



**AUDIT REPORT
ON
THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATION
TANK**

AUDIT YEAR 2013-14

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AA	Administrative Approval
AP	Advance Para
ADP	Annual Development Plan
AOM&R	Annual Ordinary Maintenance and Repair
BOQ	Bill of Quantity
CMO	Chief Municipal Officer
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule of Rate
DAC	Departmental Accounts Committee
DO	District Officer
DCO	District Coordination Officer
DG	Director General
GFR	General Financial Rules
MB	Measurement Book
PC-I	Planning Commission Proforma
RDA	Regional Directorate of Audit
R&E	Revenue and Estate
TS	Technical Sanction
XEN	Executive Engineer
ZAC	Zilla Accounts Committee

PREFACE

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 115 of the Khyber Pakhtunkhwa Local Government Ordinance, 2001(as amended) require the Auditor General of Pakistan to conduct audit of the receipts and expenditure of Local Fund and Public Account of Tehsil/Town Municipal Administration.

The report is based on audit of the accounts of Tehsil Municipal Administration Tank for the financial years 2011-12 and 2012-13. The Director General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar conducted audit on test check basis during 2013-14 with a view to reporting significant findings to the stakeholders.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this Report have been finalized in the light of written replies of the Departments. DAC meetings could not be convened despite repeated requests.

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 115 of Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended) to be laid before appropriate legislative forum.

Islamabad
Dated:

(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, is responsible to conduct the audit of all District Governments in Khyber Pakhtunkhwa, Tehsil/Town Municipal Administrations (TMAs) and Union Administrations (UAs). Its Regional Directorate of Audit D.I.Khan has audit jurisdiction of District Governments, TMAs and UAs of two Districts i.e. D.I.Khan and Tank.

The Regional Directorate has a human resource of 07 officers and staff, constituting 1515 man days and a budget of about Rs 6.303 million was allocated during 2013-14. It has the mandate to conduct financial attest audit, audit of sanctions, audit of compliance with authority and audit of receipts as well as the performance audit of entities, projects and programs. Accordingly Regional Director Audit D.I.Khan carried out audit of the accounts of TMA Tank for the Financial Year 2012-13 and the findings included in the Audit Report.

Tehsil Municipal Administration Tank conducts its operations under Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended) and Local Government Act 2012. It comprises one Principal Accounting Officer (PAO) covering three groups of offices i.e. Tehsil Office Finance, Tehsil Office Infrastructure & Services and Tehsil Office Regulation. Financial provisions of the Ordinance describe the Government as Tehsil Local Fund and Public Account for which Annual Budget Statement is authorized by the Tehsil Nazim / Tehsil Council / Administrator in the form of budgetary grants.

Tehsil Municipal Administration D.I.Khan comprises Tehsil Nazim, Niab Tehsil Nazim and Tehsil Municipal Officer/Administrator.

a. Scope of audit

Out of the total expenditure of the TMA Tank, for the Financial Year 2012-13, the auditable expenditure under the jurisdiction of RDA was Rs 53.871 million. Out of this, RDA D.I.Khan audited an expenditure of Rs 32.322 million which, in terms of percentage, was 57 % of auditable expenditure.

The receipts of Tehsil Municipal Administration Tank for the Financial Year 2012-13, were Rs 30.235 million. Out of this, RDA D.I.Khan audited receipts of Rs 23.183 million which, in terms of percentage, was 70% of auditable receipts.

b. Recoveries at the instance of audit

Recovery of Rs 24.350 million was pointed out during the audit. However, no recoveries were effected till the finalization of this report.

c. Audit Methodology

Audit was conducted after understanding the business processes of TMAs with respect to its functions, control structure, prioritization of risk areas by determining their significance and identification of key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field audit activity. Audit used desk audit techniques for analysis of compiled data and review of permanent files/record. Desk Audit greatly facilitated identification of high-risk areas for substantive testing in the field.

d. Audit Impact

On pointation of audit, the management of the Tehsil Municipal Administration Tank agreed to conduct physical verification of the government assets. The management also agreed to deposit various Government dues into Government Treasury. Audit stressed upon reconciliation of receipts and expenditure with the respective accounts office to which the department agreed.

e. Comments on Internal Control and Internal Audit department

The purpose of internal control system is to ensure effective operation of an organization. It consists of measures employed by the management to achieve objectives, safeguard assets, ensure accuracy, timeliness and reliability of financial and accounting information for decision making.

