



**SPECIAL STUDY REPORT  
ON  
REVENUE COLLECTION  
AND ACCOUNTING MECHANISM IN  
TMA IN  
DISTRICT ABBOTTABAD**

**AUDIT YEAR 2020-21**

**AUDITOR GENERAL OF PAKISTAN**

## **PREFACE**

The Auditor General of Pakistan conducts audit in accordance with Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001 and Section 37 of the Khyber Pakhtunkhwa Local Government Act, 2013. The special study namely "Revenue Collection and Accounting Mechanism at TMA, Abbottabad" was carried out accordingly, during Audit year 2020-21.

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa conducted this special study for the financial years 2017-18 to 2019-20 with a view to report significant findings to stakeholders. During the study, on the basis of written responses and data analysis, revenue collection and accounting mechanism at TMA, Abbottabad was assessed. The study indicates specific actions if taken, will help the management to realize the objectives of good governance.

The study aims at assessing the efficiency and effectiveness of procedures of collection of revenue, hurdles in the way of revenue collection and identifying lacunas in the accounting mechanism of revenue and receipts collection in TMAs. The study was conducted through a survey questionnaire provided to the selected entities.

Most of the observations included in this report were finalized in the light of written replies of the department. However, DAC meeting was not convened despite repeated requests.

It is in the best interest of all stakeholders that the recommendations of this study are implemented in order to bring transparency in the Local Government functioning along with improving the service delivery and safeguarding the Local/Public Funds.

The special study report is submitted to the Governor Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973, for causing it to be laid before the appropriate Legislative/Executive forum.

Islamabad  
Dated:

**(Javaid Jehangir)**  
**Auditor General of Pakistan**



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## **ABBREVIATIONS AND ACRONYMS**

AGP	Auditor General of Pakistan
APPM	Accounting Policies and Procedures Manual
DAC	Departmental Accounts Committee
DG	Director General
DGs	District Governments
DO	District Officer
FAOs	Field Audit Offices
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
KP	Khyber Pakhtunkhwa
LCB	Local Council Board
LG	Local Government
LGA	Local Government Act
PIFRA	Project to Improve Financial Reporting and Auditing
ROB	Rules of Business

## **EXECUTIVE SUMMARY**

The Tehsil Municipal Administrations (TMAs) in Khyber Pakhtunkhwa have been mandated to levy and collect taxes under their jurisdiction. The revenue so collected by the TMAs is to be spent on provision of Municipal and other services. However, Tehsil Municipal Administration Abbottabad could not collect sufficient revenue even to meet its administrative cost (salary and non-salary expenditure) and the gap between revenue and expenditure was met from Provincial Government grants. The Provincial Government of Khyber Pakhtunkhwa has made mechanism of outsourcing of the revenue contracts to private contractors for self-sustainability, efficiency and reducing the tax administration cost which could not be implemented by the TMA. There are still wide gaps in own sources revenue and operating expenditure of the TMA.

Keeping in view the issue of financial gap and inefficiency in collection of own sources revenue, the Auditor General of Pakistan decided to conduct a special study to assess whether the TMAs in Khyber Pakhtunkhwa efficiently and effectively manage the collection with due regard to economy as well as outsourcing of revenue collection function and monitoring of the performance of revenue collection contractors.

The study specifically focused on how TMA planed before outsourcing, conduct the procedures used to procure revenue collection agents including contract administration and controls in place and their enforcement. Monitoring and evaluation conducted by TMAs as well as the Provincial Government was also included in the study. The study covered a period of three financial years 2017-18 to 2019-20. Various sources of revenue were selected for examination.

### **Key Audit Findings**

- i. The collection mechanism of long outstanding dues is very weak and slow.
- ii. There is variation in figures regarding collection among various sections of TMA. The reconciliation/coordination system is not adequate.
- iii. The TMA Abbottabad is unable to prepare the financial statements and balance sheet.

## **NEED AND GENESIS**

Tehsil Councils are given key positions in the devolved system where they are entrusted with multiple responsibilities among which revenue collection is very important as without revenue no entity can exist. TMA used their revenue for the well-being of the society.

2. Article 140 of the Constitution of Islamic Republic of Pakistan provides for establishment of Local Government system and devolution of political, administrative and financial responsibility and authority to local Government to address the matters/problems of the society locally at their door step.

3. The TMAs are given enough liberty to impose multiple taxes in their respective territories on various subjects as stipulated in the Local Government Act 2013. Despite the fact that Provincial Government frames a revenue collection policy on yearly basis and gives baseline to TMAs for revenue generation from each of its budget components. The TMAs are facing shortage of funds due to weak financial and administrative control. There is no proper accounting mechanism for reporting of collected revenue, taxes and fees etc. This badly affects performance.

4. The Directorate General Audit, District Governments, Khyber Pakhtunkhwa is responsible for audit of TMAs and District Governments in Khyber Pakhtunkhwa.

5. Keeping in view the factors narrated above, this Directorate felt the need to conduct a Special Study “Revenue Collection and Accounting Mechanism at TMA Abbottabad”.

### **Organization of the Report**

The report is organized in three chapters. Each chapter covers individual aspects of the study. Chapter-I describes the purpose and scope of the study and methodology adapted to complete the task. Chapter-II briefly deals with the conceptual frameworks. Chapter-III describes issues, comments, conclusion and recommendations.

## **CHAPTER – 1**

### **PURPOSE, SCOPE, METHODOLOGY & ANALYTICAL REVIEW**

#### **1.1 Purpose**

1.1.1 The purpose of the special study is to examine and identify issues of the Tehsil Municipal Administration Abbottabad with reference to Revenue collection and accounting Mechanism. The aim is to find out the shortcomings and lapses in the collection of revenue if any and its accounting/reporting and to recommend remedial actions to the Tehsil Municipal Administration Abbottabad in order to improve the process. It also makes suggestions to the stakeholders for further improvements.

1.1.2 In order to achieve the purpose of the study, a formal questionnaire was developed to obtain responses from Tehsil Municipal Administration Abbottabad authorities and analyze these responses for meaningful assessment and stocktaking of existing practices enabling us to suggest some practical solutions.

