



**AUDIT REPORT
ON
THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS
DISTRICT MIANWALI
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
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 Town /Tehsil 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 Mianwali 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 and irregularities.

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 Union Administrations 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) District Governments 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, Mianwali for the Financial Year 2013-14.

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 Tehsil Municipal Administrations of Mianwali 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 three (03) TMAs, two (02) TMAs were audited. The expenditure of two TMAs of District Mianwali for the Financial Year 2013-14 under the jurisdiction of DG District Audit (N) Punjab was Rs384.414 million, covering two (02) PAOs and two (02) formations. Out of this, DG District Audit (N) Punjab audited an expenditure of Rs101.907 million which in terms of percentage, is 27% of the total auditable expenditure.

Total receipts of two (02) Tehsil Municipal Administrations of Mianwali District for the Financial Year 2013-14 were Rs341.249 million. DG District Audit Punjab (N) audited receipts of Rs255.937 million which was 75% of total receipts.

b) Recoveries at The Instance of Audit

Recoveries of Rs15.446 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 for Rs3.741 million noted in one case.¹
- ii Violation of Rules and Regulations amounting to Rs59.882 million noted in seven cases.²
- iii. Weakness of Internal Controls valuing Rs23.186 million noted in five cases.³

Audit paras on the accounts for 2013-14 involving procedural violations including internal control weaknesses, and irregularities which were not considered worth reporting to Parliament, therefore have been included in Memorandum For Departmental Accounts Committee (Annex-A).

¹ Para : 1.3.1.1

²Paras: 1.2.1.1-1.2.1.3 & 1.3.2.1-1.3.2.4

³Paras: 1.2.2.1-1.2.2.3 & 1.3.3.1-1.3.3.2

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	03	583.387
2	Total formations in audit jurisdiction	03	583.387
3	Total Entities (PAOs) Audited	02	384.414
4	Total formations Audited	02	384.414
5	Audit & Inspection Reports	02	384.414
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	15.446
3	Weak internal controls relating to financial Management	20.195
4	Violation of rules	47.427
5	Others	3.741
Total		86.809

Table 3: Outcome Statistics

Rs in million

Sr #	Description	Physical Assets	Civil Works	Receipt	Others	Total	Total last year
1	Outlays audited	-	31.511	341.249	352.903	725.663	1,019.249
2	Amount placed under audit observation / irregularities of audit	-	3.697	1.543	81.569	86.809	276.266
3	Recoveries pointed out at the instance of Audit	-	1.091	11.749	2.606	15.446	70.085

Sr #	Description	Physical Assets	Civil Works	Receipt	Others	Total	Total last year
4	Recoverable accepted / established at the 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 Rs384.414 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.	47.427
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public resources.	0
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.	0
	If possible quantify weaknesses of internal control system.	20.195
4	Recoveries and overpayments representing cases of establishment overpayment of misappropriations of public money	15.446
5	Non-production of record	3.741
6	Others, including cases of accidents, negligence etc.	0
Total		86.809

Table 5: Cost-Benefit

Rs in million

Sr. No.	Description	Amount
1	Outlays Audited (Item 1 of Table 3)	725.663
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, MIANWALI

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-B&F 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

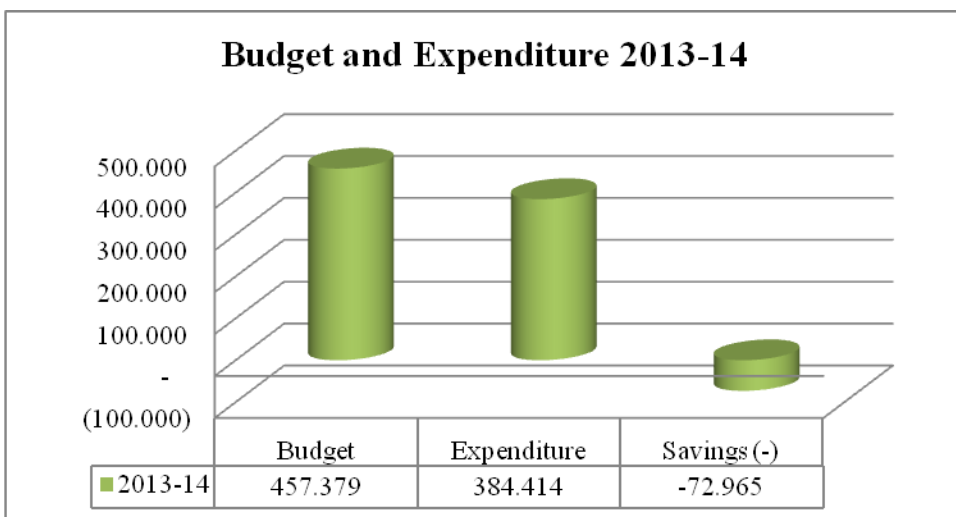
Total Budget of TMAs of District Mianwali was Rs457.379 million (inclusive Salary, Non-salary and Development) whereas, the expenditure incurred (inclusive Salary, Non-salary and Development) was Rs384.414 million showing savings of Rs72.965 million which in terms of percentage was 16% of the final budget as detailed below:

