



**AUDIT REPORT
ON
THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATION
DISTRICT MIANWALI
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 Mianwali 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 meeting by PAO was 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 two TMAs of District Mianwali for the financial years 2011-12.

Each Tehsil Municipal Administration in District Mianwali 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 Mianwali 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 Mianwali for the financial year 2011-12 was Rs462.872 million. Out of this, RDA Sargodha audited expenditure of Rs411.956 million which, in terms of percentage, was 89% of total expenditure. Regional Director Audit planned and executed audit of two TMAs i.e 100% achievement against the planned audit activities.

Total receipts of TMAs of District Mianwali for the financial year 2008-11 were Rs362.321 million. RDA Sargodha Audited receipts of Rs137.682million which was 38% of total receipts.

c) Recoveries at The Instance of Audit

Recovery of Rs26.257 million was pointed out, which was not in the notice of the executive before audit. No recovery was effected till compilation of this Report.

d) Key Audit Findings

- i. Non production of record was noted in one case¹
- ii. Recoveries amounting to Rs26.257 million noted in three cases.²
- iii. Weakness of Internal Controls valuing Rs.1.510 million noted one case.³

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).

e) 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 recoveries 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

¹ Para: 1.3.1.1

² Para: 1.2.1.1 to 1.2.1.3

³ Para; 1.3.2.1

- 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.

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

Rs in million

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	03	803.779
2	Total formations in audit jurisdiction	03	803.779
3	Total Entities (PAOs)/ DDOs Audited	02	462.872
4	Audit & Inspection Reports	02	462.872
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	26.257
3	Internal controls	1.510
4	Violation of rules	0
5	Others	0
TOTAL		27.767

Table 3: Outcome Statistics

Rs in million

Sr #	Description	Physical Assets	Civil Works	Receipt	Others	Total current year	Total last year
1	Outlays audited	85.265	163.541	104.226	214.066	567.098	1507.691
2	Amount placed under audit observation / irregularities	0	0.354	26.257	1.510	27.767	454.308
3	Recoveries pointed out at the instance of Audit	0	0	26.257	0	26.257	78.214
4	Recoverable accepted / established at Audit instance	0	0	26.257	0	26.257	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 Rs462.872 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.	0
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public funds.	0
3	Quantification of weaknesses of internal controls system.	1.510
4	Recoveries, overpayments and loss to the government.	26.257
5	Non-production of record to Audit	0
6	Others, including cases of accidents, negligence etc.	0
Total		27.767

CHAPTER-1

1.1 TEHSIL MUNICIPAL ADMINISTRATIONS, MIANWALI

1.1.1 INTRODUCTION

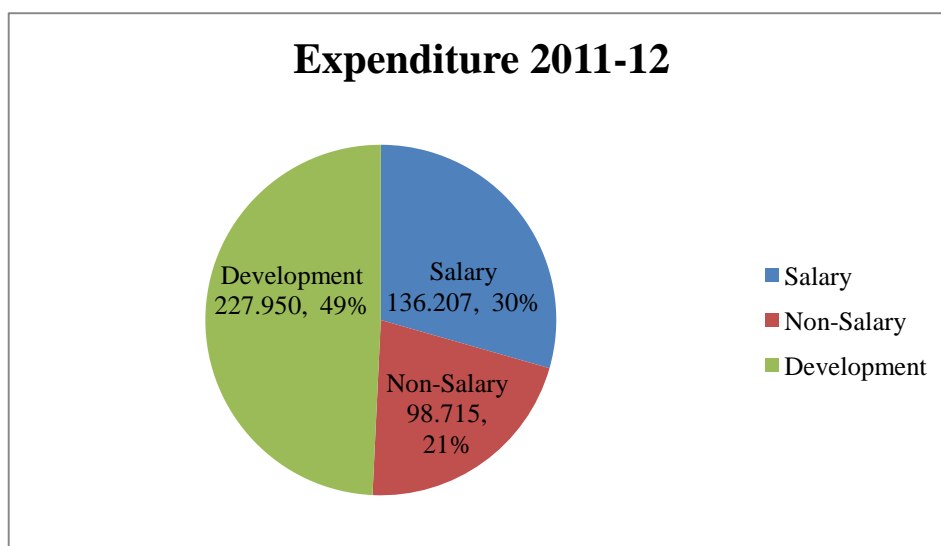
TMA consists of Tehsil Nazim, Tehsil Naib Nazim and Tehsil Municipal Officer. Each TMA comprises of five Drawing and Disbursing Officers i.e. TMO, TO- Finance, TO- I and S, TO – Municipal Regulation, TO- B and F and Tehsil Nazim and Tehsil Naib Nazim. The main functions of TMAs are as follows:-

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;

