

¹ Para: 1.2.1.1 & 1.2.1.2

² Para: 1.2.2.3

SUMMARY OF TABLES AND CHARTS

Table 1: Audit Work Statistics

Rs in million

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	03	398.874
2	Total formations in audit jurisdiction	03	398.874
3	Total Entities (PAOs) Audited	01	243.635
4	Total formations Audited	01	243.635
5	Audit & Inspection Reports	01	243.635
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports (Relating to TMAs)	-	-

Table 2: Audit Observations Classified by Categories

Rs in million

Sr. #	Description	Amount under Audit observation
1	Asset management	-
2	Financial management	2.911
3	Internal controls	-
4	Violation of rules	-
5	Others	1.352
Total		4.263

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	4.686	25.0	80.000	140.863	256.907*	656.321*
2	Amount placed under audit observations/irregularities of Audit	-	1.352	2.911	-	4.263	27.388
3	Recoveries pointed out at the instance of Audit	-	-	2.911	-	2.911	21.472
4	Recoveries accepted / established at the instance of Audit	-	-	2.911	-	2.911	-
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 receipt whereas the total expenditure for the current year was Rs. 176.907 million.

Table 4: Irregularities Pointed Out

Rs in million

Sr. #	Description	Amount under Audit Observation
1	Violation of rules and regulations, principle of propriety and probity.	1.352
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public resources	-
4	Quantification of weaknesses of internal control systems	-
5	Recoveries, overpayments and loss to government	2.911
6	Non-production of record to Audit	-
7	Others, including cases of accidents, negligence etc.	-
Total		4.263

Table 5: Cost-Benefit

Rs in million

Sr. No	Description	Amount
1	Outlays Audited (Items1 of Table 3)	366.535
2	Expenditure on Audit	1.804
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	-

CHAPTER-1

1.1 TEHSIL MUNICIPAL ADMINISTRATIONS, NANKANA SAHIB

1.1.1 INTRODUCTION

TMA consists of Tehsil Nazim / Administrator, Tehsil Naib Nazim and Tehsil Municipal Officer. Each TMA comprises of five 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 one (01) TMA of District Nankana Sahib was Rs. 243.635 million (inclusive Salary, Non-salary and Development) whereas the expenditure incurred (inclusive Salary, Non-salary and development) was Rs. 176.907 million showing savings of Rs. 66.728 million which in terms of percentage was 27% of the final budget (detail below). Less utilization of development budget (50%) deprived the community from getting better municipal facilities.

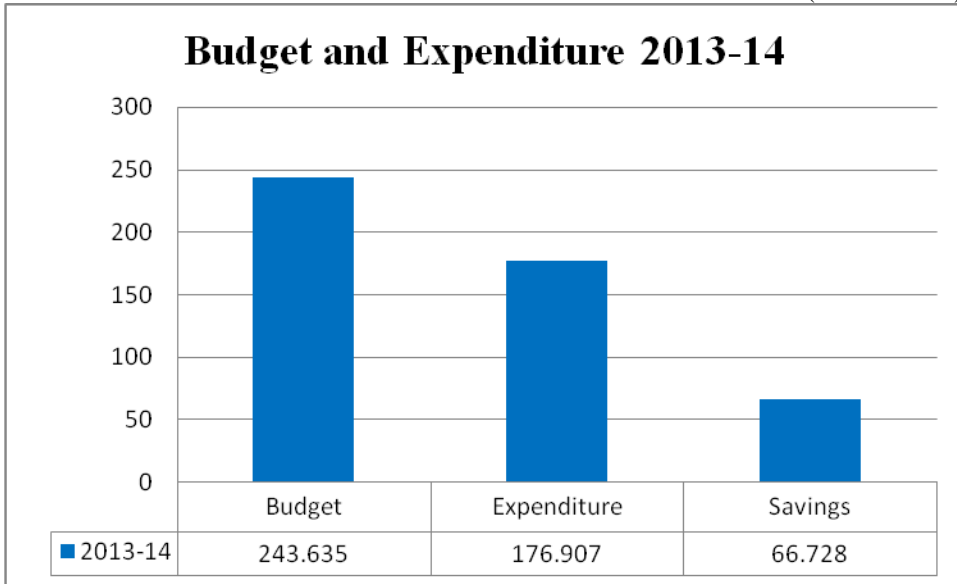
(Rs in million)

