



AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS
DISTRICT OKARA

AUDIT YEAR 2014-15

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	i
PREFACE	ii
EXECUTIVE SUMMARY	iii
Table 1: Audit Work Statistics	vi
Table 2: Audit observation regarding Financial Management	vi
Table 3: Outcome Statistics	vii
Table 4: Irregularities pointed out	viii
Table 5: Cost-Benefit	viii
1.1 Tehsil Municipal Administrations of District Okara	1
1.1.1 Introduction	1
1.1.2 Comments on Budget and Accounts (Variance Analysis)	2
1.1.3 Brief Comments on the Status of Compliance on MFDAC Audit Paras of Audit Report 2013-14	4
1.1.4 Brief Comments on the Status of Compliance with PAC Directives	4
1.2.1 Non-compliance of Rules	7
ANNEXES	20
ANNEX A	22
ANNEX B	27

ABBREVIATIONS AND ACRONYMS

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

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 accounts of various offices of Tehsil Municipal Administrations of District Okara 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 Rs. 1.00 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 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 various offices of two (02) TMAs of District Okara for financial year 2013-14.

Each Town Municipal Administration in District Kasur conducts its operations under Punjab Local Government Ordinance, 2001. It comprises one Principal Accounting Officer (PAO) i.e Town Municipal Officer and acts as coordinating and administrative officer, responsible to control land use, its division and development and to enforce all laws including Municipal Laws, Rules and 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 TMAs of District Kasur was carried out with a view to ascertaining that the expenditure was incurred with proper authorization and 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 revenues were made in accordance with laws and rules, there was no leakage of revenue and not kept outside Government Account/Local Fund.

a) Scope of Audit

Total expenditure of two (02) out of three (03) TMAs of Okara for the financial year 2013-14 under the jurisdiction of DG District Audit (North) Punjab was Rs. 797.906 million covering two (02) PAO and two (02) formations. Out of this, the Directorate General Audit, District Governments Punjab (North), Lahore audited an expenditure of Rs. 504.020 million which, in terms of percentage, was 63% of the total expenditure.

Total receipts from own sources of two (02) TMAs of Okara for the financial year 2013-14 were Rs. 255.680 million. Directorate General Audit Punjab (North), audited receipts of Rs. 178.976 million which was 70% of total receipts.

b) Recoveries at the instance of audit

Recovery of Rs. 149.303 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 TMA 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 District Okara 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 District Okara.

f) Key audit findings of the report

- i. Irregularity & Non-Compliance of Rs. 100.273 million in 9 cases.¹
- ii. Recovery of Rs. 149.303 million in 6 cases.²

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

g) Recommendations

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

¹Para 1.2.1.3,1.2.1.4, 1.2.1.5, 1.2.1.6, 1.2.1.7, 1.3.1.2, 1.3.1.3, 1.3.1.4, 1.3.1.5

²Para 1.2.1.1, 1.2.1.2, 1.2.1.8, 1.2.1.9, 1.2.1.10, 1.3.1.1

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

Rs. in million

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	3	937.037
2	Total formations in audit jurisdiction	3	937.037
3	Total Entities (PAOs) Audited	2	868.094
4	Total formations Audited	2	868.094
5	Audit & Inspection Reports	2	868.094
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

Table 2: Audit observation regarding Financial Management

Rs. in million

Sr. No.	Description	Amount Placed under Audit Observation
1	Unsound Asset management	-
2	Weak Financial management	149.303
3	Weak Internal controls relating to Financial Management	-
4	Others	100.273
Total		249.576

Table 3: Outcome Statistics

Rs. in million

Sr. No.	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total Current year	Total Last year
1	Outlays Audited	2.249	139.670	255.680	658.236	1053.586	1,475.535
2	Amount Placed under Audit Observation / Irregularities of Audit	-	6.617	224.895	18.064	249.576	1,099.840
3	Recoveries Pointed Out at the instance of Audit	-	3.043	146.260	-	149.303	130.214
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
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. 797.906 million.

Table 4: Irregularities pointed out

Rs. in million

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	100.273
2	Reported cases of fraud, embezzlement, theft and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM ¹ , misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Quantification of weaknesses of internal control systems.	-
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	149.303
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	-
Total		249.576

Table 5: Cost-Benefit

Rs. in million

Sr. No	Description	Amount
1	Outlays Audited (Items 1 of Table 3)	1053.586
2	Expenditure on Audit	1.804
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	-

The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan.