#### **1.2 Scope**

1.2.1 The study determined the horizontal and vertical policy coherence among various stakeholders to avoid duplication of taxation and determination of correct jurisdictions. The study covered the requirements of uniformity of taxation pattern among the TMA and inclusion of relevant revenue head of accounts in the profit centers of PIFRA. Moreover, Study suggested various areas where proper legislations were required for streamlining policies and procedures requisite for monitoring, reporting and accountability of receipt collection, realization and accounting respectively.

#### **1.3 Methodology**

1.3.1 Baseline data regarding specific components of revenue generation of TMA was gathered during compliance with authority audit. Total fiscal strength of each of TMA was scrutinized in order to determine the overall potential of TMA in revenue generation and efforts made till then to achieve it.



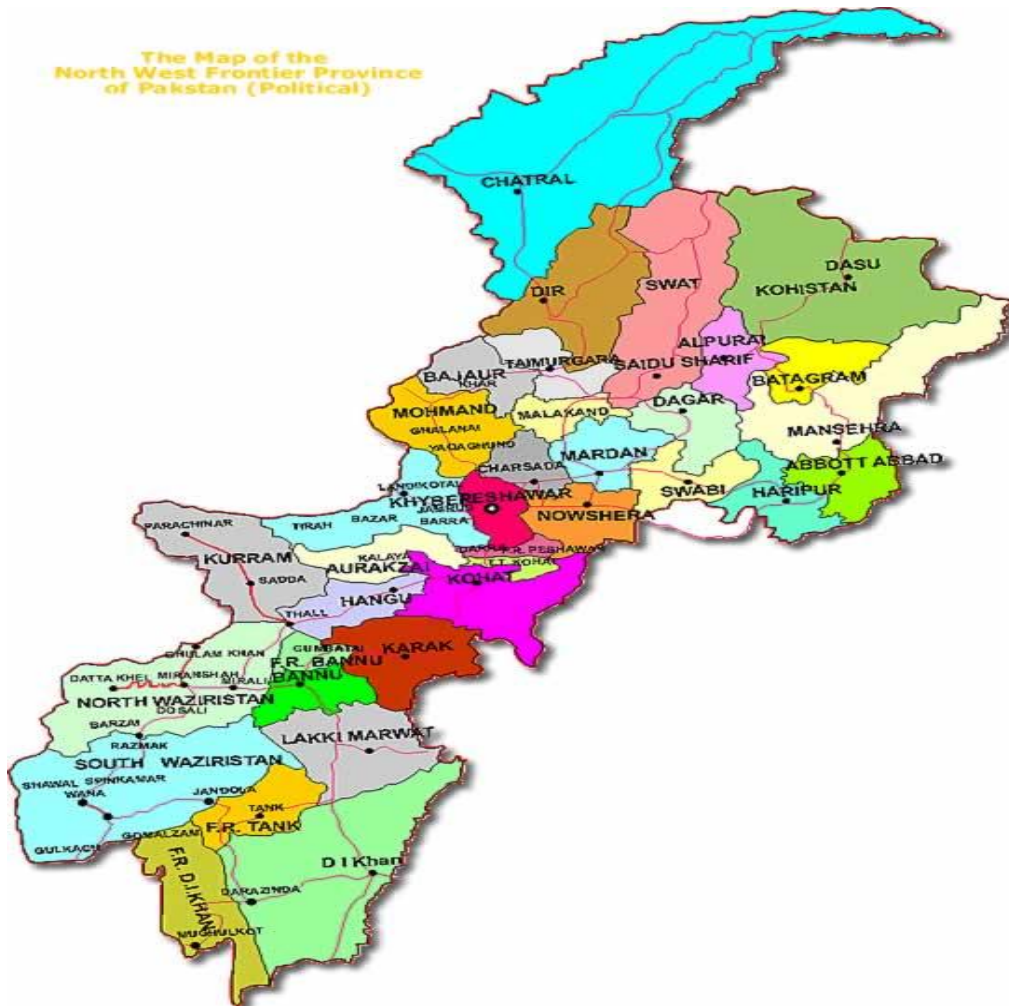
1.3.2 For data analysis, desk audit was performed and subsequently a detailed questionnaire was prepared. The results were compiled in TMA Abbottabad covering major stakeholders under Local Government Act 2013, highlighting recommendations to resolve issues and hurdles in revenue collection.

#### **1.4 Analytical Review**

1.4.1 Analytical procedures are an important part of the audit process and consist of evaluations of financial information made by a study of reasonable relationships among both financial and non-financial data. Analytical procedures assists (a) in planning stage to understand the nature, timing, and extent of auditing procedures, (b) in a substantive test to obtain audit evidence about particular statements related to account balances or classes of transactions and (c) in overall review stage of the audit assessment in evaluating the conclusions reached and in overall financial and non-financial data.

1.4.2 Analytical procedures were also performed on financial and non-financial data with a view of analyzing revenue collection and accounting mechanism at TMA in District Abbottabad.

# MAP OF THE KHYBER PAKHTUNKHWA



## **CHAPTER – 2**

### **THE LEGAL AND REGULATORY FRAMEWORK**

2.1 The foremost objective of promulgating the LGA, 2013 and establishment of Local Government System was to provide the basic welfare and socio economic service to the general public at their door step promptly, accurately and transparently by generating its own income or by the support of provisional and Federal Government.

2.2 The Article 140 of the Constitution of Islamic Republic of Pakistan provide for establishment of Local Government system and devolution political, administration and financial responsibility and authority to local Government to address the matters/problems of the society locally. To achieve the objective of the Local Government System, rules, regulation and by laws were introduced by the Provisional and Federal Government like taxation rules 2016 of TMAs, APPM, By laws of LCB KP, Chart of Account, withholding Tax Rules, rules regarding awarding contract, ROBs for Local Government and District Government Rules of Business 2015.

2.3 This study is intended to cover all those activities associated with Revenue Collection, Realization and its Accounting Mechanism at TMA Abbottabad.

