



**AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATION
LIAQUAT PUR
DISTRICT RAHIM YAR KHAN
AUDIT YEAR 2012-2013**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Programme
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
FD	Finance Department
IPSAS	International Public Sector Accounting Standards
LG&CD	Local Government & Community Development
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
PAC	Public Accounts Committee
PDG	Punjab District Governments
PLGO	Punjab Local Government Ordinance
POL	Petroleum Oil and Lubricants
RDA	Regional Directorate of Audit
TAC	Tehsil Accounts Committee
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TO (F)	Tehsil Officer (Finance)
TO (I&S)	Tehsil Officer (Infrastructure & Services)
TO (P&C)	Tehsil Officer (Planning & Coordination)
TO (R)	Tehsil Officer (Municipal Regulations)

Preface

Articles 169 and 170 (2) of the Constitution of the Islamic Republic of Pakistan, 1973 and section 115 of the Punjab Local Government Ordinance, 2001 require the Auditor General of Pakistan to conduct the audit of the receipts and expenditure of the Local Fund and Public Accounts of Tehsil/Town Municipal Administrations of the Districts.

The Report is based on audit of the accounts of Tehsil Municipal Administration Liaqat Pur of District Rahim Yar Khan for the financial years 2010-12. The Directorate General Audit, District Governments, Punjab (South), Multan, conducted audit during 2012-13 on test check basis with a view to reporting significant findings to relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs1.0 million or more. Relatively less significant issues are listed in Annexure-I of the Audit Report. The audit observations listed in the Annexure-I 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.

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

Most of the observations included in this Report have been finalized in the light of written responses and discussion with the management.

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 read with Section 115 of the Punjab Local Government Ordinance 2001, for causing it to be laid before the Provincial PAC.

Islamabad
Dated:

(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Punjab (South), Multan, a Field Audit Office of the Auditor General of Pakistan, is responsible to carry out the audit of all District Governments in Punjab (South) including Tehsil and Town Municipal Administrations. Regional Directorate of Audit Bahawalpur has audit jurisdiction of District Governments, TMAs and UAs of three Districts i.e. Bahawalpur, Bahawalnagar and Rahim Yar Khan.

The Regional Directorate has a human resource of 32 officers and staff, constituting 5,022 man days and the budget of about Rs13.867 million per financial year. It has the mandate to conduct financial attest audit, audit of sanctions, audit of compliance with authority and audit of receipts as well as the performance audit of entities, projects and programs. Accordingly RDA Bahawalpur carried out audit of the accounts of one TMA of District Rahim Yar Khan for the financial years 2010-12 and the findings included in the Audit Report.

Each Tehsil Municipal Administration in District Rahim Yar Khan is headed by a Tehsil Nazim / Administrator. He/she carries out operations as per Punjab Local Government Ordinance, 2001. Tehsil Municipal Officer is the Principal Accounting Officer (PAO) and acts as coordinating and administrative officer, responsible to control land use, its division and development and to enforce all laws including Municipal Laws, Rules and By-laws. The PLGO 2001 requires the establishment of Tehsil / Town Local Fund and Public Account for which Annual Budget Statement is authorized by the Tehsil Nazim / Tehsil Council / Administrator in the form of Budgetary Grants.

The total Development Budget of the TMA Liaquat Pur of District Rahim Yar Khan mentioned above for the financial years 2010-12, was Rs255.049 million and expenditure incurred was Rs126.570 million showing savings of Rs128.479 million in these years. The total Non-development Budget for financial years 2010-2012 was Rs265.095 million and expenditure was Rs212.675 million, showing savings of Rs52.420 million. The reasons for savings in Development and Non-development Budgets are required to be provided by TMO and PAO concerned.

Audit of TMA Liaquat Pur of District Rahim Yar Khan was carried out with the view to ascertain that the expenditure was incurred with proper authorization, in conformity with laws/ rules /regulations, economical procurement of assets and hiring of services etc.

Audit of receipts/ revenues was also conducted to verify whether the assessment, collection, reconciliation and allocation of revenues were made in accordance with laws and rules and that there was no leakage of revenue.

a. Audit Methodology

Audit was conducted after understanding the business processes of TMAs with respect to its functions, control structure, prioritization of risk areas by determining their significance and identification of key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field audit activity. Audit used desk audit techniques for analysis of compiled data and review of permanent files / record. Desk Audit greatly facilitated identification of high risk areas for substantive testing in the field.

b. Audit of Expenditure and Receipts

Audit of development expenditure of Rs39.352 million out of total expenditure of Rs126.570 million was carried out, and audit of non-development expenditure Rs59.029 million out of total expenditure of Rs212.675 million for the financial years 2010-12 was conducted which is 31% & 27.75% of development and non-development expenditures respectively. Total overall expenditure of TMA Liaquat Pur of District Rahim Yar Khan for the financial year 2010-12 was Rs339.246 million, out of which overall expenditure of Rs98.381 million was audited which, is 29% of total expenditure. Therefore, there was 100% achievement of the planned audit activities.