Rs in million

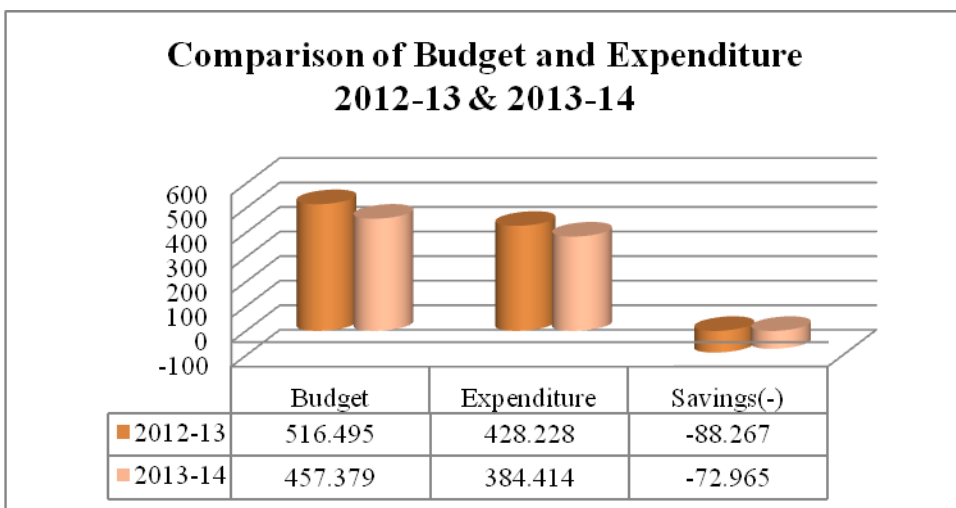
2013-14	Budget	Expenditure	Excess (+) / Saving (-)	% age (Saving)
Salary	225.914	202.211	(-) 23.703	10
Non-salary	166.281	150.692	(-) 15.589	09
Development	65.184	31.511	(-) 33.673	52
Total	457.379	384.414	(-) 72.965	16

The budgeted outlay was Rs457.379 million of two (02) TMAs includes PFC award of Rs95.343 million whereas total expenditure incurred by the TMAs during 2013-14 was Rs384.414 million with a savings of Rs72.965 million (detailed below). This indicated that either the PFC award was allocated over and above the actual needs or the management failed to achieve the developmental targets for the welfare of masses during the financial year.

TMA	Budgeted Figure			Budgeted Outlay	Actual Expenditure	Savings	%age of Savings
	Own receipt including OB	PFC Award	Total Receipts				
Mianwali	294.947	39.060	294.947	313.938	259.976	53.962	17
Isa Khel	46.302	56.283	46.302	143.441	124.438	19.003	13
Total	341.249	95.343	341.249	457.379	384.414	72.965	16



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	516.495	428.228	88.267	17
2013-14	457.379	384.414	72.965	16

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 Meetings
1	2009-12	32	Not convened
2	2012-13	05	Not convened
3	2013-14	23	Not convened

1.2 AUDIT PARAS

1.2.1 TMA Mianwali

1.2.1 Irregularity / Non-compliance of Rules

1.2.1.1 Irregular Expenditure in Violation of PP Rules- Rs5.141 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 Mianwali incurred an amount of Rs5.141 million under different purchase heads during financial year 2013-14 without advertisement on the PPRA's website. Detail of these schemes was as under:

Description	AIR Para No	Amount (Rs)
Purchase of Sports Material	16	631,729
Expenditure on Jashan e Azadi	17	774,200
Expenditure on Plantation	18	561,670
Tentage on Ramzan Bazar	19	3,173,258
	Total	5,140,857

Audit holds that incurring of irregular expenditure worth Rs5.141 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.

