



**AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATION
DISTRICT CHAKWAL**

AUDIT YEAR 2012-13

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	I
PREFACE	II
EXECUTIVE SUMMARY	III
SUMMARY TABLE & CHARTS	VII
TABLE 1: AUDIT WORK STATISTICS	VII
TABLE 2: AUDIT OBSERVATIONS	VII
TABLE3: OUTCOME STATISTICS	VIII
TABLE4: IRREGULARITIES POINTED OUT	VIII
CHAPTER 1	1
1 TEHSIL MUNICIPAL ADMINISTRATIONS, CHAKWAL.....	1
1.1 INTRODUCTION.....	1
1.1.2COMMENTS ON BUDGET AND ACCOUNTS (VARIANCE ANALYSIS)	2
1.2 TMA KALLAR KAHAR	5
1.2.3 NON-COMPLIANCE OF RULES	6
1.3 TMA CHOA SAIDEN SHAH.....	7
1.3.2 NON-PRODUCTION OF RECORD	8
1.3.3 NON-COMPLIANCE OF RULES	9
ANNEXURE	10

ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
FD	Finance Department
IPSAS	International Public Sector Accounting Standards
LG &CD	Local Government & Coomunity Development
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
PAC	Public Account Committee
PCC	Plain Cement Concrete
PDG	Punjab District Governments
PLGO	Punjab Local Government Ordinance
PLG	Punjab Local Government
PDSSP	Punjab Devolved Social Sector Programme
PPRA	Punjab Procurment regulation Authority
TAC	Tehsil Accounts Committee
TMA	Town/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 (Regulation)

PREFACE

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 115 of the Punjab Local Government Ordinance, 2001 require the Auditor General of Pakistan to audit the accounts of the provincial governments and the accounts of any authority or body established by, or under the control of the provincial government shall be conducted by the Auditor General of Pakistan. Accordingly, the audit of all receipts and expenditures of the Local Fund and Public Accounts of Tehsil/Town Municipal Administrations of the Districts is the responsibility of the Auditor General of Pakistan.

The report is based on audit of the accounts of Tehsil Municipal Administrations of the District Chakwal for the financial year 2011-12. The Directorate General of Audit District Governments Punjab (North), Lahore conducted audit during 2012-13 on test check basis with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs1.00 million or more. Relatively less significant issues are listed in the Annexure-A of the Audit Report. The Audit observations listed in the Annexure-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.

The audit results indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to prevent recurrence of such violations, irregularities and losses.

The observations included in this Report have been finalized after discussion of Audit Paras with the management. However no Departmental Accounts Committee meetings by PAO were convened despite repeated requests.

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 to cause it to be laid before Provincial Assembly of Punjab.

Islamabad
Dated:

(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Punjab (North), Lahore, is responsible to carry out the audit of eighty one Tehsil Municipal Administrations and Union Administrations of three City District Governments and sixteen District Governments. Its Regional Directorate of Audit, Rawalpindi has audit jurisdiction of District Governments, Tehsil / Town Municipal Administration and Union Administrations of one City District Government i.e. Rawalpindi and three District Governments i.e. Jhelum, Chakwal and Attock.

The Regional Directorate has a human resource of 15 officers and staff, total 4,389 man-days and the annual budget of Rs12.199 million for the financial year 2011-12. It has mandated to conduct Financial Attest, Regularity Audit, Audit of Sanctions and Compliance with Authority & Performance Audit of entire expenditure including programmes / projects & receipts. Accordingly Regional Directorate Rawalpindi carried out audit of accounts of two TMAs of District Chakwal for the financial year 2011-12.

Each Tehsil Municipal Administration, in District Chakwal is headed by a Tehsil Nazim / Administrator who 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.

Audit of TMAs of District Chakwal 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 was conducted to verify whether the assessment, collection, reconciliation and allocation of revenues were made in accordance with laws and rules, there was no leakage of revenue and revenue did not remain outside Government Account / Local Fund.