c. Recoveries at the Instance of Audit

Recoveries of Rs51.521 million were pointed out through various audit paras and no recovery was effected till compilation of this Report.

d. Desk Audit

Desk review helped auditors in understanding the systems, procedures, environment of entity and identification of high risk areas for additional compliance testing in the field. The Audit Command Language (ACL) was applied centrally on the Payroll part of appropriation account. As a result, certain irregularities and overpayments were identified, which were communicated to field audit officers for verification and follow-up action.

e. Key Audit Findings

- i. Fraud / misappropriation of Rs9.600 million was noted in one case¹
- ii. Non Production of record of Rs23.039 million was noted in one case²
- iii. Irregularities of Rs18.405 million were noted in two cases³
- iv. Weaknesses of internal controls and loss of Rs51.521 million was noted in six cases⁴.

Audit paras on the accounts for financial years 2010-12 involving procedural violations including internal controls weaknesses, and irregularities which were not considered worth reporting to Provincial PAC, have been included in Memorandum For Departmental Accounts Committee (Annexure-A).

¹ Para: 1.2.1.1

² Para: 1.2.2.1

³ Para: 1.2.3.1 to 1.2.3.2

⁴ Para: 1.2.4.1 to 1.2.4.6

f. Recommendations

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

- i. Strengthening of financial and managerial controls
- ii. Compliance of DAC directives and decisions in letter and spirit
- iii. Expediting recoveries pointed out by Audit as well as other recoveries in the notice of management
- iv. Compliance of relevant laws, rules, instructions and procedures, etc.
- v. Proper maintenance of accounts and record
- vi. Appropriate actions against officers/officials responsible for violation of rules and losses
- vii. Addressing systemic issues to prevent recurrence of various omissions and commissions.
- viii. Production of record to audit for verification
- ix. Hold investigations for wastage, fraud, misappropriation and losses, and disciplinary actions after fixing responsibilities.

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs. in million)

Sr. No.	Description	No.	Budget / Expenditure
1	Total Entities (PAOs) in Audit Jurisdiction	04	2,080.576
2	Total Formations in Audit Jurisdiction	04	2,080.576
3	Total Entities (PAOs)/ DDOs Audited	01	339.246
4	Audit & Inspection Reports	01	339.246
5	Special Audit Reports	Nil	Nil
6	Performance Audit Reports	Nil	Nil
7	Other Reports (Relating to TMA)	Nil	Nil

Table 2: Audit Observations

(Rs. in million)

Sr. No.	Description	Amount under audit observation
1	Asset management	9.6
2	Financial management	50.333
3	Internal controls	1.188
4	Violation of rules	18.405
5	Others	23.039
Total		102.565

Table 3: Outcome Statistics**Expenditure Outlay Audited (Rs. in million)**

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Non-Salary	Total
1	Outlays audited	2.457	57.662	85.785	93.942*	239.846*
2	Amount placed under audit observation / irregularities	9.6	1.188	48.21	43.567	102.565
3	Recoveries pointed out at the instance of audit	-	-	31.053	20.468	51.521
4	Recoveries accepted / established at the instance of audit	-	-	31.053	20.468	51.521
5	Recoveries realized at the instance of audit	-	-	-	-	-

*The amount in serial No.1 column of “Total Current Year” is the sum of Expenditures and Receipts whereas the total expenditure for the current year was Rs154.061 million.

Table 4: Irregularities pointed out**(Rs. in million)**

Sr. No.	Description	Amount under Audit observation
1	Violation of rules and regulations and principle of propriety and probity.	4.294
	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public funds.	9.6
3	Quantification of weaknesses of internal controls system.	-
4	Recoveries, overpayments, or unauthorized payments of public money.	64.444
5	Non-production of record to Audit	23.039
6	Others, including cases of accidents, negligence etc.	1.188
		102.565

Note: Quantification of weaknesses of internal control systems is combination of financial controls (recoverables) and managerial controls, which becomes Rs64.444 million.