1.2.1.2 Wastage of Government Resources - Rs4.393 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 Mianwali incurred an amount of Rs4.393 million for purchase of 24 Electricity Transformers (22 Nos. of 10 KV and 2 Nos of 50 KV) during 2011-12. While scrutiny of stores and stock during the financial year 2013-14 it was found that those electricity transformers were lying unused / uninstalled since the date of purchase. This resulted in wastage of government resources.

Voucher No. & date	Transformer	Amount (Rs)
1469 dated 24-06-2011	1 st payment	2,379,960
306 dated 09-08-2011	Remaining payment	2,013,190
Total		4,393,150

Audit holds that purchase of Electricity transformers without immediate need was 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.

1.2.1.3 Non-recovery of Penalty for Delay in Completion of Work - Rs1.091 million

As per Rule 52 (2) of Tehsil / Town Municipal Administration (Works) Rules, 2003, if due to any unavoidable circumstances, a work cannot be completed within the period specified in a contract an extension in such period may be allowed as per contract conditions by-

- (a) the Tehsil Officer (I&S) if the period of extension does not exceed one month;
- (b) the Tehsil Municipal Officer if the period of extension does not exceed two months;
- (c) the Tehsil / Town Nazims if the period of extension does not exceed three months; and
- (d) the concerned Tehsil / Town Council if the period of extension exceeds three months.

- (e) According to clause 39(a) of the contract agreement, the time frame given from completion of work is required to be observed and in case of failure to complete the work within stipulated time, a maximum penalty of 10% shall be imposed of agreement amount.

The accounts record of TMA Mianwali revealed that 29 schemes involving cost of Rs10.919 million remained incomplete even after the expiry of stipulated period but the penalty up to 10% of the estimated cost for delay in completion of work was not imposed. This resulted in loss of Rs1.091 million to the government.

Audit holds that the due to weak financial management and weak internal controls, no penalty was imposed on the contractors for delay in completion of projects, which resulted in a loss of Rs1.091 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, besides recovery of penalty for delayed works from concerned contractors after inquiry besides effecting recovery of Rs1.091 million under intimation to Audit.

1.2.2 Internal Control Weaknesses

1.2.2.1 Non Achievement of Income Targets - Rs3.020 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 Mianwali 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	Difference (Rs)
Arrears of Land Revenue	3,000,000	-	3,000,000
Sale of Water	20,000	-	20,000
Total	3,020,000	-	3,020,000

Audit holds that due to weak internal controls, inefficient financial management and poor performance, receipt was not realized which resulted in a loss of Rs3.020 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.

1.2.2.2 Less Recovery of Government Revenues – Rs2.187 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 Mianwali failed to recover an amount of Rs 2.187 million from 5860 connection holders during 2013-14. This resulted in less recovery of Rs2.187 million as detailed below:

Description	No. of connections	Amount (Rs)
Water rate fee	Domestic 5820 @ Rs400 Commercial 40 @ Rs800	2,360,000
Arrears		1,008,827
Amount recoverable		3,368,827
Amount recovered		(1,182,197)
Total recoverable		2,186,630

Audit holds that due to weak internal controls, inefficient financial management and poor performance receipt was not realized, which resulted in a loss of Rs2.187 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 officers / officials concerned at fault besides effecting recovery under intimation to Audit.

1.2.2.3 Less Recovery of TMA Income - Rs9.873 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.

During audit of accounts of TMA Mianwali revealed that the management did not realize auction fee of cattle mandi, parking stand Datsun Dala fee, Adda fee, rent of shops and renewal fee worth Rs9.873 million during financial year 2013-14, as detailed below:

Description	AIR Para No	Auction amount (Rs)	Amount realized (Rs)	2% security deposit (Rs)	Less realized (Rs)
Auction of Cattle Mandi	04	27,405,000	25,953,580	548,100	1451,420
Parking Stand Datsun Dala		976,000	876,120	19,520	99,880
Parking Adda Daud Khel		1,420,000	1,329,410	28,400	90,590
Cattle Mandi Moch		260,000	48,100	5,200	211,900
Rent of 225 Nos. Shops	11	-	-	-	7,258,827
92 Contractor's Renewal Fee	09	-	-	-	760,000
Total					9,872,617

Audit holds that due to weak internal controls, inefficient financial management and poor performance, receipt was not realized which resulted in a loss of Rs9.873 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 officers / officials concerned at fault besides effecting recovery under intimation to Audit.