## **CHAPTER - 3**

### **3.1 THE ANALYTICS – ISSUES AND COMMENTS**

This chapter presents the summary of written responses to the questions circulated among the TMOs followed by comments thereupon. Certain questions and responses which were interlinked have been clubbed together for the purpose of consistency and brevity, under one heading or title.

#### **3.1.1 Non-conducting survey and non-maintenance of accounts record**

According to sub rule-(6) of second schedule (distribution of business amongst Tehsil officers) of the TMAs budget rules 2016 the Tehsil officer (Finance) will Carry out regular surveys of the revenue base – current and potential – and develop periodic reports of financial analysis for the Council.

According to Local Council Board vide letter /notification No. AOII/LCB/9-1/2016 dated 11.05.2016, a proper survey report is required in order to streamline the recovery from various sources under the jurisdiction of TMAs.

Section 41 of Local Government Act 2013 provides, “every official or servant of a local government, every member of a local council, and every person charged with administration and management of property of a local Government shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a local Government which is a direct consequence of decisions made by him personally or under his directions in violation of this Act or any other law for the time being in force or which accrues Khyber Pakhtunkhwa Local Government Act, 2013 as a result of his negligence or misconduct, and shall be liable to pay such surcharge as may be determined by the respective Accounts Committee and such amount shall be recoverable as arrears of land revenue.

TMO Abbottabad sustained losses worth Rs 92,980 in collection of license fee departmentally during 2018-19 whereas the same was auctioned in 2019-20, even without conducting and updating survey regarding the various

categories, number, size or volume of different types of enterprises, shops or businesses in the area under his jurisdiction, and fetched Rs 375,508 in excess of the prescribed target.

Audit held that there is a great potential in the licence fee, if proper surveys are conducted and updated from time to time before auction, will get more or higher rates and will increase revenue.

Similarly, Adda fee was collected departmentally and average realization of fee was Rs 11,515,890 per year. Whereas, there was a huge loss of Rs 8,399,490 due non-achievement of Revenue targets during 2017-20.

As the value of Adda fee is in millions of rupees, no one participated in the auction, due to high risk and no data base or accounts record in respect of previous years' collection/realization, even after fifth advertisement for auction. There are around 20 stands having token fee valuing Rs 20 to 180. No government official was deputed at any stand rather the token books were handed over to some private persons who collect the token fee, handover the cash on next day to TMA's tax collector, at his own freewill without any accounts or scroll.

Audit suggests that inventory record of different token may be maintained, whereas, a detail daily register/ account may be recorded at each stand showing data fields such as date, time, vehicle No. token No. and token amount etc. so as to ensure the number of trips and total daily collection of each stand and then the whole of Adda. This data base/accounts record will help in attracting the contractors and fetching higher rates. Furthermore, to reduce the high risk and attract small and medium entrepreneurs, whole of the Adda may be split upped in to groups of stands for auction purposes.

Apart from this, there is a great potential for increasing revenue under the head "Arzi Teh Bazari", no accounts/ register was maintained in this regard. The tax collector collects the tax and credits to office at his own free will without any scroll, account or return to analyse facts and figures. Audit suggests that a daily register/ account, showing date, number of different categories of sellers in the

bazar, their names, CNIC and contact number, may be maintained. This will help in attracting contractors and higher rates on one hand and will stop leakage of public money.

Management stated that license fee has been abolished by the provincial Government and a proper survey is in progress, currently, 2,300 shops have been registered and 2100 certificates have been issued till date.

Furthermore, the recommendations of audit are welcomed and serious efforts will be made for implementation in future.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit suggests for fresh survey besides implementation of above mentioned recommendations.

### **3.1.2 Doubtful credit of contractor's cheques to treasury- Rs 10.047 million**

Section 41 of Local Government Act 2013 provides, "every official or servant of a local government, every member of a local council, and every person charged with administration and management of property of a local Government shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a local Government which is a direct consequence of decisions made by him personally or under his directions in violation of this Act or any other law for the time being in force or which accrues Khyber Pakhtunkhwa Local Government Act, 2013 as a result of his negligence or misconduct, and shall be liable to pay such surcharge as may be determined by the respective Accounts Committee and such amount shall be recoverable as arrears of land revenue.

TMO Abbottabad realized Rs 10,047,093 under various heads through cheques which were deposited in to designated bank account No. BOK PLS 5016-002 for collection whereas these cheques were rejected or dishonored by

the concerned banks and the receipts remained non-credited to government treasury. Neither any reconciliation was carried out with the bank and from whom the cheques were received nor was any evidence available to ensure that these receipts were credited by receiving new cheques or in cash. Detail as per annexure-1.

The irregularity occurred due to weak financial management and the possibility of misappropriation of public money cannot be ruled out.

Management stated that these cheques were wrongly credited to TMA's accounts and were debited on the same day by the bank, were not pertaining to TMA.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit suggests for a fact finding inquiry and fixing responsibilities.

### **3.1.3 Loss due to non-recovery of bid amount of various contracts – Rs.2.911 million**

According to clause three of the contract agreement successful bidder should deposit the bid amount in eleven (11) equal installments along with income tax.

According to clause 12 of Schedule-I of Rule of business 2015, it is responsibility of Municipal Regulation Branch of TMA to “collect approved taxes, cess, user fees, rates, rents, tolls, charges, penalties and fines”.

Tehsil Municipal Officer Abbottabad awarded 5 revenue contracts for Rs. 12,429,533 (bid amount & income tax) during financial year 2019-20. Scrutiny of records revealed that local office recovered only Rs. 9,518,588 against the bid amount and income tax which resulted in loss to authority amounting to Rs.2,910,945 as per detail below:

S.#	Name of contracts	Bid Amount	Recovered	Outstanding	Remarks
1	Entry fee New Sabzi Mandi	188,100	64,835	123,265	Income Tax
2	Entry fee Jinnah bagh	2,100,000	1,851,285	248,715	Bid amount
		210,000	74,171	135,829	Income Tax
3	Slaughter House	1,500,101	1,407,330	92,771	Bid amount
		150,000	81,916	68,084	Income Tax
4	Public latrine	4,848,484	3,551,697	1,296,787	Bid amount
		484,848	132,254	352,594	Income Tax
5	License fees	2,680,000	2,221,100	458,900	Bid amount
		268,000	134,000	134,000	Income Tax
<b>Total</b>		<b>12,429,533</b>	<b>9,518,588</b>	<b>2,910,945</b>	

Loss occurred due to weak financial management which resulted in loss to authority.