CHAPTER 1

1.1 Tehsil Municipal Administrations of District Okara

1.1.1 Introduction

TMA consists of Tehsil Nazim, Tehsil Naib Nazim and Tehsil Municipal Officer. Each TMA comprises five (05) Drawing and Disbursing Officers i.e. TMO, TO (Finance), TO (I&S), TO (Municipal Regulation), TO (P&C). The main functions of TMAs are as follows:-

1. Prepare spatial plans for the Town including plans for land use, zoning and functions for which TMA is responsible within the framework of the spatial/master plans for the District;
2. Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations;
3. Enforce all municipal laws, rules and bye-laws governing TMA's functioning;
4. Prepare budget, long term and annual municipal development programmes in collaboration with the Union Councils;
5. Propose taxes, cess, user fees, rates, rents, tolls, charges, surcharges, levies, fines and penalties under Part-IV of the Second Schedule and notify the same;
6. Collect approved taxes, cesses, user fees, rates, rents, tolls, charges, fines and penalties;
7. Manage properties, assets and funds vested in the Town Municipal Administration;
8. Develop and manage schemes, including site development in collaboration with District Government and 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. 868.094 million (inclusive Salary, Non-salary and Development) whereas the expenditure incurred (inclusive Salary, Non-salary and Development) was Rs. 797.906 million showing savings of Rs. 70.188 million which in terms of percentage was 8.00% of the final budget as detailed below:

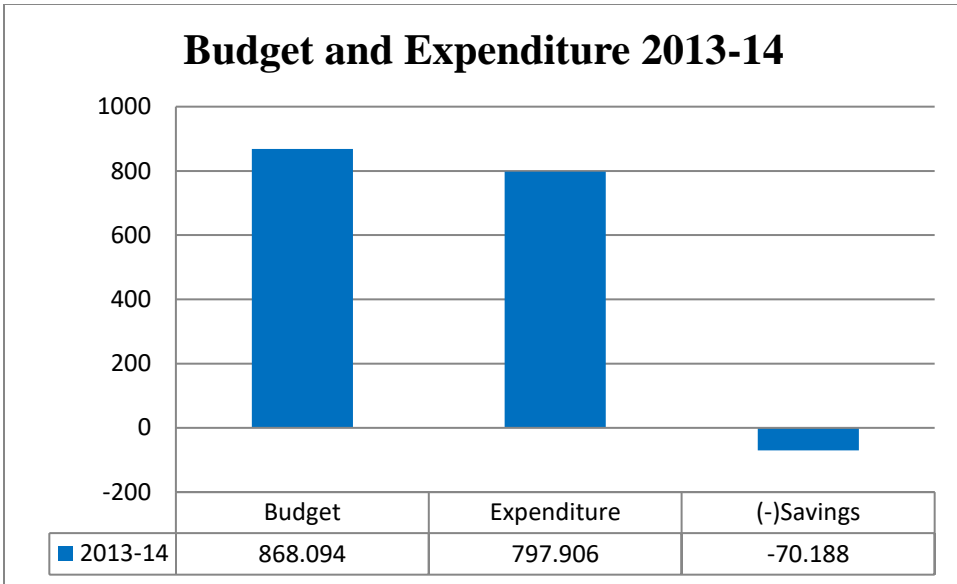
Rs. in million

FY 2013-14	Budget	Expenditure	(-)Savings/ (+) Excess	%age Saving / Excess
Salary	452.723	354.122	-98.601	-22
Non-salary	280.007	313.111	+33.104	+12
Development	135.364	130.673	-4.691	-3
Total	868.094	797.906	-70.188	-8