1.3.1 TMA Isa Khel

1.3.1 Non Production of Record

1.3.1.1 Non Production of Record – Rs3.741 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.

TMO Isa Khel did not produce record of receipts and expenditure of Rs3.741 million pertaining to following heads of accounts during 2013-14 was not shown to audit:

- Record pertaining to non-approval of Housing Societies and their Maps, Petrol Pumps, Private Schools, Private Hospital, Commercial Building and Professional Tax Record

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 responsibility against the persons at fault for non- production of the record for audit scrutiny under intimation to Audit.

1.3.2 Irregularity / Non-compliance of Rules

1.3.2.1 Irregular Appointments of Contingent Paid Staff - Rs33.015 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 Isa Khel appointed 305 work charge staff without observing codal formalities like advertisement in the print media, selection criteria and joining reports of the incumbents during 2013-14. Due to this reason the expenditure of Rs33.015 million was held irregular.

Audit holds that due to poor financial discipline 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 investigation of the matter for fixing responsibility against the persons at fault under intimation to Audit.

1.3.2.2 Unauthorized Expenditure on Pending Liabilities - Rs9.271 million

Every Disbursing Officer shall maintain a register of liabilities in PFR Form No.27 in which he should enter all those items of expenditure for which payment is to be made by or through another officer; budget allotment or sanction of a higher authority is to be obtained; or payment would be required partly or wholly during the next financial year or years. Moreover, under no circumstance may charges incurred be allowed to stand over to be paid from the grant of another year, according to Rule 17.17 (A) read with Rule 17.18 of PFR Vol.

TMA Isa Khel paid an amount of Rs9.271 million to the work charge employees as pay of previous financial years. The salaries were paid without observing codal formalities and approval of competent authority.

Audit holds that due to weak financial management, heavy expenditure was incurred for clearance of pending liabilities without observing codal formalities.

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 unauthorized payment of previous year's liabilities and regularization of expenditure from competent authority under intimation to Audit.

1.3.2.3 Wastage of Government Resources - Rs4.365 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 Isa Khel did not auction unserviceable store items and garbage trollies which were lying in open place and losing their values due to seasonal wear and tear. Moreover, two Jhon Deer tractors were also parked in TMA Office from the date of receiving without any use and decreasing their value day by day. This resulted in loss of Rs4.365 million to TMA as detailed below:

(Rs in million)

Description	AIR Para #	Amount
Non utilization of two tractors	10	2.00
Non auction of unserviceable stores	19	2.00
Non auction of 20 Nos. garbage trollies	20	0.365
Total		4.365

Audit holds that due to poor financial management and weak internal controls, the government sustained huge loss in shape of wastage of 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 side by side ensuring for non-recurrence of loss of identical nature to the local government properties.

1.3.2.4 Non-recovery of Penalty for Delay in Completion of Work - Rs2.606 million

As per Rule 52 (2) of Tehsil / Town Municipal Administration (Works) Rules, 2003, if due to any unavoidable circumstances, a work cannot be completed within the period specified in a contract an extension in such period may be allowed as per contract conditions by-

- (f) the Tehsil Officer (I&S) if the period of extension does not exceed one month;
- (g) the Tehsil Municipal Officer if the period of extension does not exceed two months;
- (h) the Tehsil / Town Nazims if the period of extension does not exceed three months; and
- (i) the concerned Tehsil / Town Council if the period of extension exceeds three months.
- (j) According to clause 39(a) of the contract agreement, the time frame given from completion of work is required to be observed and in case of failure to complete the work within stipulated time, a maximum penalty of 10% shall be imposed of agreement amount.

TMA Isa Khel revealed that 27 schemes involving cost of Rs26.066 million remained incomplete even after the expiry of stipulated period but penalty up to 10% of the estimated cost for delay in completion of work was not imposed. This resulted in loss of Rs2.606 million to the TMA.

