



**AUDIT REPORT
ON
THE ACCOUNTS OF
TOWN / TEHSIL MUNICIPAL
ADMINISTRATIONS
DISTRICT GUJRANWALA
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 Cement Concrete |
| PDG | Punjab District Government |
| PLGO | Punjab Local Government Ordinance |
| PDSSP | Punjab Devolved Social Sector Programme |
| TMA | Town/Tehsil Municipal Administration |
| TMO | Town Municipal Officer |
| RCC | Reinforcement of Concrete & Cement |
| 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

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 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 Town/Tehsil Municipal Administrations of District Gujranwala 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 Departmental Accounts Committee 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 three TMAs of District Gujranwala for the financial year 2011-12.

3. Each Town/Tehsil Municipal Administration in District Gujranwala is headed by a Town / Tehsil Nazim / Administrator who carries out operations as per Punjab Local Government Ordinance, 2001. Town 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 / Town Local Fund and Public Account for which Annual Budget Statement is authorized by the Town Nazim / Town Council / Administrator in the form of Budgetary Grants.

4. Audit of TMAs of District Gujranwala 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

Audit of development expenditure of Rs118.428 million out of Rs 56.119 million and non-development expenditure Rs382.236 million out of Rs78.848 million for the financial year 2011-12 was conducted which is 22% and 28.95% of total development and non-development expenditure respectively. Total expenditure of the TMAs of District Gujranwala for the financial year 2011-12 was Rs500.663 million. Out of this, an expenditure of Rs255.089 million was, audited which is 50.95% of total expenditure. 100% achievement against the planned audit activities was made.

c. Recoveries at The Instance of Audit

Recovery of Rs35.772 million was pointed out which was not in the notice of the executive before audit, recovery of Rs0.101 million was effected till compilation of this Report.

d. Key Audit Findings of the report

- i. Non-production of record of Rs 86.001 million noted in Two cases.¹
- ii. Non-compliance of Rs 27.180 million noted in Four cases.²
- iii. Internal control weaknesses of Rs 39.828 million noted in Six cases.³

Audit paras for the audit year 2012-13 involving procedural violations including internal control weaknesses, unsound asset management and irregularities not considered worth reporting are included in MFDAC (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.

¹ Para: 1.3.1.1,1.4.1.1

² Para: 1.3.2.1,1.3.2.2,1.3.2.3,1.4.2.1

³ Para:12.1.1,1.3.3.1,1.3.3.2,1.4.3.1,1.4.3.2,1.4.3.3

SUMMARY OF TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

| Sr. No. | Description | Number | Budget |
|---------|---|--------|-----------|
| 1 | Total Entities (PAOs) under Audit Jurisdiction | 7 | 1,232.546 |
| 2 | Total formations under Audit Jurisdiction | 7 | 1,232.546 |
| 3 | Total Entities (PAOs) Audited | 4 | 500.663 |
| 4 | Audit & Inspection Reports | 4 | 500.663 |
| 5 | Special Audit Reports | 0 | 0 |
| 6 | Performance Audit Reports | 0 | 0 |
| 7 | Other Reports (Relating to TMAs) | 0 | 0 |

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

Table 2: Audit Observations Classified by Categories

(Rs in million)

| Sr. No. | Description | Amount under audit observation |
|--------------|----------------------|--------------------------------|
| 1 | Asset Management | 14.979 |
| 2 | Financial Management | 0 |
| 3 | Internal controls | 47.844 |
| 4 | Violation of rules | 4.185 |
| 5 | Others | 86.001 |
| TOTAL | | 153.009 |

Table 3: Outcome Statistics

(Rs in million)

| Sr. No. | Description | Salary | Non-salary | Civil Works | Receipts | Current Year |
|---------|---|---------|------------|-------------|----------|--------------|
| 1 | Outlays Audited | 211.890 | 168.006 | 120.767 | 737.902 | 1,238.566* |
| 2 | Amount Placed Under Audit Observations / Irregularities | 0 | 113.181 | 5.176 | 34.652 | 153.009 |
| 3 | Recoveries Pointed Out at the Instance of Audit | 0 | 0 | 1.120 | 34.652 | 35.772 |
| 4 | Recoveries Accepted / Established | 0 | 0 | 1.120 | 34.652 | 35.772 |
| 5 | Recoveries Realized at the Instance of Audit | 0 | | 0.101 | 0 | 0.101 |

* 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 Rs 500.663 million.

