



**AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATION
IN DISTRICT TANK**

KHYBER PAKHTUNKHWA

AUDIT YEAR 2017-18

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AIR	Audit & Inspection Report
AP	Advance Para
ADP	Annual Development Plan
AOM&R	Annual Ordinary Maintenance and Repair
BOQ	Bill of Quantities
CMD	Chief Minister Directive
DAC	Departmental Accounts Committee
DG	Director General
GFR	General Financial Rules
FBR	Federal Board of Revenue
LCB	Local Council Board
MB	Measurement Book
MPA	Member Provincial Assembly
NC	Neighborhood Council
PC-I	Planning Commission Proforma
PESCO	Peshawar Electric Supply Company
PFC	Provincial Finance Commission
PLA	Personnel Ledger Account
RDA	Regional Directorate of Audit
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TAC	Tehsil Accounts Committee
TS	Technical Sanction

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections-8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section 37 of Khyber Pakhtunkhwa Local Government Act 2013, require the Auditor-General of Pakistan to conduct audit of the receipts and expenditure of Local Fund of Tehsil/ Town Municipal Administrations.

The report is based on audit of the accounts of TMA in District Tank for the financial year 2016-17. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit on test check basis during 2016-17 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. Relatively less significant issues are listed in the Annex-1 of the Audit Report. The Audit observations listed in the Annex-1 shall be pursued with the Principal Accounting Officer at the DAC level. In all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of appropriate legislative forum 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 replies of the TMA.DAC meetings were not convened despite repeated requests.

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 37 of Khyber Pakhtunkhwa Local Government Act 2013 to be laid before appropriate legislative forum.

Islamabad

Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa carries out the audit of all Tehsil Municipal Administrations. The Regional Directorate of Audit D.I.Khan, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carried out the audit of two District Governments, five TMAs and VCs / NCs of two Districts i.e. D.I.Khan and Tank.

The Regional Directorate Audit, D.I.Khan has a human resource of 07 officers and staff with a total of 1757 man days. The annual budget amounting to Rs 10.172 million was allocated to the RDA during financial year 2016-17. The Directorate is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programmes and projects.

Tehsil Municipal Administrations in the District Tank perform their functions under Khyber Pakhtunkhwa Local Government Act 2013. Each TMA has one Principal Accounting Officer (PAO) as provided in Rule 8(1) (P) of the Khyber Pakhtunkhwa Tehsil and Town Municipal Administration Rules of Business 2015. Financial provisions of the Act establish a local fund for each Tehsil Administration. Annual budget is authorized by the Tehsil Council in the form of budgetary grants.

a. Scope of Audit

The total expenditure of Tehsil Municipal Administration in District Tank for the financial year 2016-17 was Rs 280.310 million. RDA D.I.Khan audited the total expenditure of Rs 218.640 million which in terms of percentage was 78 % of auditable expenditure.

The total of receipts of Tehsil Municipal Administration in District Tank for the financial year 2016-17 were Rs 211.230 million. Out of this, RDA D.I.Khan audited receipts of Rs 181.65 million which, in terms of percentage, was 86% of auditable receipts.

The total of expenditure and receipts of Tehsil Municipal Administration in District Tank for the financial year 2016-17 were Rs 491.540 million. Out of

this, RDA D.I.Khan audited transactions of Rs 400.290 million which, in term of percentage, was 79% of auditable amount.

b. Recoveries at the instance of audit

Recovery of Rs 16.066 million was pointed out during the audit. However, no recoveries were affected till the finalization of this report. Out of the total recoveries, Rs 9.00 million was not in the notice of the executive prior to audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of TMAs, with respect to their functions, prioritization of risk areas by determining their significance and key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting the audit. Audit used desk audit techniques for analysis of compiled data and review of actual vouchers called for during scrutiny and substantive testing in the field.

d. Audit Impact

Audit pointed out various irregularities of serious nature. Cases related to weak internal controls were also pointed out, to which management has been sensitized. In certain cases management has taken action which may further be verified. However, no impact was visible as the management failed to reply and thus irregularities could not come to the light in the proper forum i.e. DAC and PAC.

e. Comments on Internal Control and Internal Audit Department

The purpose of internal control system is to ensure effective operation of an organization. It consists of measures employed by the management to achieve objectives, safeguard assets, ensure accuracy, timeliness and reliability of financial and accounting information for decision making. Deficiencies were observed in the internal controls system as depicted in audit findings.

