



**AUDIT REPORT
ON
THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS
DISTRICT KHUSHAB
AUDIT YEAR 2014-15**

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
PPRs	Public Procurement Rules
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 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 115 of the Punjab Local Government Ordinance, 2001 require 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 District Government is the responsibility of the Auditor General of Pakistan.

The report is based on audit of the accounts of various offices of Town /Tehsil Municipal Administrations of the District Government Khushab for the financial year 2013-14. The Directorate General of Audit, District Governments, Punjab (North), Lahore conducted audit during 2014-15 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 Annex-A of the Audit Report. The audit observations listed in the Annex-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 meeting by PAO was convened despite repeated requests.

The Audit Report is submitted to the Governor of the 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:

(Rana Assad Amin)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Punjab (North), Lahore, is responsible to carry out the audit of District Government, Town/Tehsil Municipal Administrations and UAs of three (03) City District Governments and sixteen (16) District Governments. Its Regional Directorate of Audit Sargodha has audit jurisdiction of District Governments, TMAs and UAs of four (04) Districts i.e. Sargodha, Khushab, Mianwali and Bhakkar.

The Regional Directorate of Audit Sargodha has a human resource of 14 officers and staff, total 2,740 man-days and the budget of Rs13.021 million for the financial year 2014-15. It has the mandate to conduct Financial Attest Audit, Regularity Audit, and Compliance with Authority and Performance Audit of projects and programs. Accordingly, Directorate General Audit District Governments Punjab (North), Lahore carried out audit of the accounts of various offices of the Town / Tehsil Municipal Administration of District Government, Khushab for the Financial Year 2013-14.

Each Tehsil Municipal Administration in District Khushab conducts its operations under 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 Town /Tehsil Local Fund and Public Account for which Annual Budget Statement is authorized by the Town /Tehsil Nazim / Town /Tehsil Council / Administrator in the form of Budgetary Grants.

Audit of Tehsil Municipal Administrations of Khushab District was carried out with the view to ascertaining whether 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.

a. Scope of Audit

Out of two (02) TMAs, One (01) TMA was audited. The expenditure of one(01) TMA of District Khushab for the Financial Year 2013-14 under the jurisdiction of DG District Audit (N) Punjab was Rs412.410 million, covering one (01) PAO and one (01) formation. Out of this, Directorate General Audit (N) Punjab audited an expenditure of Rs82.565 million which in terms of percentage is 20% of total auditable expenditure.

Total receipts of one (01) Tehsil Municipal Administration of Khushab District for the financial year 2013-14 were Rs372.297 million. Directorate General Audit Punjab (N), audited receipts of Rs260.608 million which was 70% of total receipts.

b. Recoveries at the Instance of Audit

Recoveries of Rs40.085 million were pointed out through various audit paras which were not in the notice of executive before audit but no recovery was effected till compilation of this Report.

c. Audit Methodology

Audit was performed through understanding the business process of TMAs with respect to functions, control structure, prioritization of risk areas by determining the significance and identification of key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field audit activity.

d. Audit Impact

A number of improvements, as suggested by audit, in maintenance of record and procedures have been initiated by the concerned departments, however, audit impact in shape of change in rules has been less materialized due to non-convening of regular PAC meetings. Had PAC meetings been regularly convened, audit impact would have been manifold.

e. Comments on Internal Control and Internal Audit Department

Internal control mechanism of TMAs of District Government Sargodha was not found satisfactory during audit. Many instances of weak Internal Controls have been highlighted during the course of audit which includes some serious lapses like withdrawal of public funds against the entitlement of employees. Negligence on the part of District Government authorities may be captioned as one of important reasons for weak internal controls.

Section 115-A (1) of PLGO, 2001 empowers Town / Tehsil Municipal Administration to appoint an Internal Auditor but the same was not appointed in Town / Tehsil Municipal Administrations.

f. Key Audit Findings

- i. Non-production of record of Rs31.523 million in one case.¹
- ii. Non-compliance of Rules and Regulations amounting to Rs51.712 million in five cases.²
- iii. Internal Control Weaknesses amounting to Rs116.974 million in six cases.³

Audit paras for the audit year 2013-14 involving procedural violations including internal control weaknesses, and irregularities not considered worth reporting to the PAC have been included in MFDAC (Annex-A).

