



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

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, Kohat" 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, Kohat 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 Principles and Procedure Manual
DAC	Departmental Accounts Committee
DAO	District Accounts Officer
DCR	Demand and Collection Register
FAOs	Field Audit Offices
FD	Finance Department
FIR	First Investigation Report
FTS	File Tracking System
HOD	Head of the Department
HQs	Head Quarters
KP	Khyber Pakhtunkhwa
KP LGA	Khyber Pakhtunkhwa Local Government Act
LCB	Local Council Board
LG	Local Government
LGA	Local Government Act
LGO	Local Government Ordinance
PIFRA	Project to Improve Financial Reporting and Auditing
ROB	Rules of Business
TMA	Town/Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TO(F)	Tehsil Officer Finance
TO(R)	Tehsil Officer Regulation

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 Kohat 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.
- i. The TMA Kohat 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 Kohat”.

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 Kohat 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 Kohat 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 Kohat 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 Kohat covering

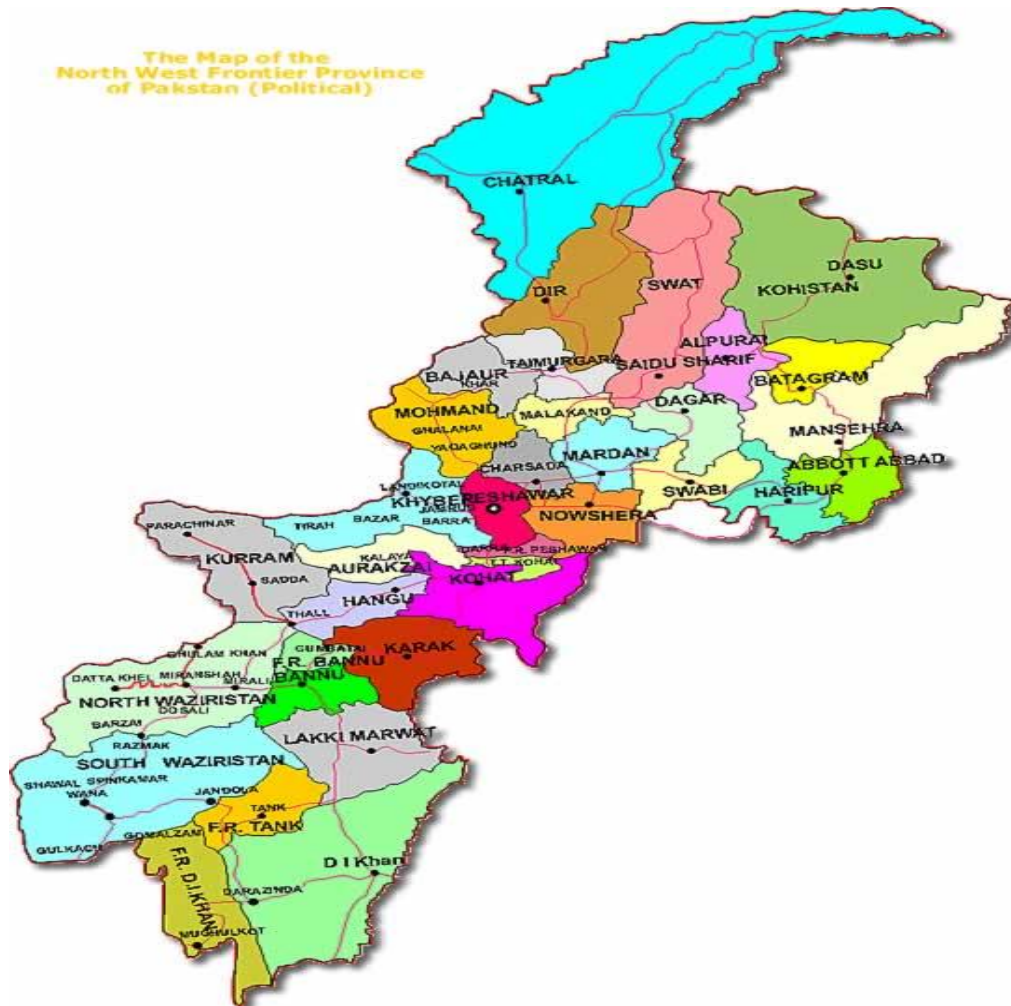
major stakeholders under Local Government Act 2013, highlighting recommendations to resolve issues and hurdles in revenue collection.

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 Kohat.

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 Kohat.