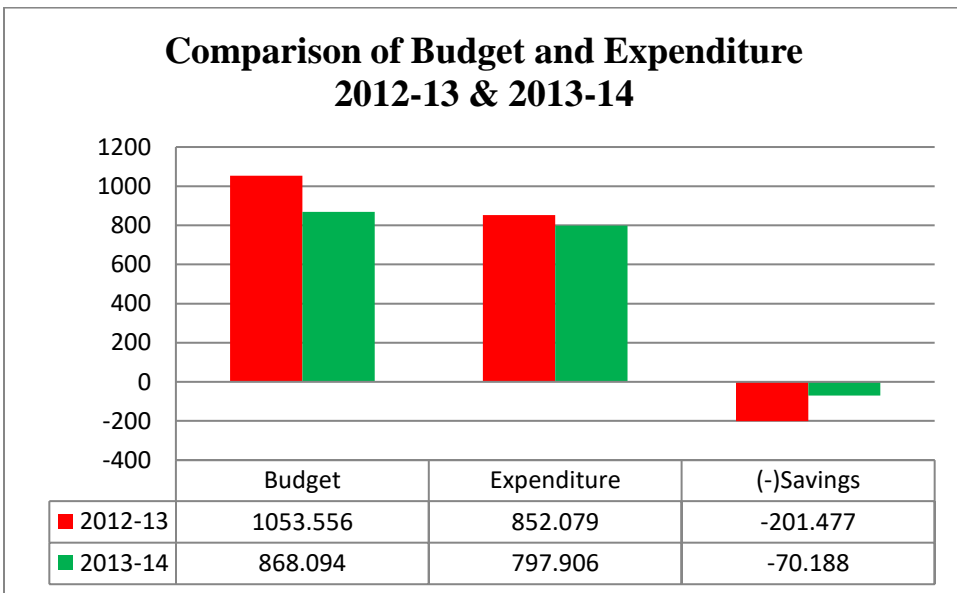
The budgeted outlay was Rs. 868.094 million of two (02) TMAs includes PFC award of Rs. 384.562 million whereas total expenditure incurred by the TMAs during 2013-14 was Rs. 797.906 million with a savings of Rs. 70.188 million (detailed below). This indicated that either the PFC award was allocated over and above the actual needs or the management failed to achieve the developmental targets for the welfare of masses during the financial year.

(Rs. in million)

TMA	Budgeted Figure			Budgeted Outlay	Actual Expenditure	Savings	%age of Savings
	Own receipt including OB	PFC award	Total Receipts				
Okara	306.722	187.666	494.388	416.196	384.216	31.98	7.68
Depalpur	226.102	196.896	422.998	451.898	413.69	38.208	8.46
Total	532.824	384.562	917.386	868.094	797.906	70.188	8.09



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



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

Financial Year	Budget	Expenditure	(+) Excess (-) Savings	%age of Savings
2012-13	1053.556	852.079	201.477	19.12
201314	868.094	797.906	-70.188	8.09

The management needs to justify the saving 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	29	Not convened
2	2012-13	11	Not convened
3	2013-14	26	Not convened

1. AUDIT PARAS

1.2 TMA Okara

1.2.1 Non-compliance of Rules

1.2.1.1 Less Recovery of Rent of Shops-Rs. 76.120 million

According to Rule 76 of PDG and TMA (Budget) Rules, 2003 read with Section 18(2) of PLGO, 2001, the primary obligation of the Collecting Officer shall be to ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund under the proper receipt head

TMA Okara collected Rs. 3.897 million against the annual demand of Rs. 80.017 million on account of Rent of Shops during 2013-14. The remaining amount of Rs. 76.120 million was not realized as detailed below;

No of shops	Annual demand 2013-14	Arrears up to 30.06.2013	Total demand during 2013-14	Recovery during 2013-14	Total recoverable (Rs.)
389	10,417,351	69,599,860	80,017,211	3,897,094	76,120,117

Audit is of the view that due to weak internal control and defective financial management Government revenue was not realized.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

Audit recommends recovery and fixing responsibility against the person(s) for less recovery of government dues under intimation to Audit.

1.2.1.2 Less Recovery of Water Rate – Rs. 48.893 million

According to Rule 76 of PDG and TMA (Budget) Rules, 2003 read with Section 18(2) of PLGO, 2001, the primary obligation of the Collecting Officer shall be to ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund under the proper receipt head

TMA Okara collected Rs. 772,071 against the demand of Rs. 48.664 million on account of Water Rates during 2013-14. The

remaining amount of Rs. 47.892 million was not realized as detailed below;

Description	No. of Connections	Rate PM	Amount to be realized during 2013-14	Arrears	Total demand	Amount realized	Amount not realized (Rs.)
Domestic	7524	150	13,543,200	33,969,756	48,664,956	772,071	47,892,885
Motor	236	250	708,000				
Commercial	37	1000	444,000				
Total:-			14,695,200				

Audit is of the view that due to weak internal control and defective financial management Government revenue was not realized.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

Audit recommends recovery and fixing responsibility against the person(s) for less recovery of government dues under intimation to Audit.

