



**AUDIT REPORT
ON
THE ACCOUNTS OF
UNION ADMINISTRATIONS
RAHIM YAR KHAN**

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AA	Admin Approval
ADP	Annual Development Programme
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
DGA	Director General Audit
IPSAS	International Public Sector Accounting Standards
LG&CD	Local Government & Community Development
MFDAC	Memorandum for Departmental Accounts Committee
NAM	New Accounting Model
PAO	Principal Accounting Officer
PLGO	Punjab Local Government Ordinance
PPRA	Punjab Procurement Regulatory Authority
RDA	Regional Directorate of Audit
STR	Sub Treasury Rule
TAO	Tehsil Accounts Officer
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TO (F)	Tehsil Officer (Finance)
TO (I&S)	Tehsil Officer (Infrastructure and Services)
TO (P&C)	Tehsil Officer (Planning and Coordination)
TO (R)	Tehsil Officer (Regulations)
TS	Technical Sanction
UA	Union Administration
UC	Union Council

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 and Auditor General of Pakistan's SRO (1) /2009 dated 02.03.2009 require the Auditor General of Pakistan to conduct audit of Receipts and Expenditures of the Local Fund and Public Accounts of District Governments, Town / Tehsil Municipal Administrations and Union Administrations.

The Report is based on audit of the accounts of ten Union Administrations of District Rahim Yar Khan for the Financial Years 2008-16. 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 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 at the DAC level and in all cases where the PAO 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 Report has 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 the 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 City District Governments and District Governments in Punjab (South) including Tehsil / Town Municipal Administrations and Union 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 27 officers and staff, constituting 4,830 mandays and the budget amounting to Rs 19.050 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 entities, projects and programs. Accordingly, RDA Bahawalpur carried out audit of the accounts of ten UAs of District Rahim Yar Khan on sample basis for the Financial Years 2008-16 and the findings included in the Audit Report.

Union Administrations (UAs) in District Rahim Yar Khan conduct their operations under the Punjab Local Government Ordinance 2001. UAs of District Rahim Yar Khan comprise Union Nazim / Administrator and not more than three secretaries namely Secretary (Union Committees), Secretary (Municipal Services) and Secretary (Community Development). Administrator designates one secretary as Principal Accounting Officer (PAO). Financial provisions of the Ordinance require every Local Government to establish Public Account. Additional Secretary (Local Government and Community Development Department) in pursuance of Section 179-A of the PLGO, 2001 appointed Tehsil Officer (Regulations) as Administrator of Union Councils falling in the respective Tehsil Municipal Administration vide notification No. SOR (LG) 39-6 / 2008 dated Lahore 24th February, 2010. According to this notification, “the Administrators shall perform the functions and exercise the powers of the Union Nazim, Naib Union Nazim and Union Councils under the Ordinance and any other law for the time being in force”.

The total development budget of ten above mentioned UAs in District Rahim Yar Khan for the Financial Years 2008-16, was Rs 112.847 million and expenditure incurred was Rs 52.778 million, showing savings of Rs 60.069 million. The total Non-development Budget for Financial Years 2008-16 was Rs 123.870 million and expenditure was Rs 72.475 million, showing savings of Rs 51.395 million. The reasons for savings in Development and Non-development Budgets are required to be provided by the PAOs concerned.

The total budget targets of receipts of ten Union Administrations for the Financial Years 2008-16 were Rs 89.495 million against which Rs 60.403 million were collected.

Audit of UAs of District Rahim Yar Khan was carried out with a view to ascertaining that the expenditure was incurred with proper authorization, in conformity with laws/rules/regulations and so as to whether the procurement of assets and hiring of services were economical or not.

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. Scope of Audit

Out of total expenditure of the UAs for the Financial Years 2008-16, auditable expenditure under the jurisdiction of Regional Director Audit, Bahawalpur was Rs 1,051.864 million covering 122 UAs. Out of this, RDA Bahawalpur audited an expenditure of Rs 125.253 million which, in terms of percentage, is 11.91% of total auditable expenditure and irregularities amounting to Rs 332.954 million were pointed out. Regional Director Audit planned and executed audit of ten UAs, i.e. 100% achievement against the planned audit activities.

Total receipts of the 122 Union Administrations, District Rahim Yar Khan for the Financial Years 2008-16, were Rs 784.561 million. RDA Bahawalpur audited receipts of Rs 60.403 million which, in terms of percentage is 12.99% of total receipts and no irregularities were pointed out.

b. Recoveries at the Instance of Audit

Recoveries of Rs 6.397 million were pointed out by Audit (out of which Rs 2.705 million of paras over one million are included in this Report) which was not in the notice of the management before audit. No recovery was effected till the time of compilation of this Report.

c. Audit Methodology

Audit was conducted after understanding the business processes of UAs with respect to 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.

d. Audit Impact

A number of improvements in record maintenance and procedures have been initiated by the departments concerned on pointation of Audit. However, audit impact in the shape of change in rules could not be materialized as the Public Accounts Committee has not discussed audit reports pertaining to Union Administrations.

e. Comments on Internal Control and Internal Audit Department

Internal control mechanism of UAs of District Rahim Yar Khan was not found satisfactory during audit. Many instances of weak internal controls have been highlighted during the course of audit which includes some serious lapses like execution of civil works by splitting and without maintenance of proper record by project committees. Negligence on the part of UAs authorities may be captioned as one of the important reasons for weak internal controls.

f. Key Audit Findings of the Report

- i. Irregularities of Rs 105.502 million were noted in four cases.¹
- ii. Internal Control Weaknesses involving amount of Rs 2.705 million were noted in two cases.²

Audit paras on the accounts for the Financial Years 2008-16 involving procedural violations including internal control weaknesses and irregularities which were not considered worth reporting to the Provincial PAC have been included in Memorandum for Departmental Accounts Committee (Annex- A).

