



**AUDIT REPORT
ON
THE ACCOUNTS OF
CATTLE MARKET MANAGEMENT
COMPANY
SAHIWAL DIVISION
AUDIT YEAR 2016-17**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Program
AGM	Annual General Meeting
BoD	Board of Directors
CD	Community Development
CFO	Chief Financial Officer
CMMC	Cattle Market Management Company
CMMCS D	Cattle Market Management Company Sahiwal Division
DAC	Departmental Accounts Committee
DCO	District Coordination Officer
DDC	District Development Committee
F&P	Finance and Planning
FD	Finance Department
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
LD	Liquidated Damages
LG&CD	Local Government & Community Development
MD	Managing Director
MFDAC	Memorandum for Departmental Accounts Committee
P&D	Planning and Development
PDG	Punjab District Government
PFR	Punjab Financial Rules
PLGO	Punjab Local Government Ordinance
PMU	Programme Management Unit
POL	Petroleum Oil and Lubricants
RDA	Regional Directorate Audit
S&GAD	Services and General Administration Department

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 8 & 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of the accounts of Federation or a Province and the accounts of any authority or body established by or under the control of the Federation or a Province and audit of the accounts of the Public Sector Companies in accordance with the provisions of the Companies Ordinance 1984. Accordingly, the audit of all public sector companies is the responsibility of the Auditor General of Pakistan.

The report is based on audit of the accounts of Cattle Market Management Company, Sahiwal Division for the Financial Year 2014-16. The Directorate General of Audit, District Governments, Punjab (South), Multan, conducted audit during Audit Year 2016-17 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 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/Managing Director at the DAC level and in all cases where the PAO/MD does not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this report have been finalized in the light of written responses of the management concerned and DAC directives wherever conveyed.

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

Islamabad

Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Director General Audit (DGA), District Governments, Punjab (South), Multan, is mandated to carry out audit of Cattle Market Management Companies in Punjab (South). The Regional Directorate of audit, District Governments Multan, a Field Audit Office of the DGA, District Governments, Punjab (South), Multan, carries out the audit of Cattle Market Management Companies in Multan and Sahiwal Divisions.

The Regional Directorate Audit (RDA) has a human resource of 21 officers and staff, constituting 5,271 mandays and the budget amounting to Rs 22.549 million was allocated in audit year 2016-17. The office is mandated to conduct financial attest audit, audit of sanctions, audit of compliance with authority and audit of receipts as well as the performance audit of companies entities, projects and programs. Accordingly RDA Multan carried out audit of the accounts of Cattle Market Management Company, Sahiwal Division for the Financial Years 2014-16 and the findings are included in the Audit Report.

Cattle Market Management Company Sahiwal Division conducts its operations under Companies Ordinance, 1984. The Managing Director is the Principal Accounting Officer (PAO) of the company and carries out functions of the Cattle Market Management Company. According to the Ordinance, the Cattle Market Management Company Fund comprises Government Grant as seed money and receipts generated through its own revenue earning resources. Due to incorporation of company for the first time, Commissioner Sahiwal Division had run the business of the company till the recruitment of core staff since its incorporation.

All cattle markets in Sahiwal Division were being administered by the Cattle Market Management Company Sahiwal Division. Currently company is operating four major markets at Arifwala, Chichawatni, Okara and Sahiwal.

Audit Objectives

Audit was conducted with the objectives to ensure that:

1. Money shown as expenditure in the accounts was authorized for the purpose for which it was spent.
2. Expenditure was incurred in conformity with the laws, rules and regulations framed to regulate the procedure for expending of company fund.
3. Every item of expenditure was incurred with the approval of the competent authority in the company.
4. Company fund was not wasted.
5. The assessment, collection and accountal of revenue were made in accordance with the prescribed laws, rules and regulations and accounted for in the books of accounts.

a. Scope of Audit

Out of total expenditure of the Cattle Market Management Company, Sahiwal Division for the Financial Years 2014-16, auditable expenditure under the jurisdiction of RDA, Multan was Rs 18.548 million of company having single PAO. Out of this, RDA, Multan audited an expenditure of Rs 7.419 million which, in terms of percentage, is 40 per cent of total auditable expenditure. Irregularities amounting to Rs 55.263 million were pointed out by Audit. RDA, Multan planned and executed audit of Cattle Market Management Company i.e. 100 per cent achievement against planned audit activities.