Audit Objectives

Audit was conducted with the objective to ensure that:

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

a) Audit Methodology

Audit was performed through understanding the business process 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. 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 Receipt

Total expenditure of the two TMAs of Chakwal for the financial year 2011-12 was Rs87.44 million. Out of this Regional Director Audit (RDA) Rawalpindi audited expenditure of Rs42.51 million which in terms of percentage was 48.61% of total expenditure. Regional Director Audit planned and executed audit of 2 TMAs i.e. 100% achievement against the planned audit activities.

Total receipts of two Tehsil Municipal Administrations of the District Chakwal for the financial year 2011-12, were Rs70.62 million. RDA Rawalpindi audited receipts of Rs35.31 million which was 50% of total receipts.

c) Recoveries at the Instance of Audit

No Recovery was pointed out.

d) Key Audit Findings of the Report

- i. Non Production of Record of Rs9.72 million noted in one case¹
- ii. Non Compliance of Rules of Rs58.52 million noted in two cases².

Audit paras for the audit year 2012-13 involving procedural violations including internal control weaknesses, unsound asset management and irregularities not considered worth reporting are included in MFDAC (Annexure-A).

e) Recommendations

- I. Head of the Tehsil Municipal Administrations needs to conduct physical stock taking of fixed and current assets.
- II. Departments need to comply with the Public Procurement Rules for and rational purchases of goods and services.
- III. Inquiries need to be held to fix responsibility for wasteful expenditure and unauthorized payment.
- IV. The PAO needs to make efforts for expediting the realization of various Government receipts.
- V. The PAO and his team need to ensure proper execution and implementation of the monitoring system.
- VI. The PAO needs to take appropriate action for non-production of record.

VII. The PAO needs to rationalize its budget with respect to utilization

¹ Para 1.3.2.1

² Para 1.2.3.1 & 1.3.3.1

SUMMARY TABLE & CHARTS

Table 1: Audit Work Statistics

(Rs in million)

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	4	739.421
2	Total formations in Audit Jurisdiction	4	739.421
3	Total Entities (PAOs)/DDOs Audited	2	87.44
4	Audit & Inspection Reports	2	87.44
5	Special Audit Reports	Nil	Nil
6	Performance Audit Reports	Nil	Nil
7	Other Reports (Relating to TMA)	Nil	Nil

* Figures at Serial No.3, & 4 represents expenditure.

Table 2: Audit observations

(Rs in million)

Sr. No.	Description	Amount under audit observations	Para Reference
1	Asset management	0	
2	Financial management	9.72	1.3.2.1
3	Internal controls	58.52	1.2.3.1 & 1.3.3.1
4	Others	0	
Total		68.24	

Table3: Outcome Statistics**Expenditure Outlay Audited**

(Rs in million)

Sr. No.	Description	Physical Assets	Civil Work	Receipt	Other	Total Current Year	Total Last Year
1	Outlays audited		63.14	70.62	24.30	158.06*	3,000.21
2	Amount placed under Audit observation/irregularities		48.98	9.53	9.72	68.23	39.91
3	Recoveries pointed out at the instance of Audit.						29.18
4	Recoveries accepted/established at Audit instance.						
5	Recoveries realized at the instance of Audit.						

* The amount in serial No 1 column of “total 2011-12” is the sum of Expenditure and Receipts, whereas the total expenditure for the year 2011-12 was 87.44 million

Table4: Irregularities Pointed Out

(Rs in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and principle of propriety and probity.	58.52
2	Reported cases of fraud, embezzlement, theft and misappropriations and misuse of public funds.	0
3	Quantification of weaknesses of internal control systems	0
4	Recoveries, overpayments or unauthorized payments of public money.	0
5	Non-production of record.to Audit.	9.72
6	Others, including cases of accidents, negligence etc.	0
	Total	68.24

¹ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan.