Table 4: Irregularities Pointed Out

(Rs in million)

| Sr. No. | Description | Amount under Audit observation |
|--------------|--|--------------------------------|
| 1 | Violation of Rules and regulations and principles of propriety and probity | 4.185 |
| 2 | Reported cases of fraud, embezzlement, theft or misappropriations and misuse of public funds | 0 |
| 3 | Weaknesses of internal controls systems | 27.051 |
| 4 | Recoveries, overpayments and loss to the government | 35.772 |
| 5 | Non-production of record to Audit | 86.001 |
| 6 | Others, including cases of accidents, negligence etc. | 0 |
| TOTAL | | 153.009 |

CHAPTER-1

1. TOWN / TEHSIL MUNICIPAL ADMINISTRATIONS, GUJRANWALA

1.1 INTRODUCTION

TMA consists of Town Nazim, Town Naib Nazim and Town Municipal Officer. Each TMA comprises of five Drawing & Disbursing Officers i.e. TMA, TO (Finance), TO (I&S), TO (Regulation), TO (P&C), Town Nazim and Town Naib Nazim. The functions of TMAs are as following:-

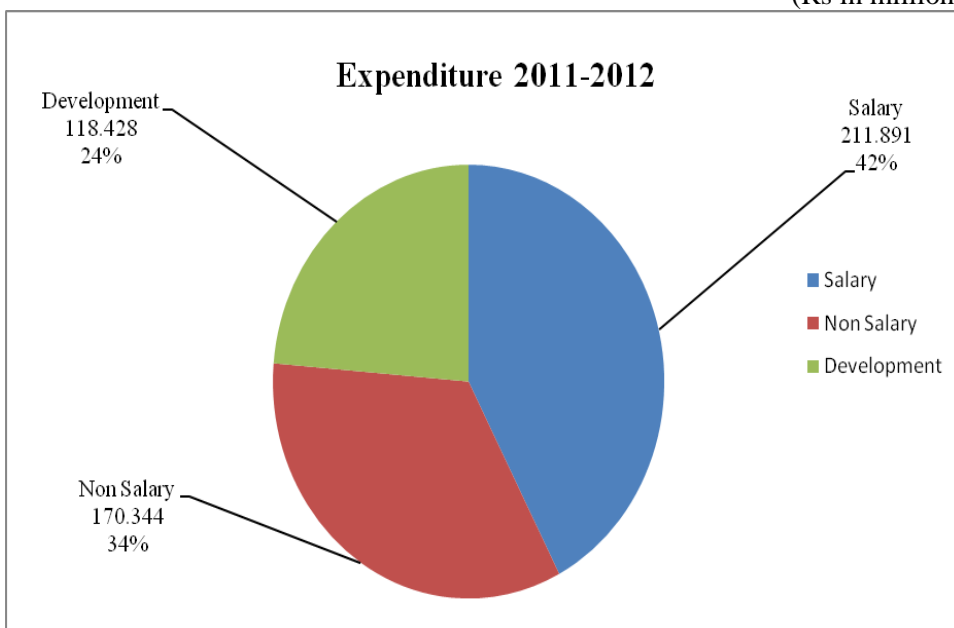
1. Prepare spatial plans for the Town including plans for land use, zoning and functions for which TMA is responsible.
2. Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping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

1.1.1 Comments on Budget & Accounts (Variance Analysis)

(Rs in million)

| F.Y. 2011-12 | Budget | Expenditure | (-) Savings | %age of Savings |
|--------------|----------------|----------------|-----------------|-----------------|
| Salary | 266.122 | 211.891 | -54.231 | 20 |
| Non-salary | 265.548 | 170.344 | -95.204 | 36 |
| Development | 172.642 | 118.428 | -54.214 | 31 |
| TOTAL | 704.312 | 500.663 | -203.649 | 29 |

(Rs in million)