Total receipts of the Cattle Market Management Company, Sahiwal Division for the financial year 2014-16, were Rs 7.895 million. RDA Multan audited receipts of Rs 4.737 million which in terms of percentage is 60 per cent of total receipts. Irregularities amounting to Rs 3.246 million were pointed out by Audit.

b. Recoveries at the Instance of Audit

Recoveries of Rs 0.606 million were pointed out by Audit which were not in the notice of the management before audit. No amount was recovered and verified during the Financial Year 2016-17, till the time of compilation of Report.

c. Audit Methodology

Audit was carried out against the standards of financial governance provided under various provisions of the relevant laws, which govern the propriety of utilization of the financial resources of the company in accordance with the regularity framework provided by the relevant laws. On the spot examination and verification of record was also carried out in accordance with the applicable laws / rules and INTOSAI auditing standards.

d. Audit Impact

A number of improvements in record maintenance and procedures have been initiated by the department concerned. However, audit impact in the shape of change in rules could not be materialized as the Provincial Accounts Committee has not discussed audit reports being the first audit of the company since its establishment on 04.06.2014.

e. Comments on Internal Control and Internal Audit Department

According to clause 19(l) of the Articles of Associations of the Company BoD shall appoint an Internal Auditor but was not appointed in CMMC Sahiwal Division.

Internal control mechanism of Cattle Market Management Company, Sahiwal Division was not properly exercised in absence of Internal Auditor. Many instances of Weak Internal Controls have been highlighted during the course of audit.

f. Key Audit Findings of the Report

- i. Non Production of record involving an amount of Rs 1.704 million was noted in one case¹.
- ii. Irregularities and issues of Non Compliance of Rs 33.589 million were noted in four cases².
- iii. Performance related issues were noted in one case³.

¹ Para 1.2.1.1

² Para 1.2.2.1 to 1.2.2.4

³ Para 1.2.3.1

Audit paras involving procedural violations including internal control weaknesses and other irregularities not considered worth reporting to the Public Accounts Committee were included in Memorandum of Departmental Accounts Committee (MFDAC) as Annex-A.

g. Recommendations

Audit recommends that the PAO/management of CMMC Sahiwal should ensure to resolve the following issues seriously:

- i. Production of complete relevant record to audit for verification.
- ii. Compliance of relevant laws, rules, instructions and procedures, etc. and appropriate actions against officers/officials responsible for violation of rules.
- iii. Comply with the Punjab Public Procurement Rules for economical and rational purchases of goods and services.
- iv. Rationalize budget with respect to utilization.
- v. Make efforts for expediting the realization of various company receipts.
- vi. Compliance of DAC directives and decisions in letter and spirit.
- vii. Ensure establishment of internal control system and proper implementation of the monitoring system.

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rupees in million)

Sr. No.	Description	No.	Expenditure	Receipt	Total
1	Total Entity (PAO) in Audit jurisdiction	01	18.548	7.895	26.443
2	Total formation in Audit jurisdiction	01	18.548	7.895	26.443
3	Total Entity (PAO) audited	01	7.419	4.737	12.156
4	Total formation audited	01	7.419	4.737	12.156
5	Audit & Inspection Report	01	7.419	4.737	12.156

Table 2: Audit observations regarding Financial Management

(Rupees in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Unsound asset management	-
2	Weak financial management	29.041
3	Weak Internal controls relating to financial management	-
4	Others	6.252
	Total	35.293

Note: Against an outlay of Rs 26.443 million observations of Rs 35.293 million were pointed out due to irregularities of multiple natures.

Table 3: Outcome Statistics

(Rupees in million)

Sr. No	Description	Expenditure on Physical Assets	Salary	Non-Salary	Civil Works	Receipts	Total current year	Total last Year
1	Total financial outlays	7.408	5.091	6.049	-	7.895	26.443	-
2	Outlays Audited	2.963	1.539	2.917	-	4.737	12.156*	-
3	Amount placed under audit observations/irregularities	-	4.548	30.745	-	-	35.293	-
4	Recoverable Pointed Out at the instance of Audit	-	-	-	-	-	-	-
5	Recoverable Accepted / Established at the instance of Audit	-	-	-	-	-	-	-
6	Recoverable Realized at the instance of Audit	-	-	-	-	-	-	-

*The amount mentioned against Sr. No. 2 in column of “Total Current Year” is the sum of expenditure and receipt, whereas the total expenditure was Rs 7.419 million.

Table 4: Irregularities Pointed Out

(Rupees in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of rules and regulations and violation of principles of propriety and probity in public operations.	33.589
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from IPSAS*, misclassification, overstatement 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	Recoverable and overpayments, representing cases of established overpayments or misappropriations of public monies	-
6	Non-production of record.	1.704
7	Others, including cases of accidents, negligence etc.	-
Total		35.293

Table 5: Cost Benefit

(Rupees in million)

Sr. No.	Description	Amount
1	Outlays Audited (Item 2 Table 3)	12.156
2	Expenditure on Audit	0.100
3	Recoveries realized at the instance of Audit	-
4	Cost-Benefit Ratio	-

* The Accounting Policies and Procedure as prescribed by the Auditor General of Pakistan which are IPSAS (Cash) compliant.