¹Para: 1.2.1.1

²Paras: 1.2.2.1-1.2.2.5

³Paras: 1.2.3.1-1.2.3.6

g. Recommendations

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

- i. Producing of record to audit for verification.
- ii. Holding investigations for wastage, fraud, misappropriation and losses, and take disciplinary actions after fixing responsibilities.
- iii. Strengthening of internal controls.
- iv. Appointing of internal auditor.
- v. Holding of DAC meetings well in time.
- vi. Ensuring compliance of DAC directives and decisions in letter and spirit.
- vii. Expediting the recoveries pointed out by Audit as well as others recoverable in the notice of management.
- viii. Ensuring compliance of relevant laws, rules, instructions and procedures, etc.
- ix. Maintaining of accounts and record in proper manner.
- x. Taking appropriate action against officers / officials responsible for violation of rules and losses.
- xi. Realizing and reconciling of various receipts.
- xii. Taking stock physically of the fixed and current assets.
- xiii. Addressing systemic issues to prevent recurrence of various omissions and commissions.

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	586.315
2	Total formations in audit jurisdiction	02	586.315
3	Total Entities (PAOs) Audited	01	412.410
4	Total formations Audited	01	412.410
5	Audit & Inspection Reports	01	412.410
6	Special Audit Reports	Nil	Nil
7	Performance Audit Reports	Nil	Nil
8	Other Reports	Nil	Nil

* Figures at Serial no. 3, 4 & 5 represents expenditure

Table 2: Audit observations regarding Financial Management

Rs in million

Sr. No.	Description	Amount Placed under Audit Observation
1	Unsound asset management	-
2	Weak financial management	40.085
3	Weak internal controls relating to financial Management	83.932
4	Violation of rules	44.669
5	Others	31.523
TOTAL		200.209

Table 3: Outcome Statistics

Rs in million

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total	Total last year
1	Outlays audited	-	63.529	372.297	348.881	*784.707	896.330
2	Amount placed under audit observation / irregularities of audit	-	4.835	38.300	157.074	200.209	538.761
3	Recoveries pointed out at the instance of Audit	-		38.300	1.785	40.085	73.408
4	Recoverable accepted / established at the	-	-	-	-	-	-

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total	Total last year
	instance of Audit						
5	Recoveries realized at the instance of Audit	-	-	-	-	-	-

*The amount in serial No.1 column of “total” is the sum of Expenditure and Receipts whereas the total expenditure for the current year was Rs412.410 million.

Table 4: Irregularities Pointed Out

Rs in million

Sr. No.	Description	Amount under Audit observation
1	Violation of rules and regulations and violation of principle of propriety and probity in public operations.	44.669
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public resources.	-
3	Accounting errors (accounting policy departure from IPSAS, misclassification, over and understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	83.932
4	If possible quantify weaknesses of internal control system.	
5	Recoveries and overpayments representing cases of establishment overpayment of misappropriations of public money	40.085
6	Non-production of record	31.523
	Others, including cases of accidents, negligence etc.	-
Total		200.209

Table 5: Cost-Benefit

Rs in million

Sr. No.	Description	Amount
1	Outlays Audited (Item 1 of Table 3)	784.707
2	Expenditure on Audit	1.628
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	-

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 five Drawing and Disbursing Officers i.e. TMO, TO (Finance), TO (I&S), TO (Regulation), TO (P&C) and Tehsil Nazim and Tehsil Naib Nazim. The main functions of TMAs are as follows:-

1. Prepare spatial plans for the Town 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 by-laws governing TMA's functioning;
4. Prepare budget, long term and annual municipal development programmes in collaboration with the Union Councils;
5. Propose taxes, cess, 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, cesses, user fees, rates, rents, tolls, charges, fines and penalties;
7. Manage properties, assets and funds vested in the Town 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 (Variance Analysis)