CHAPTER-1

1. TEHSIL MUNICIPAL ADMINISTRATION, LIAQUAT PUR

1.1 INTRODUCTION

Tehsil Municipal Administration (TMA) consists of Tehsil Nazim, Tehsil Naib Nazim and Tehsil Municipal Officer (TMO). Each TMA comprises five Drawing and Disbursing Officers i.e. TMO, TO (Finance), TO Infrastructure & Services (I&S), TO (Regulations), TO Planning & Coordination (P&C) and Tehsil Nazim and Tehsil Naib Nazim. The main functions of TMA's are as follows:

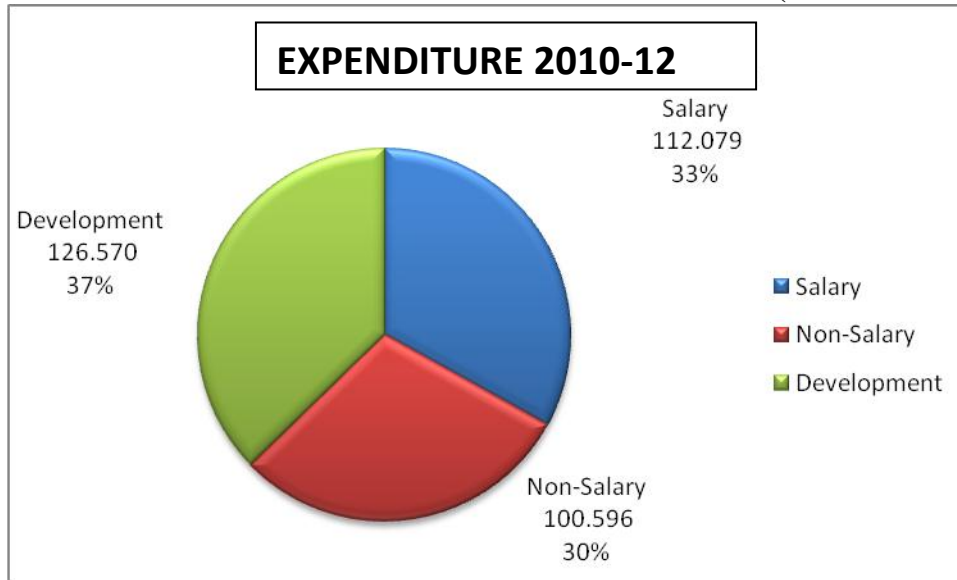
- i. Prepare budget, long term and annual municipal development programmes in collaboration with the Union Councils;
- ii. Propose taxes, cesses, user fees, rates, rents, tolls, charges, surcharges, levies, fines and penalties under Part-III of the Second Schedule and notify the same;
- iii. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties;
- iv. Manage properties, assets and funds vested in the Town Municipal Administration;
- v. Develop and manage schemes, including site development in collaboration with District Government and Union Administration;
- vi. 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;
- vii. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction;
- viii. Maintain municipal records and archives.

1.1.1 Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

2010-12	Budget	Expenditure	Excess (+) / Savings (-)	% (Savings)
Salary	137.992	112.079	-25.913	18.78%
Non-salary	127.103	100.596	-26.507	20.85%
Development	255.049	126.570	-128.479	50.37%
Revenue	-	-	-	-
Total	520.144	339.246	-180.898	34.78%

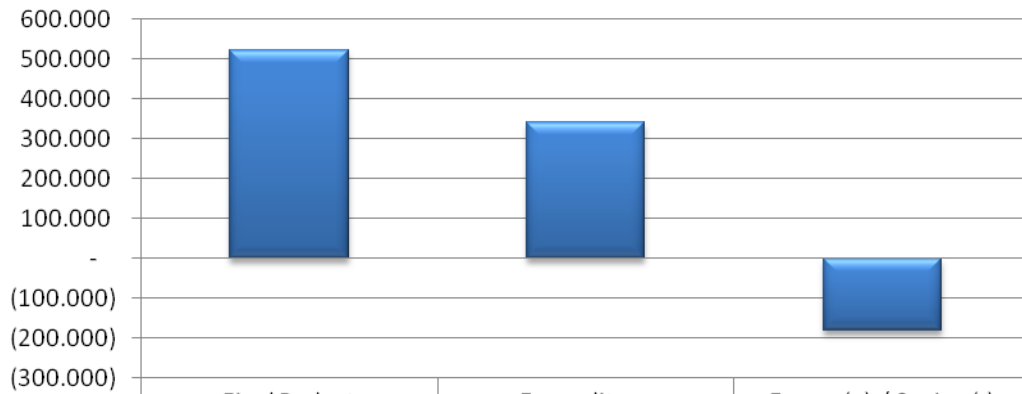
(Rs in million)



As per the budget books the expenditure relating to TMA in District Rahim Yar Khan was Rs339.246 million against original budget of Rs520.144 million. There was a saving of Rs180.898 million for which the reasons should be explained by the PAO, Tehsil Nazims and management of TMAs.

(Rs in million)

BUDGET AND EXPENDITURE 2010-2012



	Final Budget	Expenditure	Excess (+) / Saving (-)
2010-12	520.144	339.246	(180.898)

AUDIT PARAS

1.2.1 Fraud / Misappropriations

1.2.1.1 Fraudulent Transfer of Valuable Property – Rs9.600 million

According to rule 2.33 of Punjab Financial Rules Vol-1, 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.