¹ Para: 1.2.1.1-1.2.1.4

² Para: 1.2.2.1-1.2.2.2

g. Recommendations

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

- i. Strengthening of internal controls.
- ii. Compliance of DAC directives and decisions in letter and spirit.
- iii. Compliance of relevant laws, rules, instructions and procedures, etc.
- iv. Appropriate actions against officers/ officials responsible for violation of rules and losses.
- v. Appointing internal auditors to strengthen internal controls

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rupees in million)

Sr. No.	Description	No.	Expenditure	Receipt	Total
1	Total PAOs in Audit jurisdiction	122	1,051.864	784.561	1,836.425
2	Total Formations/DDOs in Audit Jurisdiction	122	1,051.864	784.561	1,836.425
3	Total Entities (PAOs) Audited	*10	125.253	60.403	185.656
4	Total formations/DDOs audited	*10	125.253	60.403	185.656
5	Audit & Inspection Reports	10	-	-	-
6	Special Audit Reports	-	-	-	-
7	Performance Audit Reports	-	-	-	-
8	Other Reports (Relating to UA)	-	-	-	-

*All the ten Union Administrations had been audited for the Financial Years 2008-16

Table 2: Audit observations Classified by Catagory

(Rupees in million)

Sr. No.	Description	Amount placed under audit observation
1	Unsound asset management	-
2	Weak financial management	-
3	Weak Internal controls relating to financial management	2.705
4	Others	105.502
Total		108.207

Table 3: Outcome Statistics**(Rupees in million)**

Sr. No.	Description	Expenditure on Physical Assets	Salary	Non Salary	Civil Works	Receipt	Total Current Year	Total Last Year
1	Total Financial Outlay	-	532.563	257.099	262.202	784.561	1,836.425	92.441
2	Outlays Audited	0.330	53.902	18.243	52.778	60.403	185.656*	49.702
3	Amount placed under audit observations / irregularities pointed out	-	-	-	108.207	-	108.207	126.372
4	Recoveries pointed out at the instance of Audit	-	-	-	2.705	-	2.705	2.918
5	Recoveries accepted / established at the instance of Audit	-	-	-	2.705	-	2.705	2.918
6	Recoveries 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 receipts whereas the total expenditure was Rs 125.253 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 principle of propriety and probity in public operations.	105.502
2	Reported cases of fraud, embezzlement, theft and misuse of public funds.	-
3	Accounting Errors (accounting policy departure from IPSAS ¹ misclassification, overstatement or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinion on the financial statement.	-
4	Quantification of weaknesses of internal controls system.	-
5	Recoveries, overpayments, or unauthorized payments of public money.	2.705
6	Non-production of record to Audit	-
7	Others, including cases of accidents, negligence etc.	-
Total		108.207

Table 5: Cost-Benefit

(Rupees in million)		
Sr. No.	Description	Amount
1	Outlays Audited (Items 2 of Table 3)	185.656
2	Expenditure on Audit	0.118
3	Recoveries realized at the instance of Audit	-
4	Cost-Benefit Ratio	-

¹ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS (Cash) compliant.

CHAPTER 1

1.1 Union Administrations, Rahim Yar Khan

1.1.1 Introduction

Union Administration (UA) consists of Union Nazim, Union Naib Nazim and not more than three Secretaries namely Secretary (Union Committees), Secretary (Municipal Services) and Secretary (Community Development). Each UA has one Drawing & Disbursing Officer.

There are 122 UAs in District Rahim Yar Khan out of which UAs Number 51, 52, 53, 54, 55, 118, 119, 120, 121 and 122 were audited on sample basis during 2016-17.