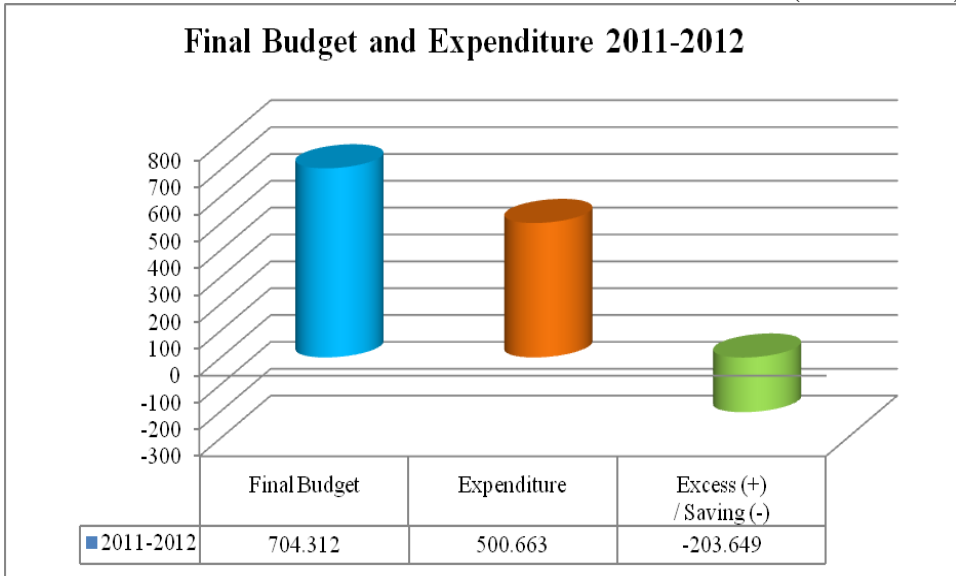


Detail is given in Annexure-B.

Details of budget allocations, expenditures and savings of each TMA in District Gujranwala for the financial year are at Annexure-B.

As per Budget Books for the year 2011-12 TMAs of Gujranwala the original and the final budget was Rs 704.312 million. Against the budget, total expenditure incurred by the TMAs during the financial year 2011-12 was Rs 500.663 million.

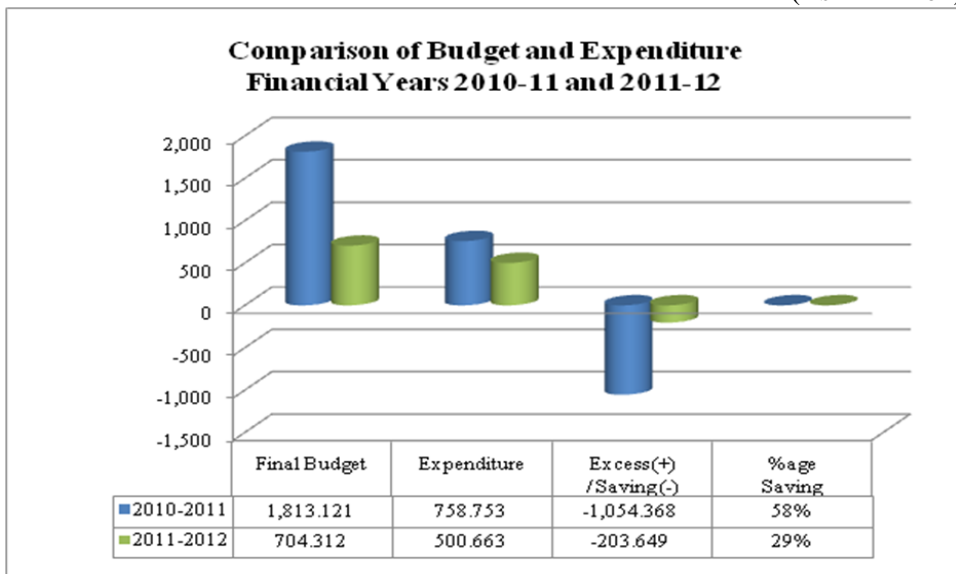
(Rs in million)



Ineffective financial management resulted in savings to the tune of Rs203.649 million which in term of percentage was 29% 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 overall savings in the budget allocation of the financial year 2011-12 as follows:

(Rs in million)

| Financial Year | Budget | Expenditure | Savings | %age of savings |
|-----------------------|---------------|--------------------|----------------|------------------------|
| 2010-2011 | 1,813.121 | 758.753 | -1,054.368 | 58 |
| 2011-2012 | 704.312 | 500.663 | -203.649 | 29 |

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, KAMOKE

1.2.1 Internal controls Weakness

1.2.1.1 Non-recovery of Arrears of Water Rate Charges – Rs7.945 million

According to section 118 of the Punjab Local Government Ordinance 2001, read with Rule 12 of the Punjab Local Government (Taxation rules) 2001, 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 2001 the Nazim of the Local Government may direct that tax with costs of recovery shall be recovered as arrears of Land Revenue.

