



SPECIAL AUDIT REPORT
ON
THE ACCOUNTS OF
CITIZEN COMMUNITY BOARDS
CITY DISTRICT FAISALABAD
AUDIT YEAR 2012-13

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

CCB	Citizen Community Board
DAC	Departmental Accounts Committee
DGA	Director General Audit
FD	Finance Department
LG&CD	Local Government & Community Development
MFDAC	Memorandum for Departmental Accounts Committee
PDG	Punjab District Government
PLGO	Punjab Local Government Ordinance
PLG	Punjab Local Government
P/F	Providing and Fixing
P/L	Providing and Laying
POL	Petroleum Oil and Lubricants
RDA	Regional Directorate of Audit
TAO	Tehsil/Town Accounts Officer
TMA	Tehsil / Town Municipal Administration
TMO	Tehsil / Town Municipal Officer
TS	Technical Sanction
TO (F)	Tehsil/Town Officer (Finance)
TO (I&S)	Tehsil/Town Officer (Infrastructure & Services)
TO (P&C)	Tehsil/Town Officer (Planning & Coordination)

TO (R)	Tehsil/Town Officer (Regulation)
TDC	Tehsil/Town Development Committee
TSE	Technically Sanctioned Estimate

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 Special Audit of Citizen Community Boards of Tehsil/Town Municipal Administration City District Government Faisalabad for the Financial Year 2005-12. The Directorate General of 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 Special 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 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 the 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 Assembly of the Punjab.

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. Its Regional Directorate of Audit Faisalabad has audit jurisdiction of District Governments, TMAs and UAs of four Districts i.e. City District Faisalabad, Jhang, Toba Tek Singh and Chiniot.

The Regional Directorate has a human resource of 32 officers and staff, constituting 341 man days and a budget of about Rs11.521 million. 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 Regional Director Audit Faisalabad carried out audit of the accounts of eight TMAs of City District Faisalabad for the financial years from 2005-12 in 2012-13 and the findings included in the Audit Report.

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

Special Audit of CCBs of TMAs of City District Government, Faisalabad was carried out for the period from 1st July, 2005 to 30th June, 2010 at the request of Government of the Punjab, Local Government & Community Development Department vide No.SO(SA)LG-5/2011 dated 16th November, 2011. Special Audit was conducted with the view to ascertain that the expenditure was made

with proper authorization, in conformity with laws/rules/regulations, economical procurement of assets and hiring of services etc.

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. Recoveries at the Instance of Audit

Recovery of Rs0.973 million was pointed out and no recovery was affected till the compilation of this Report.

c. 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.

d. Selection of CCB Projects

One hundred eighty eight projects, amounting to Rs212.421 million, have been executed by CCBs in eight TMAs in the jurisdiction of City District Government, Faisalabad. Special Audit of 35 CCB projects costing Rs89.891 million was conducted on the basis of expenditure and desk audit.

e. The key Audit Findings of the Report

- i. Non-Production of Record of Rs10.450 million were noted in three cases.¹
- ii. Irregularities and Non-Compliance of Rs151.257 million were noted in eight cases.²

¹**Para:** 1.3.1.1, 1.4.1.1, 1.6.1.1

²**Para:** 1.2.1.1, 1.3.2.1, 1.3.2.2, 1.3.2.3, 1.5.1.1, 1.5.1.2, 1.7.1.1, 1.8.1.1

Audit Paras on the accounts for 2005-2012 involving procedural violations including internal control weaknesses and irregularities which were not considered worth reporting to Parliament are included in MFDAC, Annexure-A.

f. Recommendations

Audit recommends the Town Municipal Administrations (TMAs) to focus on the following issues.

- i. TMA needs to ensure the production of record by the CCBs and in case of non-production, initiate necessary action against the defaulters.
- ii. TO (P&C) should release the installment to the CCBs concerned subject to satisfactory progress.
- iii. TMO should observe that payment of non-schedule items should not be made without approval of the competent authority.
- iv. TMA authorities should approve CCB schemes which are beneficial for the public at large.

