



**SPECIAL STUDY REPORT
ON
CATTLE MARKET MANAGEMENT
COMPANIES IN PUNJAB (SOUTH)**

AUDIT YEAR 2021-22

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

AGP	Auditor General of Pakistan
AoA	Articles of Association
BCMMC	Bahawalpur Cattle Market Management Company
BoD	Board of Directors
CFO	Chief Financial Officer
CM	Chief Minister
CMMC	Cattle Market Management Company
DAC	Departmental Accounts Committee
DCMMC	Dera Ghazi Khan Cattle Market Management Company
D.G. Khan	Dera Ghazi Khan
FCMMC	Faisalabad Cattle Market Management Company
FY	Financial Year
GM	General Manager
INTOSAI	International Organization of Supreme Audit Institutions
KPIs	Key Performance Indicators
LCMMC	Lahore Cattle Market Management Company
MCCMC	Multan Cattle Market Management Company
MD	Managing Director
MIS	Management Information System
MoA	Memorandum of Association
PAO	Principal Accounting Officer
PC-I	Planning Commission Proforma-I
PCMMDC	Punjab Cattle Market Management & Development Company
PLGA	Punjab Local Government Act
PLGO	Punjab Local Government Ordinance
TMA	Tehsil / Town Municipal Administration

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 10 & 15 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 empower the Auditor General of Pakistan to undertake studies and conduct audit of companies established in the public sector. Accordingly, the Special Study on Cattle Market Management Companies in Punjab (South), was conducted in Bahawalpur, D.G. Khan, Faisalabad, Multan and Sahiwal.

This report is based on Special Study of Cattle Market Management Companies in Punjab (South) for the Financial Years 2013-14 to 2020-21. The Directorate General of Audit, District Governments, Punjab (South), Multan conducted Special Study on Cattle Market Management Companies in Punjab (South) during the Audit Year 2021-22 with a view to report significant findings to the stakeholders. Audit examined the legal framework of cattle markets and analyzed service delivery by the various modes of management of cattle markets in order to make recommendations for effective service delivery to the management and other stakeholders. In addition, Audit also assessed, on test check basis, whether management complied with applicable laws, rules and regulations in provision of service delivery or not.

The Special Study indicates specific actions that, if taken, will help the management and policy makers to improve their service delivery in future.

The report has been finalized without replies and discussions in the DAC meeting despite issuance of letters from Audit to PAO for holding this meeting.

The Special Study Report is submitted to the Governor of the Punjab in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973, for causing it to be laid before the Provincial Assembly.

Islamabad

Dated:

(Muhammad Ajmal Gondal)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General of Audit, District Governments, Punjab (South), Multan is responsible for carrying out the audit of Local Governments comprising Metropolitan / Municipal Corporations, Municipal Committees, District Councils, Tehsil Councils, Union Councils, District Education / Health Authorities of 17 districts of Punjab (South) and 05 Public Sector Companies of the Department of Local Government and Community Development (LG&CD), Punjab i.e. 04 Waste Management Companies and Punjab Cattle Market Management & Development Company.

The Directorate General of Audit, District Governments, Punjab (South), Multan is mandated to conduct Special Study on Cattle Market Management Companies in Punjab (South) for the Financial Years 2013-14 to 2020-21. The Special Study was conducted during March, 2022 with a view to report significant findings to the stakeholders. Whereas, Punjab Local Government Ordinance (PLGO) 2001 provided for cattle markets under the administrative control of Tehsil Municipal Administration (TMA), pursuant to Punjab Local Government Act 2013, nine (09) Cattle Market Management Companies (CMMCs) were established in June, 2014 at civil divisional headquarters. These CMMCs were amalgamated with Punjab Cattle Market Management & Development Company (PCMMDC), Lahore in November, 2021. Audit studied their legal framework as well as service delivery by these entities during the Financial Years 2013-14 to 2020-21 in order to support the stakeholders and management with recommendations for improving performance of these cattle markets.

a) The key audit findings

Audit noticed flagrant legal issues of CMMCs and PCMMDC under PLGA 2019 and PLGO 2021. CMMCs continued to operate cattle markets unlawfully despite the fact that PLGA 2019 and PLGO 2021 vested operational and managerial functions of cattle markets solely with the local governments. Consequently, the entire operations of PCMMDC are unlawful since November, 2021. Audit pointed out improvements of cattle markets with regard to service delivery under CMMCs viz-a-viz TMAs. Audit highlighted significant anomalies related to less collection of revenue, poor infrastructure development, provision of

inadequate facilities and services to the sellers and buyers in cattle markets in addition to unauthorized auction of collection rights. Audit also found out non-compliance of Corporate Governance Rules as well as failure to achieve objectives of the CMMCs.

b) Recommendations

It is recommended that operational and managerial functions of cattle markets as well as receipts collected be devolved to the local governments in consonance with the provisions of PLGO 2021 to ensure well-being and prosperity of local population. Further effective surveillance mechanism needs to be implemented to defeat extortion and exploitation of livestock traders by contractors in these cattle markets.

1. Introduction

Cattle Markets are defined as specific locations where buyers and sellers come together to exchange livestock against an agreed consideration. A successful cattle market is one which attracts large number of buyers and sellers by providing basic facilities for the trade activities. The cattle markets of South Punjab are highly favored by livestock farmers of Pakistan for buying best milk / meat producing animals. Every week, hundreds of livestock farmers from all over the country visit cattle markets in South Punjab to buy and sell their animals. An efficient marketing system is necessary to promote production and trading of livestock and attract marketing agents while ensuring returns to producers and protecting consumer's interests.

