



**AUDIT REPORT
ON
THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATION
DISTRICT KHUSHAB
AUDIT YEAR 2012-13**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

ADP	Annual Development Programme
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
FD	Finance Department
IPSAS	International Public Sector Accounting Standards
LG&CD	Local Government & Community Development
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
PAC	Public Accounts Committee
PDG	Punjab District Government
PLGO	Punjab Local Government Ordinance
PLG	Punjab Local Government
POL	Petroleum Oil and Lubricants
PCC	Plain Cement Concrete
PDSSP	Punjab Devolved Social Sector Programme
TAC	Tehsil Accounts Committee
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TO (F)	Tehsil Officer (Finance)
TO (I&S)	Tehsil Officer (Infrastructure & Services)
TO (P&C)	Tehsil Officer (Planning & Coordination)
TO (R)	Tehsil Officer (Municipal Regulations)

PREFACE

Articles 169 & 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 Local Fund and Public Accounts of Tehsil / Town Municipal Administrations of the Districts is the responsibility of the Auditor General of Pakistan.

The report is based on audit of the accounts of Tehsil Municipal Administrations of District Khushab 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 reporting 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, irregularities and losses.

The observations included in this Report have been finalized after discussion of Audit Paras with the management. However no Departmental Accounts Committee meetings by PAO were convened despite repeated requests.

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 Municipal Administrations. Its Regional Directorate Sargodha has audit jurisdiction of fifteen TMAs of four Districts i.e. Sargodha, Khushab, Mianwali and Bhakkar.

The Regional Directorate has a human resource of 14 officers and staff, constituting 4,555 man days and the budget of about Rs9.398 million for the financial year 2011-12. It has the mandate to conduct financial attest audit, regularity 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 R.D.A Sargodha carried out audit of the accounts of one TMA of District Khushab for the financial years 2011-12.

Each Tehsil Municipal Administration in District Khushab 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 By-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.

Audit of TMAs of District Khushab 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.

Audit of receipts/ revenues was also conducted to verify whether the assessment, collection, reconciliation and allocation of revenues were made in accordance with laws and rules, there was no leakage of revenue and revenue did not remain outside 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 they were spent.
2. Expenditure incurred was in conformity with the law, 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 law, 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. 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.

b) Expenditure Audited

Total expenditure of TMAs of District Khushab for the financial year 2011-12 was Rs85.478 million. Out of this, RDA Sargodha audited expenditure of Rs74.366 million which, in terms of percentage, was 87% of total expenditure. Regional Director Audit planned and executed audit of one TMA i.e 100% achievement against the planned audit activities.

Total receipts of TMAs of District Khushab for the financial year 2008-11 were Rs40.531 million. RDA Sargodha Audited receipts of Rs14.186 million which was 35% of total receipts.

c. Key Audit Findings

- i. Non-compliance of Rules and Regulations amounting to Rs.1.726 million noted in two cases.¹

Audit paras for audit year 2011-12 involving procedural violations including internal control weaknesses, and irregularities not considered worth reporting are included in MFDAC (Annex-A).

d. Recommendations

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

- i. Strengthening of internal controls
- ii. Appointment of Internal Auditor
- iii. Holding of DAC meetings well in time
- iv. Compliance of DAC directives and decisions in letter and spirit
- v. Expediting recoveries pointed out by Audit as well as others recoverable in the notice of management
- vi. Compliance of relevant laws, rules, instructions and procedures, etc.
- vii. Proper maintenance of accounts and record
- viii. Appropriate actions against officers/officials responsible for violation of rules and losses
- ix. Addressing systemic issues to prevent recurrence of various omissions and commissions.
- x. Realization and reconciliation of various receipts
- xi. Production of record to audit for verification
- xii. Physical stock taking of fixed and current assets
- xiii. Hold investigations for wastage, fraud, misappropriation and losses, and take disciplinary actions after fixing responsibilities.