CHAPTER 1

1.1 Introduction

As per the Section 42 of Companies Ordinance, 1984 the Cattle Market Management Company Sahiwal was incorporated as a company limited by guarantee to function within the Local Government framework and adhere to the company laws and Local Government rules to manage the functions of cattle markets in Sahiwal Division.

According to the Memorandum of Association of Company, the authorities of the company include Chairman, Board of Directors (BoD), Managing Director and such other bodies, sub-committees or panels as may be appointed and / or constituted from time to time by BoD of CMMC, Sahiwal. The company is competent to acquire, hold or transfer any property, moveable and immovable, to enter into contract and to sue or be sued in its name through Managing Director. The authority of the Company comprises the management and control of cattle markets in the entire Sahiwal Division. It exercises such authority within the Sahiwal Division in accordance with general policy of the Government. The CMMC is responsible to the people and is mandated for improvement of governance and delivery of services in cattle markets within the ambit of authority delineated under its incorporation.

According to the Articles of Association of Company, MD is the Principal Accounting Officer of the Company and is responsible to the BoD and Public Accounts Committee of the Provincial Assembly. MD is responsible to ensure that the business of the company is carried out in accordance with the laws and to coordinate the operational activities of the company for coherent planning, development as well as effective and efficient functioning of cattle markets.

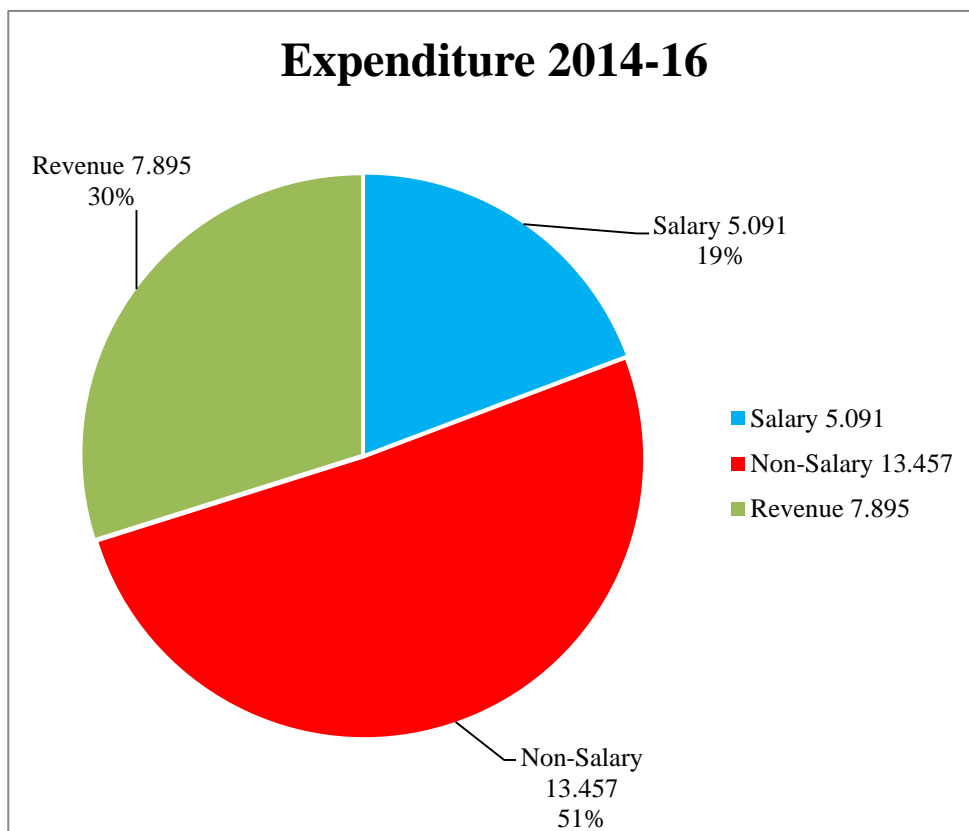
1.1.1 Comments on Budget and Accounts

The detail of Budget and Expenditure is given below in tabulated form:

(Rupees in million)