Local Government and Community Development Department (LG&CD), Government of Punjab, has the mandate to regulate the cattle markets across the province of the Punjab. PLGO 2001 vested the power to manage and operate cattle markets with Tehsil / Town Municipal Administrations (TMAs). There was fee on sale / purchase of animals in these cattle markets with different fee structures for different TMAs. TMAs used to auction the collection rights to the contractors who were responsible for provision of all necessary facilities including shelter, drinking water, security, manger, cots, and electricity etc. Contractors were bound to deposit the salaries and pension contribution of TMA staff (deputed on recovery of dues) as well as auction money and applicable Government taxes in TMA fund. It was widely perceived that there were strong elements of extortion and exploitation of traders in cattle markets through contractors having strong nexus with TMA staff. The TMAs and their contractors only focused on collection of fee with least consideration of provision of services in such cattle markets. The poor farmers of livestock, traders, sellers and buyers were being exploited by these mafias in different ways.

Government of the Punjab decided to establish nine Cattle Market Management Companies (CMMCs) i.e. one in each division of the Punjab to curtail the influence of contractors having strong nexus with TMA staff. So, in the year 2014, the functions to operate cattle markets in Punjab were transferred to "Cattle Market Management Companies" through amendment in "The Punjab Local Government Ordinance 2001" and "The Punjab Local Government Act

2013” with the clear business model of not charging any kind of entry / exit fees or commission on sale / purchase of animals. Government of the Punjab, with its development and facilitation vision, established 09 Cattle Market Management Companies under Section 42 of Companies Ordinance 1984. ‘Expert Sub-Committee’, constituted by ‘Provincial Steering Committee on Public Sector Companies’ approved the proposals of LG&CD Department regarding business models of the Cattle Market Management Companies elaborating the detail of services to be provided by these companies and those to be outsourced. Moreover, services where user fee had been proposed were parking fee, fodder shops, restaurant / tea stall, etc. and services which were to be provided free of cost by companies were inter-alia health facilities, shelter, drinking water, public toilets, electricity and security etc.

Subsequently, PCMMDC was established under Section 42 of the Companies Act, 2017 by amalgamating existing 09 CMMCs into one company by adopting the procedure laid down under Section 284 (2) of the Companies Act, 2017. The BoD of all the Cattle Market Management Companies at each divisional level were de-notified by Government of the Punjab, LG&CD Department on 24.05.2021 whereas, the amalgamation of CMMCs in PCMMDC was approved by Registrar, Joint Stock Companies on 23.11.2021. According to new business model of PCMMDC, entry fee / animal levy @ Rs 500 and Rs 100 was levied on large and small ruminants respectively in cattle markets of the Punjab to be collected in a single account to ensure transparency. Further PCMMDC was established to explore option of introducing licensing regime for regulating the cattle markets / sale points currently operating illegally in the province to generate additional financial resources for PCMMDC.

2. Define Study

Whereas PCMMDC is mandated to operate and manage cattle markets in province of the Punjab through its 09 divisional sub-offices, the current Special Study on Cattle Market Management Companies in Punjab (South) was restricted to five sub-offices of PCMMDC at divisional headquarters under audit mandate of Directorate General of Audit, District Governments, Punjab (South) Multan.

i. Purpose of Study

This special study was carried out with the following major objectives:

- a) to check legal framework for establishment of CMMCs and PCMMDC, Lahore
- b) to compare the effectiveness in terms of service delivery of the CMMCs / PCMMDC against the previous system i.e. TMAs / Local Government.
- c) to support the stakeholders and management of PCMMDC, Lahore with recommendations for improving the performance in terms of service delivery and financial management.

ii. Scope of Study

The Special Study on Cattle Market Management Companies in Punjab (South) was conducted in Bahawalpur, D.G. Khan, Faisalabad, Multan and Sahiwal Divisions for the Financial Years 2013-21. The Special Study was carried out in accordance with the Auditing Standards of the International Organization of Supreme Audit Institutions (INTOSAI) issued by the Department of Auditor General of Pakistan. The legal cover, service delivery and financial management of the TMAs / CMMCs / PCMMDC was analyzed and studied within the purview of PLGO 2001, PLGA 2013, PLGA 2019 and PLGO 2021 as well as relevant provisions governing the operations of these companies.

The Special Study was restricted in its analysis to the Financial Years 2013-14 to 2020-21. In view of defunct nature of tier of TMAs, financial data availability for the Financial Year 2013-14 in respect of TMAs could not be ensured. Summary of expenditure and receipts of 05 CMMCs relevant to this Special Study is given below:

Table 1: Receipt and Expenditure

(Rupees in million)

Financial Year	Budgeted Expenditure	Budgeted Receipt	Actual Expenditure	Actual Receipt
2013-14*	-	-	-	-
2014-15	28.680	81.701	14.690	83.639
2015-16	149.284	125.652	67.122	64.744
2016-17	168.658	190.964	94.685	208.374
2017-18	238.486	206.782	146.795	217.881
2018-19	323.209	216.687	191.818	254.984

Financial Year	Budgeted Expenditure	Budgeted Receipt	Actual Expenditure	Actual Receipt
2019-20	387.880	252.868	251.957	299.826
2020-21	578.438	553.765	353.907	758.893
Total	1,874.635	1,628.419	1,120.973	1,888.341

* The period relates to defunct TMAs: data for FY 2013-14 could not be ensured

iii. Beneficiary of Study

Following are the main beneficiaries of this Study:

- i. Policy makers / LG&CD Department / Livestock and Dairy Development Department, Government of the Punjab
- ii. Management of PCMMDC, Lahore
- iii. Livestock farmers, animal traders and general public at large

3. Study Design

The Study was designed and concluded as detailed below:

i. Time Period

The Special Study on Cattle Market Management Companies in Punjab (South) for the Financial Years 2013-14 to 2020-21 was carried out during March, 2022 as approved by the AGP in Audit Plan 2021-22.