TMO, Kamoke did not collect arrears of water charges from consumers/ connection holders amounting to Rs7.945 million up to the year 2011-12. Outstanding dues of operative water connections on 30-6-2012 were still recoverable as detailed below;

| Period | Demand (Rs) | Collection (Rs) | Arrears (Rs) |
|--------------------|--------------------|------------------------|---------------------|
| 1983-84 to 2010-11 | 8,034,743 | 749,245 | 7,285,498 |
| 2011-2012 | 1,549,980 | 889,810 | 660,170 |
| TOTAL | 9,584,723 | 1,639,055 | 7,945,668 |

Audit holds that due to weak internal controls, recovery of water rate charges amounting Rs7.285 million was not made.

Management replied that the notices have already been issued for early recovery.

The matter was reported to the TMO in August, 2012. DAC in its meeting held in November, 2012 directed the department to recover the amount without further delay. No compliance was reported till finalization of this report.

Audit stresses fixing of responsibility for lack of proper management besides recovery from the concerned under intimation to Audit.

[AIR Para No. 01 & 02]

1.3.1 TMA, QILA DEEDAR SINGH

1.3.1 Non-production of Record

1.3.1.1 Non-production of Record - Rs6.500 million

According to Section-115(5) & (6) of PLGO, 2001, the Auditor General have the authority to require that any accounts books, papers & 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 and 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, Qila Deedar Singh Town did not produce the following record for audit verification. An intimation letter dated 18-07-2012 and letter dated 22-07-2012 was sent, despite verbal and written requests the record was not produced for audit verification. In the absence of record the authenticity, validity, accuracy, and genuiness could not be verified as detailed below:

| Sr. No. | Detail of Record |
|----------------|--|
| 1 | Log book and history sheets of the vehicle and machinery / generator |
| 2 | C.O Unit Qila Deedar Singh & Ladhay Wala (all record) |
| 3 | Bank Statements 01-07-10 to 30-06-12 (T.O (Regulation), T.O (I&S), T.O (P&C) |
| 4 | CCB Record valuing Rs 6500,000 |
| 5 | Notice books of Building Inspectors |
| 6 | Security Register |
| 7 | Encroachment register |
| 8 | Contractor Ledger |
| 9 | Measurement Books |

Audit holds that relevant record of the expenditure and receipt was not maintained hence was not produced to Audit for verification which may lead to apprehension of misappropriation an misuse of public resources but the management did not furnish the replies.

The matter was reported to the TMO in August,2012. DAC in its meeting held in November,2012 directed the department to produce record in next audit. No compliance was reported till finalization of this report

Audit stresses fixing of responsibility for non-production of record an appropriate action taken against the person(s) at fault besides ensuring submission of record to Audit for verification under intimation to Audit.

[AIR Para No. 06]

1.3.2 Non-compliance

1.3.2.1 Non-maintenance of Cashbook - Rs6.895 million

According to rule 2.2 of the PFR Vol-1 that a simple cash book in P.F.R Form-1 should be kept in every office receiving or disbursing money on behalf of Government regularly or frequently for recoding all transactions of moneys received by Government servant on their official capacity . All cash transaction should be entered in the cash book as soon as they occurred and attested in token of check the cash book should be closed regularly and completely checked. A certificate to this effect by recorded in the cash book at the end of each month and the record of office should personally verify the cash book / balances and record below the closing entries in the cash book a certificate to that effect over his signature specifying both and actual cash balance.

Scrutiny of the record revealed that (Regulation) branch of Qila Deedar Singh Town did not prepare cash book and the transactions were made for the month from January , February 2011 and January to June 2012. Due to non-maintenance of cash book an expenditure of Rs6.895 million was held doubtful. In the absence of such cash book, authenticity, validity, accuracy, and genuiness could not be verified.

Audit holds that the expenditure incurred without maintaining of cash book which may lead to misuse of public resources but the management did not furnish the replies.

The matter was reported to the TMO in August, 2012. DAC in its meeting held in November, 2012 directed the department to fix responsibility for non-maintenance of cash book . No compliance was reported till finalization of this report

Audit stresses fixing of responsibility for non-compliance of rules along with appropriate action against the person(s) at fault under intimation to Audit.

[AIR Para No. 05]

1.3.2.2 Irregular expenditure - Rs4.185 million

According to Rule 9 of PPRA 2009, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or recouping of procurement so planned. The annual requirements thus determined would be advertised in advance on the PPRA's website. Procurement over Rs100,000 and up to Rs2.000 million should be

advertised on PPRA's website as well as in print media, if deemed necessary by the procuring agency.

TMO, Qila Deedar Singh Town paid Rs4.185 million on account of purchases and repair of water filter/ water supply and Sports Festival without advertising on PPRA website in violation of the rule ibid, as detailed at Annexure-C;

Audit holds that due to weak internal , irregular expenditure of Rs.4.185 million was incurred but the management did not furnish the replies.