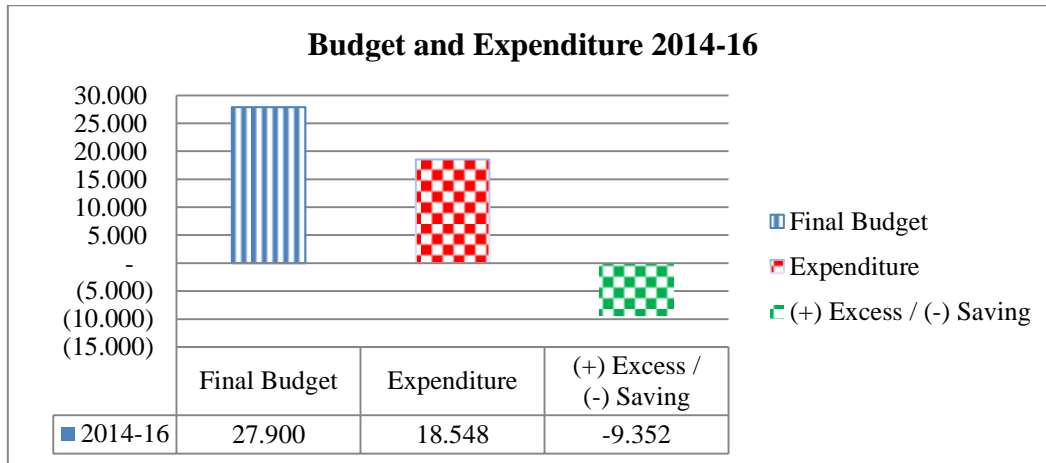
2014-16	Budget	Actual	Excess (+) / Saving (-)	% Excess (+) / Saving (-)
Salary	0	5.091	5.091	
Non-salary	27.900	13.457	-14.443	-52%
Sub Total	27.900	18.548	-9.352	-34%
Revenue	7.800	7.895	0.095	1%

(Rupees in million)



As per the Financial Statements 2014-16 of the Cattle Market Management Company, Sahiwal Division, total budget (Non-Development) was Rs 27.900 million. Against the budget, total expenditure of Rs 18.548 million was incurred by the Cattle Market Management Company, Sahiwal Division during the Financial Years 2014-16. A saving of Rs 9.352 million came to the notice of Audit, which shows that the company failed to provide services and infrastructure development. **(Annex-B)**

(Rupees in million)



1.1.2 Brief Comments on the Status of Compliance of MFDAC Audit Paras of Audit Report 2015-16

Being first audit of Cattle Market Management Company this may be treated as NIL.

1.1.3 Brief Comments on the Status of Compliance with PAC Directives

The PAC has not been constituted so far.

1.2 AUDIT PARAS

1.2.1 Non Production of Record

1.2.1.1 Doubtful payments made without production of vouched account– Rs 1.704 million

According to Clause 14 (1) (b) of the Auditor General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, read with 18th Constitutional Amendment, the Auditor General shall in connection with the performance of his duties under this Ordinance, have authority to inspect any office of accounts, under the control of Federation or of the Province or of District including Treasuries and such offices responsible for the keeping of initial and subsidiary accounts. Furthermore, according to Section 115(6) of the Punjab Local Government Ordinance, 2001, “all officials shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition”.

Cattle Market Management Company Sahiwal Division did not produce the vouched accounts of Rs 1.704 million as per payments made through bank account during the Financial Year 2015-16 despite various repeated requests as detailed below.

(Rupees in million)

Bank Payment Voucher No.	Amount
BPV-001	0.321
BPV-002	0.033
BPV-003	1.056
BPV-004	0.294
Total	1.704

Audit is of the view that due to weak internal controls, the vouched account was not produced.

Non production of vouched account created doubt regarding legitimacy of expenditure of Rs 1.704 million.

The matter was reported to Managing Director during the month of April, 2017. MD replied that complete vouched accounts will be produced to Audit after obtaining from concerned TMA office. Reply was not tenable as MD admitted the irregularity in his reply and no record was produced to Audit.

DAC, in its meeting, held in June, 2017 directed the Managing Director to produce complete vouched account to Audit. No progress was intimated till finalization of this Report.

Audit recommends that responsibility be fixed and strict disciplinary action taken against the concerned for non production of record.

[AIR Para No. 23]

1.2.2 Irregularities and Non Compliance

1.2.2.1 Loss due to non-outsourcing of revenue sources – Rs 25.800 million

According to Para 3(1)(3) of minutes of meeting of Expert Sub-committee for outsourcing at cattle markets in Punjab held on 18.02.2015 under the chairmanship of Advisor to Chief Minister and convener of committee, twenty six (26) services and facilities and five (5) revenue sources were approved during the meeting. Following are the permissible revenue sources for outsourcing:

- i. Collection of rent from Fodder Shops
- ii. Collection of rent / charges from Hotel/Canteen/Tea Stalls
- iii. Collection of rent / charges from ornamental shops and general stores for animals
- iv. Promotional stalls / workshops / built points
- v. Parking Fee (as per directions of the Government conveyed in January 2016)

Managing Director of CMMC Sahiwal Division did not auction the existing revenue sources in the cattle markets. Despite the fact that these revenue sources existed in the markets and business was being carried out but no recovery was realized. During transition phase/period an expenditure of Rs 2.292 million was incurred during 2014-15 for the operations of cattle markets but no revenue of Rs 25.800 million was realized by the Commissioner (Chairman) and Director (Local Government) being Managing Director of the CMMC Sahiwal Division.