SUMMARY, TABLES & CHARTS

Table 1: Audit Work Statistics

(Rupees in Million)

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	08	212.421
2	Total Entities (PAOs) Audited	08	212.421
3	Audit & Inspection Reports	08	212.421
4	Special Audit Reports	01	205.139
5	Performance Audit Reports	Nil	Nil
6	Other Reports (relating to TMAs)	Nil	Nil

Table 2: Audit Observations Classified by Categories

(Rupees in Million)

Sr. No.	Description	Amount Placed Under Audit Observation	Para Nos.
1	Asset management	-	
2	Financial management	151.257	1.2.1.1, 1.3.2.1, 1.3.2.2, 1.3.2.3, 1.5.1.1, 1.5.1.2, 1.7.1.1, 1.8.1.1
3	Internal controls	0	
4	Others	10.450	1.3.1.1, 1.4.1.1, 1.6.1.1
Total		161.707	

Table 3: Outcome Statistics

(Rupees in Million)

Sr. No.	Description	Expenditure on Acquiring of Physical Assets (Procurement)	Salary	Non-Salary	Civil Works	Receipts	Total Current Year
1	Outlays Audited	-	-	-	205.139	-	205.139
2	Amount Placed under Audit Observation/ Irregularities Pointed Out	-	-	0.972	160.734	-	161.707
3	Recoveries Pointed Out at the instance of Audit	-	-	0.972	-	-	0.972
4	Recoveries Accepted/ Established at the instance of Audit	-	-	0.972	-	-	0.972
5	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

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 principal of propriety and probity in public operations.	150.284
2	Reported cases of fraud, embezzlement, theft and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM ¹ , misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinion on the financial statements.	-
4	Quantification of weaknesses of internal control systems	-
5	Recoveries and overpayments, representing cases of established overpayments or misappropriations of public monies*.	0.973
6	Non-production of record.	10.450
7	Others, including cases of accidents, negligence etc.	-
	Total	161.707

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

CHAPTER 1

1.1 Introduction of CCBs:

According to 1998 population census, the population of District Faisalabad is 5.429 million. District Faisalabad comprises of eight TMAs namely Lyallpur, Madina, Jinnah, Iqbal, Jaranwala, Samundari, Tandlianwala and Jhumra. Business of TMAs is run through the Administrator and five Drawing & Disbursing Officers i.e. TMO, TO (I&S), TO (Finance), TO (P&C) and TO (Regulations) under Punjab Local Government Ordinance, 2001.

CCBs are established under section 98 of PLGO, 2001. It provides a legal framework for non-elected citizens to participate in development activities at the local level. For this purpose 25% of Development Budget is reserved for CCBs by local governments. It requires minimum 25 persons to register a CCB.

CCB projects are approved subject to classification of schemes issued by the concerned Local Government as per needs of the community, project identification by CCB, financial implications, sustainability of project, preparation of cost estimates by sectoral office, submission of final proposal to CCB official along with draft of 20% and approval of project by council.

Minimum contribution by CCB is 20% of total cost of the development project/scheme in cash or kind. Approved funds are transferred to CCB Bank Account in instalments as agreed between CCB and TMA authorities, 1st instalment is released upon transfer of 20% share by CCB into CCB bank account and each subsequent instalment is released upon utilization of funds by CCB and satisfactory assessment of work done by TMA authorities (Detailed procedures provided under CCB Rules 2003).

CCB projects are implemented by CCB and progress of the project is monitored by CCB itself, monitoring committees of council concerned and officials of Sectoral office i.e. TO (P&C). CCB shall prepare accounts and submit final completion report to sectoral office on completion of project.

AUDIT PARAS

1.2 Town Municipal Administration Chak Jhumra

1.2.1 Irregularities and Non-Compliance

1.2.1.1 Non-Transparent Tendering Process for Execution of Work – Rs1.589 Million

According to Rule 8 (1) (i) of Punjab Local Government contract Rule 2003, no tender shall be deemed to be valid unless it is sealed. According to Market Rate Schedule (MRS), 2004, rate of any other item not provided in the schedule will be approved separately from the competent authority i.e. Superintendent Engineer/EDO (W&S), Chief Engineer (Punjab Local Government Board) as the case may be.