One of the basic component of Internal Control System, as envisaged under Para 13 of GFR Volume-I, is Internal Audit which was not prevalent in TMA D.I.Khan. Neither rules for internal audit have been framed nor internal audit report as required was provided to audit.

f. Key audit findings of the report;

- i. Irregularity and non compliance were noticed in two cases amounting to Rs 3.866 million.¹
- ii. Internal control weaknesses were noticed in two cases amounting to Rs 25.664 million.²

Audit Para for the audit year 2012-13 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting are included in Annex-1 (MFDAC).

g. Recommendations

- i. Disciplinary action needs to be taken for non production of record as well as violation of the rules and regulations in spending the public money.
- ii. Concerted efforts need to be made to recover long outstanding dues.
- iii. All sectors of TMA/District Council need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.
- iv. Deduction of taxes on supplies and contracts need to be ensured.
- v. Inquiries need to be held to fix responsibility for losses, irregular payments and wasteful expenditure.

1 Para 1.2.1.1, 1.2.1.2

2 Para 1.2.2.1, 1.2.2.2, 1.2.2.3

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	01	84.106
2	Total formations in audit jurisdiction	01	84.106
3	Total Entities(PAO) Audited	01	55.505
4	Total formations Audited	01	55.505
5	Audit & Inspection Reports	01	55.505
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

Table 2: Audit Observations classified by categories

(Rs in million)

S. No	Description	Amount Placed under Audit Observation
1	Unsound asset management	-
2	Weak Financial Management	3.866
3	Weak Internal controls relating to Financial Management	25.664
4	Others	-
	Total	29.530

Table 3: Outcome Statistics**(Rs in million)**

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total for the year 2011-12	Total for the year 2012-13
1	Outlays Audited	-	20.0	30.235	3.636	55.505	50.250
2	Amount Placed under Audit Observations / Irregularities of Audit	-	1.181	23.183	5.220	29.530	27.220
3	Recoveries Reported at the instance of Audit	-	-	23.183	0.517	23.700	27.220
4	Recoveries Accepted /Established at the instance of Audit	-	-	23.183		23.183	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-		

Table 4: Table of Irregularities reported (Rs in million)

S. No	Description	Amount Placed under Audit Observations
1	Violation of Rules and regulations, principle of propriety and probity in public operation	3.866
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Quantification of weaknesses of internal control systems.	2.481
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	23.183
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	-
	Total	29.530

Table5: Cost - Benefit Ratio (Rupees in million)

Sr. No.	Description	Amount
1	Outlays Audited (Item 1 of Table 3)	55.505
2	Expenditure on Audit (TA/DA)	0.632
3	Recoveries realized at the instance of audit	0
4	Cost – Benefit Ratio	1:0

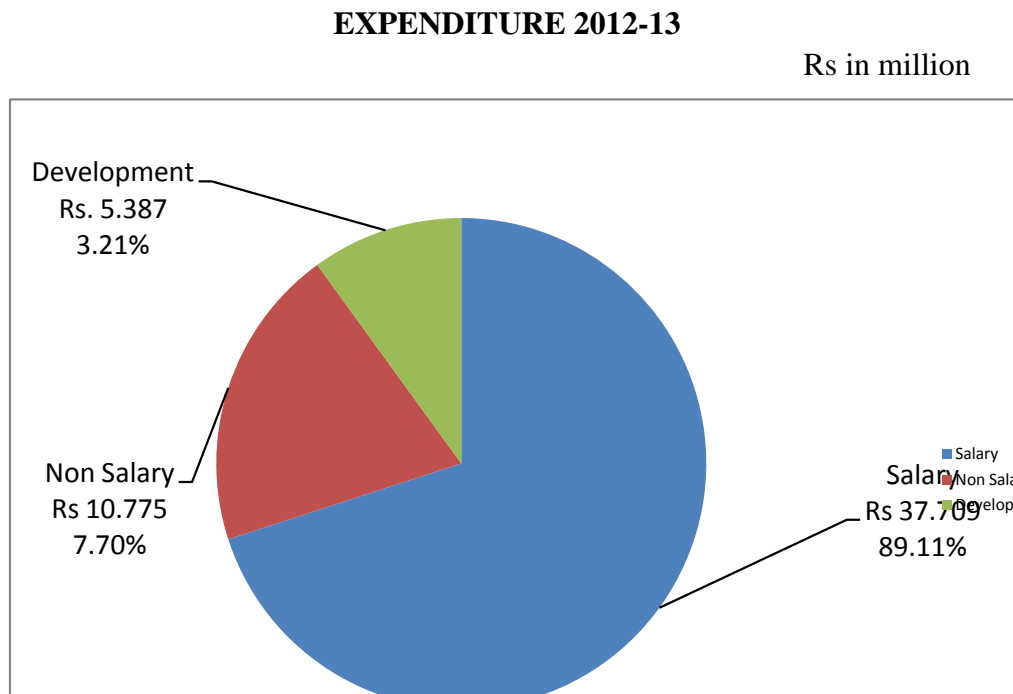
Chapter-1

1.1 Tehsil Municipal Administration Tank

1.1.1 Introduction

Tank is a Tehsil of District Tank. According to 1998 population census the population of Tehsil Tank is 471,240. Tehsil Municipal Administration, Tank consists of Administrator and Tehsil Municipal Officer. TMA Tank has one Drawing & Disbursing Officer i.e. Tehsil Municipal Officer.