Audit holds that due to weak financial management and weak internal controls, no penalty was imposed on the contractors for delay in completion of projects, which resulted in a loss of Rs2.606 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, besides recovery of penalty for delayed works from concerned contractors after inquiry and effecting recovery of Rs2.606 million under intimation to Audit.

1.3.3 Internal Control Weakness

1.3.3.1 Non Achievement of Income Targets - Rs6.563 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 Issa Khel could 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 as detailed below:

Head	Target (Rs)	Achievement	Difference (Rs)
Licensed fee	200,000	103,050	96,950
General Bus Stand Fee	4,200,000	3,749,973	450,027
Fee from other Transport Stand	150,000	107,845	42,155
The Bazari Fee	2,200,000	1,054,948	1,145,052
Registration / Enlistment of Contractors and Renewal of Registration	131,000	0	131,000
Rent of Municipal Property Shops	3,000,000	301,643	2,698,357
Revenue in Arrears	2,000,000	0	2,000,000
Total	11,881,000	5,317,459	6,563,541

Audit holds that due to weak internal controls, inefficient financial management and poor performance, receipt was not realized which resulted in a loss of Rs6.564 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 officers / officials concerned at fault besides effecting recovery under intimation to Audit.

1.3.3.2 Less Recovery of Lease Amounts – Rs1.543 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 Isa Khel auctioned the collection rights of different heads of incomes. The scrutiny of files revealed that the contractors failed to deposit the total auctioned amount as detailed below:

Head of Income	Name of Contractor	Amount (Rs)
Cattle Market – Essa Khel	Muhammad Ayunb	272,325
Cattle Market – Kamar Mashani	Atta Muhammad	289,188
Cattle Market – Kot Chandna	Naheed Shah	73,529
Encroachment Fee	Fazalur Rehman Khan	459,600
Slaughter House Kala Bagh	Muhammad Saeed	19,017
Collection of Boat charges	Muhammad Saeed	31,480
Phatak Maweshian	Muhammad Ashraf Khan	13,905
Adda Fee	Atta Muhammad	26,420
Parking Fee Essa Khel		357,440
Total		1,542,904

Audit holds that due to weak internal controls, inefficient financial management and poor performance, receipt was not realized which resulted in a loss of Rs1.453 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 officers / officials concerned at fault besides effecting recovery 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	Mianwali	Wastage / burglary of public property	Irregularity	
2		Unauthorized purchase of PVC pipes	Irregularity	0.153
3		Irregular TS of Development projects from unauthorized authority	Irregularity	0.700
4		Unauthorized payment without approval of lead	Irregularity	0.058
5		Unauthorized expenditure without approval of non schedule item rates	Irregularity	0.700
6		Irregular expenditure on refreshment	Irregularity	0.188
7		Non reconciliation of balance	Internal control weakness	7.888
8		Uneconomical expenditure on water charges	Internal control weakness	54.515
9		Loss due to non auction of garbage	Recovery	0.821
10	Isa Khel	Non utilization of budget	Internal control weakness	149.511
11		Non reconciliation of receipts	Internal control weakness	140.696
12		Non maintenance of DDO wise Cash Book	Internal control weakness	125.13
13		Non forfeiture of earnest money	Recovery	0.141
14		Wasteful expenditure on Regulations wing	Irregularity	0.349
15		Splitting of expenditure to avoid open tender	Irregularity	0.146
16		Non transfer of Income	Irregularity	0.531
17		Non allocation of CCB funds	Internal control weakness	2.604
18		Non utilization of Development budget	Internal control weakness	10.415
19	Uneconomical expenditure on Water Supply	Irregularity	84.994	

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 Mianwali	Wasteful expenditure on the purchase of dewatering set	Internal control weakness	5.830

TMA of Mianwali District
Budget and Expenditure Statement for the Financial Year 2013-14

1. TMA, Mianwali

(Rs in million)

Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	151.977	130.043	21.934	14	-
Non-salary	109.569	98.602	10.967	10	-
Development	52.392	31.331	21.061	40	-
Total	313.938	259.976	53.962	17	-

2. TMA, Isa Khel

Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	73.937	72.168	1.769	02	-
Non-salary	56.712	52.090	4.622	08	-
Development	12.792	0.180	12.612	99	-
Total	143.441	124.438	19.003	13	-