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 Loss to Government due to less realization of receipts –Rs157.997 million

According to clause 2 of the model terms and conditions of receipt contracts circulated vide Local Government Department, Government of Khyber Pakhtunkhwa letter No. AO-II/LCB/6-11/2011, dated 20.02.2017 the contract of the present year must have an increase over the bid of last year to the tune of 20%.

TMO, Kohat made less recovery of Rs 25,408,304, Rs 44,844,792 and Rs 87,733,842 on account of various receipt contracts during the year 2017-18, 2018-19 and 2019-20 respectively. The local office failed to collect the receipts after adding 20% increase over the previous year's bids as per model terms and conditions of receipt contracts resulting in loss to the Authority. (Detail given in annexure-2)

The loss occurred due to weak internal control and resultantly authority was put to loss.

When pointed out in April, 2021, management stated that in some of the annual contracts, no interest was shown by the registered contractors. Therefore, most of receipt contracts were run departmentally, as a last option. Recovery from departmentally run contracts always remains on lower side. Other reason will be intimated of less realization of the receipts after consultation of complete record. Reply was not tenable as 20% increase over last year's collection was not achieved by the department.

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

3.1.2 Loss to TMA due to late completion of Abasyn plaza

According to Rules 27(1)(h) of the TMA (Budget) Rules, 2016, The Nazim TMA shall review progress of development projects and ensure timely completion of development projects.

TMO, Kohat planned a work “construction of Abasyn plaza Kohat” with a purpose to generate revenue on regular basis on account of premium and rent. The work was tendered with estimated cost of Rs 80.745 million during 2011-12. As per work order the work was required to be completed in 24 months, however, as per completion certificate, the work was completed on 20.12.2020 with abnormal delay of 06 years. As the plaza was planned for generation of revenue and if completed in due course of time, it would have generated huge revenue in last 6 years. Instead the plaza was still not auctioned and TMA was sustaining loss.

Delay in completion of revenue generation scheme occurred due to lack of administrative and financial control which resulted into loss to authority.

When pointed out in April, 2021, management stated that request has been made to Provincial Government for auction of new launched E-Auction Management System. As and when permission is received the plaza will be put to auction. Reply was not tenable as due to delay in completion the authority sustained huge loss.

Audit recommends auction of the plaza and generation of the revenue as early as possible besides action against the person(s) responsible for late completion.

3.1.3 Loss due to non-realization of receipt from Sasta Bazar-Rs39.00 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA (Budget) Rules, 2016, the TO(R) shall ensure that all revenue dues are claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

TMO, Kohat approved a budget head “Sasta Bazar” in the budget book for the year 2016-17 and estimated a revenue for Rs 35,000,000 in shape of premium and rent, but failed to start generation of revenue from the Sasta Bazar despite

approval of the budget head in each financial year's budget book as per detail below. As a result Rs 39,000,000 loss was sustained by the authority.

Financial Year	Budgeted Amount	Receipt/ Collection
2016-17	35,000,000	0
2017-18	0	0
2018-19	0	0
2019-20	4,000,000	0
Total	39,000,000	

Non realization of receipt occurred due to lack of administrative and financial control which resulted into loss to authority.

When pointed out in April, 2021, management stated that reply would be furnished after consultation of office record. Reply was not tenable as all relevant record was available with the authority.

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

3.1.4 Less realization on account of new taxes-Rs 6.321 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA (Budget) Rules, 2016, the TO(R) shall ensure that all revenue dues are claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

TMO, Kohat failed to recover Rs 6,321,000 on account of new taxes from various business units during 2017-18. The department only recovered Rs 179,000 against the total demand of Rs 6,500,000. It was also observed that the outstanding amount of Rs 6,321,000 was not carried forward to the next financial year i.e. 2018-19 and so on.

Less realization of receipt occurred due to lack of administrative and financial control which resulted into loss to authority.

When pointed out in April, 2021, management stated that reason of less recovery is due to litigation between TMA Kohat and traders. However detailed reply will be made after consultation of relevant record. Reply was not tenable as the authority sustained huge loss due to less realization of new taxes.

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

3.1.5 Loss to Government due to non-acceptance of contractor offer –Rs 2.293 million

According to rule 6 (1) (g) of the Khyber Pakhtunkhwa TMA (budget) rules, 2016, “the function of TO (R) is the guard against waste and loss of public money” and also rule 3 (10) (j) of the rules states that “TMO is responsible to guard against waste and loss of public money”.