1.1.2 Comments on Budget and Accounts (Variance Analysis)



Original budget of Rs 54.131 million was allocated under various grants, the total expenditure incurred by the TMA during 2012-13 was Rs 53.871 million as details in below mentioned summary.

**Summary of Appropriation Accounts by Grants and Appropriations for the
Financial year 2011-13 of TMA D.I.Khan**

2012-13	Budget	Expenditure	Saving/Excess	%age Excess/Saving
Salary	37.805	37.709	0.096	0.254
Non-salary	10.001	10.775	-0.774	7.183
Developmental	6.325	5.387	0.938	17.412
Total	54.131	53.871	0.260	24.849

The variance analysis of the Final Grant and Actual Expenditure for the Financial Year 2012-13 depicted that there was saving of Rs 0.260 million in non-development & development component which leads towards weak Financial Management by TMA Tank.

1.1.3 Compliance with PAC/ZAC directives

The audit reports on the accounts of Tehsil Municipal Administration have not been discussed in PAC/ZAC.

1.2 AUDIT PARAS

1.2.2 Irregularity and Non compliance

1.2.2.1 Loss to government due to rejection of highest bid-Rs 3.350 million

According to Rule 29 (5) of Khyber Pakhtunkhwa Procurement of Goods, Works & Services Rules 2003, if the tenderer whose tender has been accepted fails to sign the contract, or fails to provide any required security for the performance of contract, the Procuring Entity shall order the forfeiture of earnest money and shall give order of acceptance to second lowest, or in case of second bidder to the third lowest bidder and so on, on the same term of forfeiture of earnest money.

Chief Municipal Officer (CMO), Tank awarded contract of “Mandi Maveshian” for Rs 8,100,000 to the highest bidder, Mr. Muhammad Ashraf. But on his refusal, department made collection itself for 6 months instead of offering the contract to second highest bidder, Mr. Saif-Ur-Rehman for Rs 8,000,000. Later on, contract was re-auctioned and awarded for Rs 2,355,000 (for remaining 6 months) due to which Govt sustained loss of Rs 3,315,975 as per detail given below.

Departmental collection (6 months) (Rs)	Collection of bid amount (6 months) (Rs)	Total receipt (Rs)	2 nd highest bid (Rs)	Loss (Rs)
2,329,025	2,355,000	4,684,025	8,000,000	3,315,975

Audit observed that irregularity occurred due to negligence and inaction which resulted in loss to TMA.

When reported in January 2014, management stated that detailed reply would be given after scrutiny of record. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 06.02.2014. DAC meeting could not be convened till finalization of this Report.

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

AP # 348 (2012-13)

1.2.2.2 Non recovery of income tax -Rs 0.516 million

According to Section-236 (A) of Income Tax Ordinance 2009, advance income tax @ 5% should be collected on auction/ sale of property including award of lease, right to collect tolls or other levies.

CMO, Tank awarded various contracts for Rs 10,338,000 during 2012-13 but income tax @5% of Rs 516,900 was not recovered from the contractors as per detail given at Annex-B.

Audit observed that non recovery of income tax occurred due to weak internal control which resulted in loss to government.

When reported in January 2014, management stated that detailed reply would be given after scrutiny of record. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 06.02.2014. DAC meeting could not be convened till finalization of this Report.

Audit recommends recovery of government dues and action against person(s) at fault.

AP # 347 (2012-13)

1.2.3 Internal Control Weaknesses

1.2.3.1 Non-recovery of Water User charges-Rs 23.183 million

Para 38 of GFR provides that the departmental authorities are primarily responsible to see that all revenues due to Government which have been brought to account are correctly and promptly assessed realized and credited to Government Treasury

CMO, Tank failed to recover water user charges amounting to Rs 23,183,606 outstanding against consumers as per detail given at Annex-3.

Audit observed that non-recovery of charges occurred due to financial indiscipline which resulted in loss to government.

When reported in January 2014, management stated that detailed reply would be given after consultation of record. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 06.02.2014. DAC meeting could not be convened till finalization of this Report.