ii. Data Sources

The requisite data was obtained from financial statements, reports, vouched accounts, directives of administrative department of CMMCs / PCMMDC and from minutes of BoD meetings. Further, data was also obtained from documents of Livestock and Dairy Development Department, Government of the Punjab. Certain aspects were covered by 'Summary of Expert Sub-Committee of Steering Committee' as approved by CM Punjab, minutes of meetings of 'Steering Committee on Public Sector Companies' and 'Standing Committee of Cabinet on Finance and Development'. Audit also consulted secondary data available from successor offices of the defunct TMAs.

iii. Methodology

Audit conducted desk audit & analyzed the relevant Acts and Ordinances governing the operations of CMMCs / PCMMDC. Service delivery was assessed by Audit through structured interviews of the management, buyers, sellers and service providers / contractors. The feedback of such interviews and data analysis helped Audit form an independent and impartial opinion. In addition to above, following methodology was adopted:

- a. Study of notifications / circulars / instructions issued by the Government Departments, Articles of Association, Memorandum of Association.
- b. Scrutiny of office record like budgets, vouchers of receipt and expenditure along with allied record of auctions, bank statements, minutes of meetings of BoD, Annual General Meetings (AGMs) and financial statements.
- c. Scrutiny of record of outsourced as well as self-managed services.
- d. Site visits of the cattle markets, mostly during operational days.

4. Data Analysis

Following data analysis was carried out:

- a. Evaluation of feedback from traders as well as management.
- b. Comparison of income generated in two modes of management of cattle markets i.e. TMAs viz-a-viz CMMCs. The income was generated by TMAs through outsourcing of operations of cattle markets and CMMCs through outsourcing of different services like parking fee, stalls and fodder shops, etc.
- c. Trend analysis of animal count in the light of animal growth rate provided by Livestock and Dairy Development Department.
- d. Evaluation of status of compliance of directives issued by LG&CD Department, decisions of BoD as well as objectives of CMMC / PCMMDC.

5. Results of Study

The results of this Special Study are being presented here with respect to laid down purposes of study as detailed earlier as well as additional findings which came to light during the course of Special Study.

5.1 Study Findings:

5.1.1 Legal framework for incorporation of CMMCs and PCMMDC, Lahore

CMMCs were incorporated in 2014 under relevant provisions of PLGO 2001 (as amended) / PLGA 2013 (as amended) and continued their operations till their amalgamation into PCMMDC in November, 2021. Findings in this regard are summarized below:

- a. PLGA, 2013 (as amended) provided for CMMCs w.e.f. its enactment on 10.11.2014. However, CMMCs were established in June, 2014 when no provision for their operation existed under the law.
- b. During the period of enactment of PLGA, 2019 (before its repeal by the Honorable Supreme Court of Pakistan, on 25.03.2021) CMMCs continued to operate cattle markets illegally despite the fact that the said Act had no provision for these companies and it vested the functions of operation / management of cattle markets solely with the local governments.
- c. PCMMDC was formed after renaming Lahore Cattle Market Management Company (LCMMC) on 28.10.2020 with jurisdiction of operations / management of cattle market management companies all over the Punjab. The enhanced mandate of PCMMDC was in conflict / overlapping with 08 CMMCs already working at divisional headquarters of the Punjab. The operations of PCMMDC during the period from 28.10.2020 to 23.11.2021 were in violation of mandate of 8 divisional CMMCs.

- d. After promulgation of PLGO 2021 on 11.12.2021, the functions of operation and management of cattle markets were vested in the local governments. Consequently, the entire operations of PCMMDC are being performed without legal authority since.
- e. Section 21 (ff) of PLGO 2021 vests the power to regulate, establish and maintain cattle markets (and their consequent receipts) with local governments. Retention of receipts generated by PCMMDC at provincial level is in violation of the mandate vested by PLGO 2021 in local governments (as their legitimate income through operation of cattle markets) for provision of better civic facilities to local population of the area where these funds are being generated.

The audit outcomes as reported to relevant sub-offices of PCMMDC are given below:

- 5.1.1.1 According to Sections 54(l) (nn) and 54-A(l) of the Punjab Local Government Ordinance (PLGO), 2001 the management of cattle markets was the function of TMAs in the Punjab. Further, according to amendments in Section 195-B of the PLGO, 2001 and Section 146-A of the Punjab Local Government Act (PLGA) 2013, the function to operate cattle markets in the Punjab was transferred on 10.11.2014 to “Cattle Market Management Companies” Hence, the devolved function of the local governments / TMAs was centralized at divisional level w.e.f. 10.11.2014. Therefore, the establishment and functioning of CMMCs at divisional level, prior to 10.11.2014, had no legal cover. Further, according to Section 21 read with Sections 156 & 157 of PLGA, 2019 (enforced w.e.f. 07.11.2019), the organization, establishment, regulation and conduct of the business of cattle markets, sale and purchase of cattle as well as levy of fee, fall within exclusive jurisdiction of the local governments. Contrary to this, the function of cattle markets was further centralized at provincial level irregularly by establishment of Punjab Cattle Market Management and Development Company (PCMMDC) without any protection of the law prevailing at the time of establishment

of PCMMDC on 23.11.2021. There was no provision regarding carrying out the function of cattle markets by any company in PLGA, 2019.

[Para No.39/BWP]

[Para No.10/DGK]

[Para No. 01/FSD]

[Para No.13/MTN]

[Para No.22/SWL]

5.1.2 Effectiveness in terms of service delivery

Service delivery in cattle markets by TMAs was made by outsourcing of operations of cattle markets to contractors under supervision of TMA concerned. Contractors were least interested in provision of desired level of services to the traders in markets. Rather, they were focused on maximizing their income. CMMCs / PCMMDC were therefore established with the spirit to provide improved service delivery in cattle markets. Audit observed that CMMCs / PCMMDC not only failed to provide improved service delivery but also could not achieve their defined objectives or improve operational & financial management in following categories:

- a. CMMCs / PCMMDC failed to provide improved services viz. electricity, shelter, drinking water, health services (for traders and livestock), quality food, hygienic toilets, security, bank booth, quality fodder as well as provision of sufficient number of mangers & cots as revealed from field survey, structured interviews and responses against questionnaire from the buyers / sellers of animals.
- b. CMMCs / PCMMDC failed to achieve their defined set of objectives, i.e. to manage and maintain quality services, to devise framework for capacity building, to improve fiscal efficiency of cattle markets, to set up an effective 'Management Information System', for regular and proper monitoring, to focus on injecting new technologies relevant to cattle market management and to conduct training programs, seminars, workshops and meetings for promoting interaction amongst different stakeholders of cattle markets. It depicts poor service delivery and defective operational management.