Annex-C

Audit is of the view that due to negligence of the administrative authorities, the possible income / revenue was not realized

Non-realization of revenue for company resulted in loss to company of Rs 25.800 million.

The matter was reported to Managing Director during the month of April, 2017. MD replied that this was an assumption based Para and had no relevance with the facts because the mechanism for the facilities mentioned in Para was developed at later stage. Further cattle market Okara was not operational at that time. The reply was not tenable as these revenue sources were available for outsourcing but no revenue was realized.

DAC, in its meeting, held in June, 2017 directed the MD to certify that these services did not exist in market during the period mentioned by Audit but same was not produced. No progress was intimated till finalization of this Report.

Audit recommends fixing of responsibility against the person(s) at fault besides realization of income from all sources.

[AIR Para No. 1]

1.2.2.2 Expenditure incurred beyond budget allocation – Rs 3.241 million

According to Clause 19(r) of Articles of Association of Cattle Market Management Company Sahiwal Division (CMMCS D), Board of Directors (BoD) shall have the powers to incur expenditure subject to provision of the approved budget.

Managing Director incurred an expenditure of Rs 3.241 million beyond the availability of detailed head-wise budgetary provisions approved by the Board of Directors during the period 2014-16 as detailed below:

(Rupees in million)

Particulars	Year	Approved Provision of funds	Actual Expenditure	Excess Expenditure
Administrative / operational expenditure incurred beyond budget allocation	2015-16	7.900	8.849	0.949
	2014-15	-	2.292	2.292
Total		7.900	11.141	3.241

Audit is of the view that detailed head wise (major head and minor head) budget allocation was not made/ approved by the BoD of the company whereas the expenditure was incurred.

Incurring of expenditure without having detailed head-wise budget allocation resulted in irregular expenditure of Rs 3.240 million.

The matter was reported to Managing Director during the month of April, 2017. MD replied that no expenses had been incurred beyond the budget allocations. The approved budget from BoD would be produced to Audit. Reply was not tenable as no such approval of budget was found on record till the dates of Audit.

DAC, in its meeting, held in June, 2017 directed the MD to submit explanation to the extent of excess expenditure. No progress was intimated till finalization of this Report.

Audit recommends fixing of responsibility against person(s) at fault besides regularization of expenditures.

[AIR Para No. 3]

1.2.2.3 Doubtful recruitment on key posts and payment of salaries – Rs 2.737 Million

According to Rule 3 of Section 22 of Punjab Civil Service (Appointment and Condition of Service) Rules, 1974, the selection is made on the basis of merit determined by objective criteria. According to Rule 2.31 of the PFR Vol-1, a drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation.

Board of Directors (BoD) and Commissioner Sahiwal Division being Chairman did not recruit Managing Director, Chief Financial Officer (CFO) cum Manger Finance and Operations Manager in a fair, competitive and transparent manner and paid salaries of Rs 2.737 million during 2015-16. These recruitments were open to following audit observations:

1. Four posts (Managing Director, Chief Financial Officer /Company Secretary, Internal Auditor and General Manager Operations) were advertised on 16.12.14 with last date of receiving applications 30.12.14 and 2nd advertisement was made with last date of receiving applications on 20.08.15 in order to invite applications for posts (Chief Financial Officer /Company Secretary, Internal Auditor and General Manager Operations) but how many applicants applied for each post were not provided along with applications of candidates.
2. There was no criterion for shortlisting of candidates of all posts and no reasons were on record for rejection of applications of rejected candidates.
3. In absence of list of total number of candidates, merit list, record of screening of applications and criterion of shortlisting, the issuance of call letters to selected candidates became doubtful.
4. No marks / weightage points were assigned during the interview process in each candidate's proforma hence the finalization of candidates after interview became doubtful.
5. Only the post of Managing Director was filled by administration and no further recruitments were made despite acceptance of various applications; and without availability of recorded reasons.

Approval of the BoD followed by the approval of Chairman was also not available. Necessary detail of salary expenditure on core staff of the company during 2015-16 is given below:

(Rupees in million)

Designation	Date of Joining	Amount
Managing Director	22.07.2015	1.472
Chief Financial Officer cum Company Secretary	11.12.2015	0.668
Manager Operations	17.11.2015	0.597
Total		2.737

Audit is of the view that due to weak internal controls, recruitments were not made through transparent process.

Non transparent recruitments resulted in unauthorized payment of salaries of Rs 2.737 million.

