



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

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

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

PREFACE

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

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

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

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

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

Islamabad
Dated:

(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

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

2. The Regional Directorate has a human resource of 17 officers and staff, total 4,757 man-days and the annual budget of Rs14.093 million for the financial year 2011-2012. 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 RDA Gujranwala carried out audit of the accounts of TMA Shakargarh of District Narowal for the financial year 2011-12.

3. Each Tehsil Municipal Administration in District Narowal is headed by a Tehsil Nazim / Administrator who carries out operations as per Punjab Local Government Ordinance, 2001. Tehsil Municipal Officer is the Principal Accounting Officer (PAO) and acts as coordinating and administrative officer, responsible to control land use, its division and development and to enforce all laws including Municipal Laws, Rules and Bye-laws. The PLGO 2001 requires the establishment of Tehsil Local Fund and Public Account for which Annual Budget Statement is authorized by the Tehsil Nazim / Tehsil Council / Administrator in the form of Budgetary Grants.

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

5. Audit of receipts/ revenue 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 in the Government Account / Local Fund.

Audit Objectives

Audit was conducted with the objective to ensure that:

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

a. Audit Methodology

Audit was performed through understanding the business process of TMAs 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. Audit of Expenditure and Receipts

Total expenditure of TMA Shakargarh of District Narowal for the financial year 2011-2012, was Rs210.155 million covering one PAO and one formation. Out of this, RDA Gujranwala audited expenditure of Rs74.238 million which, in terms of percentage, was 35.32% of the total expenditure. Regional Director Audit planned and executed audit of one formation i.e. 100% achievement against the planned audit activities.

Total receipts of one TMA of District, Narowal for the financial year 2011-12 were Rs 179.924 million. RDA Gujranwala audited receipts of Rs 23.39 million which was 13% of total receipts.

c. Recoveries at the Instance of Audit

Recovery of Rs8.544 million was pointed out, which was not in the notice of the executive before audit but recovery of Rs0.665 million was effected till the compilation of this report.

d. Key Audit Findings

- i. Weak Internal Controls resulting in loss of Rs7.203 million were noted in one case.¹

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

e. Recommendations

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

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

¹Para: 1.2.1.1

SUMMARY OF TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

Sr. No.	Description	Number	Budget
1	Total Entities (PAO) under Audit Jurisdiction	02	1488.744
2	Total formations under Audit Jurisdiction	02	1488.744
3	Total Entities (PAO) Audited	01	210.155
4	Audit & Inspection Reports	01	210.155
5	Special Audit Reports	Nil	Nil
6	Performance Audit Reports	Nil	Nil
7	Other Reports (Relating to TMAs)	Nil	Nil

*Figures at Serial No. 3 & 4 represents expenditure.

Table 2: Audit Observations Classified by Categories

(Rs in million)

Sr. No.	Description	Amount under Audit observation
1	Asset management	0
2	Financial management	0
3	Internal controls	7.203
4	Violation of rules	0
5	Others	0
TOTAL		7.203

Table 3: Outcome Statistics

(Rs in million)

Sr. No.	Description	Expenditure on Acquiring of Physical Assets (Procurement)	Civil Works	Receipts	Others	Total current year	Total Last Year
1	Outlays Audited	0	172.904	173.301	37.251	383.456*	451.618
2	Amount Placed Under Audit Observation / Irregularities of Audit	0	0	7.203	0	7.203	445.32
3	Recoveries Pointed out at the Instance of Audit	0	0	7.203	0	7.203	443.939
4	Recoveries Accepted / Established at the Instance of Audit	0	0	7.203	0	7.203	443.939
5	Recoveries Realized at the Instance of Audit	0	0.275	0.375	0.015	0.665	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 Rs210.155 million.

Table 4: Irregularities Pointed Out

(Rs in million)

Sr. No.	Description	Amount under Audit Observation
1	Violation of rules and regulations, principle of propriety and probity	0
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public resources	0
4	Quantification of weaknesses of internal control systems	7.203
5	Recoveries, overpayments and loss to the government	0
6	Non-production of record to Audit	0
7	Others, including cases of accidents, negligence etc.	0
TOTAL		7.203