1.2.1.3 Less Realization of Revenue than Target – Rs. 33.329 million

According to Rule 76 of PDG and TMA (Budget) Rules, 2003 read with Section 18(2) of PLGO, 2001, the primary obligation of the Collecting Officer shall be to ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund under the proper receipt head.

TMA Okara, realized Rs. 33.978 million against the target of Rs. 67.307 million on account of following income sources during FY 2013-14. The remaining amount of Rs. 33.329 million was not collected. This resulted in loss to government, as detailed below;

Description	Target (Rs.)	Actual (Rs.)	Difference (Rs.)
UIP tax share	35,000,000	23,982,119	11,017,881
License fee	500,000	45,060	454,940
Fee on sale of animals in cattle markets	7,992,000	7,375,685	616,315
Recovery General Bus stand	4,000,000	2,575,170	1,424,830

Arrears of leases	19,815,144	0	19,815,144
Total	67,307,144	33,978,034	33,329,110

Audit holds that department has to sustain loss due to weak financial management.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

Audit recommends recovery and fixing responsibility against the person(s) for non-achievement of financial targets of government receipts under intimation to Audit.

1.2.1.4 Irregular Recovery of Building Map and Conversion Fee – Rs. 25.504 million

Rule 2.33 of PFR Vol-I states that every government servant will be held personally responsible for any loss sustained by government though fraud or negligence on his part

TMA Okara received Rs. 25.504 million on account of conversion fee for commercialization of plots and building during 2013-14. The amount realized was held unauthorized because the same was received without having approved master plan of commercialization of Tehsil Okara. Further building map fee was received without completion certificates and without ensuring that construction of building was in accordance to the approved plan. Conversion of land from residential to commercial without having of approved master plan was illegal and irregular.

Audit holds that due to weak financial management the amount realized on account of commercialization charge without adopting proper planning.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

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

1.2.1.5 Less allocation of Funds for Sports & Youth Activities – Rs. 14.552 million

According to Government of the Punjab, Local Government & Community Development Department letter No.SO.FP(LG)1-59/2010(P) dated 09-05-2012, 2% of the budget was required to be allocated for sports activities. Further, as per Government of the Punjab, Local Government & Community Development Department letter No. SO.FP(LG)1-59/2010(P) dated 18-06-2012, 2% of the budget was required to be allocated for Youth activities.

TMA Okara allocated R2.100 million for Sports and Youth Activities against the mandatory provision of Rs. 16.652 million during 2013-14. This resulted in less-allocation of budget worth Rs. 14.552 million as detailed below:

Rs. in million				
Description	Total Budget	Required allocation @ 4% (2+2)	Funds Allocated	Difference
Sports Activities and Youth activities	416.301	16.652	2.100	14.552

Audit holds that due to weak financial management mandatory funds for Sports was not allocated.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

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

1.2.1.6 Unauthorized Collection of Govt. Receipt through Self Collection – Rs. 14.292 Million

As per rule 3 of Punjab Local Government (Auctioning of Collection of Rights) Rules 2003, a local government may prefer to collect

any of its income as specified in the Second Schedule of the Ordinance and duly approved and notified in the official Gazette, through contractor by awarding collection rights to him for a period not exceeding one financial year. Provided that contracts of collection rights of such taxes, fees, rates, cesses and other levies of a Local Government, demand of which can be raised against a specific person and arrears of which can be carried forward in his account, shall not be awarded to a contractor in any case.

TMA Okara collected Rs. 14.292 million on account of Advertisement/Sign-board and General Bus Stand charges by self-recovery instead of through auction during 2013-14. The possibility of less collection of Govt. receipt could not be eliminated as detailed below;

Month	General Bus Stand Fee	Advertisement fee sign board shops	Total (Rs.)
July, 13	669,975	59,660	729,635
Aug, 13	637,915	286,760	924,675
Sep, 13	613,510	70,450	683,960
Oct, 13	695,120	115,300	810,420
Nov, 13	652,990	60,000	712,990
Dec, 13	704,700	365,019	1,069,719
Jan, 13	612,160	247,200	859,360
Feb, 13	609,295	145,900	755,195
March, 13	732,200	153,789	885,989
April, 13	691,080	463,275	1,154,355
May, 13	673,540	473,145	1,146,685
June, 13	4,177,755	381,325	4,559,080
Total	11,470,240	2,821,823	14,292,063

This resulted in un-authorized collection of GBS Fee and sign board fee of Rs. 14.292 Million.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

Audit recommends fixing responsibility against the person(s) for non-auction of collection rights of government receipts under intimation to Audit.