TMO, Kohat rejected the bid offer by contractor “Nazir Ahmed” on account of weakly cattle fare Kohat for Rs 15,500,000 for a period of 11 months during 2018-19 with a plea that the offer was not more than or equal to the amount of previous year bid with 20% increase. The receipts were collected departmentally and revenue of Rs 14,756,601 was collected during the same period. Resultantly, an amount of Rs 743,399 was less collected and loss of Rs 1,550,000 was also occurred in shape of income tax which would have been deposited into Government treasury if the contract was awarded to the contractor.

Contractor’s offer was not accepted due to weak internal control and resultantly authority was put to loss.

When pointed out in April, 2021, management stated that as per policy guide lines circulated for auction of local council contracts, either revenue sources will be auctioned or will run departmentally, hence no irregularity is occurred. Reply was not tenable as the authority sustained loss due to non-awarding of contract to contractor and run the contract departmentally which resulted in less realization than the contractor bid.

Audit recommends that the policy may be revised in such a way that losses may be minimized.

3.1.6 Non-recovery of Long outstanding Government dues on account of Rent of Municipal Property-Rs 36.449 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA (Budget) Rules, 2016, the TO(R) shall ensure that all revenue dues are claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

TMO Kohat, failed to recover rent of Rs 36,448,608 from 612 units of TMA property during the year 2019-20. The outstanding amount also includes Rs

21,329,019 as previous outstanding which indicates not only the failure of the department to recover previous outstanding dues but also shows the fruitless efforts to recover current charges. (Detail given in annexure-3)

Long outstanding Government dues were not recovered due to lack of administrative and financial control which resulted into loss to authority.

When pointed out in April, 2021, management stated that efforts are being made to recover the outstanding rent as soon as possible. Reply was not tenable as outstanding dues were not recovered.

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

3.1.7 Non-recovery of outstanding dues on account of revenue receipt contracts-Rs 8.572 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA (Budget) Rules, 2016, the TO(R) shall ensure that all revenue dues are claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

TMO, Kohat failed to recover Rs 8,571,777 against the contractual amount from various receipt contracts during the year 2018-19 and 2019-20. (Detail given in annexure-4)

Dues outstanding on account of revenue receipt contracts were not recovered due to lack of administrative and financial control which resulted into loss to authority.

When pointed out in April, 2021, management stated that most of recovery of fee/ taxes of the contracts for the year 2019-20 has effected due to Covid-19, however detailed reply will be made after consultation of complete record. Reply was not tenable no documentary proof in support of reply was furnished. Secondly, the recovery of 2018-19 was not affected by Covid-19.

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

3.1.8 Loss to government due to non-deduction of income tax - Rs2.844 million

According to letter No. (Unit-49)/WHZ/2017-18/270, dated 12.07.2017, “the rate of collection of tax on auction u/s 236A is 10% for filers and 15% for non-filers”.

TMO Kohat failed to recover income tax amounting to Rs 2,843,628 from the below-mentioned contractors of revenue receipt contracts on revised rates during the year 2018-19 and 2019-20 and thus Government was put to loss. (Detail given in annexure-5)

Government taxes were not recovered due to lack of financial and administrative control which resulted into loss to Government.

When pointed out in April, 2021, management stated that most of recovery of fee/taxes of the contracts for the year 2019-20 has effected due to COVID-19, however detailed reply will be made after consultation of complete record. Reply was not tenable no documentary proof in support of reply was furnished. Secondly, the recovery of 2018-19 was not affected by Covid-19.

Audit recommends recovery of government taxes under intimation to audit.

3.1.9 Non collection of Suzuki stand fee Billitang for the year 2018-19

According to Rules 51(1) of the Revenue Receipts Management of the TMA (Budget) Rules, 2016, the TO(R) shall ensure that all revenue dues are claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

TMO, Kohat failed to collect Suzuki stand fee Billitang from July, 2018 to September, 2018 and from February, 2019 to June, 2019. On 26.02.2019 the Zilla Counselor Mr Faheem and Tehsil Counselor M. Ijaz stopped the collection of receipts with locals with the plea that no adda stand was established by TMA, Kohat. No action was taken by the TMO, Kohat to resolve the issue. As a result the collection in the next financial year i.e. 2019-20 was also nil.

Non realization of receipts occurred due to weak administrative control which resulted into loss to the authority.

When pointed out in April, 2021, management stated that reply will be made after consultation of relevant file and other records. Reply was not tenable as the relevant record was available with the authority.

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

3.1.10 Non recovery of Weekly Cattle Fare Billitang- Rs 0.623 million

According to Rules 51(1) of the Revenue Receipts Management of the TMA (Budget) Rules, 2016, the TO(R) shall ensure that all revenue dues are claimed, realized and credited immediately into Tehsil Fund under proper receipt head.