Total Budget of TMAs of District Khushab was Rs500.529 million (inclusive salary, non salary and development) whereas the expenditure incurred (inclusive Salary, Non-Salary and Development) was Rs412.410 million showing savings of Rs88.119 million which in terms of percentage was 18% of the final budget as detailed below:

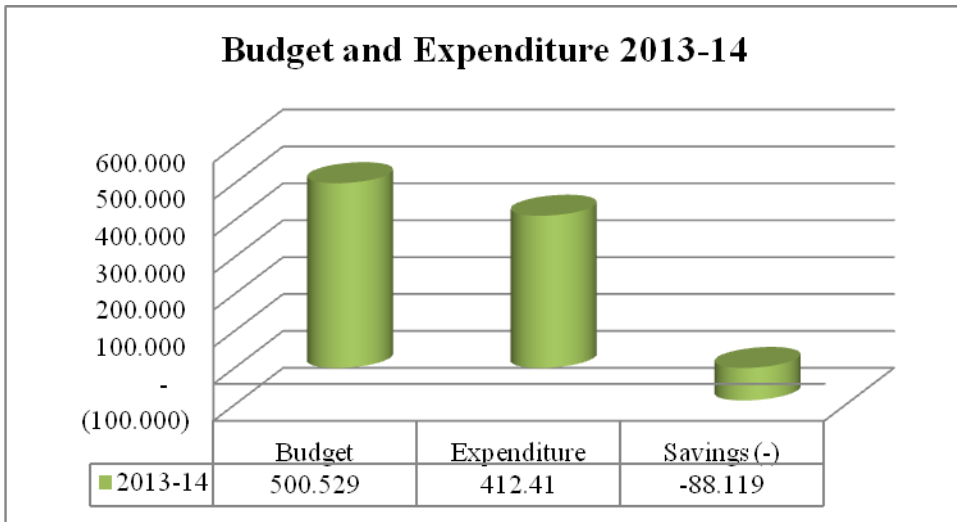
Rs in million

2013-14	Budget	Expenditure	Excess (+) / Saving (-)	% (Saving)
Salary	135.200	131.433	(-) 3.767	3
Non-salary	225.660	217.448	(-) 8.212	4
Development	139.669	63.529	(-) 76.14	55
Total	500.529	412.410	(-) 88.119	18

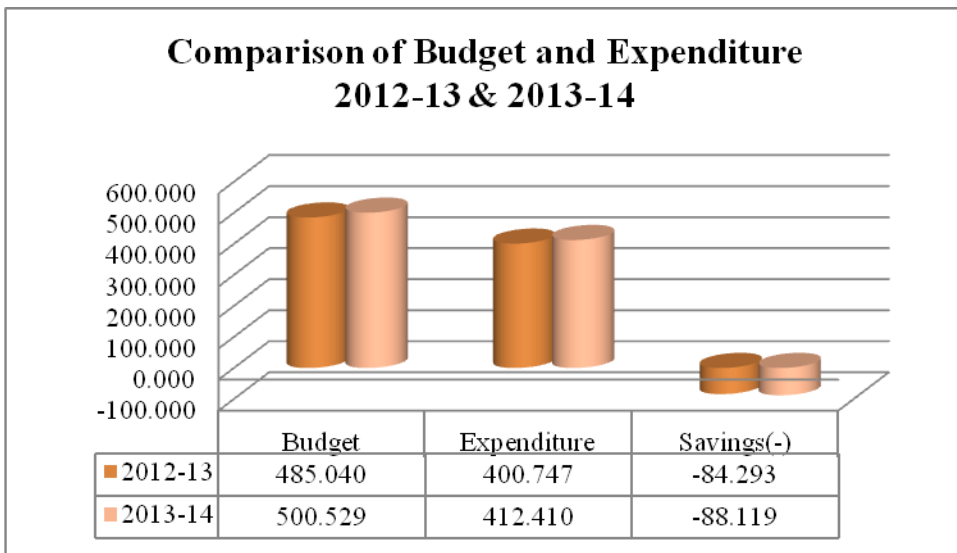
The budgeted outlay was Rs500.529 million of one (01) TMA includes PFC award of Rs146.400 million whereas total expenditure incurred by the TMAs during 2013-14 was Rs412.410 million with a savings of Rs88.119 million (detailed below). This is indicative of the fact that the TMAs had sufficient funds to meet the expenditure from their own sources and there was no need of any injection of PFC award.