The matter was reported to the TMO in August, 2012. DAC in its meeting held in November, 2012 directed the department to fix the responsibility for non-observing the Government instructions . No compliance was reported till finalization of this report

Audit stresses investigation of the matter besides fixing of responsibility for non- observance of Government instructions under intimation to Audit.

[AIR Para No. 09 & 10]

1.3.2.3 Non-accountal of Stock of Sports Festival Items - Rs1.121 million

According to Government of the Punjab, Finance Department (Monitoring Wing) Letter No F.D(M.R)MW 1-4/92 , if the stock entries in the stock are not present at the time of audit and if the concerned officials are not present at the time of audit ,the entries afterwards made would not be accepted.

TMO, Qila Deedar Singh Town paid Rs1.121 million on purchase of Track Suits and Shoes for Punjab Sports Festival, 2012. Neither the stock entry was made nor was its disbursement account of track suits and shoes made. In absence of stock entry and proper disbursement record, the actual expenditure could not be verified as detailed below;

| Supplier Name | Detail | Qty | Rate | Amount (Rs) |
|----------------------|--|------------|-------------|--------------------|
| Khan Company | Track Suit with (Nicker, Shirt, and Cap) | 254 | 2380 | 604,520 |
| Khan Company | Joggar Cheeta Shoes (Servis) | 254 | 2035 | 516,890 |
| TOTAL | | | | 1,121,410 |

Audit holds that due to weak internal controls, irregular payment of Rs1.121 million was made without proper accountal of stock but the management did not furnish the replies.

The matter was reported to the TMO in August, 2012. DAC in its meeting held in November,2012 directed the department to fix the responsibility for non-observing the Government instructions. No compliance was reported till finalization of this report

Audit stresses investigation of the matter besides fixing of responsibility for non- accountal of stock under intimation to Audit.

[AIR Para No. 11]

1.3.3 Internal control Weaknesses

1.3.3.1 Non-recovery of Rent of Shops - Rs20.528 million

According to Rule 76 of PDG and TMA (Budget) Rules, 2003 read with Section 18(2) of PLGO, 2001, the primary obligation of the Collecting Officer shall be to ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund under the proper receipt head.

TMO, Qila Deedar Singh Town did not recover Rs20.528 million on account of arrears of rent of shops/land up to 30.06.2012. No serious efforts were made to recuperate the outstanding rent from the lessees as detailed below;

| Name of market | No. of shops | Amount of Arrear (Rs) |
|-----------------------|---------------------|------------------------------|
| Khakwani Cloth Market | 62 | 3,551,158 |
| Adda Gondlanwala | 22 | 7,235,266 |
| Gurh Shakar Market | 40 | 9,742,510 |
| TOTAL | 124 | 20,528,934 |

Audit holds that due to poor financial management, rent of shops was not recovered, resulting in non-recovery of Rs20.528 million but the management did not furnish the replies.

The matter was reported to the TMO in August,2012. DAC in its meeting held in November,2012 directed the department to recover the rent of shops from the tenants. No compliance was reported till finalization of this report.

Audit stresses recovery of amount from the tenants under intimation to Audit.

[AIR Para No. 04]

1.3.3.2 Non-recovery of Arrears - Rs4.225 million

According to Rule 76 of PDG and 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 Local Government Fund under the proper receipt head.

TMO, Qila Deedar Singh did not recover Rs4.225 million on account of arrears of leases of collection rights up to 30.06.2012. No serious efforts were made to recuperate the outstanding installments of lease, as detailed below;

| Head | Financial Year | Name of Defaulter | Amount (Rs) |
|-------------------------|-----------------------|-----------------------------|--------------------|
| License Fee | 2005-06 | Mr. Muhammad Iftexhar Anjum | 358,124 |
| Slaughter House Fee | 2005-06 | Mr. Tariq Mehmood | 140,390 |
| Building Fee | 2006-07 | Mr. Sami Ullah | 977,294 |
| Slaughter House Fee | 2006-07 | Mehar Shahbaz Ali | 176,701 |
| Licience Fee | 2006-07 | Muhammad Iqbal | 472,461 |
| Immoveable Property Tax | 2006-07 | Muhammad Imran | 2,100,000 |
| TOTAL | | | 4,224,970 |

Audit holds that due to poor financial management, arrear of leases was not recovered, resulted in non-recovery of Rs4.225 million but the management did not furnish the replies.

The matter was reported to the TMO in August,2012. DAC in its meeting held in November,2012 directed the department to recover the rent of shops from the tenants. No compliance was reported till finalization of this report.