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

AP # 349 (2012-13)

1.2.3.2 Non-forfeiture of Call Deposits –Rs 1.300 million

According to Rule 29 (5) of KPK Procurement of Goods, Works & Services Rules 2003, if the tenderer whose tender has been accepted fails to sign the contract or fails to provide any required security for the performance of contract the procuring entity shall order the forfeiture of earnest money and shall give order of acceptance to second lowest, or in case of second bidder to the third lowest bidder and so on, on the same term of forfeiture of earnest money.

CMO Tank auctioned contract of “Collection of fare of Mandi Mavishian Tank city” three times during 2012-13 and on each occasion, all the contractors failed to execute the contract. Neither call deposits for Rs1,300,000 were forfeited nor contractors were black listed by the competent authority.

S.No.	Time	Name of Contractor	Bid offered (Rs)	Call deposit (Rs)
1.	1 st time	M. Ashraf	8,100,000	300,000
2.	2 nd time	Noor Shah Ziauddin	8,000,000	500,000
3.	3 rd time	Gul Sher	7,135,000	500,000
Total				1,300,000

Audit observed that loss occurred due to weak internal controls.

When reported in January 2014, management stated that detailed reply would be given after consultation of record. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 06.02.2014. DAC meeting could not be convened till finalization of this Report.

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

AP # 352 (2012-13)

1.2.3.3 Doubtful expenditure on developmental schemes-Rs 1.181 million

According to Para-23 of GFR Vol-I, every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his or on the part of any other government official. Moreover According to Para-32 of CPWA Code, no work shall be executed without Administrative Approval / Technical Sanction.

CMO Tank spent Rs 1,181,485 on the installation of pressure pumps during 2012-13, inside the homes of various people instead of open area to benefit the local inhabitants as detailed below was evident from the photographs available on the record of TMA. Moreover the schemes were executed without obtaining administrative approval, without mentioning exact location of schemes and without completion certificate.

S.No.	Schemes	No of pressure pumps	Amount (Rs)
1	S/Installation of pressure pumps to Kot Gulaan, Bala khel	09	596,270
2	S/Installation of pressure pumps to Jatta, Kot Nawaz, Kot Sangeen	10	585,215
Total		19	1,181,485

Audit observed that unauthorized expenditure occurred due to weak internal control.

When reported in January 2014, management stated that detailed reply would be given after consultation of record. However, the reply was not received till finalization of the report in November 2014.

Request for convening of DAC meeting was made on 06.02.2014. DAC meeting could not be convened till finalization of this Report.

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

AP # 350 (2012-13)

ANNEXURES

Annex-1

Detail of MFDAC Paras

S.No	AP No.	Name of Department	Title of the Para	Rs in million
1.	351	TMA	Unauthorized collection of receipts	1.025

Audit Impact Summary for the financial year 2012-13

S.No	Rules/System/Procedure	Audit Impact
1	According to GFR, physical verification of store/assets should be carried out once in a year.	Increase probability for safeguarding the Government assets and stock
2	According to Financial and Treasury rules all dues of the government should be correctly and promptly assessed, collected and paid into Government Treasury.	Increase in revenue collection on account of Government dues
3	According to GFR, receipts and expenditure should be reconciled.	To ensure that the departmental accounts are sufficiently accurate and render an effective Departmental control of expenditure and receipts.

Annex-3
DP No. 1.2.2.2

Loss to Government due to non recovery of income tax

S.No.	Contract	Amount of Contract (Rs)	Income Tax @ 5% (Rs.)
1	Mandi Maveshian	2,355,000	117,750
2	Sign boards	30,000	1,500
3	Building plan	182,000	9,100
4	Professional tax	100,000	5,000
5	Tehbazari	166,000	8,300
6	Mall mandi dabara	310,000	15,500
7	2% property tax rural area	4,000,000	200,000
8	2% property tax urban area	760,000	38,000
9	Cess fee	615,000	30,750
10	Loading / unloading	370,000	18,500
11	Bus stand	1,450,000	72,500
Total		10,338,000	516,900

Annex-4**DP No.1.2.3.1****Non-recovery of Water User charges-Rs 23.183 million**

S #	Schemes	Amount (Rs)
1	Civil Line/ Wazirabad	3,950,110
2	Haider Khan /Ziarat Sabirabad	2,620,134
3	Mohallah Dr. Rabnawaz	1,713,324
4	Sheikhabad, Elahi abad, Dera Road	1,251,338
5	Commercial	601,222
6	Mohallah Qassabam/ Qutab Colony	4,260,622
7	Mohallah Mehsood /Phool Shah	3,522,122
8	Mohallah Maidan/ Qazianwala	2,512,812
9	Mohallah Sheikhanwala	2,751,922
G Total		23,183,606