Rs in million

TMA	Budgeted Figure			Budgeted Outlay	Actual Expenditure	Savings	%age of Savings
	Own receipt including OB	PFC award	Total Receipts				
Khushab	372.297	146.400	518.697	500.529	412.410	88.119	18
Total	372.297	146.400	518.697	500.529	412.410	88.119	18



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



There was savings in the budget allocation of the financial years 2012-13 and 2013-14 as follows:

				Rs in million
Financial Year	Budget	Expenditure	Savings	%age of savings
2012-13	485.040	400.747	(-) 84.293	17
2013-14	500.529	412.410	(-) 88.119	18

The justification of saving when the development schemes have remained incomplete is required to be provided, explained by PAOs and TMO concerned.

1.1.3 Brief Comments on the Status of Compliance on MFDAC Paras of Audit Year 2013-14

Audit paras reported in MFDAC of last year audit report which have not been attended in accordance with the directives of DAC have been reported in Part-II of Annex-A.

1.1.4 Brief Comments on the Status of Compliance with PAC Directives

The Audit Reports pertaining to following years were submitted to the Governor of the Punjab:

Status of Previous Audit Reports

Sr. No.	Audit Year	No. of Paras	Status of PAC/TAC Meetings
1	2009-12	22	Not convened
2	2012-13	01	Not convened
3	2013-14	26	Not convened

1.2 AUDIT PARAS

1.2.1 TMA Khushab

1.2.1 Non Production of Record

1.2.1.1 Non Production of Record - Rs31.523 million

According to Section 14 (1) (b) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, the Auditor-General shall have authority to require that any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection. Further Section 115 (6) of PLGO 2001, the officials shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

TMA Khushab did not produce record of receipts and expenditure pertaining to following heads of accounts during 2013-14 as detailed below:

1. Record pertaining to non-approval of Housing Societies and their Maps, Petrol Pumps, Private Schools, Private Hospital, Road Inspector Daily Reports, Plazas, Commercial Building, Plazas Dispatch Register, Notices, Movement register, Leave Record, Parks Record, Security Deposit Register, Rest House Record, Register of Properties
2. Bank accounts detail and their statements
3. Pension fund cash book
4. Other fee, Misc. fee (Library Fee - C0388091)
5. Receipt books
6. Following expenditure record involving transaction worth Rs31.523 million was also not provided

(Rs in million)	
Description	Amount
Construction of Road from Muzaffar Garh road to Zaman Colony Jauharabad (Israr CCB)	5.000
Construction of road from Azmat Colony Jauharabad to Mangor Bypass Jauharabad (Israr CCB)	5.00
Pending liabilities paid during 2014-15	17.838
Expenditure on Jashan-e-Baharan	2.399
Documentary evidence for purchase of pre-stressed girders from Izhar Ltd.	1.286
Total	31.523

Audit holds that non-production of expenditure records could lead to misuse of public funds and misappropriation / fraud.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing of responsibility against persons at fault for non-production of the record besides production of record for audit scrutiny.

1.2.2 Irregularity / Non-compliance of Rules

1.2.2.1 Irregular Appointments of Contingent Paid Staff - Rs26.374 million

As per Wage Rate Act 2007, the appointment to a post included in the schedule shall be advertised properly in leading newspapers and recruitment to all posts in the schedule shall be made on the basis of merits specified for regular establishment vide para 11 of the Recruitment Policy issued by the S&GAD vide No. SOR-IV(S&GAD)10-1/2003 dated 17.9.2004.