CHAPTER-1

1 TEHSIL MUNICIPAL ADMINISTRATION, SHAKARGARH

1.1 INTRODUCTION

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

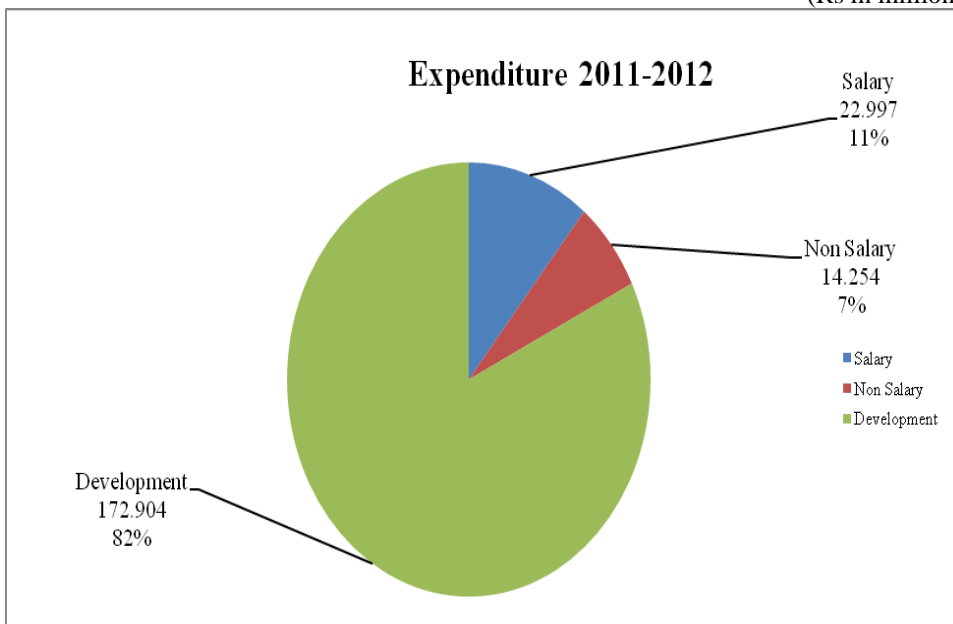
1. Prepare spatial plans for the Tehsil including plans for land use, zoning and functions for which TMA is responsible.
2. Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations.
3. Enforce all municipal laws, rules and bye-laws governing 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 (Variance Analysis)

(Rs in million)

F.Y. 2011-12	Budget	Expenditure	Savings (-)	%age of Savings
Salary	32.759	22.997	-9.762	30
Non-salary	39.718	14.254	-25.464	65
Development	409.263	172.904	-236.359	58
TOTAL	481.74	210.155	-271.585	56

(Rs in million)

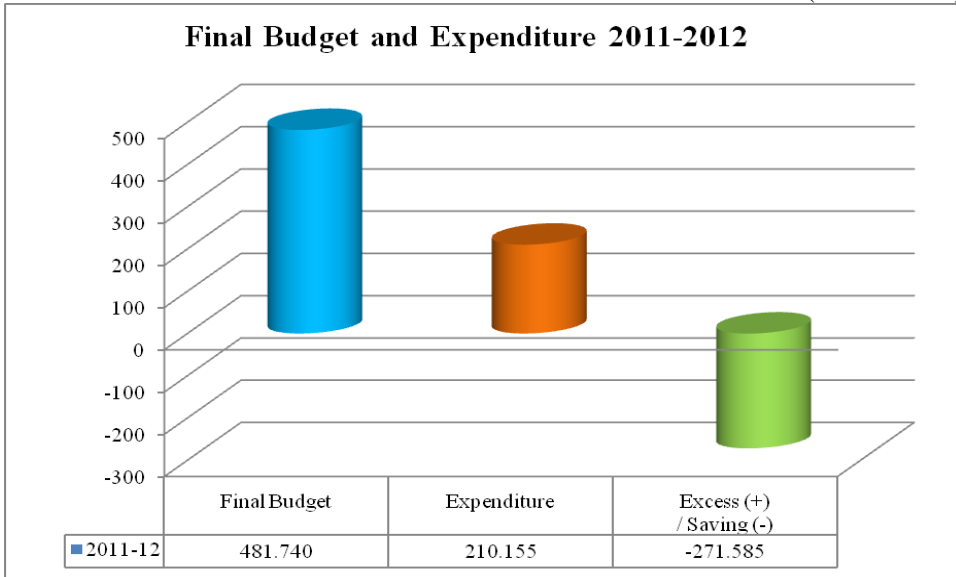


Detail is given in Annexure-B.

Detail of budget allocations, expenditures and savings of TMA Shakargarh in District Narowal for the financial year 2011-12 is at Annexure-B.

As per Budget Books for the financial year 2011-2012 of TMA Shakargarh of District, Narowal the original and the final budget was of Rs481.74 million. Against budget, total expenditure of Rs210.155 million was incurred during the financial year 2011-2012.

