



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
TEHSIL MUNICIPAL  
ADMINISTRATION  
PINDI BHATTIAN  
DISTRICT HAFIZABAD  
AUDIT YEAR 2012-13**

**AUDITOR GENERAL OF PAKISTAN**

# TABLE OF CONTENTS

<b>ABBREVIATIONS AND ACRONYMS</b> .....	<b>i</b>
<b>PREFACE</b> .....	<b>ii</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>iii</b>
<b>SUMMARY OF TABLES AND CHARTS</b> .....	<b>vi</b>
Table1: Audit Work Statistics .....	vi
Table2: Audit Observations Classified by Categories.....	vi
Table3: Outcome Statistics.....	vii
Table4: Irregularities Pointed Out .....	viii
<b>CHAPTER-1</b> .....	<b>1</b>
1. TEHSIL MUNICIPAL ADMINISTRATION, PINDI BHATTIAN..	1
1.1 INTRODUCTION.....	1
1.1.1 Comments on Budget and Accounts (Variance Analysis) .....	2
<b>1.2 AUDIT PARAS</b> .....	<b>5</b>
<b>1.2.1 TMA, PINDI BHATTIAN</b> .....	<b>6</b>
1.2.1 Fraud / Misappropriation.....	7
1.2.2 Internal Control Weakness .....	8
<b>ANNEXURES</b> .....	<b>9</b>

## **ABBREVIATIONS AND ACRONYMS**

ADP	Annual Development Programme
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
FD	Finance Department
LG&CD	Local Government & Community Development
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCC	Plain Concrete & Cement
PDG	Punjab District Government
PLGO	Punjab Local Government Ordinance
PLG	Punjab Local Government
POL	Petrol, Oil and Lubricants
PDSSP	Punjab Devolved Social Sector Programme
TMA	Town/Tehsil Municipal Administration
TMO	Town Municipal Officer
RCC	Reinforcement of Concrete & Cement
RMR	Road Maintenance Register
TO (F)	Town/Tehsil Officer (Finance)
TO (I&S)	Town /Tehsil Officer (Infrastructure & Services)
TO (P&C)	Town /Tehsil Officer (Planning & Coordination)
TO (R)	Town /Tehsil Officer (Regulations)

## **PREFACE**

Article 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 115 of the Punjab Local Government Ordinance, 2001 requires the Auditor General of Pakistan to audit the accounts of the provincial governments and the accounts of any authority or body established by, or under the control of the provincial government. Accordingly, the Audit of all receipts and expenditures of the District Government Fund and Public Account of District Government is the responsibility of the Auditor General of Pakistan.

The report is based on audit of the accounts of Tehsil Municipal Administration Pindi Bhattian of District Hafizabad for the financial year 2011-12. The Directorate General of Audit, District Governments, Punjab (North), Lahore conducted audit during 2012-13 on test check basis with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs1.00 million or more. Relatively less significant issues are listed in the Annexure-A of the Audit Report. The Audit observations listed in the Annexure-A shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

The audit results indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to prevent recurrence of such violations and irregularities.

The observations included in this Report have been finalized in the light of written responses and discussion in DAC meetings.

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

**Islamabad**  
**Dated:**

**(Muhammad Akhtar Buland Rana)**  
**Auditor General of Pakistan**

## **EXECUTIVE SUMMARY**

The Directorate General Audit, District Governments, Punjab (North), Lahore is responsible to carry out the audit of eighty one Tehsil/ Town Municipal Administrations. Its Regional Directorate of Audit, Gujranwala has audit jurisdiction of District Governments, TMAs and UAs of one City District Government i.e. Gujranwala and five District Governments i.e. Gujrat, Hafizabad, Narowal, Sialkot and Mandi Bahadud-Din.

2. The Regional Directorate has a human resource of 29 officers and staff, total 4,757 man-days and the annual budget of Rs14.093 million for the financial year 2011-2012. It has mandated to conduct Financial Attest, Regularity Audit and Compliance with Authority & Performance Audit of entire expenditure including programmes/projects & receipts. Accordingly, RDA Gujranwala carried out Audit of accounts of one TMA of District Hafizabad for the financial year 2011-2012.

3. The Tehsil Municipal Administration in District Hafizabad is headed by a Tehsil Nazim / Administrator who carries out operations as per Punjab Local Government Ordinance, 2001. Tehsil Municipal Officer is the Principal Accounting Officer (PAO) and acts as coordinating and administrative officer, responsible to control land use, its division and development and to enforce all laws including Municipal Laws, Rules and Bye-laws. The PLGO 2001 requires the establishment of Tehsil / Town 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

4. Audit of Tehsil Municipal Administrations in District Hafizabad was carried out with the view to ascertain that the expenditure was incurred with proper authorization, in conformity with laws/ rules/regulations, economical procurement of assets and hiring of services etc.