TMO Khushab appointed daily wages staff for the period 2013-14 without observing codal formalities like no advertisement was made in print media, selection criteria and prior approval of Finance Department. Applications were found in same handwriting which clearly reflected that staff of own choice was appointed ignoring the deserving candidates. Joining reports were also not found in record. This resulted in unauthorized expenditure of Rs26.374 million (198 persons X Rs11,100 per month X 12 months).

Audit holds that due to poor financial management and weak internal controls, work charge employees were appointed without the approval of competent authority.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends proper inquiry for irregular appointments and fixing of responsibility against persons at fault under intimation to Audit.

1.2.2.2 Irregular Expenditure in Violation of PPR- Rs12.437 million

As per Rule 14 of PPRA Rules 2009, Procurement over Rs100,000 and up to Rs2.00 million should be advertised on PPRA's website as well as in print media, if deemed necessary by the procuring agency. Further, as per amended TMA Works Rules 2003 issued vide letter No dated 2/2012 the photo of the site prior to execution of works should be obtained kept in file before obtaining Admin Approval.

TMA Khushab incurred an expenditure of Rs12.437 million under Development schemes and other purchases during financial year 2013-14

without advertisement on the PPRs website. Detail of these schemes was as under:

(Rs in million)	
Description	Amount
Installation of Hand Pumps (Al-Abbas CCB)	0.929
Construction of Muzaffar Garh Road to Zaman Colony (Israr CCB)	4.994
Purchase of Sports Material	2.753
Hiring of Tentage for Sahulat Bazar	2.983
Different purchases at Eid Milad-un-Nabi	0.778
Total	12.437

Audit holds that incurring of irregular expenditure worth Rs12.437 million without advertisement on PPRA website was due to defective financial discipline and non-compliance of Punjab Procurement Rules.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the persons at fault for mis-procurement besides making strenuous efforts ensuring non recurrence of the nature under intimation to Audit.

1.2.2.3 Wastage of Government Resources – Rs7.043 million

As per Rule 4 (3) of PLG (Property) Rules 2003, the manager shall be responsible to Local Government for any loss, destruction or deterioration of the property, if such a loss, destruction or deterioration occurs as a result of his default or negligence in discharge of his responsibility.

TMA Khushab incurred an expenditure of Rs5.733 million for running of Fire Brigade Department having fourteen personnel and two fire brigade vehicles. Not a single occasion of fire breakout was dealt during the year. All POL expenditure was incurred on distribution of water to high ups without having any record. Furthermore, vehicles, peter engines etc., were found received from government to be used in TMA but these machinery was found unused since its receipt and lying parked in an open space. Said machinery was depreciating day by day resulting in loss of Rs1.310 million (approximately).

Audit holds that due to poor financial management and weak internal controls, huge loss was caused to the government wasting useful resources.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the persons at fault for sustaining loss to government and side by side ensuring for non-recurrence of nature loss to the local government properties.

1.2.2.4 Irregular Expenditure on Base Course - Rs4.835 million

According to PWD standard instructions, the base coarse stone aggregate should be purchased from government approved quarry.

TMA Khushab incurred an expenditure of Rs4.835 million during 2013-14 for purchase of base course stone aggregate. The expenditure was held unauthorized because it was purchased from unapproved quarry. Moreover, compaction test reports of base course also not obtained from competent authority as detailed in (Annex-C).

Audit holds that due to weak financial management and internal controls, heavy expenditure was incurred for purchase of base course stone from quarry not approved by the government.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against persons at fault for unauthorized purchase of stone aggregate from unapproved quarry.

1.2.2.5 Irregular Expenditure on Repair of Vehicles - Rs1.203 million

As per rules 2.33 of PFR Vol-1, every Government servant should realize fully and clearly that he would be holds personally responsible for any loss sustained by Government through fraud or negligence on his part or to the extent he contributed to the loss by his own action or negligence. Further as per Rule 2.10 (a) of PFR Vol-1, the officers incurring or sanctioning expenditure from government revenues should exercise same vigilance in respect of expenditure from government revenues as a person of ordinary prudence would exercise in respect of expenditure out of his own pocket.