- c. Despite availability of surplus funds for better service delivery, these companies failed to ensure e-tagging facility as well as infrastructure development.
- d. Defective operational and financial management was noticed by Audit as PCMMDC illegally auctioned the collection rights of 'Animal Entry Fee' and 'Parking Fee' in cattle markets of entire Punjab before the maturity of amalgamation process of divisional CMMCs into PCMMDC Lahore. Later on, the collection rights of all other allied services were also allowed to the contractors in the entire province irregularly.
- e. CMMCs failed to eliminate overcharging, to minimize the role of middlemen, to devise a comprehensive strategy and action plan for restructuring and reforming the operations of cattle markets. Numerous cases of overcharging and extortion in cattle markets were observed by Audit during visits on operational days.
- f. Pilferage of revenue was observed due to reduction in animal count in CMMCs which is against the growth rate of livestock as reported by Punjab Livestock & Dairy Development Department. Further, reduction in revenue due to late / less recovery of animal fee was also observed in self-collection mode as compared to the outsourcing of collection rights. Various cases of non-provision of services / non-realization of income against these services were observed in different markets.
- g. Financial loss was noticed due to change in the mode of management of cattle markets from TMAs to Companies mode of management of cattle markets.
- h. The model cattle markets were either late established / non-functional so far despite lapse of 6 years of establishment of these CMMCs. It also hindered the provision of improved service delivery to stakeholders.

The audit outcomes as reported to relevant sub-offices of PCMMDC are given below:

- 5.1.2.1 Audit observed from field survey, structured interviews and responses against questionnaires from the buyers / sellers of animals that the management failed to provide basic facilities i.e. electricity, water, veterinary services, human health services, quality food, shelter, toilets, bank booth, slaughtering place of animal, night stay facility etc. to the buyers and sellers in cattle markets. In nutshell, the facilities provided by companies were not up to the mark. The percentage of non-provision of these basic facilities was 66%, 23%, 56% and 91% at CMMCs Bahawalpur, D.G. Khan, Faisalabad and Multan respectively. **(Annexure-1)**

[Para No.38/BWP]

[Para No.30,31/DGK]

[Para No.25,26/FSD]

[Para No.23/MTN]

[Para No.19/SWL]

- 5.1.2.2 All five CMMCs of Punjab (South) did not achieve the defined set of objectives as laid down in the MoA of these companies. Companies did not maintain the data of sale / purchase of the animals during FYs 2014-20. Further, companies failed to develop revenue sources from animal waste and garbage. Furthermore, companies failed to set up an effective Management Information System (MIS) for regular and proper monitoring and evaluation of the activities of cattle markets. Moreover, companies failed to inject / introduce new technologies, ideas, dissemination and application of appropriate technologies relevant to cattle market management with the technical assistance of professionals for capacity building. Companies established no contacts and made no collaboration with other organizations, institutions, bodies and societies, in Pakistan and abroad for improvement of cattle market procedures. Furthermore, companies failed to provide secure environment of trade, drinking water facility, adequate toilet facilities, proper boundary walls and bank booth / Jazz Cash facility in markets. Management of these five companies failed to provide adequate basic health facilities for

traders as well as livestock. Inadequate facilities / improper arrangements for slaughtering of diseased animals were made in these cattle markets.

[Para No.04,16,17,20,22/BWP]

[Para No.11,23,25,28,33,35,36,37,38,39/DGK]

[Para No.11,14,31,32/FSD]

[Para No.11,12/MTN]

[Para No.02,03,04,05,06,08,11,12,18/SWL]

5.1.2.3 Management of following three CMMCs did not ensure timely utilization of surplus funds for better service delivery in cattle markets to facilitate the stakeholders. Despite availability of surplus funds, these companies failed to achieve numerous functions as laid down in the MoA of company such as to establish, to maintain contact and to collaborate with other organizations, institutions, bodies and societies in Pakistan and abroad, for improvement of cattle market procedures. Further, neither development works were executed in livestock sector nor all such other lawful things as are conducive, incidental or ancillary to the attainment and furtherance of the objectives were carried out which resulted in poor service delivery in cattle markets. Summary of surplus funds is given below:

(Rupees in million)

Company	Surplus funds available
FCMMC	215.737
MCCMC	197.866
SCMMC	450.000
Total	863.603

[Para No.16/FSD]

[Para No.02/MTN]

[Para No.21/SWL]

5.1.2.4 Cattle markets were being managed / operated by TMAs before incorporation of CMMCs. However, the management of CMMCs could make few markets functional / operational till June, 2021. Non-functioning of remaining cattle markets undermined the effectiveness of CMMCs as the management failed to provide services in already established cattle markets which resulted in non-provision of envisaged

services to the sellers / buyers of the areas besides increase in transportation costs of animals and existence of illegal cattle markets.

[Para No.29/FSD]

[Para No.20/DGK]

[Para No.27/SWL]

- 5.1.2.5 CMMCs failed to provide improved service delivery as evident from the fact that no recovery was realized by the concerned company on account of various service charges. CMMC Bahawalpur neither auctioned the collection rights of all heads of receipt nor made self-collection except parking fee during FYs 2014-16 in various cattle markets. Similarly, MCMMC either not collected or collected but not deposited the animal levy fee from Lodhran Cattle Market despite the fact that Rs. 562,500 were recovered during FY 2020-21 on account of parking fee from the same market. Further, MCMMC did not ensure recovery of various service charges during FY 2020-21 despite the fact that animal levy fee was charged which shows that these cattle markets were operative. No recovery from Tori / Prali fodder shops was being made from Dunyapur and Machiwal Market despite the fact that large animals were also traded in these markets. Hence, lack in provision of services was observed besides chances of pilferage of revenues.