Special Audit of Citizen Community Boards, Town Municipal Administration, Chak Jhumra, revealed that a work regarding construction/improvement of graveyard at Chak No.189/RB, amounting to Rs1.589 million, was executed by the Public Welfare CCB UC-15 through contractor M/S Al-Noor Construction Company without adopting sealed tendering process. In the absence of sealed tenders the expenditure incurred is not transparent and economical. Further, miscellaneous non-scheduled items amounting to Rs1.047 million were included in the estimate and paid to the contractor without approval of the competent authority as detailed below:

(Amount in Rupees)

Sr. No.	Name of Item	Qty. (Sft)	Rate	Cost
1.	P/F tuff tile 60-mm thick	6973	71/Sft	495,083
2.	P/F marble strips	4862	97/Sft	471,614
3.	P/L glazed 1” thick	1029	783/% Cft	80,581
Total				1,047,278

Audit is of the view that proper tendering process and procedure for approval of non schedule items were not adopted due to negligence of the sectoral office i.e. TO (Infrastructure & Services) and Chairman CCB.

Non-approval of rates of non-scheduled items and improper procedure of awarding of contract resulted in unauthorized payment to the contractor.

The matter was reported to Town Municipal Officer in January, 2013. TO (Planning & Coordination) replied that TO (I&S) would be requested to submit the reply. Audit stressed for early reply. The matter was again reported to TMO in February, 2013 to which no reply was received. In DAC meeting held in March, 2013, TO (P&C) replied that letter had been issued to CCB concerned to provide the technical sanction approved by the competent authority, as it was duty of executing agency. The reply was not tenable because rates of non-schedule items were paid without approval from the competent authority i.e. Chief Engineer (Punjab Local Government Board). Further it was replied that sealed tendering process was adopted but envelopes were missing at the time of Audit which could be verified. However no record regarding fair tendering process was shown to Audit. Audit required justification and regularization of unauthorized payment made so far along with verification of record of tendering process. DAC directed TO (P&C) to justify and take necessary action regarding regularization of the payments made against non-schedule items without approval of the competent authority. No further progress was intimated till the finalization of this report.

Audit recommends regularization regarding unauthorized payment against non-schedule items without approval from the competent authority besides fixing of responsibility and production of record relating to tendering process.

[AIR Para-5/2005-12]

1.3 Town Municipal Administration Iqbal Town

1.3.1 Non-Production of Record

1.3.1.1 Non-Production of Record – Rs8.587 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.

Special Audit of Citizen Community Boards revealed that Town Municipal Administration, Iqbal Town, released funds amounting to Rs8.587 million to five CCBs regarding construction/improvement of parks, roads, Janazgah, sludge carrier, etc. approved by the council in the year 2007-08. However, the supporting record to the expenditure incurred was not produced to Audit as detailed below:

(Rupees in Million)

Sr. No.	Name of CCB	Name of project	Year	Expenditure	Detail of Record Not Produced
1.	Batala-II CCB	Development of parking green belt	2007-08	5.000	Measurement books, installments of funds released, progress reports, collection 20% funds from the community, payment vouchers etc.
2.	New Mohib-e-Watan CCB	Improvement bank road new Anarkali Samanabad	-do-	1.189	
3.	New Al Fateh CCB	Construction of road allied Anarkali Bazar Samanabad	-do-	1.221	
4.	Al- Arooj CCB	Construction of sludge carrier	-do-	0.670	
5.	Shahi CCB	Construction of Janaz Gah	-do-	0.507	
Total				8.587	

Audit is of the view that record was not produced due to weak internal controls on the part of TMA.

Non-production of record constitutes disciplinary action under relevant efficiency and discipline rules against person or authority hindering the auditorial functions.

The matter was reported to Town Municipal Officer in January, 2013. Town Officer (P&C) replied that the efforts would be made to collect the record from the CCBs and shown to audit. Audit stressed for early production of record. No DAC meeting was convened till the finalization of this report.

Audit recommends fixation of responsibility for non-production of record in terms of Clause-14 (2) of AGP Ordinance. Further, management may ensure production of record to Audit.

[AIR Paras-2,13,21,30,39/2005-12]

1.3.2 Irregularities and Non-Compliance

1.3.2.1 Non-Transparency in Tendering Process in Awarding of CCB Schemes – Rs7.433 Million

According to Condition of short tender notices issued in the newspapers for award of CCB schemes, tenderers were directed to submit sealed tenders.