The matter was reported to Managing Director during the month of April, 2017. MD replied that Punjab Civil Service Rules were not applied on company employees. However, recruitment process was carried out by BoD after fulfilling of all codal formalities. BoD was the competent authority to recruit the core staff. The entire process was executed in a transparent manner via advertisement, shortlisting, fixing criteria for interviews etc. Record is available and can be verified. Reply was not tenable as the provided record was scrutinized and same was open to already pointed out observations.

DAC, in its meeting, held in June, 2017 directed the MD to get his stance re-verified from Audit. No progress was intimated till finalization of this Report.

Audit recommends Inquiry of the entire process of recruitments besides provision of complete record to Audit.

[AIR Para No. 17]

1.2.2.4 Doubtful recruitment of staff and payment of salaries – Rs 1.811 million

According to Rule 3 of Section 22 of Punjab Civil Service (Appointment and Condition of Service) Rules, 1974, the selection is made on the basis of merit determined by objective criteria. According to Rule 2.31 of the PFR Vol-1, a drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation.

Managing Director did not recruit staff of the company in a fair, open competitive and transparent manner and paid salaries of Rs 1.811 million during 2015-16. These recruitments were open to following audit observations:

- i. Applications of all candidates and formulation of list of candidates were not provided to audit for audit scrutiny.
- ii. There was no criterion for shortlisting of candidates of all posts. No reasons were on record for rejection of applications of candidates. No merit lists were provided to Audit.
- iii. In absence of list of total number of candidates, record of screening of applications and criterion of shortlisting, the issuance of call letters to selected candidates became doubtful.
- iv. No marks / weightage points were assigned during the interview process in each candidate's proforma hence the finalization of candidates after interview also became doubtful. The list of employees so recruited is given in **Annex-D**.

Audit is of the view that due to weak internal controls, recruitments were not made through transparent process.

Non transparent recruitments resulted in unauthorized payment of salaries of Rs 1.811 million.

The matter was reported to Managing Director during the month of April, 2017. MD replied that recruitment process for all staff was carried out by Managing Director after fulfilling of all codal formalities. The entire process was executed in a transparent manner via advertisement, constitution of recruitment committee, shortlisting, fixing criteria for interviews etc. Reply was not tenable as the provided record by management was scrutinized and same was open to already pointed out observations. Moreover, the merit lists, photocopy of shortlisting of candidates, rejected candidates list were not provided to check on which basis candidates were rejected.

DAC, in its meeting, held in June, 2017 directed the MD to get his stance re-verified from Audit. No progress was intimated till finalization of this Report.

Audit recommends Inquiry of the entire process of recruitments made besides provision of complete record of application, shortlisting of candidates, interview panel marks and recommendations for successful candidates by approval of competent authority.

[AIR Para No. 20]

1.2.3 Performance

1.2.3.1 Un-authorized / Illegally operating cattle markets in Sahiwal Division

According to Para 3(1)(3) of minutes of meeting of Expert Sub-committee for outsourcing at cattle markets in Punjab held on 18.02.2015 under the chairmanship of Advisor to Chief Minister and convener of committee, twenty six (26) services and facilities and five (5) revenue sources were approved during the meeting. Following are the permissible revenue sources for outsourcing:

- i. Collection of rent from Fodder Shops
- ii. Collection of rent / charges from Hotel/Canteen/Tea Stalls
- iii. Collection of rent / charges from ornamental shops and general stores for animals
- iv. Promotional stalls / workshops / built points
- v. Parking Fee (as per directions of Government conveyed in January 2016)

Operations Manager and Managing Director failed to combat the illegally operating cattle markets in Sahiwal Division. Various cattle markets were frequently operating their business at small scale by the encroachers (Qabza Mafia) without realization of possible revenues and without provision of organized necessary basic facilities to the buyers and sellers. Audit observed that at Tibbi Lal Baig entry fee was still being charged @ Rs 50 for small animal and Rs 100 for large animals by Qabza Mafia. **Annex-E**

Audit is of the view that due to weak internal controls / negligence of the department, unauthorized / illegal cattle markets at small level were operating without realization of revenue and provision of basic facilities to buyers and sellers.

Unauthorized / illegal operating of cattle markets at small level by encroachers (mafia) resulted in loss to the Government funds as well as violation of the Government instructions.

The matter was reported to Managing Director during the month of April, 2017. MD replied that the list of cattle markets mentioned in Para was not correct. Number of markets had been closed by the efforts of district administration in collaboration with the company. Efforts were being made to combat the remaining one or two markets. Reply was not tenable as there were more than 25 illegal markets but the list of the same was not provided to Audit despite repeated requests. However, all these points mentioned by Audit are on physical verification / market survey on pointation of the brokers found in these markets which is evident that these are running by the Qabza Mafia at sites.

DAC, in its meeting, held in June, 2017 directed the MD to get re-verify their stance from Audit. No progress was intimated till finalization of this Report.