5. Audit of receipts / revenues was also conducted to verify whether the assessment, collection, reconciliation and allocation of revenue were made in accordance with laws and rules, there was no leakage of revenue in the Government Account / Local Fund.

## **Audit Objectives**

Audit was conducted with the objective to ensure that:

1. Money shown as expenditure in the accounts was authorized for the purpose for which it was spent.
2. Expenditure incurred was in conformity with the laws, rules and regulations framed to regulate the procedure for expending public money.
3. Every item of expenditure was incurred with the approval of the competent authority in the Government for expending the public money.
4. Public money was not wasted.
5. The assessment, collection and accountal of revenue is made in accordance with prescribed laws, rules and regulations.

### **a. Audit Methodology**

Audit was performed through understanding the business process with respect to 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.

### **b. Audit of Expenditure and Receipts**

Total expenditure of TMA Pindi Bhattian of District Hafizabad for the financial year 2011-2012, was Rs146.547 million covering one PAO and one formation. Out of this, RDA Gujranwala audited expenditure of Rs52.402 million which, in terms of percentage, was 35.75% of the total expenditure. Regional Director Audit planned and executed audit of one formation i.e. 100% achievement against the planned audit activities.

Total receipts of one TMA of District, Hafizabad for the financial year 2011-12 were Rs 132.283 million. RDA Gujranwala audited receipts of Rs 14.56 million which was 11% of total receipts.

### **c. Recoveries at the Instance of Audit**

Recovery of Rs16.420 million was pointed out, which was not in the notice of the executive before audit, recovery of Rs2.003 million was effected till compilation of this Report.

#### **d. Key Audit Findings**

- i. Fraud / misappropriation of Rs2.856 million noted in one cases.<sup>1</sup>
- ii. Weak Internal Controls of Rs7.07 million noted in one case.<sup>2</sup>

Audit paras for the audit year 2008-11 involving procedural violations including internal control weaknesses, unsound asset management and irregularities not considered worth reporting are included in MFDAC (Annexure-A).

#### **e. Recommendations**

Audit suggests that PAO/management of TMAs should ensure to resolve the following issues seriously:

- i. Head of the Tehsil / Town Municipal Administrations needs to conduct physical stock taking of fixed and current assets.
- ii. Departments need to comply with the Public Procurement Rules for and rational purchases of goods and services.
- iii. Inquiries need to be held to fix responsibility for wasteful expenditure and unauthorized payment.
- iv. The PAO needs to make efforts for expediting the realization of various Government receipts.
- v. The PAO and his team need to ensure proper execution and implementation of the monitoring system.
- vi. The PAO needs to take appropriate action for non-production of record.
- vii. The PAO needs to rationalize its budget with respect to utilization.

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<sup>1</sup> Para: 1.2.1.1

<sup>2</sup> Para: 1.2.2.1

## SUMMARY OF TABLES AND CHARTS

**Table1: Audit Work Statistics**

(Rs in million)

Sr. No.	Description	Number	Budget
1	Total Entities (PAOs) under Audit Jurisdiction	02	719.662
2	Total formations under Audit Jurisdiction	02	719.662
3	Total Entities (PAOs) Audited	01	270.046
4	Audit & Inspection Reports	01	270.046
5	Special Audit Reports	Nil	Nil
6	Performance Audit Reports	Nil	Nil
7	Other Reports (Relating to TMAs)	Nil	Nil

\*Figures at Serial No. 3, 4 & represents expenditure and receipts.

**Table2: Audit Observations Classified by Categories**

(Rs in million)

Sr. No.	Description	Amount under Audit observation
1	Asset management	0
2	Financial management	2.856
3	Internal controls	7.07
4	Violation of rules	0
5	Others	0
<b>Total</b>		<b>9.926</b>



**Table3: Outcome Statistics**

(Rs in million)

Sr. No.	Description	Expenditure on Acquiring of Physical Assets Procurement	Civil Works	Receipts	Others	Total current year	Total Last Year
1	Outlays Audited	0	95.168	123.499	51.38	270.05*	950.426
2	Amount Placed Under Audit Observation / Irregularities of Audit	0	0	7.07	2.856	9.926	154.15
3	Recoveries Pointed out at the Instance of Audit	-	0	7.07	2.856	9.926	50.75
4	Recoveries Accepted / Established at the Instance of Audit	-	0	7.07	2.856	9.926	50.75
5	Recoveries Realized at the Instance of Audit	-	0	2.003	0	2.003	-

\* The amount in serial No. 1 column of "Total Current Year" is the sum of Expenditure and Receipt whereas the total expenditure for the current year was Rs146.547 million.