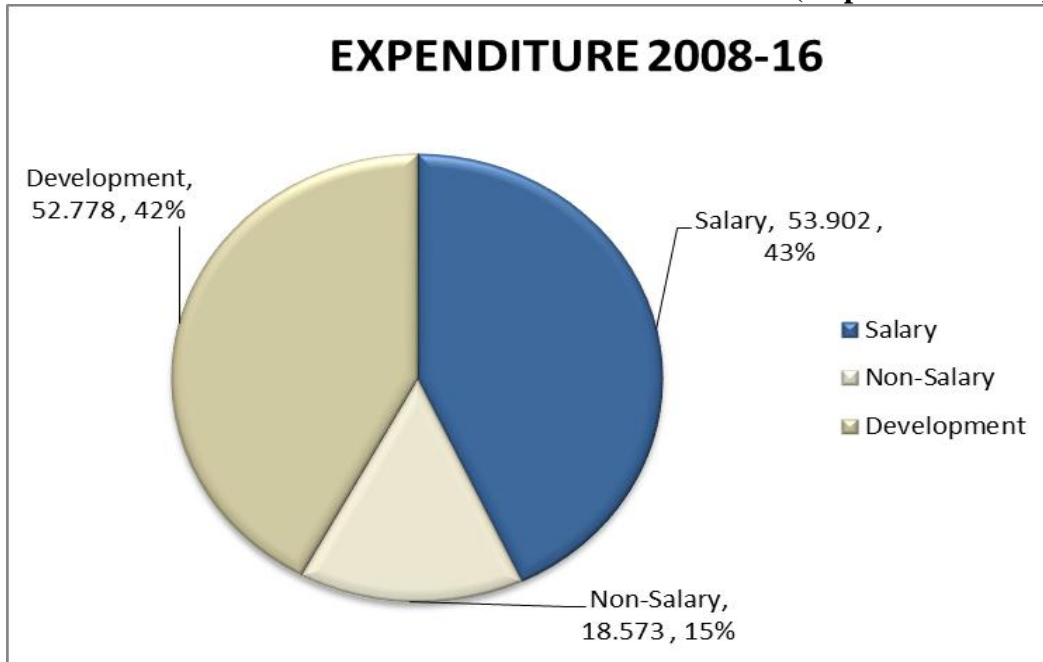
1.1.2 Comments on Budget and Accounts

The detail of budget and expenditure of ten UAs audited during 2016-17 is given below in tabulated form:

(Rupees in million)

2008-16	Budget	Actual	Excess (+) / Savings(-)	% savings
Salary	86.839	53.902	- 32.937	38%
Non-salary	37.030	18.573	- 18.457	50%
Development	112.847	52.778	- 60.069	53%
Total	236.716	125.253	- 111.463	47%
Revenue	89.495	60.403	- 29.092	33%

(Rupees in million)

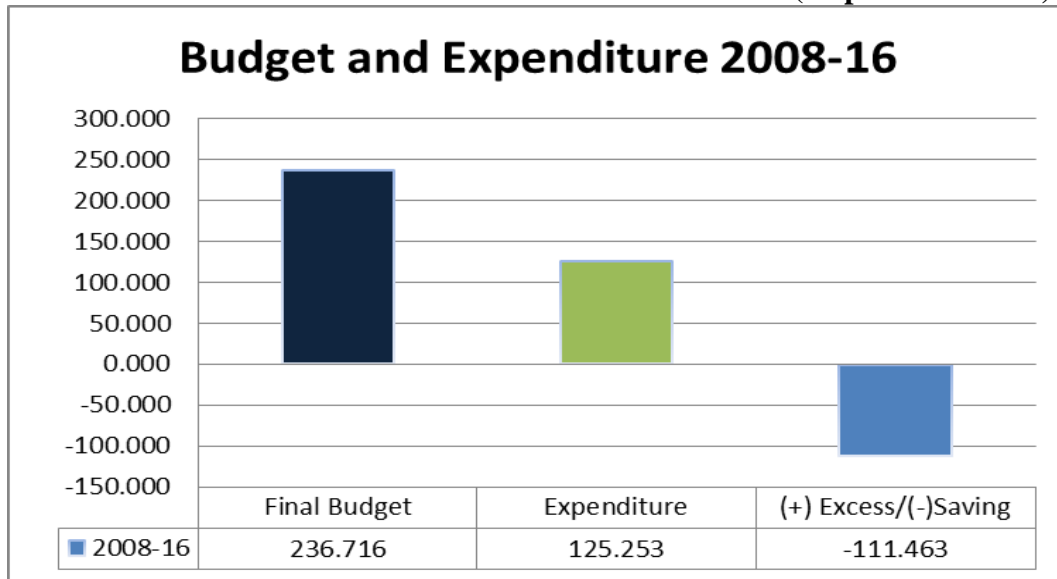


Details of budget allocations, expenditures and savings of each UA of District Rahim Yar Khan for the Financial Years 2008-16 are at Annex-B.

As per Budget Books for the Financial Years 2008-16 of UAs in District Rahim Yar Khan, the original and final budget of audited ten UAs was Rs 236.716 million. Total expenditure incurred by these UAs during Financial Years 2008-16 was Rs 125.253 million. A saving of Rs 111.463 million came to the notice of Audit, which shows that the UAs failed to provide essential municipal services as envisaged and planned at the time of preparation and approval of annual budget for the years. No plausible explanation was provided by the PAO, UA Nazims and management of UAs. **(Annex-B)**

The comparative analysis of the budget and expenditure of current Financial Years is depicted as under:

(Rupees in million)



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

Audit Paras reported in MFDAC (Annex-A) of last year Audit Report, which were not attended in accordance with the directives of DAC, have now been reported in Part-II of Annex-A.

1.1.4 Brief Comments on the Status of Compliance with PAC Directives

The Audit Reports pertaining to following years were submitted to the Governor of the Punjab but have not been examined by the Public Accounts Committee.

Status of Previous Audit Reports

S. No.	Audit Report Year	No. of Paras	Status of PAC Meeting
1	2009-12	35	PAC not constituted
2	2013-14	04	PAC not constituted
3	2015-16	06	PAC not constituted

1.2 AUDIT PARAS

1.2.1 Irregularities and non compliance

1.2.1.1 Irregular block allocation of funds for development activities – Rs 84.866 million

According to Rule 58 of the Punjab Union Administration (Budget) Rules, 2003, “No lump sum provision shall be made in the budget, the detail of which cannot be explained”.