CHAPTER 1

1 TEHSIL MUNICIPAL ADMINISTRATIONS, CHAKWAL

1.1 INTRODUCTION

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

1. Prepare spatial plans for the Tehsil including plans for land use, zoning and functions for which TMA is responsible;
2. Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations;
3. Enforce all municipal laws, rules and by-laws governing TMA's functioning;
4. Prepare budget, long term and annual municipal development programmes in collaboration with the Union Councils;
5. 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;
6. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties;
7. Manage properties, assets and funds vested in the Tehsil Municipal Administration;
8. Develop and manage schemes, including site development in collaboration with District Government and Union Administration;
9. Issue notice for committing any municipal offence by any person and initiate legal proceedings for commission of such offence or failure to comply with the directions contained in such notice;

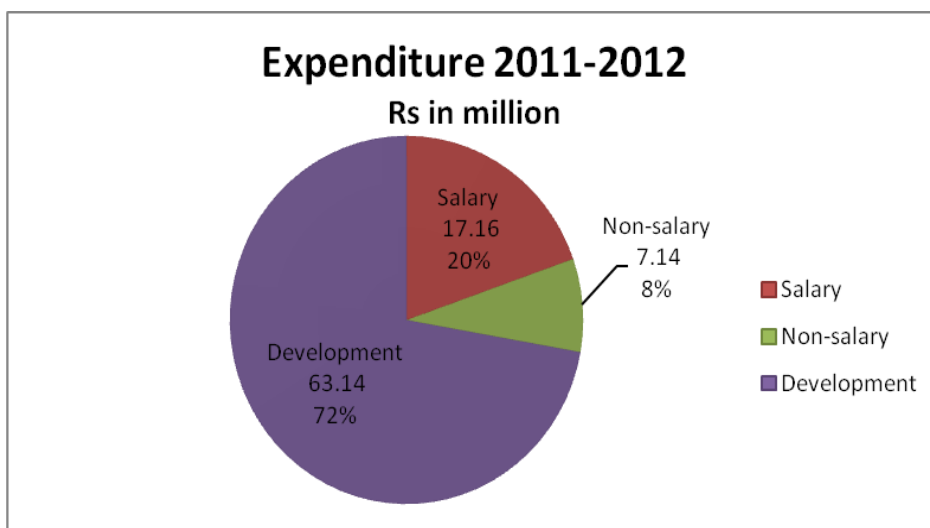
10. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction;

11. Maintain municipal records and archives.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Amount in Million)

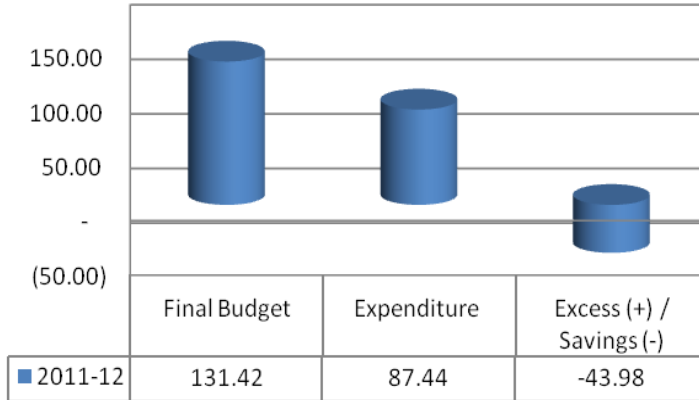
2011-2012	Budget	Expenditure	Excess (+) / Saving (-)	% (Saving)
Salary	24.41	17.16	-7.25	29.70
Non-salary	14.56	7.14	-7.41	50.93
Development	92.45	63.14	-29.31	31.70
Total	131.42	87.44	-43.97	33.46



As per Budget Books for the financial years 2011-12 of TMAs in District Chakwal, the original and final budget were of Rs131.42 million. Against actual, total expenditure incurred by the TMAs during financial years 2011-12 was Rs87.44 million. There was a saving of Rs43.98 million, as detailed at Annexure-B.