**Table4: Irregularities Pointed Out**

(Rs in million)

<b>Sr. No.</b>	<b>Description</b>	<b>Amount under Audit Observation</b>
1	Violation of rules and regulations, principle of propriety and probity.	0
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public resources	2.856
4	Quantification of weaknesses of internal control systems	7.07
5	Recoveries, overpayments and loss to government	0
6	Non-production of record to Audit	0
7	Others, including cases of accidents, negligence etc.	0
<b>TOTAL</b>		<b>9.926</b>

# **CHAPTER-1**

## **1. TEHSIL MUNICIPAL ADMINISTRATION, PINDI BHATTIAN**

### **1.1 INTRODUCTION**

TMA consists of Tehsil Nazim / Administrator, Tehsil Naib Nazim and Tehsil Municipal Officer. Each TMA comprises of five Drawing & Disbursing Officers i.e. TMO, TO-Finance, TO-I & S, TO-Municipal Regulation, and TO-P & C. The main functions of TMAs are as following;

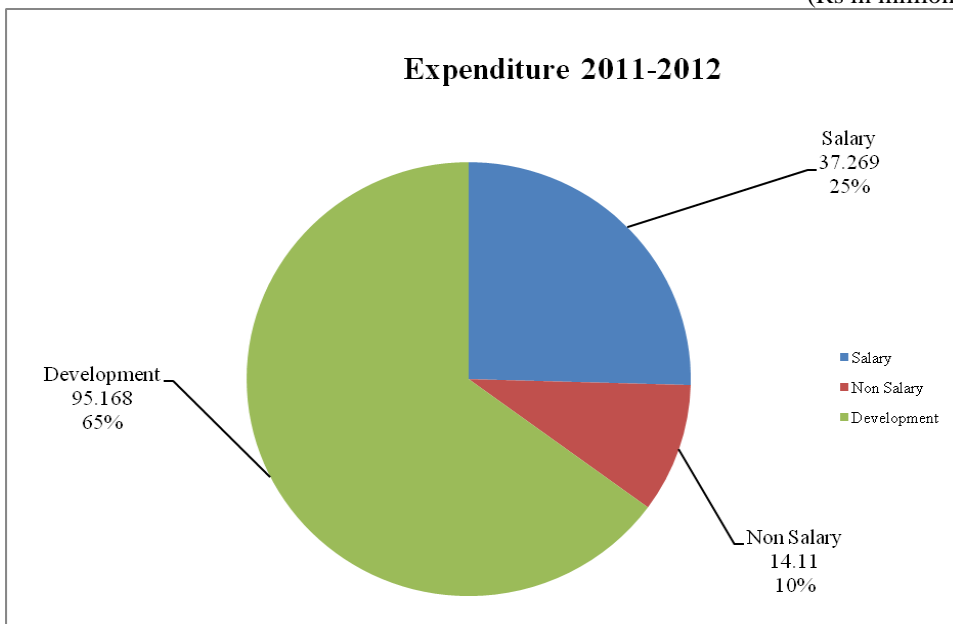
1. Prepare spatial plans for the Tehsil including plans for land use, zoning and functions for which TMA is responsible.
2. Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations.
3. Enforce all municipal laws, rules and bye-laws governing TMAs functioning.
4. Prepare budget, long term and annual municipal development programmes in collaboration with the Union Councils.
5. Propose taxes, cesses, user fees, rates, rents, tolls, charges, surcharges, levies, fines and penalties under Part-III of the Second Schedule and notify the same.
6. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties.
7. Manage properties, assets and funds vested in the Tehsil Municipal Administration.
8. Develop and manage schemes, including site development in collaboration with District Government and Union Administration.
9. Issue notice for committing any municipal offence by any person and initiate legal proceedings for commission of such offence or failure to comply with the directions contained in such notice.
10. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
11. Maintain municipal records and archives.