[Para No.21/BWP]

[Para No.21,22/MTN]

- 5.1.2.6 FCMMC could not implement decision of BoD regarding e-tagging of animals in Model Cattle Market, Niamaoana as decided in its 12th meeting dated 14.07.2017 despite availability of surplus funds and e-tagging rooms at site. However, the BoD in its 21st meeting dated 17.07.2020, decided to abandon e-tagging of animals to avoid non-compliance and audit observations. The management did not implement e-tagging during 2017-20 which contributed towards estimated loss of Rs 114.489 million on account of e-tagging fee.

[Para No.10/FSD]

- 5.1.2.7 MCMMC did not ensure transparency and financial controls in recovery of animal levy fee / entry fee during FY 2020-21. The scrutiny of recovery

data revealed that due to unforeseen reasons, self-collection of entry fee for the month of June, 2021 declined by Rs 8.229 million in given below 6 cattle markets. During the calendar year 2021, Eid-ul-Azha was celebrated on 21.07.2021. June, 2021 was therefore prime time for business of cattle markets. The recovery, therefore, should have increased in June as compared to March. Contrary to this, receipts for the said months decreased despite increase in revenue of entry fee. Comparison of the data of March, 2021 and June, 2021 of same markets revealed that there was 26% decrease in 'Jungle Jaswant Garh' market, 35% decrease in 'Samurana' market, 17% decrease in 'Ludden' market, 36% decrease in 'Dunyapur' market, 44% decrease in Khanewal and 14% decrease in recovery of animal fee at 'Machiwal' cattle market as summarized below:

(Rupees in million)

Name of Market	Month	Total Income	Revenue Reduction %
Jungle Jaswant Garh	March, 21	24.741	26%
	June, 21	18.323	
Samurana	March, 21	1.278	35%
	June, 21	0.828	
Luddan	March, 21	3.948	17%
	June, 21	3.270	
Dunyapur	March, 21	0.627	36%
	June, 21	0.399	
Khanewal	March, 21	0.913	44%
	June, 21	0.514	
Machiwal	March, 21	0.392	14%
	June, 21	0.336	
Total	March, 21	31.898	26%
	June, 21	23.669	
Total Reduction in Revenue		8.229	

The recovery declined in June, 2021 due to the reason that the recovery of entry fee was being outsourced in next month and there was possibility of misappropriation of cash by the recovery attendants deputed for cash collection. Further the management was changed by the LG&CD Department as MD, CFO and GM Operations were suspended on 02.05.2021 and charge was given to the representatives of LG functionaries.

[Para No.20/MTN]

5.1.2.8 Management of MCMMC made self-collection of Rs 218.337 million on account of entry fee during FY 2020-21 from Cattle Market of Jungle Jaswant Garh Multan depicting 8,397 animals per week. The animal count of this market on 31.08.2014 was 15,211 animals as per report of TMA Shershah dated 31.08.2014. Hence, as per 7% per annum growth rate of Livestock reported by Livestock and Dairy Development Department, this animal count should have been at least 20,384 animals in FY 2020-21. Therefore, revenue should have been at least Rs 529.898 million instead of Rs 218.337 million as animal levy fee was applied in FY 2020-21 by adopting new business model. Hence, due to mismanagement of cattle markets and misappropriation of revenue, the Government sustained a minimum loss of Rs 311.652 million on account of less realization of animal fee due to alarming decrease of animal count as summarized below:

(Rupees in million)

Year	Animal Count per week	Weeks	Fee per Large Animal	Expected Income from Animal Fee	Actual Income from all sources	Expected Loss Sustained in Company Mode Cattle Market Management
2020-21	20,384	52	500	529.989	218.337	311.652

[Para No.27/MTN]

5.1.2.9 CMMCs failed to eliminate overcharging, minimizing the role of middlemen, to devise a comprehensive strategy and action plan for restructuring and reforming the operations of cattle markets. Audit observed numerous cases of extortion and overcharging as summarized below:

- A. Audit visited the Cattle Market “Samurana” in Multan along with Assistant Manager Operations of Company. During the inspection / site visit, Audit observed that:
- i. the contractor was overcharging at parking stand by printing his own token slips on which Rs 30 was printed instead of approved rate of Rs 25 for parking per bike. The parking fee slips of PCMMDC (in which parking rates of all categories were printed by the company) were not being used at the site.

- ii. the token book of motor bikes parking slips with printed rate of Rs 25 per bike also included the slips of contractor illegally with printed rate of Rs 30 per bike. Hence, contractor was overcharging by using a token book having token slips of multiple rates for bikes.
 - iii. cattle traders reported that contractor was charging animal fee at both entry and exit points despite having no legal right to charge animal fee at exit point. Audit obtained an undertaking by complainant at the spot.
 - iv. the permanent “Baras” were constructed in the market by traders (Bupari). They did not pay entry fee / animal fee at the time of entering in market. Rather, they were of the view that they would pay Rs 100 for any small animal, if sold.
 - v. a trader revealed that employees / representatives of CMMC Multan were charging monthly from him and also collected Rs 500 per “Bara Charges” without issuing any receipt to the traders.
- B. CMMC Faisalabad failed to eliminate overcharging by the contractors as evident from the fact that Prali charges @ Rs 3,500 per 40 Kg from each truck were being charged against the notified rate of Rs 500 per 40 Kg in Cattle Market, Malhuna. Similarly, fodder was being sold @ Rs 600 per 40 Kg without issuing receipt / slip against notified rate of Rs 450 per 40 Kg. Further, overcharging of animal entry fee as well as overcharging from local stall holders was also observed in Cattle Markets at Chiniot, Malhuana and Tandlianwala.
- C. CMMC Sahiwal failed to eliminate extortion as contractor was illegally charging Rs 50 per Kunda despite the fact that the animals were staying outside the sheds and not using Kunda and were already paying applicable Khurlee charges. Further, contractor was charging Rs 1,200 per 40 Kg of ‘Tori / Prali’ against the notified rate of Rs 650 per 40 Kg.