Secretaries of ten (10) Union Administrations of District Rahim Yar Khan made lump sum provision of development budget of Rs 84.866 million during Financial Years 2008-16 without indicating detail of schemes, cost and geographical location, in violation of above rule. Detail is given below:

(Rupees in million)		
Sr. No.	UA No.	Amount
1	U.A No. 51 (RYK)	7.678
2	U.A No. 52 (RYK)	9.260
3	U.A No. 53 (RYK)	14.792
4	U.A No. 54 (RYK)	13.630
5	U.A No. 55 (RYK)	0.023
6	U.A No. 118 (LQP)	7.640
7	U.A No. 119 (LQP)	5.684
8	U.A No. 120 (LQP)	7.844
9	U.A No. 121 (LQP)	8.400
10	U.A No. 122 (LQP)	9.915
Total		84.866

Audit is of the view that due to weak financial management, unauthorized block allocation of funds was made.

Unauthorized block allocation resulted in violation of the Government instructions.

The matter was reported to the Union Secretaries / PAOs during March and April, 2017. Secretary of UA No. 51 did not submit working papers whereas Secretaries of remaining Union Administrations replied that the administrator was fully authorized to approve development budget according to public need /

demand. Reply of the department was not tenable as there was no provision in the rules for lump sum allocation of development funds.

DAC in its meetings held on 19.05.2017 and 22.05.2017 directed to get the irregularity condoned from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends inquiry and fixing responsibility on the person(s) at fault besides regularization of expenditure from the competent authority, under intimation to Audit.

[UA-51, AIR Para: 01, UA-52, AIR Para: 01, UA-53, AIR Para: 01, UA-54, AIR Para: 01, UA-55, AIR Para: 01, UA-118, AIR Para: 01, UA-119, AIR Para: 01, UA-120, AIR Para: 01, UA-121, AIR Para: 01 & UA-122, AIR Para: 01]

1.2.1.2 Irregular expenditure due to non observance of procurement rules - Rs 16.613 million

According to Rule 9, 10, 12 and 13 of the Punjab Procurement Rules 2009, a 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. The procuring agency shall advertise in advance annual requirement for procurement on the website of the authority as well as on its website. Procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the PPRA's website in the manner and format specified by the PPRA from time to time and as well as in other print media or newspapers having wide circulation.

Secretaries of following five (05) Union Administrations of District Rahim Yar Khan incurred expenditure of Rs 16.613 million on account of development works during Financial Years 2008-16. The expenditure was incurred without advertisement on PPRA's website. Detail is given below:

(Rupees in million)		
Sr. No.	UA No.	Amount
1	U.A No. 51 (RYK)	1.250
2	U.A No. 52 (RYK)	2.968
3	U.A No. 53 (RYK)	3.045
4	U.A No. 54 (RYK)	3.150
5	U.A No. 55 (RYK)	6.200
Total		16.613

Audit is of the view that due to weak internal controls, development schemes were executed without advertisement on PPRA's website.

Execution of development schemes without advertisement on PPRA's website resulted in irregular expenditure of Rs 16.613 million.

The matter was reported to the Union Secretaries / PAOs during March and April, 2017. Secretary of UA No. 51 did not submit working papers whereas Secretaries of remaining Union Administrations replied that development schemes were advertised in newspapers and the same were completed accordingly. Replies of PAOs were not tenable as advertised was not made on PPRA's website.

DAC in its meetings held on 19.05.2017 and 22.05.2017 directed to get the expenditure regularized from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends inquiry and fixing responsibility on the person(s) at fault besides regularization of expenditure from the competent authority, under intimation to Audit.

[UA-51, AIR Para: 02, UA-52, AIR Para: 02, UA-53, AIR Para: 02, UA-54, AIR Para: 02, UA-55 & AIR Para: 02]

1.2.1.3 Unauthorized expenditure on development activities during ban period – Rs 1.811 million

According to letter No. SOR (LG) 38 – 3 / 2005 dated 20.06.2009 of Government of the Punjab, Local Government and Community Development Department, the Union Administration was required to prepare only non-development budget. Further, according to letter No. SOR (LG) 38 – 3 / 2008 dated 20.06.2009 issued by the LG&CD Department, Government of the Punjab, "No Union Administration was allowed to prepare Annual Development Program for the year 2009-10".

Secretaries of following five (05) Union Administrations of District Rahim Yar Khan incurred expenditure of Rs 1.811 million for development schemes during Financial Year 2009-10 without obtaining prior approval from

the competent authority as the entities were not allowed to incur expenditure on development activities during that period (due to imposition of ban by Government). Detail is as under:

(Rupees in million)		
Sr. No.	UA No.	Amount
1	U.A No. 118 (LQP)	0.420
2	U.A No. 119 (LQP)	0.453
3	U.A No. 120 (LQP)	0.306
4	U.A No. 121 (LQP)	0.380
5	U.A No. 122 (LQP)	0.252
Total		1.811

Audit is of the view that due to weak internal controls, allocation of budget for development schemes and further execution was made.

Irregular allocation and execution of development schemes during ban resulted in irregular expenditure of Rs 1.811 million.