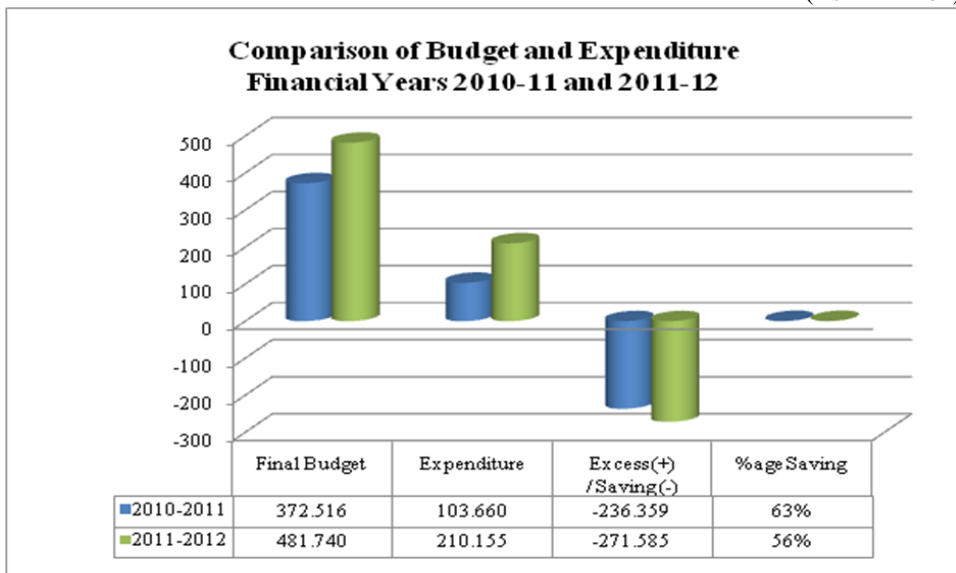
(Rs in million)



Ineffective financial management resulted in savings to the tune of Rs271.585 million which in term of percentage was 56% of the final budget. The same was required to be justified by the Principal Accounting Officer, Administrator and management of TMAs.

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

(Rs in million)



There were savings in the budget allocation of the financial year 2011-12 as follows:

(Rs in million)

Financial Year	Budget Allocation	Expenditure	Savings	%age of saving
2010-11	372.516	103.660	-236.359	63%
2011-12	481.740	210.155	-271.585	56%

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

1.2 AUDIT PARAS

1.2.1 TMA, SHAKARGARH

1.2.1 Internal Control Weaknesses

1.2.1.1 Non-recovery of Arrears of Water Rate Charges – Rs7.203 Million

According to Section-118 of the Punjab Local Government Ordinance, 2003, read with Rule 12 of the Punjab Local Government (Taxation Rules), 2003, failure to pay any tax and other money claimable under this ordinance was an offence and the arrears were recoverable as Land Revenue. Furthermore as clause 12 (C) of (c) of Local Rate (Assessment & Collection) rules 2003 the Nazim of the Local Government may direct that tax with costs of recovery shall be recovered as arrears of Land Revenue.

Tehsil Municipal Officer, Shakargarh did not recover water rate arrears Rs7.203 million during 2011-12 and massive dues were outstanding for recovery, as detailed below:-

Category	No. of connections	Arrears (Rs)
Domestic	2850	7,203,480
Commercial	50	
Total connections	2900	

Audit holds that due to poor financial management, recovery of arrears of water rate was not made, resulted in non-recovery of Rs7.203 million of Local Government revenues.

Management replied that notices were issued to recover the amount.

The matter was reported to TMO / PAO in October, 2012. DAC in its meeting held on 17.11.12 directed the department to recover the amount. No compliance was made till the finalization of this report

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

[AIR Para No.2]

ANNEXURES

Annexure -A**MFDAC Paras**

Sr. No.	Name of Formation	AP #	Description of Para	Amount (Rs)	Nature of Para
1	TMA Shakargah	10	Loss to Govt. due to non-deduction of Income Tax in thousands	-	Irregularity/ non-compliance
2		17	Irregular award of contract worth	10,470,000	Weakness of internal control
3		05	Non-recovery/(NOC) of Professional Tax	29,000	Weakness of internal control
4		04	Loss Due to Unauthorized Extension in Completion of Work	429,000	Weakness of internal control
5		13	Undue favor to contractor	129,110	Irregularity / non-compliance
6		03	Doubtful expenditure on repair of vehicle	102,990	Irregularity / non-compliance
7		01	Non-imposition of penalty for delay	745,000	Weakness of internal control

Annexure -B

**TMA Shakargarh of District Narowal
Budget and Expenditure Statement for the financial year 2011-
2012**

(Rs in million)

F.Y. 2011-12	Budget	Expenditure	Savings (-)	%age	Comment
Salary	32.759	22.997	-9.762	30	
Non-salary	39.718	14.254	-25.464	64	
Development	409.263	172.904	-236.359	58	
TOTAL	481.740	210.155	-271.585	56	