An employee (Land Officer) of TMA Liaqat Pur was involved in malafide practices. He illegally transferred, to his family members and relatives, 55 plots valuing Rs9.60 million by entering their names in property register, without approval of the competent authority (TMO) and without auction of the plots. The Administrator of the TMA constituted an inquiry committee during October, 2011, who reported that all allegations were proved, but no action was taken against the culprit despite lapse of more than one year. Moreover, TMO did not make efforts to recover the loss.

The loss occurred due to ineffective financial and managerial controls and malafide intention of the management.

Government sustained a loss of Rs9.600 million due to illegal transfer of valuable property of TMA.

The matter was reported to the TMO and the Administrator of TMA during December, 2012. The TMO replied that after conducting an inquiry the culprit has been dismissed from service. Reply of the TMO was not tenable as neither the loss was shown recovered nor was any documentary evidence produced in support of the reply. The DAC in its meeting held during January, 2013, directed to produce record of departmental action against the person at fault at the earliest.

No progress was intimated till finalization of this Report.

Audit recommends registering FIR against the culprit, cancelling the transfers and rectifying property register, recovering the loss besides initiating disciplinary action against the person at fault, under intimation to Audit.

[AIR Paras: 03]

1.2.2 Non Production of Record

1.2.2.1 Non Production of Record – Rs23.039 million

Section 14(3) of Auditor General of Pakistan Ordinance envisages that any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person. According to Section 115(6) of Punjab Local Government Ordinance 2001, the 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.

TMO Liaqat Pur did not produce the record of expenditure incurred / revenues realized under different objects / codes amounting to Rs23.039 million during 2010-12, in violation of the above rules. The detail is given below:

(Amount in Rupees)

Sr. No.	Particulars	Amount
1	Receipt books, tickets and other supporting record maintained by the contractors of collection rights.	23,038,675
2	Bank statements and detail of Bank accounts, release ordres, grants from government, grants from MNA/MPA, detail of CCB schèmes and relevant record, surveys conducted, history sheets, register of Securities, detail of assets, record of income from Jinnah Hall etc.	-
	Total	23,038,675

Non production of record may lead to doubts of misappropriation. Legitimacy of expenditure could not be ascertained due to non production of record.

The matter was reported to the TMO and the Administrator of TMA during December, 2012. The TMO replied that all the record mentioned in the objection is available and may be seen, but no record was shown to Audit during DAC meeting. The DAC in its meeting held during January, 2013, directed to get the record verified during next regular audit.

No progress was intimated till finalization of this Report

Audit recommends that desired record be produced for verification and necessary action be initiated against the person(s) at fault under intimation to Audit.

[AIR Para: - 55, 61]

1.2.3 Irregularities / Non Compliance

1.2.3.1 Unauthorized Expenditure on Contingent Paid Staff – Rs14.111 million

According to letters No. FD.SO (Goods) 44-4/2010 dated 09.08.2010 & No. FD.SO (Goods) 44-4/2011 dated 23.07.2011 issued by the Finance Department, Government of the Punjab, no contingent paid staff shall be appointed without obtaining prior approval from the Austerity Committee.

TMO Liaqat Pur appointed contingent paid staff during 2010-12 without obtaining prior approval from the Finance Department, Government of the Punjab and the Austerity Committee, and incurred expenditure of Rs14.111 million on their wages, in violation of above rules.

The irregularity occurred due to non-compliance of instructions of the government and violation of financial discipline.

Appointment of contingent paid staff without prior approval of the competent authority resulted in unauthorized expenditure of Rs14.111 million.

The matter was reported to the TMO and the Administrator of TMA during December, 2012. The TMO replied that contingent paid staff was appointed for urban areas at minimum ratio. Furthermore, ban on appointment of contingent paid staff do not apply for provision of services of cleanliness. Reply of the TMO was misleading and not tenable as contingent paid staff could not be appointed without obtaining prior approval of the Austerity Committee. The DAC in its meeting held during January, 2013, directed to ensure compliance of audit directives i.e. getting the irregularity condoned from the competent authority.

No progress was intimated till finalization of this Report.

Audit recommends that the irregularity be got condoned from the competent authority besides taking disciplinary action against the person(s) at fault for making unauthorized appointments, under intimation to Audit.

[AIR Para: 11]

1.2.3.2 Irregular Expenditure due to Non-Compliance of PPRA Rules – Rs4.294 million

According to Rule 9 and 12(1) of the Punjab Procurement Rules 2009, procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's web site. Procurement opportunities over Rs100,000 and up to Rs2,000,000 shall be advertised on the PPRA's website in the manner and format specified by the PPRA from time to time.