The matter was reported to the Union Secretaries / PAOs during March and April, 2017. Secretaries of Union Administrations replied that ban was on ADP and not on development schemes. Replies of PAOs were not tenable as ban was imposed on development activities.

DAC in its meetings held on 19.05.2017 and 22.05.2017 directed to get the expenditure regularized from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends inquiry and fixing responsibility on the person(s) at fault besides regularization of expenditure from the competent authority, under intimation to Audit.

[UA-118, AIR Para: 02, UA-119, AIR Para: 03, UA-120, AIR Para: 02, UA-121, AIR Para: 03 & UA-122, AIR Para: 03]

1.2.1.4 Doubtful expenditure on execution of Development Works through Project Committee – Rs 2.212 million

According to Rule 4 (4) (e) Punjab Union Administration (Works) Rules, 2002 “the Secretaries of the Project Committee shall ensure the maintenance of

the following record of each project i.e. detailed estimates duly approved by the Union Nazim, the quotations and vouchers of all articles / materials etc., Muster Roll for payment of labour charges, Stock Register; and Measurement Book, Inspection Register for each schemes, and Completion report verified by all members of the Project Committee”.

Secretaries of two (02) Union Administrations of District Rahim Yar Khan incurred expenditure of Rs 2.212 million on development activities during Financial Years 2008-10. The expenditure was irregular as the projects were executed without preparation of ADP and without obtaining administrative approval of competent authority. Moreover, joint bank account of project committee was not opened. Furthermore, requisitions from public, inspection notes, quotations, supply orders and completion certificates were not on record. Detail is given below:

(Rupees in million)			
Sr. No.	UA No	Period	Total Amount
1	U.A No. 119 (LQP)	2008-10	1.097
2	U.A No. 121 (LQP)	2008-09	1.115
Total			2.212

Audit is of the view that due to weak internal controls, proper record was not maintained.

Non maintenance of record amounting to Rs 2.212 million on account of civil works resulted in violation of rules.

The matter was reported to the Union Secretaries / PAOs during March and April, 2017. Secretaries of Union Councils replied that all projects were executed by the Project Committee and completion certificates were also available. There was no need of operating a separate account. Development schemes were executed and completed properly. Replies of the Secretaries were not tenable as no evidence was produced in support of reply.

DAC in its meeting held on 19.05.2017 directed to get the irregularity condoned from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends inquiry and fixing responsibility on the person(s) at fault besides regularization of expenditure from the competent authority, under intimation to Audit.

[UA-119, AIR Para: 05 & UA-121, AIR Para: 05]

1.2.2 Internal Control Weaknesses

1.2.2.1 Non-deduction / deposit of Income Tax and GST – Rs 2.705 million

According to Income Tax Ordinance, the Income Tax @ 6% was to be deducted at source on the amounts paid for the supply of material used in various works. Further, according to Section 153 of the Income Tax Ordinance, 2001, income tax is required to be deducted @3.5% from the payment of suppliers and the same shall be deposited into Govt. treasury. Furthermore, according to Finance Department letter no. FD SO (Tax) 1-11/97 dated 19.09.1998, it is required that all purchases should be made from the firms registered with the Sales Tax Department and payment of GST be made on submission of sales tax Invoices showing the sale tax registration number. Moreover, according to Government of the Punjab instructions vide letter No. D.O. No.5 (21) L&D/97-4910/FS dated 03.10.1997, the proof of General Sales Tax deposited into Government treasury is necessary.

Secretaries of eight (08) Union Administrations of District Rahim Yar Khan either did not deduct Income Tax and GST of Rs 2.705 million from the payments, made to different contractors / suppliers during 2008-16 or if deducted was not deposited into Government treasury. Furthermore, the proof of General Sales Tax deposited into Government treasury was not acquired from concerned contractors. Detail is given below:

(Rupees in million)		
Sr. No.	UAs No.	Amount
1	U.A No. 51 (RYK)	0.184
2	U.A No. 52 (RYK)	0.062
3	U.A No. 54 (RYK)	0.135
4	U.A No. 118 (LQP)	0.438
5	U.A No. 119 (LQP)	0.346
6	U.A No. 120 (LQP)	0.549
7	U.A No. 121 (LQP)	0.544
8	U.A No. 122 (LQP)	0.447
Total		2.705

Audit is of the view that due to weak financial controls, income tax and general sales tax was not deducted / deposited into Government treasury.

Non deduction / deposit of income tax and general sales tax resulted in loss of Rs 2.705 million.

The matter was reported to the Union Secretaries / PAOs during March and April, 2017. Secretaries of Union Administrations No. 52 and 54 replied that RCC pipes and water pumps were purchased from registered firms who were responsible for payment of taxes whereas Secretaries of Union Administrations No. 118, 119, 120, 121 and 122 replied that compliance would be shown at the time of next audit. Reply of the department was not tenable as no proof regarding deposit of taxes was shown to Audit.

DAC in its meeting held on 19.05.2017 and 22.05.2017 directed to provide proof of GST deposited into Government treasury otherwise recovery be effected within 15 days. No progress was intimated till finalization of this Report.

Audit recommends inquiry and fixing responsibility on the person(s) at fault besides recovery of Rs 2.705 million, under intimation to Audit.