TMO Khushab incurred expenditure of Rs1.203 million on the repair of different vehicles during the financial year 2013-14. Following irregularities were observed:

1. Requisitions from the drivers were not found in record
2. Applicable taxes neither deducted nor deposited
3. History sheets were not found maintained
4. Dead stock register was neither maintained nor any entry found regarding old replaced parts of vehicles.

Audit holds that irregular payment on repair of Rs1.203 million, transport for due to defective financial management and weak internal controls.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends matter needs to be look into for arranging justification for the expenditure or otherwise its regularization from the competent authority for non-observing codal formalities besides fixing responsibility under intimation to Audit.

1.2.3 Internal Control Weaknesses

1.2.3.1 Non Achievement of Income Targets - Rs61.545 million

According to Rule 76(1) read with Rule 77, 78 & 79 of PDG & TMA (Budget) Rules, 2003, the primary obligation of the collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head.

TMA Khushab did not achieve income targets fixed for the financial year 2013-14 which resulted in loss to TMA due to lack of interest of the staff and poor supervision. Detail is as under:

Head	Target (Rs)	Achievement (Rs)	Difference (Rs)
General Bus Stand	6,500,000	5,240,165	1,259,835
Rent of Municipal Shops	37,000,000	8,556,097	28,443,903
Water Rate	34,124,261	2,950,396	31,173,865
Sale of Water Tankers	115,000	65,400	49,600
Public Latrin	600,000	453,680	146,320
Tehbazari	600,000	128,860	471,140
Total	78,939,261	17,394,598	61,544,663

Audit holds that less collection of receipts was made due to inefficient financial management and poor performance which resulted in a loss of Rs61.545 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends that the matter needs to be investigated at an appropriate level against the officers / officials at fault. The outstanding amount must be recovered and credited into TMA account under report to Audit.

1.2.3.2 Less Recovery of Government Revenues – Rs18.511 million

According to Rule 76(1) read with Rule 77, 78 & 79 of PDG & TMA (Budget) Rules, 2003 the primary obligation of the collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head.

Contrary to the above, TMA Khushab failed to recover the demand created for the outstanding incomes. An amount of Rs59,690 was

outstanding against the defaulters along with Income Tax of Rs18.452 million. The detail is as under:

Description	Auctioned Amount (Rs)	Amount Recovered (Rs)	Balance (Rs)	Tax to be recovered (Rs)	Total Recovery (Rs)
Cattle Mandi Khushab	180,000,000	180,000,000	0	18,000,000	18,000,000
Advertisement	1,200,000	1,200,000	0	120,000	120,000
Slaughter House Fee	70,000	68,550	1,450	6,855	8,305
Rikshaw Stand Fee	65,000	52,370	12,630	5,237	17,867
Latrin Fee Khushab	515,000	515,000	0	51,500	51,500
Latrin Fee Jauharabad	75,000	29,390	45,610	2,939	48,549
Cattle Mandi Quaidabad	2,650,000	2,650,000	0	265,000	265,000
Total	184,575,000	184,515,310	59,690	18,451,531	18,511,221

Audit holds that due to weak internal controls, inefficient financial management and poor performance receipt was not realized, which resulted in a loss of Rs18.511 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends that the matter needs to be investigated at an appropriate level against the officers / officials at fault. The outstanding amount must be recovered and credited into TMA account under report to Audit.

1.2.3.3 Loss due to Doubtful Purchase of Diesel for Tractors - Rs15.344 million

Para 20 of West Pakistan Staff Vehicle (Use and Maintenance) Rule 1969 laid down that log book containing petrol account, history sheet and all expenditure incurred there on should be maintained for each Government vehicle. Further, as per Annex 7.1 and 7(9) of B&R Manual, annual estimate of repair and maintenance of each Government Vehicle taking both direct and indirect charges should be prepared. Moreover, Article 162-163 of Account Code Vol-III requires that operation and out of turn charges should be closed / adjusted at the end of year.