Audit recommends termination of such markets operated by encroachers besides fixing responsibility on the person(s) at fault, under intimation to Audit.

[AIR Para No. 15]

1.2.3.2 Mal-administration in cattle markets due to involvement of encroachers, ‘Qabza Mafia’

According to Para 3(1)(3) of minutes of meeting of Expert Sub-committee for outsourcing at cattle markets in Punjab held on 18.02.2015 under the chairmanship of Advisor to Chief Minister and convener of committee, twenty six (26) services and facilities and five (5) revenue sources were approved during the meeting. Further according to Rule 2.33 of PFR Vol-I, every government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

Physical verification of Cattle Market Arifiwala on 10.04.2017 revealed that:

- i. As per CM directive the fee for provision of Khurlies and Charpies are permissible revenue source of CMMCSD. Audit observed that Ms Nazeeran BiBi had been running illegal, un-authorized business of provision of Charpaies, Khurlies on rent basis and sale of Wooden Hooks (Killas) to the visiting sellers of cattles since establishment of company.
- ii. As per CM directive provision free of cost drinking water facility will be provided by CMMCSD to the animals as well as human beings. Audit interviewed a person named Mr. Zulfiqar Ali s/o Muhammad Ramzan who had given a statement that he performed services of provision of drinking water to the animals in cattle markets and received monetary reward for that service from owners. He stated that I had been paid @ Rs 150 per animal.
- iii. Permanent encroachers were also observed who were Brokers and they had occupied permanently specific Bay for retaining of their animals for trading and also they kept their own Khurlies and Charpies and never paid a single penny to CMMCSD on account of rent of fee of Khurlies and Charpies.
- iv. Permanent Brokers who had especially encroached the entire business transaction of the market of Arifwala.

Audit is of the view that due to negligence of administration the encroachers were running their business in the cattle markets.

Business activities in market by illegal encroachers resulted in loss to CMMCSD and non-fulfillment of delivery of services in true sense.

The matter was reported to Managing Director during the month of April, 2017. MD replied that concrete efforts were being made by the company for provision of free water facility for both human and animals. Whereas company was also providing Khurlies and Charpai on rent. Moreover the matter had been frequently taken up with district administration regarding the encroachment of illegal elements. Nothing was being charged during cattle market operations from

the sellers and buyers. Reply was not tenable as no evidence in support of reply was provided by management to Audit.

DAC, in its meeting, held in June, 2017 directed the MD to get re-verify their stance from Audit. No progress was intimated till finalization of this Report.

Audit recommends immediate removal of encroachers and deposit of recoverable to company fund.

[AIR Para No. 18]

Annex

Annex-A

Part-I

Memorandum for Departmental Accounts Committee Paras Pertaining to Current Audit Year 2016-17

(Rupees in million)

Name of Formation	Sr. No.	Para No.	Subject	Amount
Cattle Market Management Company Sahiwal Division Sahiwal	1	6	Defective issuance of supply orders and non-deduction of liquidity damages on late supply	0.026
	2	9	Unjustified issuance of advances to the employees without maintenance of Imprest System	0.484
	3	12	Non-maintenance of Performance Evaluation Reports of Members, including Chairman and Managing Director	-
	4	22	Irregular award of outlets to various persons without open competition inquiry thereof	-

Annex-B**Summary of Appropriation Accounts by Grants for the Financial Years
2014-16****(Rupees in million)**

2014-16	Budget	Actual	Excess (+) / Saving (-)	% Excess (+) / Saving (-)
Salary	0	5.091	5.091	
Non-salary	27.900	13.457	-14.443	-52%
Sub Total	27.900	18.548	-9.352	-34%
Revenue	7.800	7.895	0.095	1%

Annex-C

[Para No. 1.2.1.1]

Loss due to non-outsourcing of revenue sources – Rs 25.800 million

(Rupees in million)

Non-realization of revenue due to non-auction of revenue source in cattle markets by CMMCS D					
Cattle Market	Fodder Shops	Hotel /Canteen /Khokha / Tea Stall	Ornamental Shops and General Store for Animals	Promotional Stalls / Workshops /Builty points	Parking Fee
Chichawatni (one week monthly basis)	6	6	6	4	1
Monthly Rate of income (Avg)	0.030	0.010	0.010	0.060	0.200
Period of income not realized 01.07.14 to 30.06.15	18	18	18	18	6
Amount of expected loss due to non-realization of income	3.240	1.080	1.080	4.320	1.200
Monthly Rate of income (Avg)	0.030	0.010	0.010	0.060	0.200
Period of income not realized 01.07.14 to 30.06.15	18	18	18	18	6
Amount of expected loss due to non-realization of income	3.240	1.080	1.080	4.320	1.200
Sahiwal (one day weekly basis)	1	1	1	1	1
Monthly Rate of income (Avg)	0.010	0.010	0.010	0.010	0.100
Period of income not realized 01.07.14 to 30.06.15	18	18	18	18	6
Amount of expected loss due to non-realization of income	0.180	0.180	0.180	0.180	0.600
Okara	2	2	2	2	2
Monthly Rate of income (Avg)	0.010	0.010	0.010	0.010	0.100
No. of Months from 01.07.14 to 31.12.15	18	18	18	18	6
Amount of expected loss due to non-realization of income	0.360	0.360	0.360	0.360	1.200
Total	7.020	2.700	2.700	9.180	4.200
Grand Total					25.800