Management stated that the contractors are submitting applications for remission in context of Covid-19 for which letters have been sent to Provincial Government, reply is awaited, and meanwhile notices for recovery are continuously being served in this regard.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit recommends immediate recovery and action against the person(s) at fault.

#### **3.1.4 Loss due to non-recovery of sign board fees – Rs. 4.228 million**

According to clause 12 of Schedule-I of Rule of business 2015, it is responsibility of Municipal Regulation Branch of TMA to “collect approved taxes, cess, user fees, rates, rents, tolls, charges, penalties and fines”.

During scrutiny of revenue record of TMA Abbottabad it was noticed that local office operate/run sign board fees contract departmental and recovered Rs.6,068,100 against actual recoverable amount i.e. Rs. 10,296,330 during financial year 2019-20. Due to non-recovery of the whole amount the authority sustained a loss of Rs. 4,228,230.



Loss occurred due to weak financial management which resulted in loss to authority.

Management stated that notice has been issued in this regard, however partial amount has been recovered.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit recommends recovery of subject amount immediately besides disciplinary actions against the person(s) at fault, under intimation to audit.

### **3.1.5 Non-recovery of rent of shops and cabins –Rs 10.401 million**

According to clause 12 of Schedule-I of Rule of Business 2015, it is responsibility of Municipal Regulation Branch of TMA to “collect approved taxes, cess, user fees, rates, rents, tolls, charges, penalties and fines”.

Tehsil Municipal Officer Abbottabad did not take any serious effort to recover the outstanding rent worth Rs. 10,400,680 from tenants of shops and cabins during the financial year 2019-20 despite the Honorable Civil Judge-I/RC Abbottabad decision on 24.04.2019. Detail given below:

<b>S/No.</b>	<b>Nature of property</b>	<b>Arrears up to 30.06.2020</b>
1	Shops	7,325,251
2	Cabins	3,075,429
<b>Total</b>		<b>10,400,680</b>

Moreover, the management also failed to execute any new agreements with almost 678 tenants of shops/cabins to secure the authority properties from any future loss.

Non recovery of rent of shops was occurred due to weak financial management, which resulted in loss to Government.

Management stated notices have been served and the amount will be recovered in due course of time. Furthermore, Rs 8,479,473 have been recovered till 25.12.2020.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit recommends complete recovery of outstanding rent and execution of new agreements with sitting tenants under intimation to audit.

### **3.1.6 Non-recovery of 2% property tax–Rs 106.667 million**

According to clause 12 of Schedule-I of Rule of business 2015, it is responsibility of Municipal Regulation Branch of TMA to “collect approved taxes, cess, user fees, rates, rents, tolls, charges, penalties and fines”.

According to clause 2 of Schedule-I of Rule of business 2015, it is responsibility of Finance Branch of TMA to, “manage and control of local fund and revenues – vigilance, detection and prevention of revenue leakage and losses”.

During scrutiny of accounts record of Tehsil Municipal Officer Abbottabad, it was noticed that NHA acquired almost 4000 kanal in different Mouza of district Abbottabad under CPEC project and paid Rs. 5,333,358,935 to owners of the said land through Deputy Commissioner, but 2% property tax in lieu of transfer of immovable property of the said award is not being transferred to TMA accounts so far, resulting in loss of Rs. 106,667,179 as per detail annexure-2.

Non-recovery of 2% tax occurred due to weak financial and administrative controls which resulted in loss to Government.

Management stated the district collector was requested time and again for release of 2% property tax, whereas, no amount has been credited so far.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit recommends immediate recovery of outstanding amount along with penalty, besides action against the persons at fault under intimation to audit.

**3.1.7 Loss to Government due to illegal occupation of TMA property (Old GTS) worth Rs514.800 million besides, non-recovery of rent – Rs.30.888 million**

According to Section 3 of the Khyber Pakhtunkhwa Public Property Act 1977, “If Government, or any authority or officer authorized by Government in this behalf, is satisfied that any person is an un-authorized occupant, it or he may by order in writing, direct such person to vacate the public property and to remove the structures, if any raised by him on the public property, within such period as may be specified in the order; provided that such period shall not be less than three days.”

Section 41 of Local Government Act 2013 provides, “every official or servant of a local government, every member of a local council, and every person charged with administration and management of property of a local Government shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a local Government which is a direct consequence of decisions made by him personally or under his directions in violation of this Act or any other law for the time being in force or which accrues Khyber Pakhtunkhwa Local Government Act, 2013 as a result of his negligence or misconduct, and shall be liable to pay such surcharge as may be determined by the respective Accounts Committee and such amount shall be recoverable as arrears of land revenue.

During scrutiny of record of Tehsil Municipal Officer Abbottabad, it was noticed that a piece of land measuring 10 kanals (200 Marlas) along with building erected there on namely Old GTS Bus Stand was given purely on temporary basis to the District Judiciary, Abbottabad for accommodating the earth quake effected courts in 2005 without executing any rent agreement. The District judiciary

retained the possession of the property even after lapse of almost 15 years without paying any rent which resulted in loss to authority Rs. 30,888,000 for the financial year 2019-20 as per detail below;

Land Measuring in Marlas	Market Rate per Marla as per DC valuation table	Total cost of land	Rent @ 6% p.a. as per C&W Abbottabad formula
200	2,574,000	514,800,000	30,888,000

Moreover, the rent for almost 14 years w.e.f. (2015 to 2019) may be calculate and efforts should be made to recover the subject amount.

Loss occurred due to weak financial and administrative controls which resulted in loss to Government.

Management stated, it is true that the District Judiciary has occupied the said land since long. This office has requested the judiciary for vacation so many times. Neither the property was vacated nor any rent paid.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit recommends immediate recovery of the subject amount along with penalty, vacation of public land or execution of rent agreement and action against the person(s) at fault under intimation to audit.