F.Y. 2013-14	Budget	Expenditure	Saving	% age Saving
Salary	106.759	76.636	30.123	28
Non-salary	74.197	68.914	5.283	7
Development	62.679	31.357	31.322	50
Total	243.635	176.907	66.728	27

The budgeted outlay was Rs. 243.635 million of one (01) TMA includes PFC award of Rs. 126.00 million whereas total expenditure incurred by the TMA during 2013-14 was Rs. 176.907 million with a savings of Rs. 66.728 million (detailed below). This indicated that either the PFC award was allocated over and above the actual requirements or the management failed to achieve the developmental targets for the welfare of masses during the financial year.

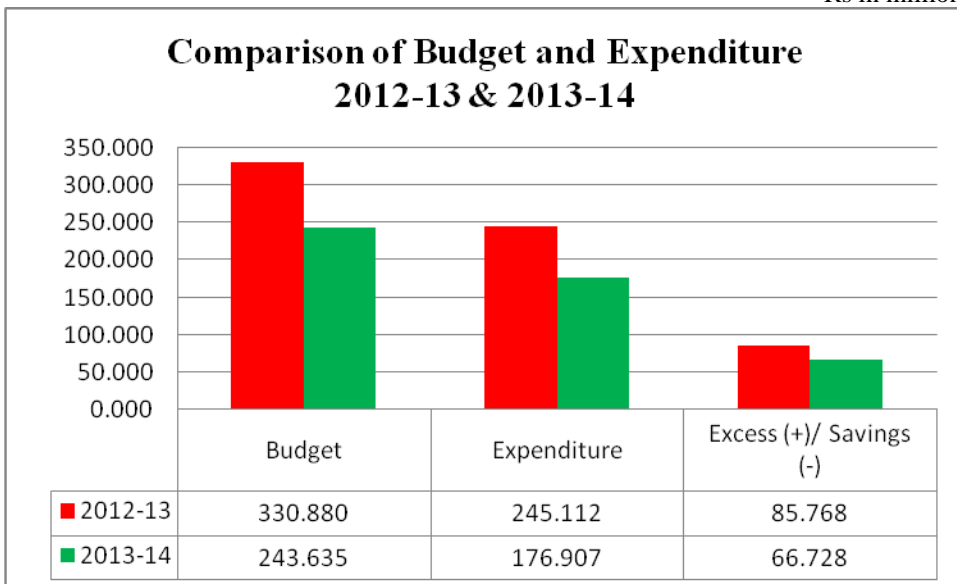
TMA	Budgeted Figure			Budgeted Outlay	Actual Expenditure	Savings	% age of Savings
	Own receipt including OB	PFC award	Total Receipts				
TMA Nankana	160.388	126.000	286.388	243.635	176.907	66.728	27

(Rs in million)



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 years 2012-13 and 2013-14 as follows:

Financial Year	Budget	Expenditure	Savings	%age of Savings
2012-13	330.880	245.112	85.768	26
2013-14	243.635	176.907	66.728	27

The mmanagement needs to justify the savings when the development schemes have remained incomplete.