1.2.1.7 Lease of Immoveable Property without Competitive Biddings – Rs. 3.897 million

The immoveable property shall be given on lease through competitive bidding and open auction according to Rule 16 of PLG (Property) Rules, 2003.

TMA Okara had 389 shops and Rs. 3.897 million was realized on account of rent of shops during 2013-14. The property was leased to the tenant without competitive biddings and open auction. This resulted in imprudent management of assets and loss of revenue.

Audit holds that due to weak financial management and internal control shops were auctioned without adopting procedure.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

Audit recommends fixing responsibility against the person(s) for making lease of shops without competitive biddings under intimation to Audit.

1.2.1.8 Overpayment on Account of Tuff Tiles – Rs. 1.134 million

Para 2.10 of PFR Vol-I laid down that govt. money should be incurred in most economical way as a man of ordinary prudence may incur from his own pocket and not more than occasion demand.

TMA Okara made payment of the item “Tuff Paver Tile” at higher rate instead of admissible rate pertaining to the following schemes during 2013-14. This incorrect application of rate resulted in overpayment of Rs. 1.134 million as detailed below:

Name of Scheme	Quantity (sft)	Rate paid /sft	Rate Admissible	Difference	Over Payment (Rs.)
Const. of tuff tile street Master Ashraf waliJaved town	3,050	71	47	24	73,200

Const. of tuff tile street Ch. Ashraf waliShamim town	5,787	71	47	24	136,863
Const. of tuff tile main street Nasim Fatima colony	16,063	71	47	24	379,890
Const. of tuff tile main Mandi road to Pholianwalachowk	16,502	75	47	28	460,241
RCC sewerage main hole Govt colony	3,526	71	47	24	83,390
Total					1,133,584

Audit holds that due to weak financial management excess payment of tuff paver tiles was made by apply incorrect input rate.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

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

1.2.1.9 Loss due to Non-imposition of 10% Penalty - Rs. 1.133 million

According to C&W Department letter No.SOB II (C&W) 2-21/79-CE(PIII) dated 28-04-2009 read with clause 39 of Contract agreement, if contractor does not complete the work within time limit he would be liable to pay compensation 1% to 10% of the estimated cost or otherwise on the ground of per day basis for which the work remain incomplete and copy of extension in time limit would be submitted to Secretary C&W Department.

TMO Okara, failed to impose penalty @10% of the total cost of schemes on the contractors who did not complete the schemes within stipulated period of time. This resulted overpayment to the contractors and loss of Rs. 1.133 million to the public exchequer.

Audit holds that due to weak financial management penalty was not imposed for late completion of work.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

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

1.2.1.10 Loss due to Non-deposit of Income Tax – Rs. 776,018

Every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person shall, at the time of making the payment, deduct tax from the gross amount @ 4% and 6.5% respectively on account of supplies and services rendered according to Section 153 of Income Tax Ordinance, 2001.

TMA Okara deducted Rs. 776,018 on account of Income Tax from the bills of the contractors of the following schemes during 2013-14. The proof of deposit into government treasury was neither provided nor available in record. This resulted in loss of Rs. 776,018 to the government as detailed below:

Sr. No.	Name of Scheme	Income Tax deducted (Rs.)
1	Const. of drain soling in Chak No. 51/3R	102,382
2	Const. of drain soling in Chak No. 20/GD	97,303
3	Sewerage Government colony Firdous Town	45,500
4	Const. of drain soling in Chak No. 38/2RA	17,432
5	Const. of tuff tile street Master Ashraf waliJaved town	26,000
6	Const. of tuff tile street Ch. Ashraf waliShamim town	45,499
7	Const. of tuff tile main street Nasim Fatima colony	110,500
8	Const. of drain soling in Chak No. 21/4L	58,500
9	Const. of drain soling in BurjJeevay Khan	117,001
10	Const. of drain soling in KohlaOkara	71,500
11	RCC sewerage main hole Govt. colony	39,650
12	Const. of drain soling in Lasharian	44,751
Total		776,018

Audit holds that due to weak financial management Income Tax was not deposited into Government Treasury.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

Audit recommends fixing responsibility against the person(s) for non-deposit of income tax into government treasury under intimation to Audit.