TMO Liaqat Pur incurred expenditure of Rs4.294 million during 2010-12 on purchase of sludge pump, gas masks etc. The expenditure was held irregular as the procurement opportunities were not advertised on the website of PPRA and fair tendering process was avoided. Furthermore, purchase committee was not constituted for verification of rates and quality etc. and insufficient response time was allowed to bidders. In addition to this, contractor's profit of Rs80,800 was paid to the supplier which was not admissible on purchase of machinery, equipment and store items. The detail is given below:

(Amount in Rupees)

Sr. No.	Description	Amount
1	Purchase of sludge pump	1,039,896
2	Purchase of gas masks etc.	463,320
3	Purchase of general store items	1,439,777
4	Purchase of sports materials	1,351,200
Total		4,294,193

The irregularities occurred due to non-compliance of procurement rules and violation of financial discipline.

Non-compliance of procurement rules resulted in undue favour to the vendors of own choice and benefits of competitive bidding were not achieved.

The matter was reported to the TMO and the Administrator of TMA during December, 2012. The TMO replied that all the materials were purchased after

advertisement in the news papers and after fulfilling all codal formalities. Reply of the TMO was not correct and misleading as neither annual requirement of planned procurements was determined at the start of the year nor were the procurement opportunities exceeding Rs 100,000 advertised on the website of PPRA. The DAC in its meeting held during January, 2013, directed to ensure compliance of audit directives i.e. getting the irregularity condoned from the competent authority.

No progress was intimated till finalization of this Report.

Audit recommends that irregularities be got condoned from the competent authority besides initiating disciplinary action against the person(s) at fault and recovery of contractor's profit, under intimation to Audit.

[AIR Para: 07, 41, 59, 56]

1.2.4 Internal Control Weaknesses

1.2.4.1 Loss due to Non/Less Realization of Revenue and Arrears – Rs30.028 million

According to rule 76 of the Punjab District Governments & TMA (Budget) Rules, 2003, the collecting officers should see that all revenue due is claimed, realized and checked against demands and that they are deposited into relevant head of account.

TMO Liaqat Pur did not make due efforts during 2010-12 to recover / realize revenue and arrears of revenue worth of Rs30.028 million on account of rent of shops, water rates, sewerage tax etc in violation of above rule. The detail is given below:

(Amount in Rupees)

Sr. No.	Revenue Head	Amount
1	Water Charges	355,764
	Sewerage Tax	2,743,189
	Rent of Shops	7,390,519
2	Non recovery of cost of land and development charges from occupants of Katchi Abadis	5,969,699
3	Arrears on account of rent of shops	10,947,240
4	Rent of shop and land for petrol pump	2,622,370
Total		30,028,781

The loss occurred due to ineffective financial controls and laxity of the management.

TMA was facing financial hardships due to less realization of Government revenue worth Rs30.028 million.

The matter was reported to the TMO and the Administrator of TMA during December, 2012. The TMO replied that there is a huge amount of watercharges, sewerage tax, rent of shops development charges of katchi abadis is outstanding against the defaulters out of which some amount has been recovered and efforts are being made to recover balance amount. In case of rent of shops and land for petrol pump a case is under process in the court of law and action will be taken after the decision of the court. The DAC in its meeting held during January, 2013, directed to recover the amount at the earliest.

No progress was intimated till finalization of this Report.

Audit recommends that the court cases be pursued actively and remaining amount be recovered within a month besides taking disciplinary action against the person(s) at fault, under intimation to Audit.

[AIR Paras: - 5, 9, 12, 45]

1.2.4.2 Loss due to Auction at Less than Reserve Price - Rs16.030 million

According to rule 11(1) of the Punjab Local Government (Auctioning of Collection Rights) Rules, 2003, the bid received in open auction; if less than the reserved price, shall be rejected by the Nazim concerned or the person authorized by him in all cases and the contract shall be re-auctioned in the prescribed manner.

Reserve price for auction of seven collection rights of TMA Liaqat Pur was Rs11.722 million, Rs12.931 million, Rs14.224 and Rs15.647 million during four consecutive financial years i.e. 2008-09, 2009-10, 2010-11 and 2011-12. However, TMO granted undue favor to the contractors and granted the rights for Rs5.850 million, Rs9.237 million, Rs10.552 million, Rs12.956 million and Rs16.030 million respectively. Auction of collection rights at less than reserve price resulted into loss of Rs5.872 million, Rs3.694 million, Rs3.672 million and Rs2.790 million during the said years. The detail is given at Annexure – B.

The loss occurred due to ineffective financial controls and lack of due diligence by the management.

Auction of collection rights at less than reserve price resulted into loss of Rs16.030 million.