TMO, Kohat failed to collect an amount Rs 623,322 on account of Weekly Cattle Fare Billitang during April, 2019 to June, 2019. An amount of Rs 1,869,965 was collected departmentally during July, 2018 to March, 2019 by the TMA staff and then stopped the recovery with the report that the Cattle Fare was illegally occupied by Zilla Counselor M. Faheem and Tehsil Counselor M. Ijaz.

Non realization of receipts occurred due to weak administrative control which resulted into loss to the authority.

When pointed out in April, 2021, management stated that request was made to DC and DPO Kohat for lodging FIR against both the councilors namely Muhammad Faheem and Muhammad Ejaz. Reply was not tenable as neither FIR was lodged against the offenders till dated nor recovery was made by the department.

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

3.1.11 Non consolidation of local Governments receipts-Rs 327.209 million

According to Section 36 (3) of the Local Government Act 2013, the District Accounts Officer shall, quarterly and annually, consolidate the Accounts of the Local Governments in the District separately for receipts from the

Government and local resources and send a copy to the Government, Accountant General and Nazim District Council.

TMO, Kohat failed to send receipts figures of Rs 347.209 million to DAO, Kohat for consolidation on quarter and annual basis as required under rules mentioned above. Following is the detail:

S.No	Financial Year	Amount (Rs in million)
01	Receipts for 2017-18	103.553
02	Receipts for 2018-19	121.861
03	Receipts for 2019-20	121.795
Total		347.209

Non consolidation of local receipts was due to lack of financial and administrative control resultantly true and fair view of accounts could not be presented without examination of compiled accounts.

When pointed out in April, 2021, management stated that reply would be made after consultation of relevant records. Reply was not tenable as the relevant record was available with the authority.

The accounts may be compiled/ consolidated without further delay.

3.1.12 Non-preparation of financial statement for financial transactions worth Rs 754.415 million

Under the provision of subsection (s) of the section 22 of the Khyber Pakhtunkhwa Local Government Act, 2013, The TMO is responsible for preparation of the financial statement and its presentation to the Audit.

TMO, Kohat collected/ received revenue Rs 754.415 million during the financial years 2017-18, 2018-19 and 2019-20 as per detail given below but the financial statements and finance accounts were not prepared accordingly.

Head of Account	2017-18 (Rs in million)	2018-19 (Rs in million)	2019-20 (Rs in million)	Total
Own Receipts	103.553	121.861	121.795	347.209
Receipt (PFC Award 30%)	108.762	45.885	42.257	196.904
Receipt (Octri share)	70.230	65.822	74.250	210.302
Total				754.415

Financial Statements were not prepared due to non adopting approved accounting mechanism resultantly true and correct figures were not represented in budget book and other accounting documents.

When pointed out in April, 2021, management stated that reply would be made after consultation of relevant records. Reply was not tenable as the relevant record was available with the authority.

Audit recommends that compliance to the rules may be insured and action for non-compliance be taken against the person(s) at fault.

3.1.13 Difference in the figure of budget book and DCR Rs 72.985 million

According to Rule 14 (1) of the Khyber Pakhtunkhwa TMA (Budget) Rules, 2016, “The TO (Regulation) shall be responsible for the correctness of all figures supplied to the TO (Finance)”.

The actual figures of last year’s receipts mentioned in the Budget books of TMA, Kohat were not matching with the actual figures mentioned in Demand and Collection Register (DCR) and a difference of Rs 25,560,268 for the financial year 2018-19 and Rs 47,425,291 for 2019-20 was noticed. (detail given in annexure- 6)

The incorrect figures were supplied for preparation of budget estimates due to lack of administrative and internal control and resultantly true and correct figures were not represented in budget book and other accounting documents.

When pointed out in April, 2021, management stated that the figure of budget estimate are based on anticipated income and expenditure, in which ups and down is occurred, however detailed reply will be made after consultation of complete record. Reply was not tenable as the difference was not related to estimated figures.

Audit recommends that the differences may be sorted out and corrected accordingly in budget book and other accounting documents despite action against the person (s) at fault.

3.1.14 Unverified receipt amount of Rs 240,000

According to Rule 14 (1) of the Khyber Pakhtunkhwa TMA (Budget) Rules, 2016, “The TO (Regulation) shall be responsible for the correctness of all figures supplied to the TO (Finance)”.