Special Audit of Citizen Community Boards, Town Municipal Administration, Iqbal Town, revealed that sealed tenders were required to be submitted by each tenderer regarding fair and transparent competition in award of CCB development schemes. However, CCBs did not observe the condition, accepted unsealed tenders against the development works amounting to Rs7.433 million (as detailed below) and issued work orders to the contractors. Further, CDRs of contractors in the work at serial no.1 with continuous serial no. 72722 and 72723 dated 13.9.2007 of same bank, Askari Commercial Bank depicted pooling in award of work.

(Rupees in Million)

Sr. No.	Name of CCB	Name of Work	Name of Contractor	CDR No.	Amount
1.	Batala-II CCB	Construction of green belt Gate Chowk to Hameed Chowk	M/s M.Sohail	72722-23 Dated 13.9.2007	4.991
2.	New Mohib-e-Watan CCB	Improvement of road/Bazar New Anarkali Saman Abad	M/s Javed Akhtar Awan	Nil	1.221
3	New Al-Fateh CCB	Construction of road allied Anarkali Bazar Samanabad	-do-	Nil	1.221
Total					7.433

Audit is of the view that due to negligence on the part of CCBs and sectoral office unsealed tenders were accepted and pooling of contractors was not observed.

Award of works to the contractors by CCBs on the basis of unsealed tenders resulted in non-transparency of tendering process.

The matter was reported to Town Municipal Officer in January, 2013. It was replied that the contractors submitted tenders in response to the tender notice published in newspaper. The reply was not tenable because the conditions of the tender noticed regarding submission of sealed tenders was not observed. The matter was reported again to TMO in February, 2013 to which no reply was received. No DAC meeting was convened till the finalization of this Report.

Audit recommends for fixing of responsibility regarding violation of condition of tender notice and ascertaining the appropriateness of rates paid to the contractors within 30 days.

[AIR Paras-1, 12/2005-12]

1.3.2.2 Unauthorized Payments to CCBs – Rs2.638 Million

According to No.55 guidelines for Citizen Community Boards, the concerned officers will release installments after necessary checking through payees account cheques in favour of the CCBs and acquire its receipts in writing.

Special Audit of CCBs TMA Iqbal Town revealed that three CCB projects amounting to Rs2.638 million were executed by contractor, M/s Javed Akhtar Awan and Al-Arooj CCB in the year 2007-08. Bank statements of below mentioned CCBs depicted deposit of 20% share of CCBs and no other transaction was forthcoming from the record. Audit is of the view that payments to contractor or release of fund to the CCB should be made through project bank account. On the contrary bank statement does not show the relevant transactions.

(Amount in Rupees)

Name of CCB	Name of Project	Name of Contractor	Estimated Cost	Actual Expenditure
New Mohib-e-Watan CCB	Improvement of bank road Bazar New Anarkali Samanabad	M/s Javed Akhtar Awan	1,221,000	1,065,037
New Al-Fateh CCB	Construction of road allied Anarkali Bazaar Samanabad	-do-	1,221,000	1,078,729
Al-Arooj CCB	Construction of sludge carrier, sump well and supply of sewing pump	Al-Arooj CCB	670,000	494,522
Total			3,112,000	2,638,288

Audit is of the view that due to weak internal controls on the part of TO (P&C) funds were not released in the project bank account.

Payments to CCBs schemes without routing through project bank account made the release of funds doubtful and unauthorized.

The matter was reported to TMO in January 2013, it was replied that CCBs would be directed to submit their bank statements in support of transfer of released funds in the project accounts. Audit stressed for early submission of the bank statements. The matter was again reported to TMO in February 2013 to which no reply was received. No DAC meeting was convened till the finalization of this Report.

Audit recommends fixing of responsibility for issuance of open cheques instead of crossed to the CCBs against the released funds.

[AIR Paras-15, 23, 32/2005-12]

1.3.2.3 Non-Deposit of Income Tax and GST – Rs972,997

According to Section 153 (a) of Income Tax Ordinance, 2001, income tax is required to be deducted at source @ 3.5% and 6% before making payments on supplies and services rendered respectively. Further, according to Government of the Punjab instructions issued vide No.DO.No.5(21)L&D/97-4910/FS dated 3rd October, 1977, the proof of GST deposited into Government treasury is necessary.