TMA Khushab incurred heavy expenditure of Rs15.344 million on repair of tractors, trolleys, and other sanitation vehicles during 2013-14. Following objections were raised:

1. No annual estimates were prepared and sanctioned by the competent authority

2. History sheets, model, Manufacture, book value etc. Here not available.
3. No ceiling/ mileage /hour were fixed by the competent authority
4. Average consumptions certificate / fitness certificate were not got obtained from the motor vehicle examiner during 2013-14
5. No route of each tractor / road machinery has been laid down
6. Tractors were running throughout the year on the other hand numerous complaints were alive evidence against the TMA about their working and inefficiency.
7. Break Oil, Mobil Oil were being changed frequently without observing distance covered there on
8. Log book was silent about purpose and detail of journey.

Audit holds that due to weak financial management heavy expenditure was incurred on POL, which resulted in irregular expenditure of Rs15.344 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends the matter to be looked into for arranging justification for the expenditure or otherwise its regularization from the competent authority for non-observing codal formalities and for doubtful purchase of diesel for tractors besides fixing responsibility under intimation to Audit.

1.2.3.4 Non Recovery of Rent of Shops - Rs13.313 million

According to Rule 76(1) read with Rule 77, 78 & 79 of PDG & TMA (Budget) Rules, 2003, the primary obligation of the collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head.

TMA Khushab could not recover an amount of Rs13.313 million as rent of shops against total recoverable amount of Rs20.731 million during financial year 2013-14 which resulted in loss to TMA due to lack of interest of the staff and poor supervision. Detail is as under:

Name of CO Unit	No. of Shops	Arrears (Rs)	Demand (Rs)	Collection (Rs)	Recovery (Rs)
Khushab	218	10,846,794	3,900,000	4,032,276	10,714,518
Jauharabad	119	2,484,041	3,500,000	3,385,444	2,598,597
Total		13,330,835	7,400,000	7,417,720	13,313,115

Audit holds that non-recovery of arrears was due to defective financial discipline and weak internal controls causing non-recovery of arrears and a loss of Rs13.313 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility against the persons at fault besides effecting recovery of the stated amount under intimation to Audit.

1.2.3.5 Less Recovery on Account of Water Rate Charges - Rs6.476 million

According to Rule 76(1) read with Rule 77, 78 & 79 of PDG & TMA (Budget) Rules, 2003, the primary obligation of the collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head.

Contrary to the above, TMA Khushab recovered an amount of Rs2.169 million against the total recoverable amount of Rs8.645 million during 2013-14. TMA failed to recover balance amount of Rs6.476 million.

Name of CO unit	Arrear (Rs)	Demand (Rs)	Collection (Rs)	Balance (Rs)	Recovery (Rs)
Naushehra	0	360,000	191,370	168,630	168,630
Naushehra	287,095	0	0	0	287,095
Mitha Tiwana	1,173,980	0	0	0	1,173,980
Mitha Tiwana	0	495,180	484,195	10,985	10,985
Hadali	275,000	0	0	0	275,000
Hadali	0	905,400	742,580	162,820	162,820
Quaidabad	45,750	0	0	0	45,750
Quaidabad	0	300,000	285,240	14,760	14,760
Jauharabad	4,192,481	0	0	0	4,192,481
Jauharabad	0	610,000	465,160	144,840	144,840
Total					6,476,341

Audit holds that due to weak internal controls and financial management the amount of water rate was not realized which resulted in a loss of Rs6.476 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility for lapse and negligence against the persons at fault besides effecting recovery of the stated amount under intimation to Audit.

1.2.3.6 Loss due to Overpayment to Contractors - Rs1.785 million

As per rules 2.33 of PFR Vol-1, every Government servant should realize fully and clearly that he would be held personally responsible for any loss sustained by government through fraud or negligence on his part or to the extent he contributed to the loss by his own action or negligence.

TMA Khushab executed two development projects in which overpayment made to the contractors during the financial year 2013-14. Detail of overpayment is as under:

(Rs in million)

Description	AIR Para	Amount
Overpayment due to extra topping of PCC	06	0.964
Overpayment due to non deduction of shrinkage	13	0.821
Total		1.785

Audit holds that overpayment to contractors due to defective financial management and weak internal control which resulted in loss of Rs1.785 million.