The following entries were found on page No. 4 of the Demand and Collection Register (DCR):

Net amount	Rs 180,000
Income tax	Rs 24,000
Service Tax	<u>Rs 36,000</u>
Total	Rs 240,000

The detail of the contract, name of contractor, contractual amount etc was found missing. As result audit was unable to verify the entries.

Unverified receipt occurred due to weak administrative and internal control resultantly audit was unable to verify the receipt figures.

When pointed out in April, 2021, management stated that reply would be furnished after verification/consultation of relevant deposit slips etc. Reply was not tenable as the relevant record was available with the authority.

Audit recommends the details of the receipt may be produced despite action against the person(s) at fault.

3.1.15 Difference in the figure of budget book and Classified Abstracts Rs 14.132 million

According to Rule 14 (1) of the Khyber Pakhtunkhwa TMA (Budget) Rules, 2016, “The TO (Regulation) shall be responsible for the correctness of all figures supplied to the TO (Finance)”.

The figures of Budget book of TMA, Kohat were not matching with the figures mentioned in Classified Abstract and a difference of Rs 14,131,712 for the financial year 2019-20 was noticed. As per Budget book 2020-21 the revised receipt for the year 2019-20 from Tehsil Plaza premium was Rs 19,576,912 while as per classified abstract at page No. 25 the amount was Rs 5,445,200.

Incorrect figures were supplied for preparation of budget estimates due to lack of administrative and internal control and resultantly true and correct figures were not represented in budget book and other accounting documents.

When pointed out in April, 2021, management stated that figure of budget estimate are based on anticipated income, in which ups and down is occurred. However detailed reason will be intimated after consultation of complete record. Reply was not tenable as the difference was not related to estimated figures.

Audit recommends that the differences may be sorted out and corrected accordingly in budget book and other accounting documents despite action against the person (s) at fault.

3.1.16 Non-reconciliation of receipt amounts with banks- Rs 121.795 million

According to Para 5.5.9.1 of the APPM, “the monthly reconciliation of the General Ledger will be performed as set out in Chapter 6 ‘Bank Reconciliation’. Receipts recorded by the bank/accounting office must be reconciled on a monthly basis to the collections recorded by tax and other revenue administration authorities”.

TMO, Kohat collected an amount of Rs 121.795 million on account of various receipt heads from own sources and deposited the same in different designated bank accounts during 2019-20. These bank accounts were also used for other than own source receipts and payments. The TMO, Kohat did not reconcile the own sources receipts with banks on monthly basis during 2019-20 as per criteria mentioned above and to ensure the actual amount duly collected and deposited into banks.

Reconciliation was not carried out due to lack of administrative and internal control and resultantly true and correct figures were not represented in budget book and other accounting documents.

When pointed out in April, 2021, management stated that reconciliation of deposit/ receipt was made with banks on monthly basis however in light of the recommendation of the audit party this practice will made more effective. Reply was not tenable as no documentary evidence in support of reply was furnished by the department.

Audit recommends that the reconciliation may be carried out actual figure may be represented in budget book and other accounting documents despite action against the person (s) at fault.

3.1.17 Irregular and unauthorized payment to work charge employees-Rs 5.940 million

According to rule 3 (10) (j) of the Khyber Pakhtunkhwa TMA (budget) rules, 2016, “TMO is responsible to guard against waste and loss of public money”.

TMO, Kohat paid an amount Rs 5,940,000 to 33 No work charge employees of Defunct District Council Kohat and other staff, which were appointed for recovery of Shakardara cess fee and Production Cess Kohat Cement factory on fix pay @ 15,000 (Rs 15,000 x 33= Rs 495,000 x 12 Months= Rs 5,940,000) PM on need basis by defunct District Council Kohat and others (Detail given in annexure- 7). Audit holds the following:

1. The purpose of the staff for which they were hired had already been closed as the recovery of Shakardara and Production Cess Kohat Cement factory had been discontinued since long.
2. Besides a huge staff of TMA, there was no need for extra staff on work charge basis.
3. Salaries were paid to employees without any order of the Competent Authority for the last 4 years.
4. Work charge employees were appointed for a work to be charged.

Irregular and unauthorized payment was made due to weak administrative and financial control which resulted into loss to Government.

When pointed out in April, 2021, management stated that services of these employees have been utilized for recovery of taxes/ rent, removal of encroachment and in enforcement of municipal laws, etc in the interest of TMA Kohat. However, their services will be terminated after completion of recoveries. Reply was not tenable as work plan/ muster roll to prove their service delivery was not provided. Further their need for other services beyond their job

description and approval from the competent authority for continuation of their services was also not provided.