Special Audit of CCBs TMA Iqbal Town revealed that income tax and sales tax amounting to Rs972,997 was deducted from the contractor. However, the proof regarding deposit of amount into Government treasury was not forthcoming from the record as detailed below.

(Amount in Rupees)

Name of Work	Name of Contractor/CCB	GST	Income Tax	Total
Development of parking green belt Gate Wala Chowk	M/s Muhammad Sohail/CCB Batala-II	340,172	299,643	639,815

Improvement of road bank bazaar New Anarkali, Samanabad	M/s Javed Akhtar Awan/New Mohib-e-Watan CCB	50,252	73,257	123,509
Construction of road allied Anarkali Bazaar, Samanabad	M/s Javed Akhtar Awan/New Al-Fateh CCB	0	68,855	68,855
Construction of sludge carrier, sump well, etc.	Al-Arooj CCB	47,523	34,773	82,296
Construction of Janazgah Chak 252/RB	Shahi CCB	40,771	17,751	58,522
Total		478,718	494,279	972,997

Audit is of the view that due to weak internal controls on the part of TO (P&C) and TO (Finance), Government dues were not deposited in Government treasury.

Non-deposit of Government dues in Government treasury resulted in loss to the public funds.

The matter was reported to TMO in January 2013, it was replied that the amount would be deposited in Government treasury and shown to Audit. Audit stressed for early compliance. No DAC meeting was convened till the finalization of this Report.

Audit recommends for deposit of Government dues in Government treasury at the earliest.

[AIR Paras-4, 5, 14, 22, 31, 40/2005-12]

1.4 Town Municipal Administration Lyallpur Town

1.4.1 Non-Production of Record

1.4.1.1 Non-Production of Record – Rs1.011 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.

Special Audit of Citizen Community Boards, Town Municipal Administration, Lyallpur Town revealed that funds amounting Rs1.011 million were released to two CCBs regarding construction of soling, drain and graveyard approved by the Council in the year 2007. The supporting record to the expenditure incurred was not produced to Audit as detailed below:

(Amount in Rupees)

Sr. No	Name of CCB	Name of Project	Year	Expenditure	Detail of Record not Produced
1.	ABC CCB	Construction of soling, drain & culverts Chak No.118/JB	2007	411,500	Receipts for purchase of bricks, sand, cement, iron and other allied expenditure, MBs, estimates, etc.
2.	Nai Bahar CCB	Construction of graveyard at Chak No.196/RB	2007	600,000	
Total				1,011,500	

Audit is of the view that due to weak internal controls on the part of TO (Planning), record was not produced to Audit.

Non-production of record constitutes disciplinary action under relevant efficiency and discipline rules against person or authority hindering the auditorial functions.

The matter was reported to Town Municipal Officer in January, 2013. Town Officer (P&C) replied that the efforts would be made to collect the record from the CCB and shown to Audit. Audit stressed for early production of record. In DAC meeting held in February, 2013, TO (P&C) replied that efforts were in hand for collection of record from the concerned CCB. DAC directed TO (P&C) to produce the relevant record and to take action against the concerned involved in non-production of record. No further progress was intimated till finalization of this report.

Audit recommends fixation of responsibility for non-production of record in terms of Clause-14 (2) of AGP Ordinance. Further, management may ensure production of record to Audit.

[AIR Paras-1, 4/2005-12]

1.5 Town Municipal Administration Madina Town

1.5.1 Irregularities and Non-Compliance

1.5.1.1 Unauthorized Expenditure without Framing Procurement and Executing Procedure – Rs37.066 Million

According to Rule 21 (2) of PLG (CCB) Rules, 2003, the CCB shall follow the procurement and executing procedure approved by its general body. Such procedure shall be based on the principle of propriety and sound procurement practices.

Special Audit of Citizen Community Boards revealed that Town Municipal Administration, Madina Town, released funds amounting to Rs37.066 million (detailed below) to seven CCBs for execution of the projects during the years 2005-12. However, the approval for execution of project and procurement procedures were not given by the general body of each CCB as detailed below. Further, in case of CCBs which executed the project itself, the documentary evidence of execution of project, procurement of material and hiring of labor were neither maintained by the CCBs nor available in the record. Thus, the CCBs utilized the released funds without framing/approval of procurement and executing procedures from their general bodies.