### 1.1.1 Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

F.Y. 2011-12	Budget	Expenditure	Savings (-)	%age of Savings
Salary	41.86	37.269	-4.591	11
Non-salary	31.902	14.11	-17.792	56
Development	130.178	95.168	-35.010	27
<b>TOTAL</b>	<b>203.94</b>	<b>146.547</b>	<b>-57.393</b>	<b>28</b>

(Rs in million)

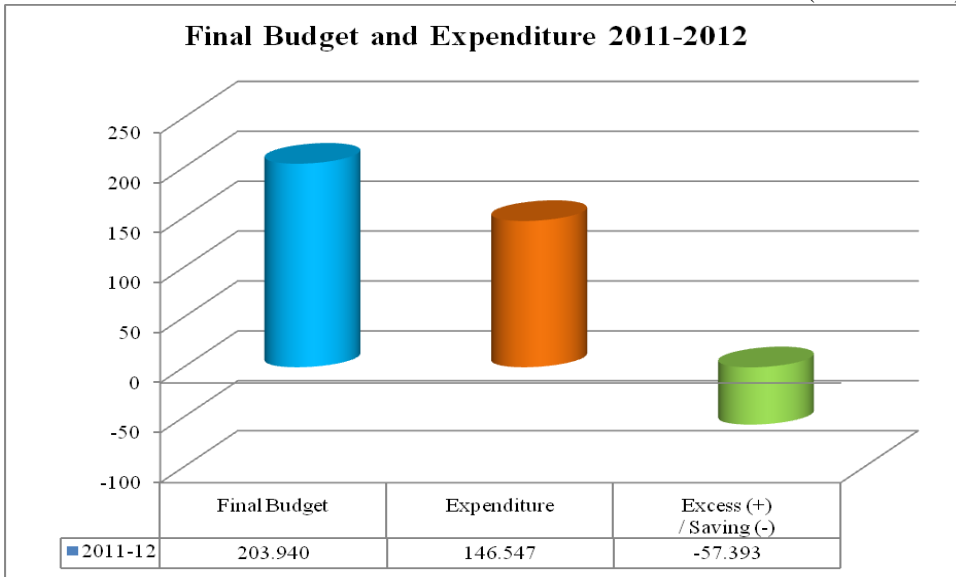


Detail is given in Annexure-B.

Detail of budget allocation, expenditure and savings of TMA Pindi Bhattian for the Financial Year 2011-12 is at Annexure-B.

As per Budget Book of TMA Pindi Bhattian for the Financial Year 2011-2012 the original and the final budget was Rs203.940 million. Against budget, total budget expenditure incurred was Rs146.547 million.

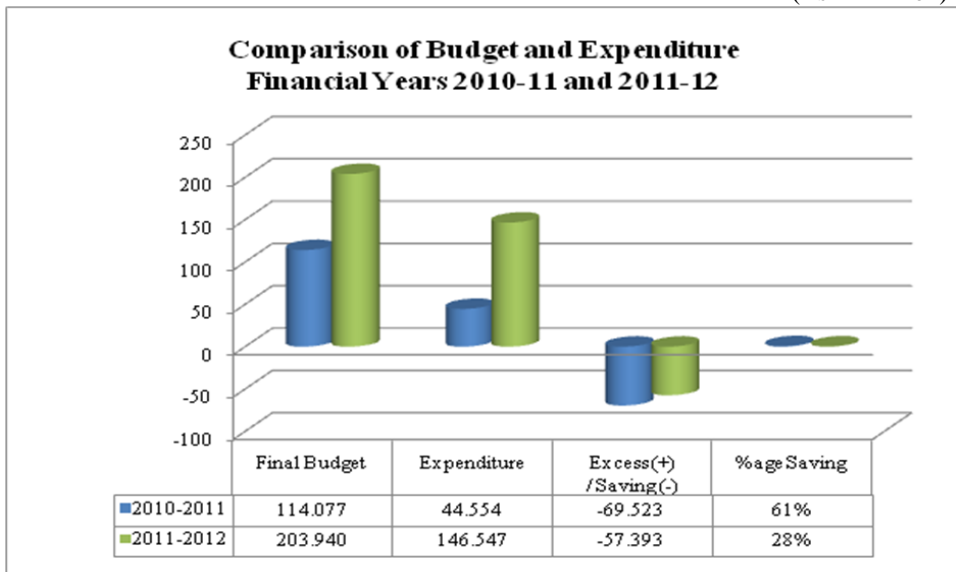
(Rs in million)



Ineffective financial management resulted in savings to the tune of Rs57.393 million which in term of percentage was 28% of the final budget. The same was required to be justified by the Principal Accounting Officer, Administrator and management of TMAs.

The comparative analysis of the budget and expenditure of current and previous Financial Year is depicted as under:

(Rs in million)



There were savings in the budget allocation of the Financial Year 2011-12 as follows:

(Rs in million)

<b>Financial Year</b>	<b>Budget Allocation</b>	<b>Expenditure</b>	<b>Savings (-)</b>	<b>%age of saving</b>
2010-11	114.077	44.554	-69.523	61
2011-12	203.940	146.547	-57.393	28

The justification of saving when the development schemes have remained incomplete is required to be explained by the Principal Accounting Officer, Administrator and management of TMAs.