Final Budget & Expenditure 2011-12

Rs in Million

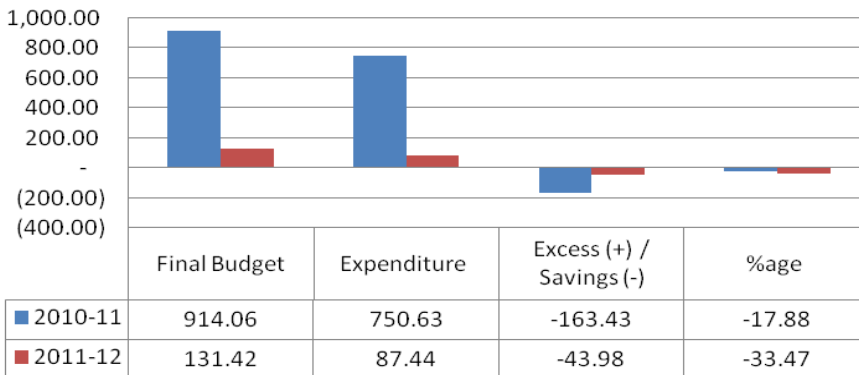


Ineffective financial management resulted in savings to the tune of Rs43.98 million which in term of percentage was 33.47% of the final budget. The same was required to be justified by the Principal Accounting Officer.

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

Overall Comparison of Budget & Expenditure 2010-11 & 2011-12

Rs in million



There was savings in the budget allocation of the financial years 2010-11 and 2011-12 as follows:

(Rs in million)

Financail Year	Budget Allocation	Expenditure	Savings	% of Saving
2010-11	914.06	750.63	-163.43	17.88
2011-12	131.42	87.44	-87.44	33.46
Total	1,045.48	838.07	-250.87	

The justification of saving when the development schemes have remained incomplete is required to be provided, explained by PAO and TMOs concerned.

1.2 TMA KALLAR KAHAR

AUDIT PARAS

1.2.3 NON-COMPLIANCE OF RULES

1.2.3.1 Un-Authorized Collection of TTIP Receipts - Rs9.532 million

As per LG&CD Department Government of the Punjab letter No.SO Tax(LG)2-46/08(PI) dated, the 30.06.2010, Collection of Tax on transfer of Immovable property Tax by TMAs, A-V receipts which had already been repealed shall not be used in any form from the staff for recovery of TIP, It will be through bank challan. And recovery of TTIP shall be reconciled with the revenue staff on daily basis. Any departure from these directions shall be interrupted as misconduct and corruption in term of Peeda Act, 2006.

TMA Kalar Kahar issued A-V receipt books for collection of TTIP after 30-06-2010 and did not reconcile the collection with revenue department on daily basis. Issuance of A-V receipt books to staff and collection of TTIP Rs9, 532,362 on A-V was violation of instructions issued by the Local Government as detailed below;

Period	2% tax collected(Rs)
2010-11	7,080,199
2011-12	2,452,163
	9,532,362

Audit holds that due to weak internal controls instructions of LG&RD were not followed resulting in use of unauthorized receipt books for collection.

The matter was reported to TMO in October 2012. In DAC meeting held on 20.12.2012 matter was not discussed due to non submission of working papers by the Department. DAC meeting was also convened on 17.01.2012 but no compliance was reported till finalization of this Report.

Audit stresses that action be taken against the responsible person under PEEDA Act, 2006 intimating to audit.

[AIR Para No.9]

1.3 TMA CHOA SAIDEN SHAH

1.3.2 NON-PRODUCTION OF RECORD

1.3.2.1 Non Production of Record Rs9.721 million

According to Auditor General (functions, powers and terms and conditions Ordinance 2001) section 14 (2) and (3) The Auditor-General shall, in connection with the performance of his duties under this Ordinance, have authority to inspect any office of accounts, under the control of the Federation or of a Province or of a district, including treasuries, and (2) The officer incharge of any office or department 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. (3) 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(5)(b) of PLGO, 2001, the Auditor General shall have the authority to require that any accounts books, papers & other documents which deal with his duties shall be sent to such place as he may direct for his inspection.

TMA Choa Saidu Shah incurred Rs9.721 million against different schemes during 2011-12. No record was produced for verification to Audit during 2011-12, as detailed below;

Description	AIR Para No.	Amount (Rs)
Against Sports Festival Expense	9	368,020
Vouched account on SLBAP Scheme	1	8,198,000
Vouched account on CCBs Scheme	11	1,155,000
Total		9,721,020

Audit holds that the relevant record of the expenditure of Rs9.721 million was not maintained and hence was not produced to Audit for verification which may lead to apprehension of misappropriation and misuse of public resources.