[UA-51, AIR Para: 09, UA-52, AIR Para: 16, UA-54, AIR Para: 11, UA-118, AIR Para: 05, UA-119, AIR Para: 07, UA-120, AIR Para: 08, UA-121, AIR Para: 07 & UA-122, AIR Para: 05]

1.2.2.2 Loss due to non-levying of taxes

According to Rule 3 (1) of the Punjab Local Government (Fee for License etc.) Rules 2003, the Union Administration shall levy fees for licensing of following professions and vocations:

- a) Butchers and vendor of poultry, game & fish
- b) Persons keeping milk collection centres
- c) Persons keeping any animal for profit other than milk cattle or milk goats
- d) Dairy man, butter man and vendor of Ghee
- e) Vendor of Fruits and Vegetables
- f) Washer man
- g) Vendor of wheat, rice and other grains or flour

- h) Makers and vendors of sweet mart
- i) Barbers and keepers of shaving saloons.

Secretaries of ten (10) Union Administrations (U.A No. 51, 52, 53, 54, 55, 118, 119, 120, 121 and 122) of District Rahim Yar Khan did not levy and collect license and permit fees during Financial Years 2008-16 from the above cited vendors in violation of above rule.

Audit is of the view that due to ineffective financial and administrative controls, license and permit fees were not levied and collected.

Non levy /collection of permit / license fees resulted in loss of revenue.

The matter was reported to the Union Secretaries/PAOs during March & April, 2017. Secretaries of concerned Union Administrations replied that their UAs were exempt from such fees / taxes because these were situated in poor regions. Replies of concerned secretaries were not tenable as above cited taxes were not levied and evidence in support of reply was also not produced.

DAC in its meetings held on 19.05.2017 and 22.05.2017 directed to levy fees and get the loss written off from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends inquiry and fixing responsibility on the person(s) at fault besides levying of taxes and getting the loss written off from the competent authority, under intimation to Audit.

[UA-51, AIR Para: 11, UA-52, AIR Para: 10, UA-53, AIR Para: 10, UA-54, AIR Para: 10, UA-55, AIR Para: 10, UA-118, AIR Para: 13, UA-119, AIR Para: 10, UA-120, AIR Para: 11, UA-121, AIR Para: 13 & UA-122, AIR Para: 10]

Annex

**Annex-A
Part-I**

**Memorandum for Departmental Accounts Committee (MFDAC) Paras
pertaining to Audit Year 2016-17**

(Rupees in million)

Union Council No.	Sr. No.	AIR Para No.	Description	Amount
U.A No. 51 (RYK)	1	3	Unjustified / Irregular Execution of Development Projects	1.102
	2	4	Excess/ Less allocation and Non-utilization of Development Budget through CCB	1.896
	3	5	Excess / Less Allocation of Funds for Development	2.178
	4	6	Irregular execution of work without observing codal formalities	1.102
	5	7	Non-conducting of Post Evaluation of Development Schemes	1.102
	6	8	Loss due to Non Deduction / Non Payment of General Sales Tax	0.187
	7	10	Loss due to non-recovery of tender fees	0.016
	8	12	Non Allocation & Non-utilization of Funds on Sports Activities	1.494
	9	13	Loss due to excess payment on account of less deduction of Shrinkage from earthwork	0.015
	10	14	Loss due to non- imposing of penalty to contractors for late completion of development schemes	0.055
	11	15	Irregular and Unjustified expenditure of Jashn-e-azadi	0.067
U.A No. 52 (RYK)	12	3	Unjustified / Irregular Execution of Development Projects	3.198
	13	4	Less/ Non allocation and Non-utilization of Development Budget through CCB	2.058
	14	5	Less Allocation of Funds for Development	7.036
	15	8	Loss due to Non Deduction / Non Payment of Income Tax and General Sales Tax	0.294
	16	11	Irregular Expenditure on Purchase of RCC Pipes	0.190
	17	12	Non Reconciliation of Receipt	1.128
	18	13	Irregular Expenditure due to Non-Preparation of Budget on Prescribed Format & Preparation of Monthly Reports	11.946
	19	14	Non Allocation & Non-utilization of Funds on Sports Activities	21.968
	20	17	Loss due to non imposing of penalty to contractors for late completion of development schemes	0.060

Union Council No.	Sr. No.	AIR Para No.	Description	Amount
U.A No. 53 (RYK)	21	3	Unjustified / Irregular Execution of Development Projects	3.045
	22	4	Less allocation and Non-utilization of Development Budget through CCB	2.030
	23	5	Less/Excess Allocation of Funds for Development	7.641
	24	8	Loss due to Non Deduction / Non Payment of General Sales Tax	0.413
	25	11	Irregular Expenditure on Purchase of RCC Pipes & non-payment of GST	0.189
	26	12	Non Allocation & Non-utilization of Funds on Sports Activities	0.356
	27	15	Irregular and Unjustified expenditure of Jashn-e-azadi	0.054
U.A No. 54 (RYK)	28	3	Unjustified / Irregular Execution of Development Projects	3.150
	29	4	Less allocation and Non-utilization of Development Budget through CCB	3.348
	30	5	Less/ Excess Allocation of Funds for Development	5.677
	31	8	Loss due to Non Deduction / Non Payment of General Sales Tax	0.411
	32	12	Less Allocation & Non-utilization of Funds on Sports Activities	0.534
	33	14	Loss due to non imposing of penalty to contractors for late completion of development schemes	0.215
	34	15	Irregular and Unjustified expenditure of Jashn-e-azadi	0.035
U.A No. 55 (RYK)	35	3	Unjustified / Irregular Execution of Development Projects	4.182
	36	4	Less allocation and Non-utilization of Development Budget through CCB	5.350
	37	5	Excess Allocation of Funds for Development	15.652
	38	8	Loss due to Non Deduction / Non Payment of General Sales Tax	0.711
	39	11	Less Allocation & Non-utilization of Funds on Sports Activities	1.047
	40	13	Loss due to non- imposing of penalty to contractors for late completion of development schemes	0.250
U.A No. 118 (LQP)	41	3	Unauthorized less allocation for Development funds and CCBs	5.221
	42	7	Irregular Expenditure on Development Projects without Preparation of Monthly Progress Reports	2.866
	43	8	Improper maintenance of record of Nikkah fee	0.089
	44	9	Irregular expenditure on account of repair of culverts and soling	1.347