The matter was reported to the TMO and the Administrator of TMA during December, 2012. The TMO replied that according to chapter – III Section 9 of auctioning and collections rights rule 2003, the reserve price for an income shall be the average of last preceeding three years. Reply of the TMO was not tenable auction was made at less than reserve price and no substantiating evidence was produced in support of the reply. The DAC in its meeting held during January, 2013, directed to ensure compliance of audit directives i.e. to recover the loss at the earliest.

No progress was intimated till finalization of this Report.

Audit recommends that the amount of Rs16.030 million be recovered from the officials concerned and deposited into relevant head of account besides taking disciplinary action against the person(s) at fault, under intimation to Audit.

[AIR Para: - 57]

1.2.4.3 Loss due to Non Deduction/ Deposit of Income Tax, Surcharge on Income Tax and GST – Rs2.123 million

According to Section 153 of Income Tax Ordinance 2001, the income tax @ 5% shall be levied on auction, services rendered and @ 6% on civil work. Moreover, as per FBR Notification dated 15.03.2011, surcharge @15% was imposed on income tax payable w.e.f 15.03.2011 to 30.06.2011. Furthermore according to Finance Department letter No.FD SO (Tax) 1-11/97 dated 19.09.1998,all purchases should be made from the firms registered with Sale Tax Department and payment of GST be made on submission of printed sales tax Invoices showing the sale tax registration number and amount of sales tax.

TMO Liaqat Pur did not deduct income tax of Rs16,494 and surcharge amounting to Rs345,567 from payments made to the suppliers / amount of auction money received from contractors during 2010-12. Moreover, GST of Rs1.761 million was recovered from the suppliers but not deposited into relevant head of account. The detail is given below:

(Amount in Rupees)

Sr. No.	Description	Period	Amount
1	Income Tax	2010-12	16,494
	Surcharge on Income Tax	2010-12	345,567
2	General Sales Tax	2010-12	1,761,784
	Total		2,123,845

The loss occurred due to ineffective financial controls.

Non-deduction of income tax, surcharge on income tax and non deposit of GST resulted into loss to the government.

The matter was reported to the TMO and the Administrator of TMA during December, 2012. TMO replied that notices for recovery of income tax and surcharge on income tax has been served to persons concerned and the amount will be deposited into

relevant head of account. The General Sales Tax had already been collected from the parties and deposited into relevant head of account. The reply of the management was not acceptable as no substantiating evidence regarding deposit of GST was shown to audit. The DAC in its meeting held during January, 2013, directed to effect recovery at the earliest.

No progress was intimated till finalization of this Report.

Audit recommends that amount of Rs2.123 million be recovered and deposited into relevant head of account besides initiating disciplinary action against the person(s) at fault, under intimation to Audit.

[AIR Paras: 01, 19]

1.2.4.4 Abnormal Delays in Completion of Work and Non-Imposition of Penalty – Rs1.188 million

As per clause 2 of Agreement Form, if the contractor fails to complete the work within the specified period, he shall be liable to pay penalty @ 1% or smaller amount of estimated work for every day the quantity of work remain incomplete but the entire amount of penalty shall not exceed 10% of the cost of works.

The contractors of TMA Liaqat Pur did not work with the desired pace and abnormally delayed completion of 12 development projects during 2010-12. TMO did not take appropriate action to improve the pace of work. The contractors were also granted undue favor and penalty @ 10% of contract price was not imposed despite the fact that they were neither granted time extension nor their requests for the same were on record and in some cases the time extension was granted on unjustified reasons, which resulted into loss/over payment of Rs1.188 million. The detail is given at Annexure – C.

The loss occurred due to undue favour to the contractors and ineffective internal controls.

Undue favour to the contractors resulted in abnormal delays in completion of development projects and loss of Rs1.188 million due to non-imposition of penalty.

The matter was reported to the TMO and the Administrator of TMA during December, 2012. The TMO did not reply to the audit para. The DAC in its meeting held during January, 2013, directed to effect recovery at the earliest.

No progress was intimated till finalization of this Report.

Audit recommends that amount of penalty be recovered and deposited into relevant head of account besides taking disciplinary action against the person(s) at fault, under intimation to Audit.

[AIR Para: - 40]

1.2.4.5 Loss due to Less Realization of Rent than Prevailing Market Rates and Unauthorized Subletting of Shops by the Tenants– Rs1.127 million

Rule 76 (1) of the PDG & TMA (Budget) Rules 2003, states that “the collecting officer shall ensure that all revenue due is claimed and deposited into relevant head of account.”

TMO Liaquat Pur allotted three shops to different persons and realized rent of Rs3,254 per month/shop during 2010-12. The tenants sublet the shops to reputable cell phone companies in violation of terms of agreement and realized rent of Rs15,000 per month/shop approximately. TMO neither cancelled the allotments nor recovered rent at prevailing market rates, which resulted into loss of Rs1.127 million.