Another basic component of internal control, as envisaged under section 37(4) of LGA 2013, is internal audit which was not found in place in the domain of TMAs.

f. Key audit findings of the report;

- i. Non production of record was noticed in one cases amounting to Rs 130.861 million.¹
- ii. Internal Control weaknesses were noticed in five cases amounting to Rs 215.500 million.²

g. Recommendations

- i. Disciplinary action needs to be taken for non production of record as well as violation of the rules and regulations in spending the public money.
- ii. Concerted efforts need to be made to recover long outstanding dues.
- iii. All sectors of Municipal Committees/District Council need to strengthen internal controls.

1 Para 1.2.1.1

2 Para 1.2.2.1 to 1.2.2.5

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	01	491.540
2	Total formations in audit jurisdiction	01	491.540
3	Total Entities(PAO) Audited	01	400.290
4	Total formations Audited	01	400.290
5	Audit & Inspection Reports	01	400.290
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

II: Audit Observations classified by categories

(Rs in million)

S. No	Description	Amount Placed under Audit Observation
1	Unsound asset Management	-
2	Weak Financial Management	-
3	Weak Internal controls relating to Financial Management	215.454
4	Others	130.861
	Total	30.963

III: Outcome Statistics

(Rs in million)

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total for the year 2016-17	Total for the year 2015-16
1	Outlays Audited	-	171.110	181.650	47.530	400.290	147.703
2	Amount Placed under Audit Observations/ Irregularities of Audit	-	194.333	21.121	130.861	346.315	30.963
3	Recoveries Reported at the instance of Audit	-	-	-	116.967	116.967	30.963
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

IV: Table of Irregularities reported

(Rs in million)

S. No	Description	Amount Placed under Audit Observations
1	Violation of Rules and regulations, principle of propriety and probity in public operation	116.967
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Quantification of weaknesses of internal control systems.	98.517
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies.	
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	130.891
	Total	346.375

V: Cost – Benefit Ratio

(Rs in million)

Sr. No.	Description	Amount
1	Outlays Audited (Item 1 of Table 3)	400.290
2	Expenditure on Audit (TA/DA)	0.145
3	Recoveries realized at the instance of audit	0
4	Cost – Benefit Ratio	1:0

CHAPTER-1

1.1 Tehsil Municipal Administration, District Tank

1.1.1 Introduction

District Tank consists of one Tehsil i.e. Tank. The Tehsil Municipal Office is managed by Tehsil Municipal Officer. Tehsil Municipal Office has its own Tehsil Officer (Finance), Tehsil Officer (Infrastructure) and Tehsil Officer (Regulation). TMA is responsible for collection of local taxes and to provide municipal services to the community.

According to section 22 of the Local Government Act 2013, the functions and powers of the TMAs are as under:-

- (a) Monitor and supervise the performance of functionaries of Government offices located in the Tehsil and hold them accountable by making inquiries and reports to the district government or, as the case may be, Government for consideration and action;
- (b) Prepare spatial plans for the Tehsil including plans for land use and zoning and disseminate these plans for public enquiry;
- (c) Execute and manage development plans for improvement of municipal services and infrastructure;
- (d) Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including for agriculture, industry, commercial markets, shopping centers; residential, recreation, parks, entertainment, passenger and freight transport and transit stations;
- (e) Enforce municipal laws, rules and bye-laws;
- (f) Prevent and remove encroachments;
- (g) Regulate affixing of sign-boards and advertisements;
- (h) Provide, manage, operate, maintain and improve municipal services;
- (i) Prepare budget, long term and annual municipal development programmes;
- (j) Maintain a comprehensive data base and information system on services in the Tehsil municipal record and archives and provide public access to it on nominal charges;

- (k) Collect taxes, fines and penalties provided under this Act;
- (l) Organize sports, cultural, recreational events, fairs and shows;
- (m) Organize cattle fairs and cattle markets;
- (n) Co-ordinate and support municipal functions amongst village and neighborhood councils;
- (o) Regulate markets and services, issue licenses, permits, grant permissions and impose penalties for violation thereof;
- (p) Manage municipal properties, assets and funds;
- (q) Develop and manage schemes, including site development in collaboration with district government;
- (r) Authorize officers to issue notice, prosecute, sue and follow up criminal, civil and recovery proceedings against violators of municipal laws; and
- (s) Prepare financial statements and present them for audit.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