[Para No.07/MTN]
[Para No.30/FSD]
[Para No.26/SWL]

5.1.2.10 According to certificate issued by Registrar of Joint Stock Companies dated 23.11.2021, the amalgamation of divisional CMMCs in one PCMMDC matured on 23.11.2021. PCMMDC illegally floated the tender in “Daily Dunya” and “Daily the Nation” dated 22.05.2021 for auction of collection rights of ‘Animal Entry Fee’ and ‘Parking Fee’ in cattle markets of entire Punjab before the maturity of amalgamation process. Further, as per contents of the advertisement, the collection rights of ‘Animal Entry Fee’ and ‘Parking Fee’ were offered for auction to contractors. Later on, the collection rights of all other allied services i.e. Tori / Prali, fodder shops, ornamental stalls / shops, local carriers, hotels, tea stalls, petty stalls, manger & cots etc., were also allowed to the contractors against their bid of ‘Parking Fee’ and ‘Animal Entry Fee’ in entire province irregularly.

[Para No.25/BWP]

[Para No.06/FSD]

[Para No.14,18/MTN]

[Para No.10,25/SWL]

5.1.2.11 Audit observed that financial loss of Rs 12,528.974 million on account of potential income from cattle markets was sustained by the public exchequer due to change in the mode of management of cattle markets from Local Governments (TMAs) to Companies. In the TMA setup, all the cost was being borne by contractors and even the expenditure on salaries and fringe benefits of collection staff deputed by the TMAs were being reimbursed by contractors of cattle markets. The fee collection process was more reliable as compared to Company mode because fees were being collected by the Government Officials instead of private personnel hired by the contractors. (**Annexure-2**)

[Para No.12/BWP]

[Para No.12/DGK]

[Para No.28/FSD]

[Para No.15/MTN]

5.1.2.12 The management of CMMCs Bahawalpur, DG Khan, Faisalabad and Multan made self-collection of Rs 678.645 million against entry fee and parking fee during FY 2020-21. The collection rights of entry fee and parking fee of the same markets were outsourced for Rs 1,882.556 million for the FY 2021-22. This situation indicated that 177% revenue of these CMMCs was leaked /

pilfered during year 2020-21 due to self-collection. This leakage / pilferage caused loss of income amounting Rs 1,203.911 million in FY 2020-21 as compared to the revenue of next year for the same sources of income. **(Annexure-3)**

[Para No.10,14/BWP]
[Para No.13/DGK]
[Para No. 15,21/FSD]
[Para No.24/MTN]

5.1.2.13 Management of MCMC either late started or late accounted for recovery of income of Rs 18.598 million on account of “Entry Fee / Animal Levy” applicable w.e.f. 1st July, 2020 @ Rs 500 and Rs 100 for big and small ruminants respectively as per standing instructions of LG&CD Department. Further, the management of DCMMC did not levy the entry fee amounting Rs 2.178 million during FY 2020-21. This resulted in less realization of income amounting Rs 20.776 million. **(Annexure-4)**

[Para No.14/DGK]
[Para No.03/MTN]

5.1.2.14 MD CMMC Multan did not ensure efficient project management and approval of PC-I of “Establishment of Model Cattle Market in Multan” from concerned competent forum. Inefficient project management delayed the process of approval of PC-I and its execution. Due to this delay, the cost of project escalated from Rs 520.985 million to Rs 750.745 million (cost escalation of Rs 229.760 million) besides depriving the general public of its benefits as summarized below:

(Rupees in million)

Period	Client	Reference Authority	Amount of Capital Cost
2014-15	Local Govt.	No. DLG/MN/731 dated 27.03.2014 Proposed PC-I submitted	520.985
2019-20	CMMC Multan	Approved PC-I Summary signed without mentioning date	750.745
Cost escalation			229.760

[Para No.04/MTN]

5.2 General Findings of Study

Audit observed irregular conduct of business by BoD in contravention of provisions of the Public Sector Companies (Corporate Governance) Rules, 2013. Further, audit observed that revenue targets were not achieved and the expenditure was met from revenues of company before its deposit to concerned company fund. Findings in this regard are summarized below.

5.2.1 The management of CMMCs exercised following deviations of the Public Sector Companies (Corporate Governance) Rules, 2013 as summarized below:

- i. The conduct of business of CMMCs was irregular as BoD members held their offices even after expiry of legal tenure of three years. BoD had less independent Directors against the minimum requirement of 33%, and fit and proper criteria for appointment of Directors was also not observed. BoD members did not undergo orientation training. Minimum required number of BoD's meetings in a year was not ensured. The composition of BoD was against the provisions of AoA because 33% quota for women Directors was not observed.
- ii. Commissioners of Multan and Faisalabad Divisions exercised the powers of bank signatory without authority as the BoD could only delegate such powers to any officer of the Company whereas the Commissioners were not officers of the Companies. Further, the Chairman BoD / Commissioner involved himself in day to day operations of the Company.
- iii. Risk Management and Nomination Committees were not formulated. Human Resource Committee was chaired by the Executive Director instead of non-Executive Director and Executive Director also acted as member of Audit Committee illegally in FCMMC and MCMC. Internal audit function was also not established in a timely manner.

- iv. The management / BoD of CMMCs did not devise Key Performance Indicators (KPIs) for achieving the targets. Hence, the progress of the companies towards achievement of service delivery could not be evaluated.