(Rupees in Million)

Sr. No.	Name of CCB	Name of Project	Cost of Project	Grant/Share	CCB Share	Payment to CCB
1.	Madina Sharif CCB	Construction of road, drain and soling in Malik Pur UC-202 Approval dated 22.09.2006	4.600	3.680	920.000	3.680
2.	New Lyallpur CCB in 2007-08.	Improvement of green belt Dynasty Chowk to Hashmat Chowk Approval dated 22.09.2006	6.030	4.824	1.206	5.006
3.	Madina Urban Development CCB in 2007-09	Improvement of green belt Susan road Approval dated 28.11.2006	8.600	6.880	1.720	6.880
4.	Nethri CCB in 2009-10	Construction of soling, drain and	5.000	4.000	1.000	4.000

		Nala in Awami Town, Fateh Pur, Nethri and Chak No. 215 UC-145				
5.	Madina Sharif CCB with	Construction of drain, culverts and soling in Malik Pur, Qaid-e-Azam Park, Sardar Colony Namat Town, Khalid Bin Walid Town and Data Nagar UC-202 dated 09.10.2007	4.000	3.200	800.000	3.200
6.	Harrianwala Chowk CCB	Improvement of green belt D-ground Harrianwala Chowk to Gatewala Chowk UC-228 Faisalabad February, 2007	14.000	11.200	2.800	8.300
7.	Madina Urban Development CCB	Improvement of Express Park UC-222	7.500	6.000	1.500	6.000
Total			49.730	39.784	9.946	37.066

Audit is of the view that due to negligence of sectoral office, CCBs did not maintain record and incurred expenditure without framing procurement and executing procedures.

Non maintenance and non-framing of procurement and executing procedure by CCB resulted in unauthorized expenditure from the public funds.

The matter was reported to Town Municipal Officer in January, 2013. It was replied that matter relates to TO (P&C). Audit stressed to submit reply, after verifying record of CCBs, within a week. The matter was again reported to TMO in February, 2013 to which reply was also not received. No DAC meeting was convened till finalization of this Report.

Audit recommends for fixing of responsibility for unauthorized payment to the CCBs without framing procurement and executing procedures besides regularization within 30 days.

[AIR Para-23/2005-12]

1.5.1.2 Approval of Scheme without Obtaining Bank Draft Equal to CCB Share – Rs3.846 Million

According to Rule 13 (iii) of PLG (CCB) Rules, 2003, CCB draft in the amount equal to 20% share in a project is attached which shall be returned to CCB after the decision of concerned Council.

Special Audit of Citizen Community Boards, Town Municipal Administration, Madina Town for the years 2005-12, revealed that three CCBs submitted development schemes valuing Rs19.230 million without depositing 20% share of estimated cost of Rs3.846 million (detailed below). However, the TMA authorities approved the CCB schemes without obtaining CCB shares.

(Rupees in Million)

Sr. No.	Name of CCB	Name of Project	Cost of Project	CCB Share
1.	Madina Sharif CCB	Construction of road, drain and soling in Malik Pur UC-202 Approval dated 22.09.2006	4.600	0.920
2.	New Lyallpur CCB in 2007-08.	Improvement of green belt density Chowk to Hashmat Chowk Approval dated 22.09.2006	6.030	1.206
3.	Madina Urban Development CCB in 2007-09	Improvement of green belt Susan Road Approval dated 28.11.2006	8.600	1.720
Total			19.230	3.846

Audit is of the view that due to weak internal controls on the part of TMA, CCB schemes were approved without obtaining 20% shares.

Execution of CCB schemes without obtaining 20% share from the CCBs resulted in unauthorized approval and funding from the public funds.

The matter was reported to Town Municipal Officer in January, 2013. It was replied that matter relates to TO (P&C). Audit stressed to submit reply, after

verifying record of CCBs, within a week. No DAC meeting was convened till the finalization of this Report.

Audit recommends for fixing of responsibility regarding favouritism to the CCB and to get the matter regularized from the competent authority.

[AIR Para-19/2005-12]

1.6 Town Municipal Administration Samundari Town

1.6.1 Non-Production of Record

1.6.1.1 Non-Production of Record – Rs852,000

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.