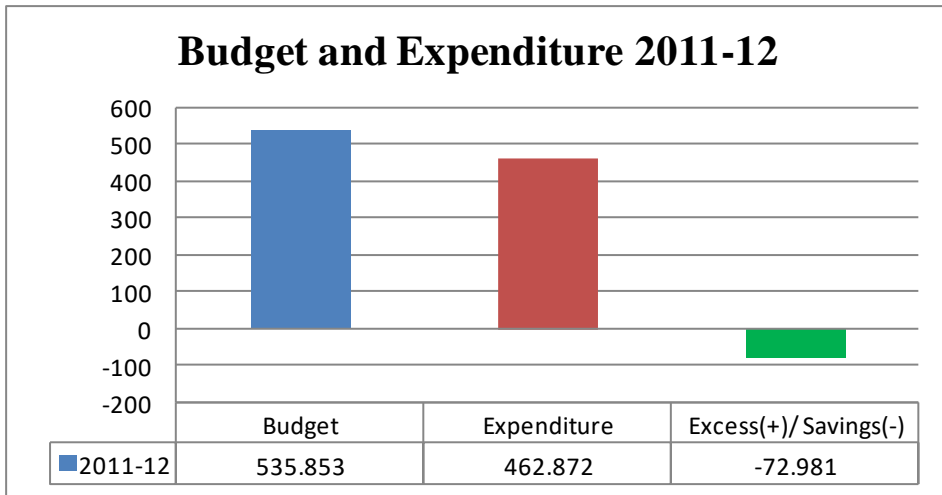
10. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction;
11. Maintain municipal records and archives.

1.1.2 Comments on Budget and Accounts

2011-12	Budget	Expenditure	Excess (+) / Saving (-)	% (Saving)
Salary	161.525	136.207	(-) 25.318	16
Non-salary	111.873	98.715	(-) 13.158	12
Development	262.455	227.950	(-) 34.505	13
Revenue	362.321	0	0	
Total	535.853	462.872	(-) 72.981	14

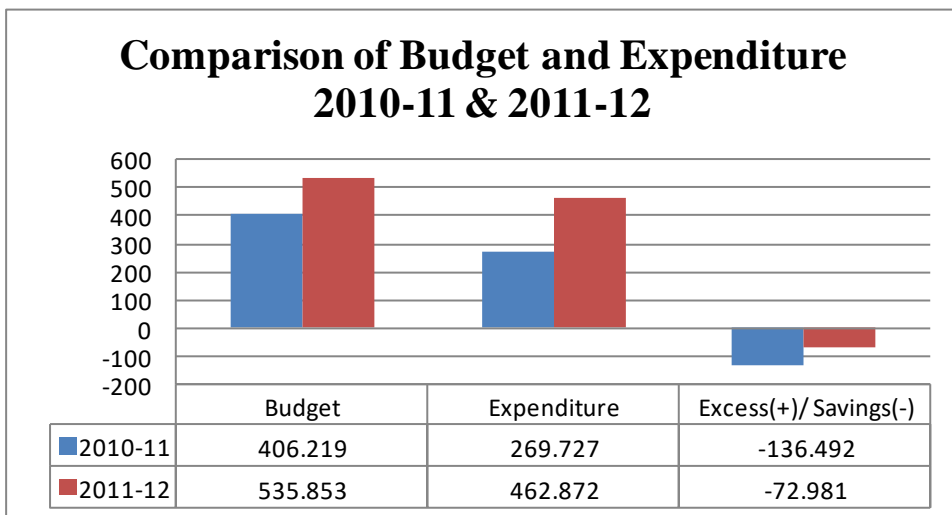


As per Budget Books for the financial year 2011-12 of TMAs in District Mianwali, the original and final budget was of Rs535.853 million. Against actual total expenditure incurred by the TMAs during financial year 2011-12 was Rs462.872 million as detailed in Annex-B.



In effective financial management resulted in saving of Rs72.981 million which in term of percentage was 14% 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 32% & 72% decrease in budget and expenditure respectively.

1.2 TMA Mianwali

1.2.1 Non-compliance of Rules

1.2.1.1 Less recovery on account of rent of shops/plots - Rs 18.137 million

According to the Para 76 (1) of The Punjab District Government & TMA (Budget) Rules 2003, the primary obligation of the Collecting Officers shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head.

TMO Mianwali recovered Rs12.926 million on account of rent of shops/plots for financial year 2011-12 against demand of Rs31.064 million as detailed below:

Arrear upto June, 11	Demand for the period 2011-12	Total recoverable	Recovery for their period 2011-12	Balance
17,063,707	14,000,000	31,063,707	12,926,761	18,136,946

Audit holds that Government receipt was not collected due to defective financial discipline and caused a loss of Rs18.137 million to public exchequer.