Audit stresses recovery of arrear amount under intimation to Audit.

[AIR Para No.08]

1.4.1 TMA WAZIRABAD

1.4.1 Non-production of Record

1.4.1.1 Non-production of Record – Rs79.501 million

According to Section-115(5) & (6) of PLGO, 2001, the Auditor General have the authority to require that any accounts books, papers & 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 and 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, Wazirabad did not produce auditable record of TO (P&C) and TO (F) branches. Deposit of receipt of fees for approval of building plans, leases of collection rights, rent of shops etc valuing Rs79.501 million in 2011-12 was doubtful. In the absence of record the authenticity, validity, accuracy, and genuiness could not be verified as detailed at Annexure-D.

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

Management replied that record is now available for scrutiny.

The matter was reported to the TMO in August,2012. DAC in its meeting held in November,2012 directed the department to produce record in next audit.

Audit stresses fixing of responsibility for non-production of record and non-compliance of the rules and appropriate action taken against the persons at fault besides ensuring submission of record to Audit under intimation to Audit.

[AIR Para No. 01]

1.4.2 Non-compliance

1.4.2.1 Irregular Purchases of Machinery and Equipment - Rs14.979 million

According to Rule 12(1) of PPRA, 2009 for procurements over one hundred thousand rupees and up to the limit of two million rupees open tender shall be called and tender be advertised on the PPRA's website in the manner and format specified by regulation by the PPRA from time to time. These procurement opportunities may also be advertised in print media on two national newspapers.

TMO, Wazirabad incurred expenditure of Rs14.979 million for the purchase of machinery & equipment, deltamethrin, fog machines and grass cutters. Procurement was made without calling tenders as well as non-advertisement on PPRA website. Further, technical and financial proposal was not provided by the suppliers. as detailed at Annexure-E.

Audit holds that due to weak internal controls of management, irregular procurement valuing Rs14.979 million was made.

Management replied that the PPRA rules were received on 20-03-12 so the tenders were called before the date

The matter was reported to the TMO in August, 2012. DAC in its meeting held in November, 2012 directed the department to provide actual letter of implementation of PPRA rules. No compliance was reported till finalization of this report.

Audit stresses fixing of responsibility for non-compliance of rules under intimation to Audit

[AIR Para No.02, 04, 05 & 13]

1.4.3 Internal Control

1.4.3.1 Irregular Allotment of Works - Rs4.056 million

According to rule 2.33 of the PFR Vol-1 that every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part directly or indirectly.

TMO, Wazirabad allotted different schemes amounting to Rs4,056,000 for P/L tuff tiles without approval of TS estimates and rate analysis, as detailed below;

| Sr. No. | Name of work | Amount (Rs) |
|----------------|-----------------------------------|--------------------|
| 1 | P/F Tuff tiles Langianwali more | 456,000 |
| 2 | P/F Tuff tiles Bhuda Jora | 900,000 |
| 3 | P/F Tuff tiles Kot Khizri | 900,000 |
| 4 | P/F Tuff tiles Aroop Chand | 900,000 |
| 5 | P/F Tuff tiles jandiala Dhab wala | 900,000 |
| TOTAL | | 4,056,000 |

Audit holds that due to due to weak financial management unauthorized allotment of developmental schemes amounting Rs4.056 million was done.

Management replied that approval of TS estimate and rate analysis was applied.

The matter was reported to the TMO in August,2012. DAC in its meeting held in November,2012 directed the department to provide despatch register for letter written regarding approval of TS estimates. No compliance was reported till finalization of this report.

Audit stresses fixing of responsibility of irregular allotment of works under intimation to Audit.

[AIR Para No. 03]

1.4.3.2 Non-realization of Water Rates Charges - Rs1.954 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. Further, clause 12 (C) of (c) of Local Rate (Assessment & Collection) Rules, 2003, lays down that the Nazim of the Local

Government may direct that tax with costs of recovery shall be recovered as arrears of Land Revenue.

TMO, Wazirabad did not collect water charges from consumers/connection holders amounting to Rs1,953,990 for the year 2011-12. Outstanding dues of operative water connections on 30-6-2012 were still recoverable as detailed below;

| C.O. Unit | Demand | Collection | Balance (Rs) |
|------------------|---------------|-------------------|---------------------|
| Ali Pur Chattha | 196,500 | 137,420 | 59,080 |
| Rasool Nagar | 1,440,000 | 1,269,750 | 170,250 |
| Sohdra | 2,880,000 | 1,155,340 | 1,724,660 |
| TOTAL | | | 1,953,990 |

Audit holds that due to weak internal controls, recovery of water rate charges was not made.