1.3 TMA DEPALPUR

1.3.1 Non-Compliance of Rules

1.3.1.1 Non-recovery of Arrears of Shops Water Charges and Leases – Rs. 21.247 million

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

TMA Depalpur failed to recover Rs. 21.247 million on account of rent of shops and water charges during 2013-14. Neither recovery affected nor judicial action taken against the defaulters.

Description	Number of shop at TMA Depalpur	Total recoverable (Rs.)
Shop rent	520	3,218,193
Water rates		16,573,844
Leases	8	1,455,595
Total		21,247,632

Audit was of the view that non recovery was due to defective financial discipline and weak internal controls.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

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

1.3.1.2 Unauthorized Expenditure without Administrative Approval and Technical Sanction – Rs. 3.574 million

According to Rule 44(1) of the PDG and TMA(Budget) Rules, 2003 expenditure can be incurred only on development projects for which administrative approval and technical sanction (for works) has been accorded and the development project has been included in the budget and has been approved by the council.

TMO Depalpur incurred Rs. 3.574 million for the execution of following schemes without Administrative Approval and Technical Sanctions from the competent authority during 2013-14, as detailed below:

Grant	Budget (Rs.)	Expenditure (Rs.)
Purchase of tractors and peter Engine	3,000,000	2,922,089
Rent of Generator		217,054
Construction of sewerages		117,225
Repair work		160,212
Rent of CCTV Cameras		157,030
Total		3,573,660

Audit was of the view that incurring expenditure without Administrative Approval and Technical Sanction was due to defective financial discipline and weak internal controls.

The observation was discussed with the department, it was replied that the matter will be scrutinized.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

Audit recommends fixing responsibility against the person(s) for drawing amount against development work without TS under intimation to Audit.

1.3.1.3 Expenditure Without Advertisement at PPRA website – Rs. 2.512 million

According to Rule 12(1) of Punjab Procurement Rules 2009, procurements 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 regulation by the PPRA from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

TMO Depalpur incurred Rs. 2.512 million on hiring of generators and sports material without observing PPRA 2009, during 2013-14. This resulted in unauthorized expenditure of Rs. 2.512 million as detailed below;

Token / Voucher No. & Date	Rent of different goods for sports festival	Amount (Rs.)
1122 to 1197 11 to 14-10-2013	Repair work	159,682
1526 to 1480 (11) 11-2013	Rent of Generator	217,054
37 to 72 dated 9-2014	Construction of sewerage	117,225
3523 dated 15-4-2014	Rent of generator	781,420
3521 dated 10-4-2014	Sport Festival	1,237,120
Total		2,512,501

Audit was of the view that expenditure without advertisement on PPRA website was due to defective financial discipline and weak internal controls.

This resulted in unauthorized expenditure of Rs. 2.512 million.

The observation was discussed with the department, it was replied that payment was made under contract agreement. Reply was not accepted being evasive.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

Audit recommends fixing responsibility against the person(s) for purchases without advertisement at PPRA website under intimation to Audit.

1.3.1.4 Loss to the Government Due to Less Realization of Receipts than Targets – Rs. 1.613 million

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

TMO Depalpur collected Rs. 7.267 million against the target of Rs. 16.080 million from the following income heads during 2013-14. The remaining amount of Rs. 1.613 million was not realized as detailed below;

Sr #	Description	Target (Rs.)	Recovery effected (Rs.)	Less Realization (Rs.)
1	Wagon Stand fee 388018	2,580,000	1,899,474	680,526

2	Motor Risk Fee	8,000,000	687,713	112,287
3	Sale of water residential	4,500,000	4,030,104	469,896
4	Sales of waste water	1,000,000	650,116	349,884
Total		16,080,000	7,267,407	1,612,593

Audit was of the view that less realization of revenue was due to defective financial discipline and weak internal controls.

This resulted in loss of Rs. 1.613 million to the local government.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

Audit recommends fixing responsibility against the person(s) for non-achievement of financial targets under intimation to Audit.