Union Council No.	Sr. No.	AIR Para No.	Description	Amount
	45	10	Unauthorized payment to work contingent paid staff without any scope	0.460
	46	12	Irregular expenditure on account of sports items and holding of various festivals	0.124
U.A No. 119 (LQP)	47	2	Unauthorized less allocation for Development funds and CCBs	1.954
	48	5	Doubtful expenditure on execution of Development Works through Project Committee	1.097
	49	7	Non-deduction and non-deposit of income tax/sales tax	0.346
	50	9	Doubtful expenditure on account of holding of sports and various festivals/events	0.184
	51	10	Loss due to non-levying of Taxes	-
	52	11	Irregular expenditure on account of repair of culverts and soling	0.437
	53	12	Irregular Expenditure on Development Projects without Preparation of Monthly Progress Reports	1.967
	54	13	Improper maintenance of Nikkah fee	0.247
U.A No. 120 (LQP)	55	1	Unauthorized block allocation of funds for Development activities	7.844
	56	2	Unauthorized expenditure on development activities Development during Bann Period	0.306
	57	3	Unauthorized Less Allocation for Development Funds and CCBs	4.977
	58	4	Doubtful expenditure on account of holding of sports and various festivals/events	0.436
	59	8	Non-deduction and non-deposit of income tax/sales tax	0.549
	60	9	Irregular Expenditure on Development Projects without Preparation of Monthly Progress Reports	1.160
	61	10	Improper maintenance of Nikkah fee	0.040
	62	11	Loss due to non-levying of Taxes	-
U.A No. 121 (LQP)	63	1	Unauthorized block allocation of funds for Development activities	8.400
	64	2	Unauthorized less allocation for Development Funds and CCBs	5.308
	65	3	Unauthorized expenditure on Development activities Development during Bann Period	0.380
	66	5	Doubtful expenditure on execution of Development Works through Project Committee	1.115
	67	7	Non-deduction and non-deposit of income tax/sales tax	0.543
	68	9	Doubtful expenditure on account of holding of sports and various festivals/events	0.310

Union Council No.	Sr. No.	AIR Para No.	Description	Amount
	69	10	Irregular expenditure on Account of repair of culverts and soling	2.259
	70	11	Irregular Expenditure on Development Projects without Preparation of Monthly Progress Reports	3.700
	71	12	Improper maintenance of Nikkah fee	0.753
	72	13	Loss due to non-levying of Taxes	-
U.A No. 122 (LQP)	73	1	Unauthorized block allocation of funds for Development activities	9.915
	74	2	Unauthorized less allocation for development and CCB Funds	3.974
	75	3	Unauthorized expenditure on Development activities Development during Bann Period	0.252
	76	5	Non-deduction and non-deposit of income tax/sales tax	0.447
	77	7	Irregular expenditure on Account of repair of culverts and soling	1.089
	78	8	Irregular Expenditure on Development Projects without Preparation of Monthly Progress Reports	1.586
	79	9	Improper maintenance of Nikkah fee	-
	80	10	Loss due to non-levying of Taxes	-

Part-II
[Para-1.1.3]

**Memorandum for Departmental Accounts Committee Paras not
attended in Accordance with the Directives of DAC Pertaining to
Audit Year 2015-16**

(Rupees in Million)

Union Council No.	Sr. No.	AIR Para No.	Description	Amount
14 Sadiq Abad	1	2	Non allocation and non utilization of development budget through CCB	2.070
	2	6	Non-conducting of post evaluation of development schemes	3.045
	3	9	Unjustified variation in budgeted and actual expenditures	7.977
15 Sadiq Abad	4	2	Non allocation and non utilization of development budget through CCB	1.181
	5	5	Non-conducting of post evaluation of development schemes	1.098
	6	7	Unjustified variation in budgeted and actual expenditures	3.168
16 Sadiq Abad	7	2	Non allocation and non utilization of development budget through CCB	2.086
	8	5	Non-conducting of post evaluation of development schemes	1.950
	9	7	Unjustified variation in budgeted and actual expenditures	9.092
17 Sadiq Abad	10	2	Non allocation and non utilization of development budget through CCB	2.129
	11	5	Non-conducting of post evaluation of development schemes	3.041
	12	8	Unjustified variation in budgeted and actual expenditures	8.061
	13	9	Irregular purchase of machinery and equipment due to non observing of austerity measures	0.059
18 Sadiq Abad	14	2	Non allocation and non utilization of development budget through CCB	2.176
	15	6	Non-conducting of post evaluation of development schemes	3.093
	16	9	Unjustified variation in budgeted and actual expenditures	6.509
19 Sadiq Abad	17	2	Non allocation and non utilization of development budget through CCB	1.318
	18	6	Non-conducting of post evaluation of development schemes	4.124
	19	8	Unjustified expenditure on procurement of store items	0.348
	20	10	Unjustified variation in budgeted and actual expenditures	7.816