Management replied that the directions has already been given to the concerned DDO/T.O for recovery.

The matter was reported to the TMO in August,2012. DAC in its meeting held in November,2012 directed the department to recover the whole amount. No compliance was reported till finalization of this report.

Audit stresses fixing of responsibility for lack of proper management besides recovery from the concerned under intimation to Audit.

[AIR Para No. 07]

1.4.3.3 Unauthorized Payment for Cleaning of Nallah - Rs1.120 million

According to Rule 2.33 of the PFR Vol-1, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part directly or indirectly.

TMO, Wazirabad incurred expenditure of Rs1,120,423 for cleaning of Nallah at Ali pur Chattha without preparation of estimate. Payment was made without record entries in MB and in cash instead of contractor cheques.

Audit was of the view that due to weak internal controls, unauthorized payment amounting Rs1.120 million was made.

Management replied that the payment was made in accordance with site measurement.

The matter was reported to the TMO in August,2012. DAC in its meeting held in November,2012 directed the department to inquire the matter. No compliance was reported till finalization of this report.

Audit stresses investigation of the matter along with recovery of the amount under intimation to Audit.

[AIR Para No. 08]

ANNEXURES

MFDAC Paras

| Sr. No. | Name of Formations | AP # | Description of Para | Amount (Rs) | Nature of Paras |
|---------|-----------------------|------|--|-------------|------------------------------|
| 1. | TMA, Kamoke | 03 | Non-Production of Record | 526,118 | Non-Production of record |
| 2. | | 04 | Loss to Government due to non-collection of building fee and fine | 480,000 | Irregularity/ non-compliance |
| 3. | | 05 | Un-authorized payment to contractor | 199,997 | Irregularity/ non-compliance |
| 4. | | 06 | Un-justified payment to contractor | 189,218 | Irregularity/ non-compliance |
| 5. | | 10 | Overpayment to contractor due to unjustified items | 40,811 | Weakness of internal control |
| 6. | TMA Noshera Virkan | 01 | Loss due to mismanagement | 983,500 | Weakness of internal control |
| 7. | | 02 | Excess payment | 714,807 | Weakness of internal control |
| 8. | | 03 | Non-water charges | 612,170 | Weakness of internal control |
| 9. | | 07 | Excess payment | 122,871 | Weakness of internal control |
| 10. | | 08 | Excess payment | 105,016 | Weakness of internal control |
| 11. | | 09 | Doubtful expenditure | 57,797 | Weakness of internal control |
| 12. | | 08 | Un justified payment of earth filling / work Rs 510,645 and non-deduction of shrinkage charges 10% | 51,065 | Irregularity/ non-compliance |
| 13. | | 11 | Non-recovery of Income Tax | 49,776 | Irregularity/ non-compliance |
| 14. | | 12 | Excess payment | 43,056 | Weakness of internal control |
| 15. | TMA Qila Deedar Singh | 01 | Un authorized provision of block allocation | 100,022,000 | Weakness of internal control |
| 16. | | 02 | Irregular generation of liabilities | 28,403,000 | Irregularity/ non-compliance |

| Sr. No. | Name of Formations | AP # | Description of Para | Amount (Rs) | Nature of Paras |
|----------------|---------------------------|-------------|---|--------------------|------------------------------|
| 17. | | 03 | Non-allocation of CCB funds | 25,005,000 | Irregularity/ non-compliance |
| 18. | | 07 | Doubtful expenditure on daily wages | 4,894,938 | Weakness of internal control |
| 19. | | 12 | Un authorized repair of Pump | 396,550 | |
| 20. | | 18&24 | Non-recovery of License fee and Tender fee | 347,864 | Weakness of internal control |
| 21. | | 14 | Non-deposit of income Tax | 318,673 | Weakness of internal control |
| 22. | | 23 | Non-recovery of professional Tax | 117,000 | Weakness of internal control |
| 23. | | 13 | Doubtful payment on GST | 345,962 | Weakness of internal control |
| 24. | | 15 | Doubtful Expenditure | 252,573 | Weakness of internal control |
| 25. | | 16 | Misappropriation on account of repair of electric Transformer | 222,725 | Fraud/ Misappropriation |
| 26. | | 17 | Unjustified repair of vehicle | 218,678 | Weakness of internal control |
| 27. | | 19 | Non-recovery of Contractor enlistment fee | 153,000 | Irregularity/ non-compliance |
| 28. | | 20 | Irregular expenditure on change of water filter | 147,600 | Weakness of internal control |
| 29. | | 21 | Un justified repair of Hino Sucker machine | 147,000 | Weakness of internal control |
| 30. | | 24 | Irregular expenditure on purchase of wire / winding of motors | 104,154 | Irregularity/ non-compliance |
| 31. | | 26 | Non-accountal of Stock | 98,190 | Irregularity/ non-compliance |
| 32. | | 25 | Un justified payment on repair of Disposal Pumps | 85,173 | Weakness of internal control |
| 33. | | 27 | Irregular payment of cash prizes | 81,000 | Irregularity/ non-compliance |
| 34. | TMA Wazirabad | 19 | Irregular expenditure on purchase of furniture | 129,336 | Irregularity/ non-compliance |