1.1.3 Brief Comments on the Status of Compliance on MFDAC Audit Paras of Audit Report 2013-14

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

1.1.4 Brief Comments on the Status of Compliance with PAC Directives

The audit reports pertaining to following years were submitted to the Governor of the Punjab:

Status of Previous Audit Reports

Sr. No.	Audit Year	No. of Paras	Status of PAC meetings
1	2009-12	09	Not convened
2	2012-13	02	Not convened
3	2013-14	26	Not convened

1. AUDIT PARAS

1.2. TMA, NANKANA SAHIB

1.2.2 Non-compliance / Irregularities

1.2.2.1. Less recovery of Rent of Shops – Rs. 1.708 million

According to Rule 76 of the 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.

TMA, Nankana Sahib realized Rs. 272,041 on account of rent of shops from the tenants against the assessment made by the Excise and Taxation Department of Rs. 1.980 million resulting in less recovery of Rs. 1.708 million.

Audit holds that non-recovery of rent of shops was made due to poor financial discipline and weak internal controls.

The observation was discussed with the department in February, 2015 but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in May-2015. DAC in its meeting held on 12-06-2015 directed the department for recovery of amount but no recovery was made till the finalization of this report.

Audit recommends recovery besides fixing responsibility against the person(s) for non-recovery of government dues under intimation to Audit.

[AIR Para No.08]

1.2.2.2 Less recovery of Government Receipts – Rs. 1.204 million

According to Rule 76 of the 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.

TMA, Nankana Sahib made recovery of government receipts amounting to Rs. 0.696 million, against the total demand of Rs. 1.900 million resulting in short recovery of receipts by Rs. 1.204 million. Detail of amount is as under;

(Amount in Rs)

Sr. No	Head of Income	Demand	Collection	Less Recovery
1	Tanga Adda More Khunda	1,300,000	696,460	603,540
2	Mice. Arrears	600,000	0	600,000
Total		1,900,000	696,460	1,203,540

Audit holds that less recovery was made due to poor financial discipline and weak internal controls.

The observation was discussed with the department in February, 2015 but no reply was submitted. Afterwards, the matter was reported to TMO/PAO in May-2015. DAC in its meeting convened on 12-06-2015 directed the department for recovery of amount but no recovery was made till the finalization of this report.

Audit recommends recovery besides fixing responsibility against the person(s) for non-recovery of government dues under intimation to Audit.

[AIR Para No. 01 & 09]

1.2.2.3 Defective Execution of work of PCC Topping - Rs. 1.352 million

According to Rule 2.10 (1) of PFR Vol-I, every Government employee is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of TMA Nankana for the period 2013-14, it was observed that 1.5" thick marble strip was used to divide the 3" topping of PCC into panels. Apparently 1.5" thick marble strip was insufficient to divide into panels of 3" PPC topping due to overlapping. This resulted in defective execution of work to the tune of Rs. 1.352 million as detailed below.

Sr. No	Name of the Scheme	Qty (cft)	Rate % cft	Total (Rs)
1	PCC Gali Diposal Wali Warburton	4232	19104	808,496
2	PCC Kot Amir Ali	2842.95	19104	543,127
Total				1,351,623

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

The observation was discussed with the department in February, 2015 but no reply was submitted. Afterwards, the matter was reported to

TMO/PAO in May-2015. DAC in its meeting convened on 12-06-2015 directed the department for regularization of payment but no compliance was made till the finalization of this report.

Audit recommends fixing responsibility for unauthentic payment under intimation to Audit.

[AIR Para No. 13]

ANNEXES

PART-I
Memorandum for Departmental Accounts Committee
Paras pertaining to current audit year 2014-15

Sr. No.	Formation	Description of Para	Amount (Rs)	Nature of Para
	TMA, Nankana Sahib	- NIL-		

PART-II
Memorandum for Departmental Accounts Committee
Paras pertaining to audit year 2013-14