Special Audit of Citizen Community Boards, Town Municipal Administration, Samundari Town revealed that Insaf-III CCB executed a work regarding construction of sludge carrier (Phase-II) at Chak No.471/GB to the tune of Rs852,000. The work was executed by the Project Committee of CCB which was started in July, 2007 with completion period of three months. The project committee was responsible for maintenance of record i.e. stock register, muster roll, cash book, etc. and its production to Audit. The record was not produced to Audit due to non-maintenance of relevant record by the project committee.

Audit is of the view that due to weak internal controls on the part of TO (Planning), record was not produced to Audit.

Non-maintenance and non-production of record constitutes disciplinary action under relevant efficiency and discipline rules against person or authority hindering the auditorial functions.

The matter was reported to Town Municipal Officer in January, 2013 to which no reply was furnished. No DAC meeting was convened till finalization of this report.

Audit recommends fixation of responsibility for non-production of record in terms of Clause-14 (2) of AGP Ordinance. Further, management may ensure production of record to Audit.

[AIR Para-10/2005-12]

1.7Town Municipal Administration Jaranwala Town

1.7.1 Irregularities and Non-Compliance

1.7.1.1 Unjustified Funding to Improper Functioning CCBs – Rs8.140 Million

According to Section 6 (i) of PLG (CCBs) Rules, 2003, once in every year before the 31st of August CCB shall file with the Registration Authority, the following documents.

- (i) List of its members with CNIC Number.
- (ii) Particulars of its Chairman, member of the Executive Committee and the Secretary.
- (iii) Copies of the audited annual accounts of the previous year.
- (iv) List of development projects undertaken.

Special Audit of Citizen Community Boards revealed that Town Municipal Administration, Jaranwala released funds amounting to Rs8.140 million to two CCBs for execution of the projects during the years 2005-12. The bank statements of each development work depicting the financial transactions were not forthcoming/ provided to audit. Further, the CCBs were not properly functioning because no record, as mentioned in criteria above, was maintained and submitted to Registration Authority detail is given in table below.

(Amount in Rupees)

Sr. No.	Name of CCB	Name of Project	Govt. Share
1.	Hamdam CCB, Jaranwala	Soling/Nalian, Mohallah Sultan Park, Jaranwala	2,400,000
2.	-do-	Sewerage, floor in UC-42	3,200,000
3.	-do-	Soling/Nalian sludge carrier at Chak No.374/GB	1,760,000
4.	CCB UC-57	Soling/Nalian at Mulim Town, Jaranwala	780,000
Total			8,140,000

Audit is of the view that due to weak internal controls on the part of TO (P&C), huge amount of funds was released to the CCBs.

Release of funds to the CCBs without submission of necessary documents/information to the Registration Authority is violation of Rules.

The matter was reported to Town Municipal Officer in January, 2013. TO (P&C) replied that CCBs expended the funds after observing formalities and no financial loss was sustained. The reply was not tenable because the release of funds to the CCBs without fulfillment of legal requirement was unjustified and favoritism. In DAC meeting held in February, 2013, TO (P&C) replied that CCBs concerned were directed to justify the matter. DAC directed TO (P&C) to justify and fix the responsibility for such lapse within 15 days. No further progress was intimated till the finalization of this Report.

Audit recommends for fixing of responsibility for unjustified release of funds to the CCBs without fulfillment of formalities according to CCB Rules, 2003 besides regularization thereof.

[AIR Para-14/2005-12]

1.8 Town Municipal Administration Tandlianwala Town

1.8.1 Irregularities and Non-Compliance

1.8.1.1 Irregular Release of Funds to the CCBs – Rs89.572 Million

According to Rule 16 (2) of PLG (CCB) Rules, 2003, a CCB shall open separate account of each project and according to CCB Rule 2003, 13(iii) CCB draft in the amount equal to the 20% share in a project is attached which shall be returned to CCB after the decision of council concerned. The draft shall be in the name of CCB.

Special Audit of Citizen Community Boards, Town Municipal Administration, Tandlianwala revealed that an amount of Rs89.572 million was released to three CCBs by TMA authorities for execution of 93 projects/schemes during the years 2010-12. These funds were released/ transferred to CCBs without opening separate bank accounts for each project. Therefore, 20% share of CCBs along with 80% share of TMA could not be verified in all cases as detail below.