(Amount in Rupees)

Detail of Shop	Allottee Name	Rent Received per Month	Sublet To	Year of Sublet	Rent Per Month (App)	Total Loss	Diff.	No. of Months
Shop No. 6	Mr. Faqeer Muhammad S/O Sardar Muhammad	3,254	Telenor	2009	15,000	422,856	11,746	36
Shop No. 8	Mr. Khalid Mehmood S/O Ghulam Nabi	3,254	Mobilink	2009	15,000	422,856	11,746	36
Shop No. 14	Mr. Manzoor Hussain S/O Sardar Khan	3,254	Zong	2010	15,000	281,904	11,746	24
Total						1,127,616		

The loss occurred due to ineffective financial controls and negligence of the management.

Less realization of rent than prevailing market rates resulted into loss of Rs1.127 million.

The matter was reported to the TMO and the Administrator of TMA during December, 2012. The TMO replied that no shops were sublet to any company or person, but no substantiating evidence / register was produced in support of the reply.

The DAC in its meeting held during January, 2013, directed to ensure compliance of audit directives.

No progress was intimated till finalization of this Report.

Audit recommends that allotment of shops be cancelled and amount of Rs1.127 million be recovered from the person(s) at fault, under intimation to Audit.

[AIR Paras: - 06]

1.2.4.6 Loss due to Non-Registration of Private Housing Schemes – Rs1.025 million

As per rule 4&38 of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, the developer shall submit an application to the TMA, for seeking preliminary planning permission for a scheme before initiating any planning or development activity and shall pay the prescribed fee. Furthermore, rule 35(1) of said Rules empower the TMO to monitor the development work of the schemes and ensure that there is no deviation from the sanctioned scheme plan. Moreover Rule 55 of Private Housing Scheme's states that "a Town Municipal Administration, a Tehsil Municipal Administration or a Development Authority shall take action against illegal housing schemes and against deviations done in sanctioned housing schemes as per law for the time being in force."

In jurisdiction of TMA Liaqat Pur eight private housing schemes carried out development and marketing activities without registration, approval of schemes, map design and specifications. These schemes did not apply for the registration and therefore did not pay the fee on account of registration and other prescribed requirements amounting to Rs1.025 million. The detail is given at Annexure – D.

Audit holds that illegal and unauthorized activities are not checked by the TMA and huge loss of revenue is caused to the public exchequer due to not taking appropriate action and recovery by TMA.

The matter was reported to the TMO and the Administrator of TMA during December, 2012. The TMO replied that all these schemes were not approved and efforts are being made to stop marketing activities of the housing schemes. Furthermore, a letter has been written to the sub-registrar for not making registry of

plots in those schemes. Reply of the TMO was not tenable as efforts were not made to register the housing schemes and to recover government dues as the developers were carrying out marketing activities of relevant schemes. The DAC in its meeting held during January, 2013, directed to recover stated amount at the earliest.

No progress was intimated till finalization of this Report.

Audit recommends that amount of loss be recovered from the owners of the housing schemes or the officers responsible for not getting the housing schemes registered and deposited into Public Fund besides taking disciplinary action against the officers, under intimation to Audit.

[AIR Paras: 18]

ANNEXURE

Annexure – I**(Rupees in Million)**

Sr. No.	Para No.	Subject	Amount	Nature
1	8	Non recovery of POL charges from contractors. Loss to Govt.	0.587	Over Payment
2	14	Unauthorized payment of leave encashment	0.043	Violation of Rules
3	15	Payment of arrears without additional budget	0.255	Violation of Rules
4	20	Irregular expenditure on construction of sullege carrier	0.245	Violation of Rules
5	27	Unjustified consumption of POL by the disposals during load shedding	0.150	Violation of Rules
6	30	Loss to govt. due to non resale of used lubricants	0.146	Violation of Rules
7	33	Irregular expenditure without obtaining performance security	0.610	Violation of Rules
8	46	Irregular expenditure on flood	0.727	Violation of Rules
9	60	Unjustified expenditure on POL of vehicle No. RNO-07	0.614	Violation of Rules

LIST OF MEFDAC PARAS**(Rupees in Million)**

Sr. No.	Para No.	Subject	Amount
1	2	Non collection of rent of property and assets from the contractors	3.312
2	4	Excessive and Un-authorized expenditure on Holiday Allowance	1.916
3	21	Irregular expenditure due to non revision of administrative approval	7.471
4	32	Irregular expenditure on void agreements	27.849
5	44	Un-justified Expenditure on Sports Activities	1.351
6	52	Non recovery of pay pension contribution & fringe benefits.	1.441

Annexure – B
[Para 1.2.4.2]