Para 1.1.3

S. No.	Name of Formation	Subject	Nature of Para	Amount (Rs)
1	TMA	Non-maintenance of cash book.	Irregularity	-
2	Nankana FY 2012-13	Physical verification not carried out	Irregularity	-
3		Irregular Expenditure on account of Repair of Vehicle	Irregularity	104,279
4		Non-accountal of Material-Rs99,385	Non-accountal	99,385
5		Unauthorized Repair of Transformer – Rs 469,222	Irregularity	469,222
6		Loss To Government Due To Non-Realization Of Rent of Shops Rs31,187	Recovery	31,187
7		Loss To Government Due To Non-Deduction Of Rs333,071/- On account of Old Bricks	Recovery	333,071
8		Irregular payment of repair of Machinery and Equipment Rs.103,588/ -	Irregularity	103,588
9		Loss to Government Due To Non-Deduction Of Income Tax Rs. 18,488	Recovery	18,488
10	TMA Sangla	Less deduction of sales tax.	Recovery	6,348
11	Hill FY 2012-13	Physical verification not carried out	Irregularity	-
12		Doubtful Payment On Account Of Honoraria Amounting To Rs.91,000/-	Irregularity	91,000
13		Unauthorized Expenditure Rs 2,99,813/-	Irregularity	299,813
14		Irregular Expenditure on Account	Irregularity	196,700

		Of Purchase of Fertilizer amounting to RS. 1,96,700		
15		Non-Deduction Of Sales Tax Rs. 1,63,125	Recovery	163,125
16		Loss to Government Due To Non-Deduction of Income Tax	Recovery	32,428
17		Doubtful expenditure of Rs. 265609/- due to Non-Recording Of Measurements In the Respective M.Bs	Irregularity	265,609
18		Non collection of professional fee	Recovery	-
19	TMA Shahkot FY 2011-12 & 2012-13	Deviation from T.S. Estimates	Irregularity	-
20		Unauthorized consumption of POL.	Irregularity	-
21		Unauthorized use of POL without registration of vehicles..	Irregularity	-
22		Unauthorized expenditure on PCC – Rs940,646 and wasteful expenditure on marble strip – Rs35,712	Irregularity	35,712
23		Doubtful construction of drain without excavation – Rs907,747	Irregularity	907,747
24		Unauthorized use of POL without registration of vehicles – Rs830,610	Irregularity	830,610
25		Non-recovery of income tax on account of leases - Rs 296,500	Recovery	296,500
26		Unauthorized expenditure without detailed record – Rs196,680	Irregularity	196,680
27		Non disposal of un-serviceable vehicles /items – Rs60,000	Irregularity	60,000
28		Loss due to non auction of shops Rs 343,200	Irregularity	343,200
29		Less recovery on account of commercialization fee Rs 160,983	Recovery	160,983
30		Unauthentic Govt. receipt due to non conducting of survey Rs 64,200	Irregularity	64,200
31		Overpayment for purchase of store items – Rs 147,455	Recovery	147,455
32	Doubtful expenditure of Rs. 316,404	Irregularity	316,404	
33	Avoidable expenditure Rs. 420,514	Irregularity	420,514	
34	Irregular expenditure of Rs. 2,98,039 on account of (R & M)	Irregularity	298,039	
35	Irregular payment of Rs. 82,720	Irregularity	82,720	

		on account of removal of Malba.		
36		Less recovery on account of rent of shops Rs. 209,663	Recovery	209,663
37		Loss due to Non deduction of shrinkage Rs. 412,362.	Recovery	412,362
38		Overpayment due to allowing other than building rate in Pacca brick work Rs. 72,020	Recovery	72,020
39		Non recovery of professional Tax Rs. 145,000	Recovery	145,000
40		Overpayment for steel – Rs. 43,002	Recovery	43,002
41		Overpayment for RCC	Recovery	39,850

Annex-B**TMA Nankana Sahib Budget & Expenditure Statement for the
Financial year 2013-14****Rs. in million**

F.Y. 2013-14	Budget	Expenditure	Savings	% age Savings
Salary	106.759	76.636	30.123	28
Non-salary	74.197	68.914	5.283	7
Development	62.679	31.357	31.322	50
Total	243.635	176.907	66.728	27