## **1.2 AUDIT PARAS**

## **1.2.1 TMA, PINDI BHATTIAN**



## **1.2.1 Fraud / Misappropriation**

### **1.2.1.1 Embezzlement of Public Money – Rs2.856 million**

According to Rule 2.33 of PFR Volume-I “every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

TMA, Pindi Bhattian did not recover a sum of Rs.2,100,302 from cashier / accountant since three years. Amount was shown in cash book as deposited into government treasury but actually amount was misappropriated. Embezzlement was permanent by the cashier and was mentioned as un-credited amount in cash book but no action was taken by the management.

Audit holds that due to negligence of management it was not pointed out in time and the government funds were embezzled by the accountant, this resulted in loss of public exchequer amounting to Rs2,856,410.

Management replied that the case is under prosecution of Anti Corruption Department for recovery.

The matter was reported to the TMO / PAO in September, 2012. DAC in its meeting held on 20-10-2012 directed the department to recover the amount, No compliance was shown till the finalization of this report

Audit recommends recovery of principal amount Rs2,100,302 along with bank interest Rs756,108 for three years @12% P.A besides fixing responsibility for negligence under intimation to Audit.

[AIR Para No. 05]

## **1.2.2 Internal Control Weakness**

### **1.2.2.1 Non-recovery of Arrears – Rs7.070 million**

According to Rule 76 of the PDG and TMA (Budget) Rules, 2003, the primary obligation of Collecting Officer shall be to ensure that all revenue due is claimed, realized and credited immediately to Local Government Fund under proper receipt head.

TMA, Pindi Bhattian did not recover a sum of Rs7,026,615 from the contractors and Rs43,812 from the tenants of shops of TMA, no action was taken by the management against the defaulters. Against the demand of Rs7,070,427 a single penny was not recovered by the department which shows the negligence and internal controls weakness. Audit holds that no serious efforts were made by the management for the recovery of government dues and due to weak internal control of management public exchequer sustained a loss amounting to Rs7.07 million.

Management replied that amount will be recovered.

The matter was reported to the TMO / PAO in September, 2012. DAC in its meeting held on 20.10.2012 directed the department to recover the amount, No compliance was made till the finalization of this report

Audit recommends recovery of amount besides fixing of responsibility under intimation to Audit.

[AIR Para No. 03, 09]

## **ANNEXURES**

**ANNEXURE-A****MFDAC Paras**

<b>Sr. No.</b>	<b>Name of Formation</b>	<b>AP #</b>	<b>Description of Para</b>	<b>Amount (Rs)</b>	<b>Nature of Para</b>
1	TMA, Pindi Bhattain	01	Doubtful expenditure due to non reconciliation of expenditure	107,090,000	Weakness of internal control
2		07	Loss to government due to non collection of taxes	2193947	Weakness of internal control
3		13	Irregular drawl of pay and allowances without job performance	790,521	Irregularity/ non-compliance
4		14	Annual loss on account of non realization water rate charges	924,000	Weakness of internal control
5		18	Annual loss on account of non realization sanitation fees	462,000	Weakness of internal control
6		20	Unauthorized payment of house building advance	400,000	Weakness of internal control
7		23	Non recovery of rent of building from NADRA	108,000	Weakness of internal control
8		26	Overpayment to contractor due to payment of excess earth filling	10,969	Irregularity/ non-compliance
9		27	Loss to Govt. due to Non reconciliation of receipts with the bank	5,376,000	Irregularity/ non-compliance
10		05	Irregular Expenditure on Sports Festival	504,626	Weakness of internal control
11		25	Overpayment of Unjustified item	65,662	Weakness of internal control

**ANNEXURE-B****TMA of Hafizabad District  
Budget and Expenditure Statement for Financial Years 2011-12**

<b>Head</b>	<b>Budget (Rs)</b>	<b>Expenditure (Rs)</b>	<b>Excess (+) / Saving (-) (Rs)</b>	<b>%age Saving</b>	<b>Comments</b>
Salary	41.86	37.269	-4.591	11	Due to Vacant posts.
Non Salary	31.902	14.11	-17.792	56	Funds were allocated but no procurement was made.
Development	130.178	95.168	-35.010	27	Funds were not utilized for the welfare of public.
<b>TOTAL</b>	<b>203.94</b>	<b>146.547</b>	<b>-57.393</b>	<b>28</b>	<b>-</b>