The matter was reported to TMO in October 2012. In DAC meeting held on 20.12.2012 matter was not discussed due to non submission of working papers by the Department. No compliance was reported till finalization of this Report.

Audit stresses all record be produced for audit besides fixing of responsibility against person(s) at fault for non-production of record under intimation to Audit.

1.3.3 NON-COMPLIANCE OF RULES

1.3.3.1 Unauthorized Payment of Rs48.983 million

According to the Rule 66 of PLG Works Rules, 2003, when a work has been completed, all documents connected with that work shall be duly checked, filed and recorded in the works register under supervision of Local Government Engineer. A certificate should be obtained from the department or from occupants of showing completion a satisfactory assurance of work done before releasing the payment to the contractors.

TMA Choa Saiden Shah made a payment Rs48.983 million to the contractor on construction of ADP schemes during 2011-12. However it was noticed that payment was made without obtaining any completion and satisfactory certificate from occupants. This resulted in unauthorized payment to the contractors as detailed below:

Sr. No.	Name of Scheme	Date of Payment of Final bill	Amount Paid (Rs in million)
1	Construction of ADP Schemes	Final Bill of all cases of ADP paid	48.983 million

Audit holds that due to weak internal control and mismanagement unauthorized payment was made

The matter was reported to TMO in October 2012. In DAC meeting held on 20.12.2012 matter was not discussed due to non submission of working papers by the Department. No compliance was reported till finalization of this Report.

Audit stresses for fixing responsibility against person (s) at fault under intimation to Audit.

[Para of AIR-6]

ANNEXURE

[Annexure-A]

MFDAC Paras

Sr. No.	Name of Formation	Title of Para	Nature of Para	Amount (Rs)
1	TMA Kallar Kahar	Loss on a/c of not initiating timely action against defaulting contractor	Non Compliance of Rule	3,538,959
2		Non utilization of CCB Funds	-do-	3,139,000
3		Water Supply	Recoveries	4,695,000
4		Loss on a/c of water supply	Non Compliance of Rule	3,577,508
5		Doubtful collection of TIP w/o valuation table	-do-	7,080,199
6		Extension of development schemes	-do-	38,700,000
7		Overpayment due to excessive rate of RCC	Recoveries	44,464
8		Non-Recovery Of Penalty	-do-	817,500
9		Excess Payment For Using Rich Specification	-do-	549,662
10		Loss Of Revenue due to Non-Achievements Of Income Targets	-do-	400,000
11		Expenditure Incurred Beyond The Delegated Financial Powers	Non Compliance of Rule	227,243
12		Procurement Of Machinery In Violation Of PPRA	-do-	180,000
13		Unauthorized Payment on Account of Weather Shield	-do-	78,624
14	TMA Choa Saiden Shah	Unjustified expenditure of previous year liabilities	Non Compliance of Rule	5.595 million
15		Non maintenance of vouched account of CCBs	Non production of record	6.595 million
16		Doubtful expenditure	Non Compliance of Rule	1.669 million
17		Non maintenance of cash book in proper manner	-do-	50.667 million
18		Unauhtorized expenditure on POL	-do-	1.247 million
19		Non reconciliation of treasury schedule	-do-	39.427 million
20		Non- accounting of store in stock Register	Asset Management	408,500
21		Unjustified payment of TA/DA	Non Compliance of Rule	88,759

TMA of Chakwal District

Budget and Expenditure Statement for Financial Years 2011-2012

1. TMA, KALLAR KAHAR					
Rs in million					
Financial Year 2011-2012					
Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	5.940	5.900	-0.040	1	
Non Salary	5.940	3.365	-2.575	43	
Development	46.553	30.086	-16.467	35	
Revenue	40.138	40.138	0	0	
Total	98.571	79.489	-19.082		
2. TMA, CHOA SAIDEN SHAH					
Financial Year 2011-2012					
Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	18.469	11.259	-7.211	39	
Non Salary	8.620	3.780	-4.840	56	
Development	45.896	33.053	-12.843	28	
Revenue	31.269	30.479	-.790	3	
Total	104.254	78.571	-25.684		