Audit recommends that the work charge employee if not needed may be terminated to overcome the burden on authority.

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 Kohat 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 Kohat. 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 -1

QUESTIONNAIRE

Survey Questionnaire for Revenue Collection and Accounting Mechanism at TMA Kohat

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	No
1	Is there any specify rules available for realization and recording of TMA revenues?		No
2	Is the TMA staff familiar with accounting rules?		No
3	Is there any training, book in place regarding accounting and reporting of revenue?		No
4	What are the targets of revenue for the last three years?	Yes	
5	What are the actual receipts against revenue targets?	Yes	
6	What are the liabilities during the last three years?		No
7	Is the revenue of TMA being sufficient for its day to day business?	Yes	
8	What types of the restrictions the TMA is facing in collection of revenues?	Yes	
9	What steps have been taken by TMA to clear these restrictions?		No
10	Is the local police and administration are helping the TMA officials in revenue collection?	Yes	
11	Are annual accounts of revenue maintained as per rules?		No
12	Whether proper reporting system is in place?		No
13	Whether reconciliation with banks and all the related parties in practice?		No

14	Is there any embezzlement in revenue reported and their latest position?		No
15	Which steps taken against defaulter (the contractors who fail to pay Government money in due course of time)?	Yes	
16	Whether any penalty imposed on defaulter? if imposed then its status?		No
17	Whether any report with reference to defaulter submitted to higher ups?		No
18	Whether any legal proceeding taken against the defaulter?		No
19	Whether any study taken to discover new area of revenue?	Yes	
20	Whether Designated Banks Accounts were approved from Finance Department?		No
21	Whether guidelines, rules and procedures are followed in awarding the contract regarding revenue generation?	Yes	
22	Whether the deductions made by the TMA (like Income Tax, Sale Tax and other third-party payment) are properly and timely transferred to concerned?		No
23	Whether reconciliation is made with tax authorities?		No
24	Is there any difference found in reconciliation with tax authority? If yes, then what action is taken in this regard?		No
25	How many works/ activities/ contracts are not auctioned? And its financial impact?	Yes	
26	Whether the department made any effort to generate revenue from the works/ activities which were not auctioned?		No

Annexure -2

Statement showing less realization of receipts during last three years

Receipts Heads	2016-17	Req with 20% increase for 2017-18	Actual 2017-18	Less Realization in 2017-18	Req with 20% increase for 2018-19	2018-19	Less Realization in 2018-19	Req with 20% increase for 2019-20	2019-20	Less Realization in 2019-20
Cattle fare Kohat	16,510,000	19,812,000	14,915,125	4,896,875	23,774,400	15,692,446	8,081,954	28,529,280	14,210,195	14,319,085
Cattle fare Billitang	2,139,680	2,567,616	2,891,550	-	3,469,860	1,705,810	1,764,050	4,163,832	1,684,240	2,479,592
Old bus stand	724,410	869,292	3,017,589	-	3,621,107	3,287,325	333,782	4,345,328	3,443,965	901,363
New bus stand	4,499,390	5,399,268	4,728,336	670,932	6,479,122	4,943,072	1,536,050	7,774,946	4,439,705	3,335,241
Mutation fees	40,449,381	48,539,257	33,850,011	14,689,246	58,247,109	37,820,900	20,426,209	69,896,530	34,220,337	35,676,193

License fees (food & drinks)	328,350	394,020	98,790	295,230	472,824	92,500	380,324	567,389	272,060	295,329
License fees (dangerous/offensive)	-	-	152,281	-	182,737	94,300	88,437	219,285	336,120	-
Slaughter House	454,660	545,592	473,954	71,638	654,710	627,040	27,670	785,652	774,933	10,719
Entry fee/toll tax	575,330	690,396	715,220	-	858,264	479,900	378,364	1,029,917	1,032,865	-
Transfer fee of TMA property	977,000	1,172,400	1,156,350	16,050	1,406,880	394,500	1,012,380	1,688,256	186,000	1,502,256
Group Laterine	1,171,520	1,405,824	1,009,700	396,124	1,686,989	1,468,600	218,389	2,024,387	2,051,250	-
Rent of TMA Prpperty (fresh)	5,178,656	6,214,387	5,761,612	452,775	7,457,265	9,190,263	-	11,028,316	8,681,961	2,346,355
Rent of TMA Prpperty (Arrears)	7,152,628	8,583,154	7,358,719	1,224,435	10,299,784	15,661,533	-	18,793,840	6,329,874	12,463,966
Rent of cabin with arrears	609,640	731,568	370,000	361,568	877,882	665,150	212,732	1,053,4	509,885	543,573