The budget and expenditure position of Tehsil Municipal Administration in District Tank for the year 2016-17 is as under:

(Rs in million)

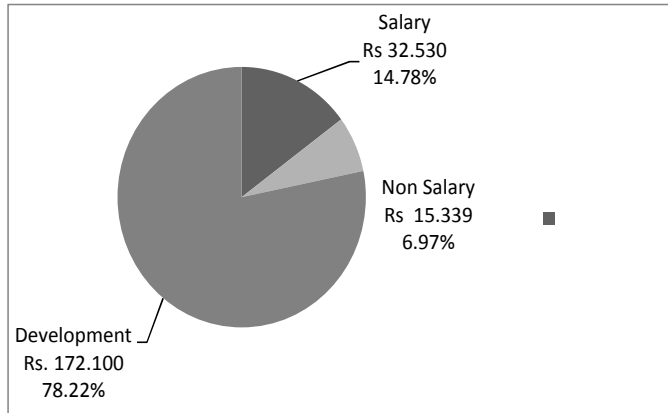
2016-17	Budget	Expenditure	Excess /Saving	%age
Salary	35,134,711	32,563,500	(2,571,211)	7.89
Non-salary	16,730,051	15,339,700	1,390,351	9.063
Development	172,821,530	172,100,000	(721,530)	0.419
Total	224,686,292	220,003,200	(4,683,092)	17.372

2016-17	Budgeted Receipts	Actual Receipts	Variation	% age
Receipts	253.180	211.210	41.97	16.577

The savings of Rs 4.683 million indicates weaknesses in the capacity of these local institutions to utilize the allocated budget.

EXPENDITURE 2016-17

Rs in million



1.1.3 Comments on the status of compliance with PAC/DAC Directives

The Audit Reports pertaining to Financial Years 2009-10 to 2015-16 on accounts of Tehsil Municipal Administration/Municipal Committees Tank were prepared under Khyber Pakhtunkhwa Local Government Act, 2013 and submitted to Governor Khyber Pakhtunkhwa but have not yet been discussed in PAC. Provincial Assembly of Khyber Pakhtunkhwa vide letter No PA/KP/PAC/GEN. DISTT GOV/17/7935 dated 23.02.2017 has returned the Audit Reports with the remarks that the same may be examined by respective Accounts Committees of councils as provided under Khyber Pakhtunkhwa Local Government Act, 2013. Under the direction of the PAC the reports have been submitted to the District Nazim for placing before the District Accounts Committee constituted under LGA 2013.

1.2 Audit Paras

1.2.1 Non production of record

1.2.1.1 Non production of record -Rs 130.861 million

According to Para-17 of GFR read with Sections-14 (3) of the Auditor General's (Functions, Powers, Terms and Conditions of Service) Ordinance, 2001 that no such information nor any books or other documents, to which the Auditor-General has a statutory right of access, may be withheld from the Director General Audit.

TMO Tank did not produce record of Rs.130,861,716 during 2016-17 as detailed below:

- i) An expenditure of Rs. 9,140,000 on Rehabilitation of Water Supply Ponds in Kiri Ahmad Shah Tank was incurred out of Tehsil ADP but record of the work including tender register, bid documents, MBs and bills of contractors etc were not produced.
- ii) Expenditure on schemes worth Rs. 121,721,716 out of 30% PFC share was incurred but no documentary evidence in support of the expenditure was produce for verification.

Audit observed that non production of record occurred due to weak internal control which resulted in un-authentic and dubious expenditure.

The irregularity was pointed out in February 2018, Management did not respond to preliminary audit observation.

Request for convening DAC meeting was made on 28.03.2018 however, DAC meeting could not be convened till finalization of this Report.

Audit suggests inquiry into authenticity of payment and action against the person(s) at fault

AIR Para No. 01, 02 (2016-17)

1.2.2 Internal Control Weakness

1.2.2.1 Unauthorized payment in cash- Rs 116.967 Million

According to Rule 157 and 283 of FTR Vol-1, payment should be made to suppliers through Cross Cheques and payment of Rs 1,000 and above should be made in Cross Cheque and acknowledgement of Receipt should be obtained.