### **3.1.8 Loss to Government due to non-execution of lease/rent agreement–Rs 159.664 million**

Section 41 of Local Government Act 2013 provides, “every official or servant of a local government, every member of a local council, and every person charged with administration and management of property of a local Government shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a local Government which is a direct consequence of decisions made by him personally or under his directions in violation of this Act or any other law for the time being in force or which accrues Khyber

Pakhtunkhwa Local Government Act, 2013 as a result of his negligence or misconduct, and shall be liable to pay such surcharge as may be determined by the respective Accounts Committee and such amount shall be recoverable as arrears of land revenue.

During audit of the accounts of Tehsil Municipal Administration Abbottabad for the financial year 2019-20, it was noticed that an area of 50154 sft was occupied by District Bar Club since 2007. Neither any lease agreement was executed nor any lease/rent money was realized since 2007 resulting the Government sustained a loss of Rs. 159,664,252 w,e,f 2007 to 2020 as per rent assessment done by C&W Department Abbottabad.

The irregularity occurred due to weak financial and administrative control which resulted in loss to the TMA.

Management stated in this regard a meeting was conducted on 18.05.2021 under the Chairmanship of Special Secretary Local Government on behalf of the Secretary LG which was also attended by the President District Bar Association. In the meeting it was concluded that the case may be referred to the cabinet for decision, which is awaited.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit suggests recovery along with penalty besides vacation of public land or execution of rent agreement and action against the person(s) at fault.

### **3.1.9 Loss to Government due to non-revision of lease agreements – Rs.3.576 million**

According to Government of N.W.F.P Local Government, Election & Rural Development Department order No.AO-V/LCB/4-1/99 dated 21<sup>st</sup> July 1999:-

- 1) The local council will assess the rate of annual lease money for each unit at the prevailing market rate in the locality.

- 2) The occupant of the property will be given an option to keep the property with him as a lessee at the 70% of the market rate as referred to above.
- 3) An increase of 10%/annum of the lease money will be payable by the lessee, if he continue with the occupancy of the property.
- 4) The desirous lessee will exercise the option for retention of the possession and enter into an agreement within three months, failing which he will be termed as an unauthorized occupant of the property and dispossessed of the same without any excuse on his part.
- 5) The Administrator of the Local council will submit fortnightly progress report with record to the implementation of the above decision on the prescribed format.

Tehsil Municipal Officer Abbottabad leased out government land to various persons at a very nominal rate despite clear instructions of the Provincial Government to revise the lease amount according to the prevailing market rate. Moreover, in case of failure of execution of new lease agreement within three months the lessee will be treated as unauthorized occupant of the property and dispossessed of the same without any excuse on his part. But after lapse of considerable time i.e., almost 20 years, no action was taken. Furthermore a number of lease agreements have been expired but till date of audit, new agreements were not executed and local office sustained loss detail as per annexure-3.

Non-revision/ renewal of lease was occurred due to weak financial management, resulting in violation of rules and loss to Government.

Management stated the provincial Government has banned the execution of fresh lease agreements. In some instances the process is pending due to court cases as well while others are in process of vacation.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit suggests renewal of lease agreements in the light of Government orders issued in July 1999 and action against the person(s) at fault under intimation to audit.

### **3.1.10 Loss due to non-achievement of revenue targets –Rs 109.820 million**

As per clause 2 of Policy Guidelines of the contract for the contract of cattle fairs and Bus stand circulated vide Local Government Department of Khyber Pakhtunkhwa Letter No. AO-II/LCB/6-11/2013 dated 02.05.2018 the contract for the present year must have an increase over the bid of last year to the tune of 20%.

TMO Abbottabad sustained losses worth Rs 109,820,694 during the financial year 2017-20 due to non-achievement of revenue targets. Instead the notion of receipts shows continuous decline. Detail as per annexure-4.

Audit held that the management did not fulfill the Terms and Conditions laid down by the Provincial Government as mentioned above in respect of the auction proceedings and failed to fetch competitive bids and opted for departmental collection putting the Council in losses.

Apart from this, there was a loss worth millions of Rupees to FBR in terms of income tax as these taxes/revenues were collected departmentally.

Management stated that majority of the contracts have touched the situation stage. Resultantly, contractors do not participate in bidding, this lead to the departmental collection and it was impossible to achieve those targets. Furthermore, many contracts were affected due to prevailing situation of Covid-19 as well.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit suggests fixing responsibilities besides recovery from the person(s) at fault.

### **3.1.11 Non recovery of premium and rent of cafeteria – Rs 1.045 million**

According to Rule 1 of Annexure A to Para 38 of GFR Vol.-I states that the departmental authorities are primarily responsible to see that all revenues are correctly and promptly assessed, realized and credited to government treasury.

Tehsil Municipal Officer Abbottabad auctioned Jinnah Bagh Cafeteria for the financial year 2018-19 against a premium of 7,000,000 and monthly rent of Rs 15,000. A sum of Rs 6,000,000 of the premium has been realized whereas, a sum of Rs 1,000,000 remained un-realized. Furthermore, monthly rent of Rs 15,000 for three months was also not recovered resulted in loss of Rs 45,000.

Non recovery of premium and rent was occurred due to weak financial management, resulted in loss to Government.

Management stated that Rs 1,000,000 have been recovered in this regard vide receipt No. 32/303 on 04.072019 and fresh notice has been served for the balance. Progress will be intimated after complete recovery whereas, evidence in support of the reply was not produced.

Audit suggests for fixing responsibilities besides complete recovery of premium along with up to date monthly rent and action against the person(s) at fault under intimation to audit.

### **3.1.12 Non-recovery of extra premium and rent for extra land – Rs 3.467 million**

According to Rule 1 of Annexure A to Para 38 of GFR Vol.-I states that the departmental authorities are primarily responsible to see that all revenues are correctly and promptly assessed, realized and credited to government treasury.