								58		
Building plan fee	3,488,723	4,186,468	2,041,219	2,145,249	5,023,761	3,289,911	1,733,850	6,028,513	1,617,210	4,411,303
Jinnah plaza rent with arrears	981,645	1,177,974	2,483,000	-	2,979,600	1,000,000	1,979,600	3,575,520	1,020,000	2,555,520
Kohat shopping arcade	623,382	748,058	5,725,254	-	6,870,305	1,934,242	4,936,063	8,244,366	17,739,238	-
Advertisement Sign board	1,600,000	1,920,000	2,050,000	-	2,460,000	4,260,000	-	5,112,000	102,700	5,009,300
New taxes income	542,944	651,533	463,350	188,183	781,839	209,000	572,839	938,207	418,700	519,507
Tehbazari	-	-	2,638,500	-	3,166,200	1,993,100	1,173,100	3,799,440	2,434,900	1,364,540
Total				25,408,304			44,855,792			87,733,842

Annexure -3

Detail of outstanding rent of Municipal shops

S#	Property	Total Units	Fresh Demand 2019-20	Previous outstanding
1	Long lease	234	1,918,305	2,957,229
2	Shops/plots annual lease	217	13,942,580	7,898,177
3	Municipal Plaza	25	934,601	217,791
4	Municipal Office Shops	18	1,056,315	239,227
5	Sheen Ghar Plaza	18	607,935	1,896,343
6	RDD office market	18	788,370	57,626
7	TMA Office Shops	08	332,359	14,575
8	Ghalla Mandi Shops	08	447,972	317,739
9	Thanga Stand	07	1,282,623	95,935
10	Jinah Plaza Hall	01	132,429	120,390
11	New Bus stand	58	2,263,263	13,943,403
Total		612	23,706,752	27,758,435
Amount recovered during 2019-20			8,587,163	6,429,416
Total Net Outstanding as on 30-06-2020			15,119,589	21,329,019
Total outstanding (Fresh + previous)			36,448,608	

Annexure -4**Detail of outstanding amount against contractors**

S. No	Year	Name of Contract	Contractor	Auction amount	Amount Recovered	Outstanding Amount (Rs)
1	2018-19	Toll Tax/ Entry fee	Nasir Khan	543,000	356,400	186,600
2	2018-19	New Taxes	Ali Haider	325,000	120,000	205,000
3	2018-19	Kotal Car Parking	Nasir Khan	554,000	173,100	380,900
4	2019-20	Cattle fair Kohat	Pir Mamoor Shah	19,235,000	13,472,665	5,762,335
5	2019-20	Toll Tax/ Entry fee	Khan Afzal	866,100	552,165	313,935
6	2019-20	Slaughter House	M. Nasir	603,021	505,213	97,808
7	2019-20	Food & Drinks fee	Ali Haider	245,111	172,560	72,551
8	2019-20	Dangerous Trade fee	Ali Haider	245,235	172,620	72,615
9	2019-20	New taxes	Pir Mamoor Shah	730,100	300,000	430,100
10	2019-20	Group Latrine	Shah Nawaz	2,200,123	1,760,830	439,293
11	2019-20	Rent of Cabin	Dapartmental	732,000	444,695	287,305
12	2019-20	Kotal Car Parking	Khan Afzal	720,100	396,765	323,335
Total				26,998,790	18,427,013	8,571,777

Annexure -5

Statement showing non recovery of income tax

Year	Name of contract	Name of Contractor	Contract Amount/ Bid Amount	Income Tax Due @10%
2018-19	Food & Drinks	Ali Haider	195,000	19,500
2018-19	Tool Tax/ Entry fee	Nasir Khan	543,000	54,300
2018-19	Slaughter House	Nasir Khan	480,500	48,050
2018-19	Dangerous Trade	Ali Haider	191,000	19,100
2018-19	Group Latrine	Nasir Khan	1,628,000	162,800
2018-19	Kotal Car Parking	Nasir Khan	554,000	55,400
2019-20	WCF Kohat	Pir Mamoor Shah	19,235,000	1,923,500
2019-20	Tool Tax/ Entry fee	Khan Afzal	866,100	86,610
2019-20	Slaughter House	Muhammad Nasir	603,021	60,302
2019-20	Food & Drink Fee	Ali Haider	245,111	24,511
2019-20	Dangerous Trade	Ali Haider	245,235	24,523
2019-20	New Taxes	Pir Mamoor Shah	730,100	73,010
2019-20	Group Latrine	Shah Nawaz	2,200,123	220,012
2019-20	Kotal Car Parking	Khan Afzal	720,100	72,010
Total				2,843,628