Loss due to Auction at Less Than Reserve Price

(Amount in Rupees)

Sr. No.	Name of Cattle Mandi	Period	Reserve Price	Auction Value	Difference
1	Cattle Mandi Liaquatpur	2008-09	3,080,000	2,800,000	280,000
		2009-10	3,388,000	3,000,000	388,000
		2010-11	3,726,800	3,320,000	406,800
		2011-12	4,099,480	4,200,000	(100,520)
2	Cattle Mandi KhanBella	2008-09	4,070,000	500,000	3,570,000
		2009-10	4,477,000	2,755,000	1,722,000
		2010-11	4,924,700	3,105,000	1,819,700
		2011-12	5,417,170	4,000,000	1,417,170
3	Cattle Mandi TMP	2008-09	880,000	500,000	380,000
		2009-10	968,000	710,000	258,000
		2010-11	1,064,800	801,000	263,800
		2011-12	1,171,280	885,000	286,280
4	Cattle Mandi Hayat Lar	2008-09	1,650,000	-	1,650,000
		2009-10	1,815,000	1,012,000	803,000
		2010-11	1,996,500	1,116,000	880,500
		2011-12	2,196,150	1,600,000	596,150
5	Cattle Mandi Jan Pur	2008-09	660,000	400,000	260,000
		2009-10	726,000	560,000	166,000

		2010-11	798,600	665,000	133,600
		2011-12	878,460	735,000	143,460
6	General Bus Stand	2008-09	1,105,500	1,500,000	(394,500)
		2009-10	1,252,500	1,000,000	252,500
		2010-11	1,377,750	1,325,000	52,750
		2011-12	1,515,525	1,186,155	329,370
7	Advertisement Fee	2008-09	277,200	150,000	127,200
		2009-10	304,920	200,000	104,920
		2010-11	335,412	220,000	115,412
		2011-12	368,953	250,000	118,953
Total			54,525,700	38,495,155	16,030,545

Annexure – C
[Para 1.2.4.4]

Delay in Completion of Works

(Amount in Rupees)

Sr. No.	Particulars	Estimated cost	Due date of Completion	Actual Date of completion	Penalty
1	Laying of Tuff Tile Basti Babran Amin Abad LQP	690,000	21.12.10	Completed on 20.08.11	69,000
2	Construction of Water Course Basti Babran LQP	300,000	12.01.11	Still in progress	30,000
3	Construction & Repair of Office TMA LQ	1,150,000	13.08.10	Completed on 05.07.11	115,000
4	Repair of Shed & Tuff Tile Office TMA	800,975	04.06.11	Completed on 25.03.12	80,098
5	Construction of Gate and Laying of Tuff Tile TMA Office	1,000,000	26.11.11	Completed on 20.04.12	100,000
6	Repair of Disposal works Kachi Mandi	800,000	25.06.11	Completed on 15.03.12	80,000
7	Maintenance & Repair of Metal Road Muzmal Shaheed Road Rasheeda Abad	1,725,000	21.12.10	Completed on 04.06.11	172,500
8	Special Repair Remaining Portion of Metal Road Muzammal Shaheid Rasheeda Abad LQP	1,500,000	26.01.12	Completed on 04.04.12	150,000
9	Repair and Construction	1,955,000	21.12.10	Completed on	195,500

	of Metal Road Chowk Ghanta Ghar to Rehmani Chowk			10.11.11	
10	Rehabilitation of Metal Road From Jalandar Hotel Chowk to Wapda Office LQP	1,955,000	21.12.10	02.05.11	195,500
Total					1,187,598

Annexure – D
[Para 1.2.4.6]

Non Registration of Private Housing Schemes

(Amount in Rupees)

Sr. No.	Name of Scheme	Approximate Area (Kanal)	Planning Permission Fee	Sanction Fee	Approval of design and specifications for water supply, sewerage	Approval of design and specifications for road, bridge and footpath	Approval of design and specifications for electricity and street light at the rate fixed by WAPDA or other agency responsible for electricity supply	Conversion Fee @ 1%
1	Model City Phase-I	89.4	5,000	89,400	44,700	44,700	Fixed by the Authority	As per Valuation Table
2	Model City Phase-II	96	5,000	96,000	48,000	48,000		
3	Shah Rukne Alam	62	5,000	62,000	31,000	31,000		
4	Kheyabane Khursheed	100.1	5,000	100,100	50,050	50,050		
5	Ahmad Town	97	5,000	97,000	48,500	48,500		
6	Setlite Town	0	5,000	-	-	-		
7	Kenak Views	0	5,000	-	-	-		
8	Ali Hassan Housing	48	5,000	48,000	24,000	24,000		
Total			40,000	492,500	246,250	246,250		
G. Total						1,025,000		