Union Council No.	Sr. No.	AIR Para No.	Description	Amount
20 Sadiq Abad	21	2	Non allocation and non utilization of development budget through CCB	1.318
	22	6	Non-conducting of post evaluation of development schemes	2.081
	23	10	Unjustified variation in budgeted and actual expenditures	7.816
21 Sadiq Abad	24	2	Non allocation and non utilization of development budget through CCB	3.544
	25	6	Non-conducting of post evaluation of development schemes	3.044
	26	10	Unjustified variation in budgeted and actual expenditures	4.821
22 Sadiq Abad	27	2	Non allocation and non utilization of development budget through CCB	3.544
	28	6	Non-conducting of post evaluation of development schemes	5.629
	29	10	Unjustified variation in budgeted and actual expenditures	3.341
	30	11	Unjustified less fixation of targets	0.378
23 Sadiq Abad	31	2	Non allocation and non utilization of development budget through CCB	1.881
	32	6	Non-conducting of post evaluation of development schemes	3.855
	33	10	Unjustified variation in budgeted and actual expenditures	2.914

Annex – B

Detail of Budget and Expenditure of UAs, District Rahim Yar Khan

(Rupees in million)

UC No	2008-16	Budget	Actual	Excess (+) / Savings(-)	% savings
51	Salary	8.562	7.099	(-)1.463	17%
	Non-salary	1.178	0.758	(-)0.420	36%
	Development	7.679	3.490	(-)4.189	55%
	Total	17.419	11.347	(-)6.072	35%
	Revenue	14.255	8.347	(-)5.908	41%
52	Salary	7.667	6.956	(-)0.711	9%
	Non-salary	2.952	2.022	(-)0.930	32%
	Development	11.350	2.968	(-)8.382	74%
	Total	21.969	11.946	(-)10.023	46%
	Revenue	24.435	13.158	(-)11.277	46%
53	Salary	9.987	2.525	(-)7.462	75%
	Non-salary	2.532	6.377	3.845	152%
	Development	14.793	27.794	13.001	88%
	Total	27.312	36.696	9.384	34%
	Revenue	14.082	7.114	(-)6.968	49%
54	Salary	8.182	4.581	(-)3.601	44%
	Non-salary	3.360	0.734	(-)2.626	78%
	Development	16.630	3.070	(-)13.560	82%
	Total	28.172	8.385	(-)19.787	70%
	Revenue	15.905	9.200	(-)6.705	42%
55	Salary	9.706	4.163	(-)5.543	57%
	Non-salary	4.431	0.673	(-)3.758	85%
	Development	23.261	3.156	(-)20.105	86%
	Total	37.398	7.992	(-)29.406	79%
	Revenue	15.218	18.744	3.526	23%
118	Salary	8.318	4.550	(-)3.768	45%
	Non-salary	3.506	1.326	(-)2.180	62%
	Development	7.640	2.866	(-)4.774	62%
	Total	19.464	8.742	(-)10.722	55%
	Revenue	2.000	1.584	(-)0.416	21%
119	Salary	10.018	7.051	(-)2.967	30%
	Non-salary	4.289	1.059	(-)3.230	75%
	Development	5.684	1.967	(-)3.717	65%
	Total	19.991	10.077	(-)9.914	50%

UC No	2008-16	Budget	Actual	Excess (+) / Savings(-)	% savings
	Revenue	1.200	0.849	(-)0.351	29%
120	Salary	8.584	6.379	(-)2.205	26%
	Non-salary	4.649	2.071	(-)2.578	55%
	Development	7.495	2.145	(-)5.350	71%
	Total	20.728	10.595	(-)10.133	49%
	Revenue	0.800	0.352	(-)0.448	56%
121	Salary	9.341	5.320	(-)4.021	43%
	Non-salary	5.047	1.552	(-)3.495	69%
	Development	8.400	3.700	(-)4.700	56%
	Total	22.788	10.572	(-)12.216	54%
	Revenue	0.700	0.381	(-)0.319	46%
122	Salary	6.474	5.278	(-)1.196	18%
	Non-salary	5.086	2.001	(-)3.085	61%
	Development	9.915	1.622	(-)8.293	84%
	Total	21.475	8.901	(-)12.574	59%
	Revenue	0.900	0.674	(-)0.226	25%
Grand Total	Salary	86.839	53.902	(-)32.937	38%
	Non-salary	37.030	18.573	(-)18.457	50%
	Sub Total	123.869	72.475	51.394	58%
	Development	112.847	52.778	(-)60.069	53%
	Total	236.716	125.253	(-)111.463	47%
	Revenue	89.495	60.403	(-)29.092	33%