1.3.1.5 Unauthorized Expenditure - Rs. 1.000 million

As per Rule 2.10(b)(1) of PFR Vol-1, the authority incurring the expenditure should see that sanction of competent authority for the expenditure exists.

TMO incurred Rs. 1.000 million for the purchase of Pena-flex for Sasta Ramzan Bazar during 2013-14. The expenditure was held unauthorized as the approval of the competent authority was not obtained. The sanction was granted by the TMO over and above his financial competency.

Audit was of the view that purchase of barriers for traffic police was due to defective financial discipline and weak internal controls.

This resulted in unauthorized expenditure of Rs. 1.000 million.

The observation was discussed with the department but no reply was submitted. Afterward, the matter was reported to TMO/Administrator in March, 2015. Neither reply was submitted nor DAC meeting convened till finalization of this report.

Audit recommends fixing responsibility against the person(s) for incurring expenditure beyond delegated financial power under intimation to Audit.

ANNEXES

Annex-A

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

Sr. No.	Name of Formation	Description	Nature of Observation	Amount (Rs. in million)
1	TMA Okara	Loss to the Govt. due to non - conduction of survey of manufacturer, vendor and trader	Irregularity	0.645
2		Non-reconciliation with the Bank	Irregularity	8.353
3		Non-utilization of CCB funds	Irregularity	0.765
4		Overpayment Due to Non-deduction of 10% Shrinkage on Earth Work	Recovery	0.056
5		Execution of Quantities over and above TS Estimates	Recovery	0.230
6		Unauthorized payment for inauguration Pillars	Irregularity	0.175
7		Non-reconciliation of Expenditure and Receipts	Irregularity	549.338
8		Non reconciliation of TTIP income	Irregularity	52.179
9		Loss due to unauthorized cancellation of contract	Recovery	0.210
10		Loss due to non-encashment of CDR from Contractor	Recovery	0.250
11		Un-authorized award of contract agreement below reserve price	Irregularity	0.270
12		Un-authorized expenditure on account of POL	Irregularity	4.916
13		Less recovery of Hand cart fee	Recovery	0.367
14	TMA Depalpur	Non-deposit of income tax at source and sales tax	Recovery	0.385
15		Overpayment	Recovery	0.183
16		Doubtful payment to Daily Wages establishment	Irregularity	43.543
17		Unauthorized expenditure on POL without registration	Irregularity	1.265
18		Unauthorized allocation of budget and expenditure	Irregularity	7.032
19		Wasteful expenditure on Regulations Branch	Irregularity	0.662
20		Excess expenditure over the budget allocation	Irregularity	0.421
21		Unauthorized expenditure without approval of Rate Analysis	Irregularity	3.703

Sr. No.	Name of Formation	Description	Nature of Observation	Amount (Rs. in million)
22		Unauthorized payment for MS Bars	Irregularity	0.340
23		Overpayment for Tuff Tiles	Recovery	0.055
24		Unauthorized expenditure on cement plaster	Irregularity	0.153
25		Unauthorized payment due to non-maintaining lead chart of earth filling	Irregularity	2.610
26		Overpayment to contractors for MS Bars	Recovery	0.035
27		Unauthorized expenditure	Irregularity	0.241

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

Para 1.1.3

Sr. No.	Name of Formation	Description	Nature of Para	Amount (Rs. in million)
1	TMA Okara	Unauthorized expenditure on TST	Irregularity	1.477
2		Unauthorized Repair of Transformers	Irregularity	0.913
3		Unauthorized payment to Pakistan Railways	Irregularity	0.893
4		Unauthorized expenditure by Misclassification	Irregularity	0.687
5		Loss to the government due to less realization of receipts than Reserve Price.	Recovery	0.398
6		Unauthorized expenditure by splitting the indents	Irregularity	0.371
7		Overpayment of contractor's profit	Recovery	0.303
8		Non deduction of shrinkage from earth-filling	Recovery	0.208
9		Unauthorized expenditure on PCC without dividing in to panels	Irregularity	0.200
10		Unauthorized Utilization of CCB Funds	Irregularity	14.570
11		Unauthentic Receipts due to non-conducting of survey of Manufacturer, Vendor and Trader	Irregularity	1.198
12		Doubtful expenditure on salaries of Temporary Sewer men	Irregularity	4.748
13	TMA Depalpur	Irregular expenditure of POL	Irregularity	0.336
14		Un-authorized expenditure on the visit of VVIP	Irregularity	0.593
15		Irregular payment of electricity bills	Irregularity	25.554
16		Unauthentic Govt. receipt due to non-conducting of survey	Irregularity	0.736
17		Un-economical expenditure due to splitting of indents	Irregularity	0.315
18		Unauthorized Expenditure on POL	Irregularity	0.872
19		Un-authorized payment of previous year liability	Irregularity	7.753
20		Loss due to wasteful expenditure on account of tent-age	Irregularity	15.069
21		Unauthorized payment for Base course	Irregularity	3.471
22		Non shifting of CCB Funds into chief minister funds-	Irregularity	87.385