¹ Para: 1.2.1.1

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

Rs. In million			
Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	02	653.538
2	Total formations in audit jurisdiction	02	653.538
3	Total Entities (PAOs)/ DDOs Audited	01	85.475
4	Audit & Inspection Reports	01	85.475
5	Special Audit Reports	Nil	Nil
6	Performance Audit Reports	Nil	Nil
7	Other Reports (Relating to TMA)	Nil	Nil

Table 2: Audit observations Classified by Categories

Rs in million		
Sr. No.	Description	Amount Placed under Audit Observation
1	Asset management	0
2	Financial management	0
3	Internal controls	0
4	Violation of rules	1.726
5	Others	0
TOTAL		1.726

Table 3: Outcome Statistics

Rs in million

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total current year	Total last year
1	Outlays audited	5.162	27.162	40.531	53.154	126.009	751.093
2	Amount placed under audit observation / irregularities	0	0	0	1.726	1.726	193.785
3	Recoveries pointed out at the instance of Audit	0	0	0	0	0	138.047
4	Recoverable accepted / established at Audit instance	0	0	0	0	0	0
5	Recoveries realized at the instance of Audit	0	0	0	0	0	0

*The amount in serial No.1 column of "Total Current Year" is the sum of Expenditure and Receipts whereas the total expenditure for the current year was Rs85.475 million.

Table 4: Irregularities Pointed Out

Rs in million

Sr. No.	Description	Amount under Audit observation
1	Violation of rules and regulations and principle of propriety and probity.	1.726
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public funds.	0
3	Quantification of weaknesses of internal controls system.	0
4	Recoveries, overpayments and loss to the government.	0
5	Non-production of record to Audit.	0
6	Others, including cases of accidents, negligence etc.	0
Total		1.726

CHAPTER-1

1.1 TEHSIL MUNICIPAL ADMINISTRATIONS, KHUSHAB

1.1.1 INTRODUCTION

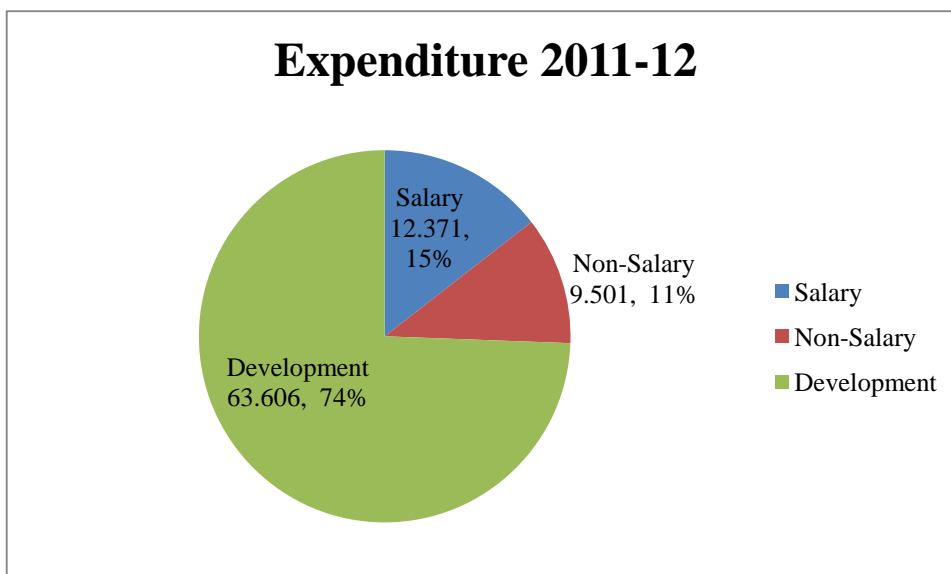
TMA consists of Tehsil Nazim, Tehsil Naib Nazim and Tehsil Municipal Officer. Each TMA comprises of five Drawing and Disbursing Officers i.e. TMO, TO- Finance, TO- I & S, TO – Municipal Regulation, TO- B & F and Tehsil Nazim and Tehsil Naib Nazim. The main functions of TMAs are as follows:-

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 TMA's 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.