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

Audit stresses recovery of the amount besides fixing of responsibility under intimation to Audit.

1.2.1.2 Less recovery of water rate charges - Rs2.132 million

According to the Para 76 (1) of The Punjab District Government & TMA (Budget) Rules 2003, the primary obligation of the Collecting Officers shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head.

TMO Mianwali collected Rs363,890 on account of water rates against total demand of Rs2,496,400 during financial year 2011-12.

Description	No of connection	Rate	Total demand 2011-12
Domestic	5,884	400	2,353,600
Commercial-1	131	800	104,800
Commercial-2	38	1,000	38,000

Description	No of connection	Rate	Total demand 2011-12
Total demand for 2011-12			2,496,400
Amount recovery during 2011-12			363,890
Less recovery 2011-12			2,132,510

Audit holds that Government receipt was not collected due to defective financial discipline and caused a loss of Rs2.132 million to public exchequer.

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

Audit stresses recovery of the amount besides fixing of responsibility under intimation to Audit.

1.2.1.3 Less recovery on account of cattle market - Rs 5.988 million

According to the Para 76 (1) of The Punjab District Government & TMA (Budget) Rules 2003, the primary obligation of the Collecting Officers shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head.

TMO Mianwali leased out contract of collection rights of cattle mandi fee Mainwali for financial year 2011-12 but failed to recover Rs5987600 as detailed below:

Contract	Name of contractor	Contract Amount	Income Tax 5%	Professional tax	Pay Of employee 52 days	total Recov-erable	Recovery	Out-standing
Catle Mandi Mianwali	M Hayyat Khan	29.500	1.475	0.005	0.039	31.019	25.031	5.988

Audit holds that Government receipt was not collected due to defective financial discipline and caused a loss of Rs5.988 million to public exchequer.

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

Audit stresses recovery of the amount besides fixing of responsibility under intimation to audit.

1.3 TMA Piplan

1.3.1 Non Production of Record

1.3.1.1 Non- production of record

According to 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.

TMO Piplan did not produce the record of “Water Rates Piplan and bank statement of TOs I&C, Regulation & Planning” for financial year 2011-12 for audit verification.

Audit holds that the relevant record of the expenditure and receipt was not maintained and hence was not produced to Audit for verification which may lead to apprehension and misuse of public resources.

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

Audit stresses for fixing of responsibility for non-production of record under intimation to audit.

1.3.2 Non-compliance of Rules

1.3.2.1 Loss due to non realization of income of cattle mandi bala - Rs1.510 million

According to Rule 11 (4) of Auction of Collection of Rights Rules 2003, In case all attempts to fetch income equal to or more than reserve price as specified in rule 10 failed before commencement of financial year, the Nazim of respective local government shall report the matter to the Council for decision whether the income be contracted out through negotiation by appointing a negotiation committee or otherwise. Meanwhile the collection of income shall be continued through officials of local government.

TMO Piplan made auction of the cattle mandi bala for Rs1.510 million on 20.6.2011. The contractor failed to execute the contract. TMO Piplan forfeited the earnest money but neither the negotiation committee constituted nor income realized through departmental collection.

Audit holds that income was not realized due to defective financial discipline and causing loss of Rs1.510 million.

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

Audit stresses recovery of the amount 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 Mianwali	Non renewal of agreement on account of rent of shops	Weakness of Internal Control	-
2	TMA Mianwali	Less recovery of water rate charges	Weakness of Internal Control	106,720
3	TMA Mianwali	Loss of millions of rupees due to non recovery of license and permit fee	Weakness of Internal Control	-
4	TMA Mianwali	Irregular and wasteful expenditure on Jashan-e-Baharan Rs 4,242,870	Violation of Rules	4,242,870
5	TMA Mianwali	Un-authorized payment of Cash prize distribution Rs 164,500	Violation of Rules	164,500
6	TMA Mianwali	Overpayment for purchase of store items	Weakness of Internal Control	280,000
7	TMA Mianwali	Un-authorized payment of plants Rs 250,000	Violation of Rules	250,000
8	TMA Mianwali	Less recovery on account of pay and allowances of cattle market pai khel Rs 29,235	Weakness of Internal Control	29,235
9	TMA Mianwali	Irregular expenditure on shield Rs 479,000	Violation of Rules	479,000
10	TMA Mianwali	Wasteful expenditure on account of PCC 4" topping	Weakness of Internal Control	4,493,542
11	TMA Mianwali	Non-obtaining of performance security	Weakness of Internal Control	1,260,215
12	TMA Mianwali	Un-authorized expenditure on account of earth filling	Violation of Rules	643,585
13	TMA Mianwali	Un-economical expenditure on account of PCC 4" topping	Weakness of Internal Control	1,123,386
14	TMA Mianwali	Un-authorized execution of development works on quotations	Violation of Rules	626,202
15	TMA Mianwali	Un-authorized execution of development work	Violation of Rules	1,800,000