The observation was discussed with the department but no reply was submitted. Afterwards, matter was reported to the TMO / PAO in February, 2015. Neither a written response was received nor a DAC meeting held till finalization of this report.

Audit recommends fixing responsibility for overpayment against the persons at fault besides recovery of the stated amount under intimation to Audit.

ANNEXES

PART-I
Memorandum for Departmental Accounts Committee Paras
Pertaining to Audit Year 2014-15

(Rs in million)

Sr. No.	Name of TMA	Description of Paras	Nature of violation	Amount
1	Khushab	Non reconciliation of Government Receipts	Internal control weakness	434.692
2		Non reconciliation of TTIP receipts	Internal control weakness	50.272
3		Unauthorized expenditure on premixed bitumous carpeting	Irregularity	0.334
4		Irregular Technical Sanction from unauthorized authorities	Irregularity	7.468
5		Execution of substandard work due to less use of Steel in RCC	Irregularity	0.437
6		Award of Works without obtaining Performance Securities	Irregularity	0.660
7		Non reflection (reconciliation) of balance	Internal control weakness	10.00
8		Non transfer of Cattle Mandi share to TMA Shahpur	Irregularity	55.80
9		Non preparation of Cash Book	Internal control weakness	412.41
10		Extravagant expenditure on dengue day	Irregularity	1.493
11		Unauthorized payment of non scheduled items	Irregularity	0.775
12		Unauthorized payment without approval of lead	Irregularity	8.21
13		Uneconomical expenditure on account of water supply	Internal control weakness	2.168
14		Less collection of Contractor's renewal fee	Internal control weakness	1.220

PART-II

[Para 1.1.3]

**Memorandum for Departmental Accounts Committee Paras
Pertaining to Audit Year 2013-14**

(Rs in million)

Sr. No.	Name of Formation	Description of Paras	Nature of violation	Amount
1	TMA Khushab	Irregular/ doubtful expenditure on hiring of generators for Moharrum	Violation of rules	1.459
2	TMA Khushab	Loss due to non possession of property	Weak Internal Control	3.440
3	TMA Noor PurThal	Non execution of development schemes	Weak Internal Control	10.849

TMAs of Khushab District

Budget and Expenditure Statement for the Financial Year 2013-14

1. TMA, Khushab

(Rs in million)

Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	135.200	131.433	3.767	03	-
Non-salary	225.660	217.448	8.212	04	-
Development	139.669	63.529	76.140	55	-
Total	500.529	412.410	88.119	18	-

Annex-C

Scheme # & year	Name of work	Item	Qty	Rate (Rs)	Amount (Rs)
1/2013-14	Const of road WAPDA store to link Shabbir Petroleum Store	Base Course	4976	5733.27	285,309
3/2013-14	Const of road Muzaffargarh road to Dera Sultan Bahoo	-do-	3432	5954.82	204,369
45/2013-14	Const of road from Khokhar House to Dar-e-Arqam via House Naveed Advocate Jauharabad	-do-	2387	5733.27	136,853
Israr CCB	Const of Road from Muzaffargarh road to Zaman Colony Jauharabad	-do-	20022	4492.52	899,493
Israr CCB	Construction of road from Azmat Colony Jauharabad to Mangor Bypass Jauharabad	-do-	20292	4492.52	911,622
Gunjial CCB Gunjial	Construction of road / PCC Link Skaisar Mohajir Branch Link Dera Jaat Gunjial Shumali, Bandial Shumali, Warrcha Khushab	-do-	14926.25	4358.70	650,590
Ali Qatal CCB	Construction of Road from Chungi No. 02 Jauharabad to Hazara Colony, Dera Daulat Khan Mianwali, Jauharabad	-do-	19230	4530.76	871,264
Mahmood Pera CCB	Construction of road from Muzaffar garh road to Muhammad Bin Qasim colony to Link Road Hadali	-do-	19500	2771.68	876,041
Total					4,835,541