[Para No.26,27/BWP]

[Para No.01,06,07,26/DGK]

[Para No. 05,13,20/FSD]

[Para No.05,16,17,25/MTN]

[Para No.07,09,16, 23,24.29/SWL]

- 5.2.2 Management of following CMMCs recovered Rs 458.748 million against recoverable target of Rs 629.808 million resulting in less recovery of Rs 144.059 million as summarized below:

(Rupees in million)

Period	Company	Receipt Head	Target	Achieved	Not Achieved
2014-21	BCMMC	Misc. heads of income	204.447	170.911	33.536
2015-21	FCMMC	Misc. heads of income	425.361	314.838	110.523
			629.808	485.749	144.059

[Para No.08,19/BWP]

[Para No.04/FSD]

- 5.2.3 CMMC Bahawalpur collected receipts of Rs 230.849 million on account of 'Entry Fee' as per data of large and small ruminants from eleven cattle markets during FY 2020-21. The management deposited Rs 142.911 million only in bank account which resulted in less deposit of Rs 87.938 million. Further, FCMMC Faisalabad failed to collect amount of Rs 10.946 million from eight contractors during FY 2019-20 on account of contracts awarded against auctioning of collection rights of various sources of income. **(Annexure-5)**

[Para No.07,32/BWP]

[Para No.24/FSD]

- 5.2.4 CMMC Bahawalpur incurred expenditure of Rs 33.838 million on daily wages staff, water expenses and miscellaneous expense in the cattle markets out of self-collection without reflecting in the books of accounts. Record showed that the management incurred expenditure out of receipts

made through self-collection but expenditure was neither booked in relevant head nor actual picture was reflected in the books of accounts. (Annexure-6)

[Para No.36/BWP]

6 Recommendations

The recommendations of study for management of PCMMDC, Lahore and for policy makers are separately provided as under:

i. Recommendations for organization

On the basis of Special Study, Audit recommends management to take following steps:

- a. Ensure all essential and basic quality services in cattle markets for buyers and sellers as envisioned in minutes of meeting of “Expert Sub-Committee”, approved by the CM of the Punjab.
- b. Establishment of proper mechanism for achievement of defined objectives, proper maintenance of sale / purchase record of animals.
- c. Improve the monitoring mechanism to guard against extortion and exploitation of livestock traders by contractors in markets.
- d. Regularization of irregular award of auctions by PCMMDC before approval of amalgamation by the registrar concerned as well as beyond the contents of advertisement.
- e. Strict disciplinary action against person(s) responsible for pilferage of revenue, non-realization of animal levy fee, negligence in realization of revenue besides corrective measures to control pilferage of revenue and non-compliance of Corporate Governance Rules.
- f. Establishment of Key Performance Indicators (KPIs) in consideration of the purpose and objectives of PCMMDC, Lahore.

ii. Recommendation for policy makers

On the basis of Special Study, Audit recommends following policy decision to be considered by the policy makers:

- a. Enforcement of legal framework of cattle markets in Punjab as per relevant provisions of PLGO 2021 to ensure utilization of local receipts for welfare and provision of civic services to local populace of area where such funds are generated.

7. Conclusion

The mode of management of cattle markets from TMAs / Local Government to divisional level CMMCs was changed without much thought process and the function of cattle markets was shifted to PCMMDC in violation of PLGA, 2019 and PLGO, 2021. Further, the management of companies i.e., CMMCs and PCMMDC failed to deliver the services up to the mark to the buyers and sellers of animals. The ineffective management of the Companies had a direct impact on service delivery to the public. There is a need to provide the basic services in cattle markets through development of database and provision of boundary walls, sweet water, fodder and allied facilities as well as better health / hygiene and financial services to stake holders in these cattle markets.

Annexures

Annexure-1

[Para 5.1.2.1]

Following data has been summarized from the responses of buyers and sellers regarding service delivery in cattle markets. However, the percentages of DCMMC were summarized in total from available data and no such data was available regarding SCMMC.

Sr. No.	Particulars of facilities	% of Non-Provision of Facilities			
		Bahawalpur	DG Khan	Faisalabad	Multan
1	Facility of electricity was provided in cattle markets	80%	-	66%	100%
2	Screening of animals and provision of E- tagging facility was ensured.	90%	-	-	100%
3	Provision of E- tagging facility was ensured.	100%	-	-	100%
4	Basic health facility for human beings was provided in cattle markets	-	-	-	100%
5	Veterinary health facilities infrastructure was developed in cattle market.	-	-	30%	90%
6	Facility of potable water for and animals was being provided	-	-	-	100%
7	Healthy free drinking water facility to humans or animals was available	-	40%	59%	80%
8	Rest area and night stay facility was being provided in cattle market for traders and animals	50%	-	86%	90%
9	Quality food / Restaurant / tea stalls for general public of hygiene standards were established	-	40%	54%	65%
10	Fodder troughs and water tanks were in available / established in cattle market	-	40%	37%	-
11	Measures to control epidemic being adopted regularly.	-	-	-	100%

Sr. No.	Particulars of facilities	% of Non-Provision of Facilities			
		Bahawalpur	DG Khan	Faisalabad	Multan
12	Bank booth / facility, easy paisa / jazz cash etc. were available in cattle market	80%	-	-	100%
13	Truck and vehicle parking was established properly and cattle market has its boundary wall and proper parking area	-	50%	-	60%
14	Proper toilets facilities were provided by company	-	-	69%	-
15	Proper shelter facility is provided by Company	24%	40%	98%	-
16	Availability of security guards in the markets were ensured and proper security is being ensured for traders.	-	60%	-	100%
17	Police chokies were established in collaboration with district administration and properly functioning	100%	-	-	100%
18	Are your satisfied with the current system of cattle market?	10%	20%	-	90%
19	Are you satisfied with the previous system of cattle market	90%	80%	-	100%
20	special routes were adopted for entry and exit of animals?	-	80%	35%	80%
21	Is overcharging is being made for provision of Tori / Prali in market	-	-	9%	9%
22	If large animals are traded in market whether the Tori / Prali facility is available in markets	-	50%	77%	35%
Average non-provision of facilities		66%	23%	56%	91%