Sr. No.	Name of Formation	Description of Paras	Nature of violation	Amount (Rs)
16	TMA Mianwali	Less realization of water rates resulting loss to the TMA	Weakness of Internal Control	39,967,000
17	TMA Mianwali	Unauthorized purchase of Generator and Hath rairi	Violation of Rules	1,955,900
18	TMA Mianwali	Un-realistic and un-sound budget estimates	Weakness of Internal Control	-
19	TMA Mianwali	Non maintenance of record of TTIP income	Weakness of Internal Control	24,209,437
20	TMA Piplan	Short realization	Weakness of Internal Control	80,000
21	TMA Piplan	Loss in the auction of Advertisement Board	Weakness of Internal Control	420,000
22	TMA Piplan	Non realization of outstanding building map fee	Weakness of Internal Control	176,761
23	TMA Piplan	Un-economical expenditure on Ramzan Bazar	Weakness of Internal Control	1,415,000
24	TMA Piplan	Purchase of water lorry without adopting PPRA Rules	Violation of Rules	969,000
25	TMA Piplan	Non disbursement	Weakness of Internal Control	686,973
26	TMA Piplan	Drawl of funds by preparing bogus bills	Weakness of Internal Control	247,275
27	TMA Piplan	Drawl of funds by preparing bogus bills on hiring of vehicles	Weakness of Internal Control	96,000
28	TMA Piplan	Doubtful expenditure	Weakness of Internal Control	70, 749
29	TMA Piplan	Non Recovery (NOC) on A/C of Professional Tax	Weakness of Internal Control	40,500
30	TMA Piplan	Loss due to non deduction of shrinkage	Weakness of Internal Control	36,339
31	TMA Piplan	Overpayment	Weakness of Internal Control	86,565
32	TMA Piplan	Execution of development projects by CCB	Violation of Rules	4.80

Sr. No.	Name of Formation	Description of Paras	Nature of violation	Amount (Rs)
33	TMA Piplan	Non-payment of GST	Weakness of Internal Control	74,240
34	TMA Piplan	Recovery	Weakness of Internal Control	239,720
35	TMA Mianwali	Loss due to irregular award of Taxi Car Stand	Weakness of Internal Control	204,090
36	TMA Mianwali	Less recovery due to self recovery		92,380
37	TMA Mianwali	Less recovery on account of commercialization fee	Weakness of Internal Control	621,685
38	TMA Mianwali	Non-recovery of liquidated damages	Weakness of Internal Control	205,500
39	TMA Piplan	Drawl of funds by preparing bogus bills on hiring of tentage items	Violation of Rules	229,350
40	TMA Piplan	Loss due to self collection	Weakness of Internal Control	373,505
41	TMA Piplan	Less recovery on account of water rate charges	Weakness of Internal Control	270,985
42	TMA Piplan	Non deposit of Income Tax	Weakness of Internal Control	452,096
43	TMA Piplan	Non deposit of renewal / registration fee	Weakness of Internal Control	578,000
44	TMA Piplan	Overpayment	Weakness of Internal Control	149,332

TMAs of Mianwali District

(Rs in Million)

1. TMA, Mianwali Budget and Expenditure details for the FY 2011-12				
Head	Budget	Expenditure	Excess / Savings	%age
Salary	130.000	104.682	(-) 25.318	19
Non Salary	94.570	81.413	(-) 13.157	14
Development	198.046	163.541	(-) 34.505	17
Revenue	258.095	0	0	0
Total	422.616	349.636	(-) 72.980	17
Financial Year 2010-11				
Head	Budget	Expenditure	Excess / Savings	%age
Salary	98.178	79.095	(-) 19.083	19
Non Salary	37.946	57.187	(-) 19.241	51
Development	211.215	79.208	(-) 132.007	62
Revenue	215.433	-	-	-
Total	347.339	215.490	(-) 131.849	38
TMA Piplan - Budget and Expenditure detail for FY 2011-12				
Head	Budget	Expenditure	Excess / Savings	%age
Salary	31.525	31.525	0	0
Non Salary	17.303	17.302	(-) 0.001	0
Development	64.409	64.409	0	0
Revenue	104.226	0		
Total	113.237	113.236	(-) 0.001	0
Financial Year 2010-11				
Head	Budget	Expenditure	Excess / Savings	%age
Salary	20.840	20.841	(+) 0.001	0
Non Salary	12.769	8.125	(-) 4.644	36
Development	25.271	25.271	0.000	0
Revenue	80.790	-	-	-
Total	58.880	54.237	(-) 4.643	8