Annex-D**[Para No. 1.2.1.4]****Doubtful recruitment of staff and payment of salaries – Rs 1.811 million**

(Rupees in million)

Sr. No.	Name	Designation	Date of Joining	Total Salary
1	Abdul Wadood Barya	Veterinary Officer	01.02.16	0.200
2	Shafqat Abbas	Accountant	01.01.16	0.120
3	Muhammad Naveed Ajmal	Supervisor	18.1.16	0.108
4	Sohail Younas	Supervisor	01.02.16	0.100
5	Maddad Ali	Data entry Operator	18.01.16	0.087
6	Salman Zahid	Data entry Operator	17.03.16	0.056
7	Ghulam Mustafa	Veterinary Officer	01.01.16	0.032
8	Mohsin Abbas	V. Assistant	06.02.16	0.077
9	Muhammad Bilal	V. Assistant	17.03.16	0.056
10	Afzaal Hussain	Worker	08.12.15	0.081
11	Asif Amaan	Worker	08.12.15	0.081
12	Muhammad Shahbaz	Worker	01.04.16	0.036
13	Muhammad Shakeel	Worker	08.12.15	0.081
14	Naeem Hussain	Worker	04.01.16	0.070
15	Naveed Ahmed	Worker	08.12.15	0.081
16	Sajid Ali	Worker	18.01.16	0.065
17	Shahid Iqbal	Worker	01.01.16	0.072
18	Touqeer Hussain	Worker	08.12.15	0.081
19	Zafar Iqbal	Worker	08.12.15	0.077
20	Zahid Ahmed	Electrician	08.12.15	0.081
21	Ameer Ali	Plumber	08.12.15	0.079
22	Zaheer Abbas	Driver	15.12.15	0.079
23	Muhammad Bilal Khan	Worker	08.12.15	0.009
Total				1.811

Annex-E**[Para No. 1.2.3.1]****Un-authorized / Illegally operating cattle markets in Sahiwal Division**

Sr. No.	Place of Cattle Market	Scheduled Day/ Dates	Organized and Controlled by	Type of Cattles / Animals
1	Iqbal Nagar	FRIDAY	Mr. Murtaza Resident of 22/14L	Small and Large Animals Ruminants i.e. (jaggali karny waly janwar) Water Buffloe, Calf, Heifer, Bull etc.
2	90 More	MONDAY	Landlord of 90 More	Small and Large Animals (Ruminants)
3	Kassowal	TUESDAY	Mr. Murtaza Resident of 22/14L	Small and Large Animals (Ruminants)
4	Harrappa	MONDAY	Haji Idrees	Small and Large Animals (Ruminants)
5	Kameer	TUESDAY	Unknown/ Private Persons	Small and Large Animals (Ruminants)
6	Bunga Hayat	TUESDAY	Unknown/ Private Persons	Small and Large Animals (Ruminants)
7	Outside cattle market Arifwala Opp. Ground of MC School Arifwala	WEDNESDAY	Unknown/ Private Persons	Small and Large Animals (Ruminants)
8	Tibbi Lal Baig	MONDAY	Unknown/ Private Persons	Small and Large Animals (Ruminants)
9	Rang Shah	TUESDAY	Unknown/ Private Persons	Small and Large Animals (Ruminants)
10	Mohammad Nagar	THURSDAY	Unknown/ Private Persons	Small and Large Animals (Ruminants)
11	Hota The. & Distt. PPN	One day in a week	Unknown/ Private Persons	Small and Large Animals (Ruminants)
12	Thana Chowk Pakpattan	One day in a week	Unknown/ Private Persons	Small and Large Animals (Ruminants)
13	Point –I in Okara	One day in a week	Unknown/ Private Persons	Small and Large Animals (Ruminants)
14	Point –II in Okara	One day in a week	Unknown/ Private Persons	Small and Large Animals (Ruminants)
15	Point –III in Okara	One day in a week	Unknown/ Private Persons	Small and Large Animals (Ruminants)
16	Point –IV in Okara	One day in a week	Unknown/ Private Persons	Small and Large Animals (Ruminants)