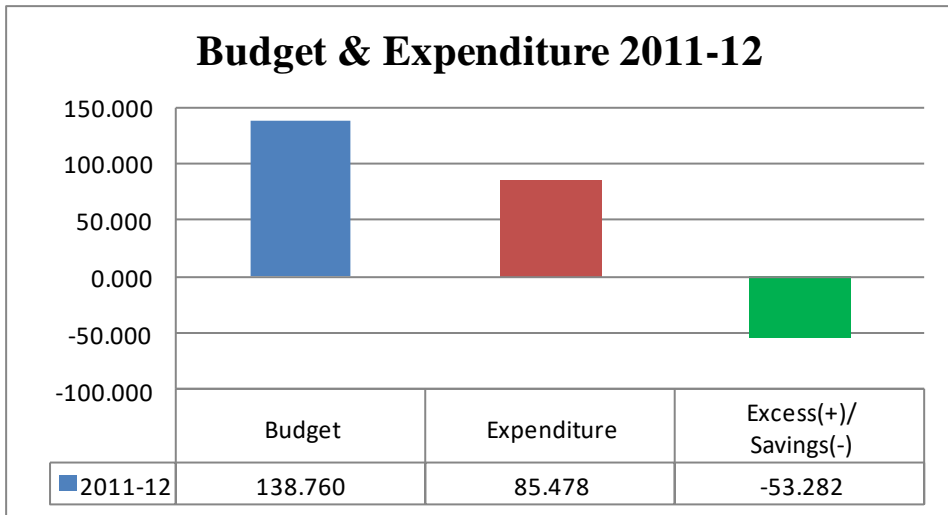
1.1.2 Comments on Budget and Accounts

2011-12	Budget	Expenditure	Excess (+) / Saving (-)	% (Saving)
Salary	18,893,376	12,371,244	(-) 6,522,132	35
Non-salary	22,984,124	9,501,406	(-) 13,482,718	59
Development	96,882,367	6,360,5517	(-) 33,276,850	34
Revenue	40,531,279	0	0	
Total	138,759,867	85,478,167	(-) 53,281,700	38



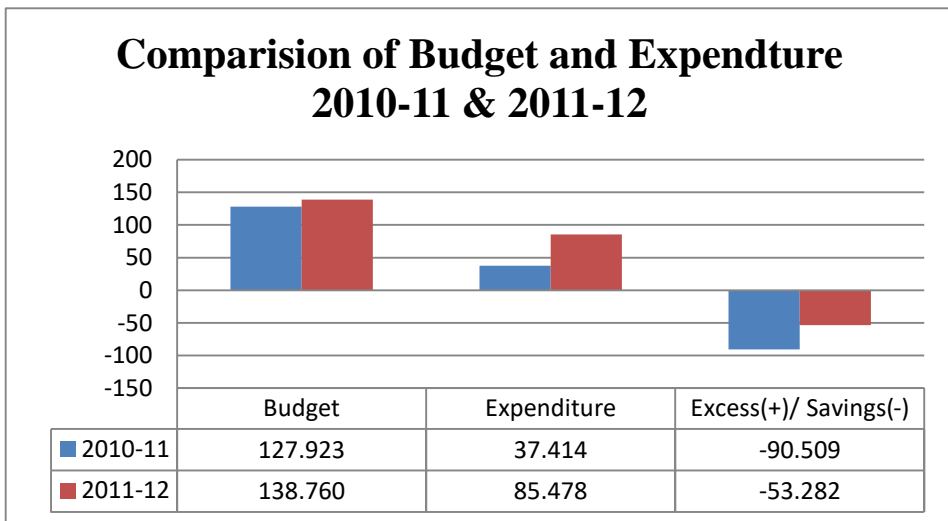
As per Budget Books for the financial year 2011-12 of TMAs in District Khushab, the original and final budget was of Rs138.760 million. Against actual total expenditure incurred by the TMAs during financial year 2011-12 was Rs85.478 million as detailed in annex-B.

. There was a saving of Rs53.282 million the reasons for which should be explained by the PAO, Tehsil Nazims and management of TMAs.



In effective financial management resulted in saving of Rs53.282 million which in term of percentage was 38% of the final budget. The same was required to be justified by the PAOs.

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:



There was 8.5% & 128.5% increase in budget and expenditure respectively.

1.2 TMA Noor Pur Thal

AUDIT PARAS

1.2.1 Non-compliance of Rules

1.2.1.1 Expenditure without advertisement through PPRA - Rs1.726 million

As per Rule 9 of PPRA Rules 2009, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of procurement so planned. The annual requirements thus determined would be advertised in advance on the PPRA's website. Procurement over Rs 100,000 and up to 2.00 million should be advertised on PPRA's website as well as in print media, if deemed necessary by the procuring agency.

TMO Noor pur Thal incurred following expenditure on different purchases without advertising the tender notice through PPRA during 2012-13.