TMO Tank paid a sum of Rs 116,967,863 from the designated account No 305-00- of TMA maintained at Bank of Khyber during 2016-17. It was observed that amount was drawn in cash instead of payment through cross cheques to the respective payees/contractors. Moreover, no actual payee receipts were available in record. Neither the cash book nor any description of the vouchers or cheque book were provided to the audit for verification.

Audit observed that unauthorized payment in cash occurred due to weak internal control which resulted in unauthentic and un-verifiable expenditure.

The irregularity was pointed out in February 2018, Management did not respond to preliminary audit observation.

Request for convening DAC meeting was made on 28.03.2018 however, DAC meeting could not be convened till finalization of this Report.

Audit suggests inquiry and action against the person(s) at fault.

AIR Para No. 03 (2016-17)

1.2.2.2 Irregular expenditure on account of pay & allowances - Rs 75.726 million

According to Government of Khyber Pakhtunkhwa Local Government & Rural Development Department letter No.AO/LCB/Directives/T.P/2010-11 dated 1-7-2011, District Development Grant under PFC allocation cannot be utilized for payment of salaries/contingencies.

TMO Tank incurred an expenditure of Rs.75,726,067 for payment of pay & allowances of staff for the years 2015-16 and 2016-17 out of the ADP share of TMA Tank. It was observed that the expenditure incurred is irregular as the funds could only be utilized for the developmental works. Moreover, no formal

approval was obtained from the competent authority for incurrence of expenditure on pay and allowances.

Audit observed that irregular expenditure occurred due to weak internal control which may have resulted in delay completion of developmental schemes.

The irregularity was pointed out in February 2018, Management did not respond to preliminary audit observation.

Request for convening DAC meeting was made on 28.03.2018 however, DAC meeting could not be convened till finalization of this Report.

Audit suggests inquiry and action against the person(s) at fault.

AIR Para No. 04 (2016-17)

1.2.2.3 Loss on account of rent of shops-Rs 16.066 million

Para 28 of GFR requires that No amount due to government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought.

TMO Tank did not collect Rs 16,066,045 on account of rent of shops during 2016-17. It was observed that the leases of 170 shops and 19 plots has been expired and neither the lessees are paying the rent nor the TMA has issued notices to vacate the property. (Detail is given at Annex-2).

Audit observed that non collection of rent occurred due to weak internal control which resulted in loss to Government.

The irregularity was pointed out in February 2018, Management did not respond to preliminary audit observation.

Request for convening DAC meeting was made on 14.02.2017 however, meeting of DAC could not be convened till finalization of this Report.

Audit suggests recovery and action against the person(s) at fault

AIR Para No. 05 (2016-17)

1.2.2.4 Loss to Govt: on account of auction of contract-Rs 5.055 million

Para 28 of GFR requires that No amount due to government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought.

TMO Tank auctioned the contract for collection of fees from Cattle Fare Market for Rs 9,630,000. It was observed that the contractor only deposited Rs 4,575,000 during the year 2016-17 whereas Rs 5,055,000 was still outstanding against him.

Audit observed that less collection and deposit of funds occurred due to weak internal control which resulted in loss to Government.

The irregularity was pointed out in February 2018, Management did not respond to preliminary audit observation.

Request for convening DAC meeting was made on 28.03.2018 however, meeting of DAC could not be convened till finalization of this Report.

Audit suggests recovery and action against the person(s) at fault

AIR Para No. 06 (2016-17)

1.2.2.5 Wasteful expenditure - Rs 1.640 million

Para 23 of the GFR Vol- I requires that every Public Officer is personally responsible for any loss sustained by government through fraud or negligence either on his part or on the part of his subordinate staff.

TMO Tank incurred expenditure of Rs. 1,640,964 on account of execution of work “Construction of Tube well at Uttar” during 2016-17, It was observed that only items of boring and lowering were shown executed without provision of pumping machinery and external electrification in BOQ due to which scheme is still incomplete and expenditure held wasteful.

Audit observed that wasteful expenditure occurred due to weak internal control which resulted in loss to Government.

The irregularity was pointed out in February 2018, Management did not respond to preliminary audit observation.

Request for convening DAC meeting was made on 28.03.2018 however, meeting of DAC could not be convened till finalization of this Report.