Sr. No.	Name of CCB	Year	No. of Schemes	Expenditure in Rs.
1	Inqalabi CCB	2010-12	67	61,331,000
2	Young Star	2010-12	15	18,597,691
3	Taj Mahal	2010-12	11	9,643,219
Total				89,571,910

Audit is of the view that due to weak internal controls on the part of CCB officials huge amount was transferred to CCBs without verifying separate bank account of each project.

The CCB share of the projects remained unverified from the accounts of the CCBs so the chances of non-contribution of CCB share cannot be ruled out.

The matter was reported to Town Municipal Officer in January, 2013. TO (I&S) stated that detailed reply would be given later on. Audit stressed for submission of reply within a week. The matter was again reported to TMO in February, 2013 to which no reply was received. In DAC meeting held in

February, 2013, TO (I&S) replied that due to unawareness of Chairman of the CCB, separate accounts for each project were not opened. The reply was not tenable because the CCB official was responsible for the confirmation of opening separate accounts by the CCB, which was not observed. DAC directed TMO to fix responsibility for the un-lawful action taken by the concerned CCB official within fortnight besides regularization of the matter. No further progress was intimated till the finalization of this Report.

Audit recommends investigation for fixing of responsibility for release of funds to the CCB without opening separate bank account of each project within four weeks.

[AIR Para-11/2005-12]

ANNEXURE

Annexure-I

(Amount in Rupees)

Sr. No.	Name of Formation	AP No.	Title of Para	Amount of Audit Observation	Nature of Audit Observation
1.	TMA, Jaranwala	21	Non-recovery of income tax from the supplier	34,749	Recovery
2.	TMA, Tandlianwala	39	Extra payment to the contractor	26,400	-do-
3.	TMA, Lyallpur Town		Doubtful tendering process for award of work	222,700	Violation of Rules
4.	TMA, ChakJhumra	63	Non-deduction of income tax	45,755	Recovery
5.	TMA, Jinnah Town		-do-	20,003	-do-
6.	TMA, Madina Town	79	Excess payment to CCB on account of excess provision of sub base course	491,466	Recovery

Annexure-A**MFDAC PARAS**

(Amount in Rupees/Million)

Sr. No.	Name of Formation	AP No.	Subject	Amount
1.	TMA, Jaranwala Town	23	Non-deposit of GST by the supplier	168,783
2.	TMA, Tandlianwala Town	48	Non-recovery of income tax	316,858
3.	TMA, Iqbal Town	72	Non-imposition of penalty due to delay in completion of work	689,100
4.	TMA, ChakJhumra	55	Excess payment due to approval of excess rate of tuff tiles	112,160
5.	TMA, Samundri	11	Recovery due to non-deduction of shrinkage	59,788
6.	TMA, Madina Town	80	Unauthorized/excess payment to CCB due to doubtful assessment of work	571,095
7.	TMA, ChakJhumra	64	Unauthorized Expenditure without Framing Procurement and Executing Procedure	4.981
8.	-do-	57	Irregular Approval and Release of Funds to the CCB Schemes	1.474
9.	TMA, Iqbal Town	70	Unauthorized Expenditure without Framing Procurement and Executing Procedure	6.384
10.	TMA, Jaranwala Town	33	Unauthorized Expenditure without Framing Procurement and Executing Procedure	10.200
11.	-do-	31	Unauthorized Payments to CCBs	6.898

12.	-do-	26	Approval of Scheme without CCB Share	1.240
13.	-do-	24	Non-Transparency in Tendering Process in Award of CCB Schemes	9.200
14.	-do-	38	Non-Transparency in Tendering Process in Award of CCB Schemes	95.953
15.	TMA, Jinnah Town	7	Unauthorized Expenditure without Framing Procurement and Executing Procedure	2.882
16.	-do-	85	In-fructuous Expenditure on the CCB Scheme	5.060
17.	TMA ChakJhumra		Unjustified Payments of Two Installments without Provision in the Project Documents/Agreement	1.722
18.	TMA Madina Town		Unauthorized Execution of Civil Work for P/L Soling	1.034