T. No	Items	Value
29-07-10	Hiring of tents for mela Darbar Saiden Shah	193,920
2, 8-09-10	Hydraulic trolley size 11x6.5x2 foot with tyre	350,000
3, 8-09-10	Front blade for tractor FIAT-480	90,000
83, 14-12-10	Hiring of tents for Ramzan Bazar	224,100
28-06-11	Water tank	238,500
7/11	Purchase of shields and trophy	124,020
29-07-11	Hiring of tents for mela Darbar Saiden Shah	210,600
19-10-11	Hiring of tents for Ramzan Bazar	294,700
Total		1,725,840

Audit holds that expenditure incurred without advertisement through PPRA website was due to defective financial discipline which resulted in non transparent purchases.

The matter was reported to the TMO in November, 2012 but no reply was furnished. Despite repeated requests, DAC meeting was not convened till the finalization of this Report.

Audit stresses regularization of expenditure besides fixing of responsibility under intimation to audit.

ANNEXES

MFDAC PARAS

Sr. No.	Name of Formation	Description of Paras	Nature of violation	Amount (Rs)
1	TMA Noor Pur Thal	Irregular Execution of development projects by CCB	Violation of Rules	51,163,000
2	TMA Noor Pur Thal	Irregular splitting of work to avoid sanction of competent authority	Violation of Rules	19,851,000
3	TMA Noor Pur Thal	Un-authenticated realization /maintenance of immoveable property register	Violation of Rules	18,830,000
4	TMA Noor Pur Thal	Irregular approval of schemes without TS estimates-	Violation of Rules	4,790,000
5	TMA Noor Pur Thal	Non imposition of penalty on CCBs for late completion of schemes	Internal Control Weakness	1,980,000
6	TMA Noor Pur Thal	Loss due to non auction of collection rights	Internal Control Weakness	1,578,000
7	TMA Noor Pur Thal	Doubtful expenditure on purchase of diesel	Violation of Rules	1,063,000
8	TMA Noor Pur Thal	Expenditure on hiring of tentage during Ramzan Bazar and Mela Baba Saiden Shah	Violation of Rules	923,320
9	TMA Noor Pur Thal	Non Deduction of Income Tax on CCB share	Internal Control Weakness	591,180
10	TMA Noor Pur Thal	Irregular expenditure on repair of vehicle	Violation of Rules	256,330
11	TMA Noor Pur Thal	Irregular expenditure on repair of vehicle	Violation of Rules	175,455
12	TMA Noor Pur Thal	Irregular splitting of expenditure to avoid open tender	Violation of Rules	172,435
13	TMA Noor Pur Thal	Non realization of commercialization/building map fee	Internal Control Weakness	0

Sr. No.	Name of Formation	Description of Paras	Nature of violation	Amount (Rs)
14	TMA Noor Pur Thal	Loss Due to Non-realization of Water Charges	Internal Control Weakness	797,400
15	TMA Noor Pur Thal	Non-recovery of liquidated damages due to delay in completion of work	Internal Control Weakness	706,400
16	TMA Noor Pur Thal	Expenditure without vouched account	Violation of Rules	526,400
17	TMA Noor Pur Thal	Overpayment due to Excess Execution of Work and Non-deduction of cost of old material	Internal Control Weakness	138,386
18	TMA Noor Pur Thal	Loss due to Non-deduction of 10% Shrinkage	Internal Control Weakness	386,362
19	TMA Noor Pur Thal	Less recovery on account of leases	Internal Control Weakness	394,180

TMAs of Khushab District

1. TMA, Noor Pur Thal Budget and Expenditure details for the FY 2011-12				
Head	Budget	Expenditure	Excess / Savings	%age
Salary	18,893,376	12,371,244	(-) 6,522,132	35
Non Salary	22,984,124	9,501,406	(-) 13,482,718	59
Development	96,882,367	6,360,5517	(-) 33,276,850	34
Revenue	40,531,279	0	0	0
Total	138,759,867	85,478,167	(-) 53,281,700	38
Financial Year 2010-11				
Head	Budget	Expenditure	Excess / Savings	%age
Salary	14.544	8.575	(-) 5.969	41
Non Salary	20.725	5.657	(-) 15.068	73
Development	92.654	23.182	(-) 69.472	74
Revenue	0	0	0	0
Total	127.923	37.414	(-) 90.509	70