Tehsil Municipal Officer Abbottabad auctioned the land on lease for Jinnah Bagh Cafeteria measuring 315 square feet for the financial year 2018-19 against a premium of Rs 7,000,000 and monthly rent of Rs 15,000. Whereas, lessee occupied 470 square feet as was evident from the design of the said Cafeteria. A sum of Rs 3,466,587 on account of extra premium and rent for the extra land of 155 square feet was not realized and resulted in loss to public exchequer. Detail is as under:

S.No	Description	Land auctioned in sft	Land occupied in sft	Extra land occupied in sft	Agreed amount	Rate/sft	Amount of extra land occupied
1	Premium	315	470	155	7,000,000	22,222	3,444,444
2	Rent for 3 month	315	470	155	15,000	48	22,143
<b>Total</b>							<b>3,466,587</b>

Furthermore no agreement was executed with the lessee to safeguard the public interest.

Non recovery of premium was occurred due to weak financial management, resulted in loss to Government.

Management stated that Rs 1,000,000 have been recovered in this regard vide receipt No. 32/303 on 04.072019 and fresh notice has been served for the balance. Progress will be intimated after complete recovery.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit recommends fixing responsibilities besides complete recovery of premium along with monthly rent for extra land and action against the person(s) at fault under intimation to audit.

### **3.1.13 Doubtful deposit of Government revenue- Rs 1.409 million**

Section 41 of Local Government Act 2013 provides, “every official or servant of a local government, every member of a local council, and every person charged with administration and management of property of a local Government

shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a local Government which is a direct consequence of decisions made by him personally or under his directions in violation of this Act or any other law for the time being in force or which accrues Khyber Pakhtunkhwa Local Government Act, 2013 as a result of his negligence or misconduct, and shall be liable to pay such surcharge as may be determined by the respective Accounts Committee and such amount shall be recoverable as arrears of land revenue.

TMO Abbottabad realized Rs 1,409,368 under various heads and shown deposited in to designated bank account No. BOK PLS 5016-2 whereas the bank statement was silent and the dealing hand was unable to clarify the deposits during financial year 2018-19. Due to doubtful deposit receipts, the possibility of misappropriation of public money could not be ruled out. Detail is as under:

S.No	Challan No	Date	Amounts
1	94	05.03.2019	403,321
2	116	22.04.2019	662,847
3	34	18.10.2018	343,200
<b>Total</b>			<b>1,409,368</b>

The irregularity occurred due weak financial and administrative control, which resulted doubtful deposit of receipts.

Management stated that after tracing and verification of above mentioned challan. Progress will be shown to audit. Reply was not convincing as the management failed to trace the same at the time of audit and till finalization of this report.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit recommends justification/recovery from the persons at fault besides disciplinary actions.

### **3.1.14 Loss due to cancellation of Galliyat entry fee contract- Rs 4.730 million**

According to Para 8 and 26 of the General Financial Rules Volume I require each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

TMO Abbottabad auctioned the contract for recovery of Galiyat Entry Fee for the financial year 2016-17 as was approved by the council vide resolution no.80 on 19.02.2016. The contract was awarded to Muhammad Arif S/o Mussamir Shah against the bid amount of Rs 4,300,000 besides recovery and deposit of income tax @ 10% which comes to Rs 430,000. A sum of Rs 860,000 was recovered as 20% advance.

Later on the contract was cancelled due to unknown reasons and the advance so recovered was returned to the contractor resulted in loss of Rs4,730,000.

Management stated detailed reply would be furnished after scrutiny of all the relevant record and documents.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

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

### **3.1.15 Loss due to non-recovery of long outstanding dues- Rs 14.346 million**

Clause 30 of the Model Terms and Conditions for the contract agreement provides, “the local council shall be entitled to recover all dues from the securities and guarantors in case of default on the part of contractor due to any reason whatsoever. All cost and consequential costs of legal proceedings shall also be recoverable from them”.

TMO Abbottabad neither took any concrete imitative for the recovery of Government dues outstanding since long nor any legal proceedings regarding blacklisting of the defaulters were envisaged resulted in loss to Government worth Rs 14,346,202. Detail as per annexure-5.

Non recovery of Government dues was occurred due to weak financial management, which resulted in loss to Government.

Management stated that notices will be issued in this regard and progress will be intimated to audit.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit suggests disciplinary action against the persons at fault besides recovery and imposition of penalty for late deposit.

### **3.1.16 Unauthentic/doubtful payment of Income tax - Rs 2.005 million**

According to Para 56 of income tax rules 2002 as amended up to September 2008, any person making deduction in accordance with the provisions of Section 153 shall deposit the tax so deducted to treasury under proper head on challan and by the fifteenth day of each quarter send to the Income Tax Authorities, specified under rule, a quarterly statement in respect of payment made by him during the preceding quarter in the specified form and verified in the manner indicated therein,

TMO Abbottabad shown paid income tax worth Rs 2,005,912 during financial year 2017-20 to Assistant Commissioner Abbottabad, deducted from various contractors. But neither any acknowledgement of the treasury nor any treasury challan was available on record to evident that the taxes were properly remitted into Government account i.e., B01134. Audit held that in the absence of acknowledgement, challans and reconciled statement the payment of taxes was unauthentic/doubtful, detail as per annexure-6.

Doubtful payment of income tax was occurred due to weak internal control, resulted in violation of rule.

Management stated the income tax recovered from contractors was paid regularly to tax authorities through cross cheques along with detail statements. Acknowledgement of tax authorities will be produced to audit.

In future income tax will be deposited through challan.

Request for convening of DAC meeting was made in May 2021, however, meeting of DAC was not convened till finalization of this report.

Audit suggests regularization besides fixing responsibilities.

## **CONCLUSIONS**

Keeping in view the discussion of issues and comments given in the preceding chapter on revenue collection realization and its accounting system, it can be concluded that TMA Abbottabad did not collect and realized revenue from own source, economically, efficiently and effectively. The time value for money was not achieved due to ill planning of revenue collection.

The survey conducted for the study has revealed there was no proper accounting mechanism of revenue collection in TMA of District Abbottabad. TMA failed to achieve receipt target. No action was taken against the defaulting contractors. There was no proper planning to secure revenue resource from wastage. Personal Force of TMA was not empowered in revenue collection. There was decreasing trend of revenue collection due to departmental execution of revenue resources.