Audit suggests inquiry and action against the person(s) at fault.

AIR Para No. 07 (2016-17)

ANNEXURES

Annex-1

Detail of MFDAC Paras

AIR No.	Name of Department	Title of Advance Para	(Rs in million)
09	TMA Tank	Unauthorized expenditure of POL	0.070
10	TMA Tank	Irregular expenditure on printing	0.063

**Annex-2
(Para 1.2.2.3)**

Statement showing detail of Loss to TMA on account of rent of shops

S.No	Name of Plaza	No. of Shops	Current Monthly Rent/ Shop	Status of lease	Current Annual Rent of total shops	Monthly Rent/Shop Admissible	70% Rent/ month / shop 2016-17	Rent admissible for 2016-17
1	Trade ware house	22	800	Expired	211200	12100	8470	2,236,080
2	Near Civil Hospital	26	900	Expired	280800	14520	10164	3,171,168
3	Shopping Centre near Durand Gate	29	280	Expired	97440	8470	5929	2,063,292
4	Camping ground near traffic point	6	147	Expired	10584	9680	6776	487,872
5	Old Bus stand	15	880	Expired	158400	8470	5929	1,067,220
6	Haji Palam Khan s/o Sarband near old bus stand	2	880	Expired	21120	7260	5082	121,968
7	PirMohd s/o Ghazal jan near MC	1	147	Expired	1764	14520	10164	121,968
8	Shah Jehans/o Gul Mohd Near Akram Khan Ghala Mandi	1	340	Expired	4080	12100	8470	101,640
9	Mahmood Sher s/o Izzat khan Maal Mandi Road	6	1830	Expired	131760	6050	4235	304,920
10	Khalifa Anjam/Meena Bagh Maal Mandi Road	8	2237	Expired	214752	6050	4235	406,560
11	Almeer s/o Manjkayee case in court	1	0	Expired	0	8470	5929	71,148
12	Shahid Nawaz s/o Qayum Nawaz near Gur Mandi	1	125	Expired	1500	12100	8470	101,640
13	Daud Khan/Shah wali near MC office	8	4800	Expired	460800	12100	8470	813,120
14	Lalwar Khan	1	1288	Expired	15456	14520	10164	121,968

	near MC Office							
15	Haji Mohd Iqbal plot MohQazianwala plot	1	33	Expired	396	6050	4235	50,820
16	Haji Asal petrol pump near MC office petrol pump	1	466	Expired	5592	14520	10164	121,968
17	Almar Gul godown inside Gur Mandi godown	1	292	Expired	3504	14520	10164	121,968
18	Gul Badshah domestic MohHazrianwala domestic	1	8	Expired	96	4840	3388	40,656
19	Abdul Waheed Shahjehan/mohd jameelchungi No 12 Dera Road	1	1000	Expired	12000	3630	2541	30,492
20	Haji Mohd Nawaz verandah inside old bus stand verandah	1	294	Expired	3528	6050	4235	50,820
21	Pir Sadeeq Shah domestic Mohsheikhanwala domestic	1	13	Expired	156	3630	2541	30,492
22	Qasim Khan inside Gur Mandi 2/3 share godown	1	528	Expired	6336	9680	6776	81,312
23	Abdul Karim station road chungi No1	1	100	Expired	1200	3630	2541	30,492
24	Haji mohd Nawaz Bannu Road chungi No 11	1	267	Expired	3204	6050	4235	50,820
25	Umer Farooq Bukhari gate Chungi No 3	1	100	Expired	1200	4840	3388	40,656
26	Shahab ud Din inside old bus stand	2	347	Expired	8328	8470	5929	142,296
27	Sana Ullah Piran gate Chungi No 2	1	100	Expired	1200	6050	4235	50,820
28	Abdul Qayumbanochi	1	500	Expired	6000	18150	12705	152,460

	near City police old phatak plot							
29	Mohd Saleem old phatak city police plot	1	500	Expired	6000	14520	10164	121,968
30	Open plot near town hall plot	1	0	Expired	0	18150	12705	152,460
31	Abdur Rahim old bus stand plot	1	294	Expired	3528	8470	5929	71,148
32	Gur Mandi interior shops	49	300	Expired	176400	9680	6776	3,984,288
					1,848,324			1,651,6500