Annexure-2**[Para 5.1.2.11]**

(Rupees in million)

Company	Expected income in TMAs mode of management	Actual income by Companies mode of management	Financial Loss	Remarks
BCMMC	728.130	213.124	515.006	All divisional cattle markets data compared during 2014-20
DCMMC	4,796.879	181.816	4,615.063	Cattle markets data of 15 TMAs compared during 2014-21
FCMMC	3,662.172	163.764	3,498.408	All divisional cattle markets data compared during 2014-21
MCCMC	4,685.202	784.705	3,900.497	Five cattle markets data compared during 2014-21
Total	13,872.383	1,343.409	12,528.974	

Annexure-3**[Para No. 5.1.2.12]****((Rupees in million))**

Company Name	Total Income [Entry Fee + Parking Fee] During 2020-21	Total Outsourced Income during 2021-22	Less collection in 2020-21	Percentage
BCMMC	137.739	272.130	134.391	98%
DCMMC	50.828	414.430	363.602	715%
FCMMC	105.088	447.157	342.069	326%
MCCMC	384.990	748.839	363.849	95%
Total	678.645	1,882.556	1,203.911	177%

Annexure-4

[Para No. 5.1.2.13]

Table-I

(Rupees in million)

Sr. No.	Name of Market	Animal Type	Total Animal Count	Avg of 11 Months [Aug-Jun]	Animal count of Jul-20	Less No. of Animals in Jul-20	Entry Fee@ [Small 100 Large 500]	Loss of Rs in Million
1	Jungle Jaswant Garh	Large	437,654	38,826	10,561	28,265	500	14.133
2	Samurana	Small	127,120	10,834	7,941	2,893	100	0.289
3	Ludden	Small	37,299	3,270	1,324	1,946	100	0.195
		Large	71,297	6,024	5,031	993	500	0.497
4	Dunyapur	Small	23,214	2,046	698	1,348	100	0.135
		Large	8,195	715	326	389	500	0.195
5	Khanewal	Small	27,085	2,379	303	2,076	100	0.208
		Large	12,652	1,111	91	1,020	500	0.510
6	Gaggo	Small	587	51	29	22	100	0.002
		Large	2,218	192	105	87	500	0.044
7	Machiwal	Small	42,193	3,670	1,826	1,844	100	0.184
		Large	2,106	183	91	92	500	0.046
8	Jamlehra	Small	9,483	835	303	532	100	0.053
		Large	2,841	250	91	159	500	0.080
Sub-total								16.569

Table-II

Sr. No.	Name of Market	Animal Type	Total Animal Count	Avg per Month	Period in Months not charged	Less No. of Animals	Entry Fee@ [Small 100 Large 500]	Loss
1	Tibba Sultan Pur	Small	2,607	372	5	1,860	100	0.186
		Large	2,084	279	5	1,395	500	0.698
2	Burewala	Small	1,377	230	6	1,380	500	0.690
3	Vehari Stadium	Small	60	30	10	300	100	0.030
4	Jlajpur Pirwala	Small	3,006	501	6	3,006	100	0.301
5	Kacha Khu	Small	544	90	6	540	100	0.054
6	Sheikh Fazil	Small	710	118	6	708	100	0.071
Sub-total								2.029
Total								18.598

Table-III

(Rupees in million)

Financial Year	Description of income	Total receipts	Period in which fee not charged	Amount
2020-21	Entry Fee	53.006	01.07.2020 to 15.07.2020	2.178

Annexure-5**[Para No. 5.2.3]**

(Rupees in million)

Sr. No.	Location of Cattle Markets	Total No. of Small Ruminants	Total No. of large Ruminants
1	Yazman	47,232	7,038
2	Hasilpur	28,633	389
3	Chak Madrassa	113,107	38,323
4	Shahbaz Wala (FTS)	58,854	11,262
5	Haroon Abad	44,767	8,512
6	Chistian (199/M)	38,876	464
7	Sheikh Wahin	122,215	143,962
8	Zahir Peer	92,943	53,034
9	Sadiq Abad	69,478	45,395
10	Khan Bela	16,285	2,402
11	Liaqat Pur	34,906	6,451
12	Trandah M Panah	20,371	1,413
13	Khan Pur	13,276	2,864
Total Animal Cattle Market Wise		700,943	321,509
Animal Levy Rate		100	500
Total amount of Levy due Small & large ruminants		70.094	160.755
Total during FY 2020-21			230.849
Deposited during FY 2020-21			142.911
Less deposited levy			87.938

(Rupees in million)

Sr. No.	Contractor Name	Cattle Market	Outsourced Services	Receivable amount
1	Asif Nadeem	Malhuana Jhang	Fodder Shop	0.035
2	Shoukat Ali Khan	Malhuana Jhang	Petty Stall	0.149
3	Muhammad Ashraf	Malhuana Jhang	Tea Stall	0.068
4	Javed Iqbal	Malhuana Jhang	Turi / Parali	5.733
5	Javed Iqbal	Malhuana Jhang	Parking	4.542
6	Javed Iqbal	Chiniot	Stalls	0.014
7	Sohail Akbar	Chiniot	Parking	0.320
8	Ahsan ul Haq	Model Market Niamoana	Parking	0.085
Total				10.946

Annexure-6**[Para No. 5.2.4]**

(Rupees in million)

Sr. No.	Period	Detail of receipt	Total No. of cattle markets	Collection made
1	2020-21	Total self-collection as per daily income report	13	147.745
2	2020-21	Total deposited amount		142.911
Expenditure on daily wages, water expenses and miscellaneous				4.834
3	2014-20	Total income (average) (4.834 years)		29.004
Total				33.838