## **RECOMMENDATIONS**

It is recommended that the flaws pointed out in the report may be kept in mind while collecting own source revenue in future. There should be proper planning and budgeting and accounting mechanism for maximization of revenue collection and achievement of receipt targets for reducing dependency on Provincial Government for grants. The management should fully auctioned all the revenue generating contracts highest bid by adopting transparent bidding system.

It is also recommended to appoint internal auditor to audit revenue of TMA. Moreover, proper record of printed receipt books with printing from Government. Printing Press be maintained besides collecting staff be made accountable for collection on the basis of issued printed receipts books duly serially numbered with printed face value on each page. Further rotation of staff be ensured so that chances of fraud/ embezzlement could be mitigated.

Furthermore, the study also recommends that;

Revenue resources should not be abolished without order of the competent authority. TMA should search new means of revenue. Moreover legal action should also be taken against the defaulter contractors.

Revenue collected should be deposited only in approved bank accounts and may be reconciled with banks on monthly basis to avoid the chances of misappropriation of revenue.

## ANNEXURES

### Annexure-A

#### Questionnaire

#### Survey Questionnaire for Revenue collection, realization and accounting mechanism at selected TMAs

District : Abbottabad

Name of TMA: Abbottabad

This survey is a part of a special study planned to be conducted by this Directorate. It covers facts, issues, opportunities and procedures regarding collection and realization of revenue and its accounting mechanism in TMAs. It includes sources of income to a TMA which includes Taxes, sales proceeds, rental income, cattle fare, goat and sheep markets and various fees. This survey also studies the knowledge of rules and procedures of Personal force of TMAs and its skills and efforts towards collection and realization of revenues and cooperation of Tehsil administration towards enhancement and achievement of receipts targets. Most items on this form require either Yes or No response. Whenever appropriate, you can make detailed comments on additional sheets of papers. It is to be filled by each Tehsil Municipal Officer who is also the head of the department in the TMA.

S. No.	Question	Response (Yes or No)
1	Is there are any specify rules are available for realization and recording of TMA revenues?	Yes
2	The TMA staff is familiar with accounting rules?	Yes
3	There is any training, book is in place regarding accounting and reporting of revenue?	No
4	What are the targets of revenue for the last three years?	Rs.1,135,291,124
5	What are the actual receipts against revenue targets?	Rs 770,838,933
6	Liabilities occurred during the last three years?	Yes
7	Is the revenue of TMA being sufficient for TMA day to day business?	No
8	What types of the restriction the TMA is facing in collection of revenues?	1.court cases 2.Lack of cooperation of tenants & community



9	Step taken by TMA to clear these restrictions?	Yes
10	Is the local police and administration are helping the TMA officials in revenue collection?	Yes
11	Are annual accounts of revenue are maintained as per rules?	Yes
12	Either proper reporting system is in place?	Yes
13	Both reconciliation with banks and all the related parties are in practice?	Yes
14	Any embezzlement in revenue reported and their latest position?	No
15	Steps taken against defaulter (the contractors whose files to pay Govt money in due course of time)	Yes
16	Any penalty imposed on defaulter? if imposed then its status?	Yes
17	Any report with reference to defaulter submitted to higher up?	Yes
18	Any legal proceeding taken against the defaulter?	Yes
19	Whether there is proper reconciliation with banks in place?	Yes
20	Any study taken to discover new area of revenue?	No
21	Whether Designated Banks Accounts were approved from Finance Department?	Yes
22	Whether guidelines rules/procedures are followed in awarding the contract regarding revenues generation?	Yes
23	The deduction made by the TMA (like Income Tax, Sale Tax and other third-party payment) are properly and timely transferred to concerned?	Yes
24	Any reconciliation made with tax authorities?	No
25	There is any difference found in reconciliation with tax authority? And action taken in this regard?	No
26	How many works/activities/contracts which are not auctioned? And its financial impact?	6 in 2019-20,8 in 2018-19 & 6 in 2017-18(Rs 109.820 million due to non-achievement of targets, Para 08)
27	The works/activities whose was not auctioned either the department made effort to generate revenue from these activities?	Yes

**Annexure-1**

<b>S/No.</b>	<b>Date</b>	<b>cheque No.</b>	<b>amount</b>
1	20.01.2020	21121	50,000
2	17.02.2020	12212	144,000
3	16.03.2020	212112	250,000
4	22.04.2020	10322457	100,000
5	09.06.2020	12122	144,000
6	29.11.2018	77751157	160,000
7	19.03.2019	119259476	70,000
8	03.05.2019	32340124	500,000
9	20.05.2019	39523835	300,000
10	10.07.2019	2152	72,000
11	02.07.2019	48941932	470,880
12	04.07.2019	39583974	920,000
13	04.07.2019	89194466	20,582
14	04.07.2019	74213886	192,000
15	29.07.2019	136935291	74,397
16	10.10.2019	1764581	5,679,234
17	22.10.2019	299630	800,000
18	22.04.2020	10322457	100,000
<b>Total</b>			<b>10,047,093</b>

**Annexure-2**

<b>S.No</b>	<b>Name of Village/Mouza</b>	<b>Total awarded amount</b>	<b>2% Property Tax Amount</b>
1	Khokhar	379,872,493	7,597,450
2	Salhad-II	819,938,650	16,398,773
3	Salhad-II /khokha (Interchange)	790,487,204	15,809,744
4	Salhad-I	1,286,266,864	25,725,325
5	Qasba	48,119,898	9,623,900
6	Banda Amlok	103,552,198	2,071,044
7	Banda Qazi	15,880,756	317,615
8	Banda Khair Ali Khan	10,098,943	201,979
9	Khumar Bandi	22,708,032	454,160
10	Kishna	68,738,191	1,375,764
11	Pawa	47,633,632	953,073
12	Shah Kot	18,070,729	361,414
13	Hall Mera Tarla	20,506,092	410,122
14	Hall Mera Uvla	41,715,130	834,303
15	Baldheri	40,618,997	812,380
16	Gojri (Part-I)	19,597,246	391,945
17	Sajikot	190,794,585	3,815,892
18	Dhobattar	502,559,546	10,051,191
19	Tannan	473,051,259	9,461,025
	<b>Total</b>		<b>106,667,099</b>