Annexure- 6

Statement showing differences between actual figure of last year's receipts in budget book and DCR

Receipts Heads	2018-19			2019-20		
	Budget book 2019-20	DCR	Difference	Budget Book 2020-21	DCR	Difference
Cattle fare Kohat	15,692,446	16,018,901	326,455	14,210,195	13,472,665	737,530
Cattle fare Billitang	1,705,810	1,869,965	164,155	1,684,240	1,473,895	210,345
Old bus stand	3,287,325	3,011,600	275,725	3,443,965	3,357,000	86,965
New bus stand	4,943,072	5,035,780	92,708	4,439,705	4,323,180	116,525
Mutation fees	37,820,900	37,720,300	100,600	34,220,337	34,220,387	50
License fees (food &b drinks)	92,500	195,000	102,500	272,060	172,560	99,500
License fees (dangerous/offensive)	94,300	191,000	96,700	336,120	172,620	163,500
Slaughter House	627,040	664,170	37,130	774,933	505,213	269,720
Entry fee/toll tax	479,900	576,700	96,800	1,032,865	552,165	480,700
Transfer fee of TMA property	394,500	180,000	214,500	186,000	-	186,000
Group Laterine	1,468,600	1,781,500	312,900	2,051,250	1,760,830	290,420
Rent of TMA Prpperty (fresh)	9,190,263	9,915,970	725,707	8,681,961	6,429,416	2,252,545
Rent of TMA Prpperty (Arrears)	15,661,533	14,705,702	955,831	6,329,874	8,587,163	2,257,289
Arrear of food market	-	-	-	377,232	-	377,232
Rent of food market	-	1,908,934	1,908,934	-	-	-
Rent of cabin	665,150	665,180	30	509,885	-	509,885
Building plan fee	3,289,911	3,291,706	1,795	1,617,210	1,469,015	148,195
Kohat shopping arcade	1,934,242	1,945,147	10,905	17,739,238	685,750	17,053,488
Tehsil plaza premium	16,995,433	-	16,995,433	19,576,912	664,000	18,912,912
Advertisement	4,260,000	2,130,000	2,130,000	102,700	2,377,900	2,275,200
New taxes income	209,000	209,000	-	418,700	300,000	118,700
Kotal car parking	-	250,420	250,420	335,355	396,765	61,410
Tehbazari	1,993,100	2,089,400	96,300	2,434,900	2,552,800	117,900
Stand at Gulshan abad	-	389,740	389,740	-	424,280	424,280
Stand at Hangu Patak	-	275,000	275,000	-	275,000	275,000
Total			25,560,268			47,425,291

Annexure -7

Detail of unauthorized payment to work charge employees

S#	Name	Designation	Salary Per Month (Rs)
1	Waqas Khan	Chowkidar	15,000
2	Jameel Khan	---do---	---do---
3	Abdul Yasir	N/Qasid	---do---
4	Shah Nawaz	---do---	---do---
5	Nawaz Khan	Chowkidar	---do---
6	Mohibullah	Pesh Imam	---do---
7	M. Waheed	Chowkidar	---do---
8	Nasir Khan	R. Official	---do---
9	Abdur Razzaq	N/Q	---do---
10	Adnan Rahim	---do---	---do---
11	Namdar Ali	R. Official	---do---
12	Imranullah	N/Q	---do---
13	Mazhar Khan	---do---	---do---
14	M. Ayaz	---do---	---do---
15	Mumtaz Alam	---do---	---do---
16	Ayaz Khan	Gardner	---do---
17	Shahzad Mir	---do---	---do---
18	Abid Shah	---do---	---do---
19	Akhtar Khan	---do---	---do---
20	Nasir Khan	---do---	---do---
21	Rizwanullah	R/Official	---do---
22	Naeem Jan	Driver	---do---
23	Badshsh Mir	M.Beldar	---do---
24	Aurengzeb Khan	Sweeper	---do---
25	M. Ameen	Imam	---do---
26	Shahid Mehmood	R/Official	---do---
27	Saifur Rahman	---do---	---do---
28	Muntazir Khan	---do---	---do---
29	Nadeem Khan	---do---	---do---
30	Khawaja Mohammad	---do---	---do---
31	Sajid Ali Khan	---do---	---do---
32	M. Wasil	---do---	---do---
33	Asim Ameen	---do---	---do---
Total			Rs 15,000 x 33=Rs 495,000 x 12= Rs 5,940,000