Sr. No.	Name of Formation	Description	Nature of Para	Amount (Rs. in million)
23		Irregular expenditure of PCC work resulting loss	Irregularity	0.018
24		Un-economical preparation of TS Estimates of development work	Irregularity	32.840
25		Overpayment due to allowing other than building rate in Pacca brick work	Recovery	0.150
26		Excess expenditure over budget allocation	Irregularity	4.945
27		Non-recovery of Professional Tax	Recovery	0.250
28		Non-deduction of Shrinkage	Recovery	0.215
29		Non-Production Of Record Of Millions Of Rupees	Non-production of Record	
30		Wasteful Expenditure	Irregularity	1.638
31		Non-Accountal of Manhole Cover	Non-accountal	0.242
32		Non-Recovery for excavated earth	Recovery	0.027
33		Non-deduction of Shrinkage of Earth Filling	Recovery	0.068
34		Loss Of Millions Of Rupees Due To Non Auction Of Cattle Mandi And BaqarMandi	Irregularity	
35		Non-Receipt on account of late deposits	Recovery	0.088
36		Non-Recovery/less recovery on account of Professional Tax	Recovery	0.085
37		Non-recovery of Additional Performance Security	Irregularity	0.777
38		Doubtful Consumption of POL	Irregularity	7.820
39	TMA RenalaKhurd	Non transparent expenditure	Irregularity	2.268
40		Irregular expenditure	Irregularity	1.501
41		Irregular expenditure	Irregularity	1.151
42		Un-authorized payment to contractors	Irregularity	0.786
43		Less Recovery (PDP12,13,17)	Recovery	0.501
44		Short recovery of Government Receipts	Recovery	0.390
45		Irregular expenditure	Irregularity	0.356
46		Irregular expenditure	Irregularity	0.150
47		Irregular expenditure	Irregularity	0.118

Sr. No.	Name of Formation	Description	Nature of Para	Amount (Rs. in million)
48		Unauthorized Repair of Transformer	Irregularity	0.097
49		Loss to the Govts., due to less recovery	Recovery	0.092
50		Loss Due To Non-Realization Of Map Fee	Recovery	0.037
51		Non-deduction of Contractor Profit	Recovery	0.041
52		Loss to the Government due to non verification of encroachment stock & store	Irregularity	-
53		Unauthentic Receipts amounting to due to Non-conducting of Survey of Manufacturer, Vendor and Trader	Irregularity	38.850
54		Non-Utilization of CCB Funds	Irregularity	10.230

Annex-B

Budget and Expenditure Statement for Financial Year 2013-14

Rs. in million

TMA Okara				
Head	Budget	Expenditure	(+)Excess / (-)Savings	% age
Salary	254.574	173.110	-81.464	32.00
Non Salary	118.687	112.065	-6.622	5.58
Development	43.040	39.041	-3.999	9.29
Total	416.301	324.216	-92.085	22.12
Revenue		188.527		
TMA Depalpur				
Head	Budget	Expenditure	Excess / Savings	% age
Salary	163.149	145.576	-17.573	10.77
Non Salary	152.000	149.608	-2.392	1.57
Development	129.291	100.629	-28.662	22.17
Total	444.440	395.813	-48.627	10.94
Revenue		67.153		
Total				
Head	Budget	Expenditure	Excess / Savings	% age
Salary	452.723	354.122	-98.601	-22
Non Salary	280.007	313.111	+33.104	+12
Development	135.364	130.673	-4.691	-3
Total	868.094	797.906	-70.188	-8
Revenue		255.680		