### Annexure-3

S. No	Area in SFT	in Marlas	rates applied per month in	proposed rates after 30% rebate	loss per month	loss during the year
1	1,622	5.96	144	2,000	1,856	22,272
2	545	2.00	44	14,000	13,956	167,472
3	2,838	10.43	500	17,000	16,500	198,000
4	31,777	116.83	75	30,000	29,925	359,100
5	549	2.02	372	11,000	10,628	127,536
6	1,044	3.84	1,250	14,000	12,750	153,000
7	1,632	6.00	2,500	6,667	4,167	50,004
8	1,547	5.69	8	14,000	13,992	167,904
9	14,793	54.39	16	100,000	99,984	1,199,808
10	2,875	10.57	4	22,000	21,996	263,952
11	1,388	5.10	4	14,000	13,996	167,952
12	50,154	184.39	83	58,335	58,252	699,024
<b>Total</b>	<b>110,764</b>	<b>407.22</b>	<b>5,000</b>	<b>303,002</b>	<b>298,002</b>	<b>3,576,024</b>

## Annexure-4

2016-17			2017-18			2018-19			2019-20			total loss
S/ No .	Prop erty	Recei pts	Recei pts Target Rs	realiz ation Rs.	loss due to less realiz ation	Recei pts Target Rs	realiz ation Rs.	loss due to less realiz ation	Recei pts Target Rs	realiz ation Rs.	loss due to less realiz ation	
1	Add a fee	11,635,080	13,962,096	11,676,220	<b>2,285,876</b>	14,011,464	12,478,000	<b>1,533,464</b>	14,973,600	10,393,450	<b>4,580,150</b>	8,399,490
2	Sign board fee	8,700,000	10,440,000	6,620,000	<b>3,820,000</b>	7,944,000	5,014,150	<b>2,929,850</b>	6,016,980	3,562,120	<b>2,454,860</b>	9,204,710
3	parking Hari pur Add a	585,000	702,000	1,130,000	<b>(428,000)</b>	1,356,000	1,367,000	<b>(11,000)</b>	1,640,400	619,860	<b>1,020,540</b>	1,020,540
4	Plot link road Arzi the baza ri	1,535,000	1,842,000	443,108	<b>1,398,892</b>	531,730	283,900	<b>247,830</b>	340,680	171,720	<b>168,960</b>	1,815,682
5	Desi gn Fee	9,394,583	11,273,500	13,407,229	<b>(2,133,729)</b>	16,088,675	11,801,794	<b>4,286,881</b>	14,162,153	7,150,960	<b>7,011,193</b>	9,164,344
6	2% Prop erty tax	139,531,098	167,437,318	156,845,432	<b>10,591,886</b>	188,214,518	183,670,144	<b>4,544,374</b>	220,404,173	155,324,505	<b>65,079,668</b>	80,215,928

**Annexure-5**

<b>S/No.</b>	<b>Year</b>	<b>property</b>	<b>contractor</b>	<b>amount outstanding</b>
1	2011-12	Adda Fee	Mhammad Sabir	899,090
2	2011-12	Design Fee	ghulam mustafa	561,899
3	2011-12	license fee	abdur rehman	193,625
4	2011-12	parking fee	Muhammad zaheer	37,830
5	2011-12	Group latrines	Awal khan	13,688
6	2012-13	Licence fee	Faayaz Ahmad	14,667
7	2014-15	2 latrines	Chamman gul	53,630
8	2015-16	Group latrines	Awal khan	41,473
9	2015-16	2 latrines	Chamman gul	12,722
10	2015-16	New latrine	Dilawar Maseh	73,125
11	2015-16	Cattle fair Eid	Faayaz Ahmad	44,500
12	2015-16	Licence fee	Muhammad shoaib	97,000
13	2016-17	Sign board	Asia builders	2,384,420
14	2016-17	Galliyat enry fee	Muhammad Arif	3,870,000
15	2016-17	Entry fee to new sabzi mandi	Sun rise & Co.	54,520
16	2016-17	Experimental cattle fair	Muhammad shoaib	319,000
17	2016-17	Slaughter house fee	Qasim khan	105,100
18	2017-18	Sign board	Asia builders	1,153,990
19	2017-18	auction of old materials		843,000
20	2018-19	Public latrines	Sun rise & Co.	500,000
21	2019-20	Car parking burn hall	Nazir maseh	252,144
22	2019-20	Jinnah garden entry fee	Aurang zeb trad.	348,544
23	2019-20	Slaughter house fee	Chamman gul	160,855
24	2019-20	Group latrines	Muhd. Shehzad	1,649,380
25	2019-20	License fee	Abdul hameed Tanooli	662,000
<b>Total</b>				<b>14,346,202</b>

**Annexure-6**

<b>S/No.</b>	<b>year</b>	<b>Property</b>	<b>income tax recovered</b>
1	2017-18	Cattle Fair	30,500
2	2017-18	parking haripur adda	113,000
3	2017-18	Entry to new sabzi mandi	90,500
4	2017-18	Eid Cattle fair	40,500
5	2017-18	auction of old material	123,000
6	2017-18	Aucruin of old building material	226,500
7	2017-18	Auction of vehicle fire brigade	72,000
8	2018-19	Entry to new sabzi mandi	109,300
9	2018-19	parking haripur adda	136,700
10	2018-19	Jinnah Garden entrée fee	45,100
11	2018-19	auction of old material	75,000
12	2018-19	auction of trees	9,525
13	2018-19	public latrine	34,321
14	2019-20	Sabzi Mandi Havelia	188,100
15	2019-21	Car parking burn hall	133,496
16	2019-22	Jinnah Garden entrée fee	210,000
17	2019-23	Slaughter house fee	81,916
18	2019-24	Group Latrines	132,254
19	2019-25	License Fee	134,000
20	2019-26	Eid Cattle fair	20,200
Total			2,005,912