| Sr. No. | Name of Formations | AP # | Description of Para | Amount (Rs) | Nature of Paras |
|----------------|---------------------------|-------------|---|--------------------|------------------------------|
| 35. | | 23 | Un justified payment to Contractor | 58,695 | Weakness of internal control |
| 36. | | 24 | Doubtful expenditure on Development Scheme | 0 | Weakness of internal control |
| 37. | | 16 | Un-justified expenditure on POL | 173,111 | Weakness of internal control |
| 38. | | 17 | Doubtful consumption of POL | 156,400 | Weakness of internal control |
| 39. | | 11 | Un-authorized payment to CCB | 387,400 | Weakness of internal control |
| 40. | | 14 | Non-auction of Canteen at City Park | 360,000 | Weakness of internal control |
| 41. | | 12 | Non-disposal of additional performance security | 323,080 | Weakness of internal control |

Annexure-B

TMA of Gujranwala District
Budget and Expenditure Statement for the Financial Year 2011-2012

1. TMA, Nowshera Virkan

(Rs in million)

| Head | Budget | Expenditure | Excess / Savings | %age | Comments |
|--------------|----------------|----------------|------------------|-----------|----------|
| Salary | 26.644 | 23.595 | 3.049 | 11% | - |
| Non-salary | 46.823 | 44.988 | 1.835 | 4% | - |
| Development | 49.753 | 48.174 | 1.579 | 3% | - |
| Total | 123.220 | 116.757 | 6.463 | 5% | - |

2. TMA, Kamoke

| Head | Budget | Expenditure | Excess / Savings | %age | Comments |
|--------------|----------------|----------------|------------------|------------|----------|
| Salary | 80.221 | 58.065 | 22.156 | 28% | - |
| Non-salary | 51.028 | 31.852 | 19.176 | 38% | - |
| Development | 26.700 | 25.254 | 1.446 | 5% | - |
| Total | 157.949 | 115.171 | 42.778 | 27% | - |

3. TMA, Wazirabad

| Head | Budget | Expenditure | Excess / Savings | %age | Comments |
|--------------|----------------|----------------|------------------|------------|----------|
| Salary | 46.870 | 36.610 | 10.260 | 22% | - |
| Non-salary | 91.091 | 55.783 | 35.308 | 39% | - |
| Development | 96.189 | 45.000 | 51.189 | 53% | - |
| Total | 234.150 | 137.393 | 96.757 | 41% | - |

4. TMA, Qila Deedar Singh

| Head | Budget | Expenditure | Excess / Savings | %age | Comments |
|--------------|----------------|----------------|------------------|------------|----------|
| Salary | 112.387 | 93.621 | 18.766 | 17% | - |
| Non-salary | 76.606 | 37.721 | 38.885 | 51% | - |
| Development | - | - | 0.000 | 0% | - |
| Total | 188.993 | 131.342 | 57.651 | 31% | - |

Annexure -C
Para No.1.3.2.2 Rs4.186

(A) Expenditure on Purchases

| Work Order No | Dated | Bill dated | Contractor Name | Place | Detail | Amount (Rs) |
|---------------|----------|------------|-------------------|--------------------------------|------------------------|------------------|
| - | - | 25-06-11 | M.S Traders | Sagheer Park | Repair of Water Filter | 119,790 |
| - | - | -do- | Haroon Kouser | Sheranwala Bagh | -do- | 132,783 |
| 2074/TO | 08-06-11 | 18-06-11 | Malik Enterprises | Kot Ishaq C.0 Unit Ladhay Wala | Repair of Water Supply | 121,869 |
| 2211/TO | 25-10-11 | 13-12-11 | Al Ghazi Tractors | - | Purchase of 2 Tractors | 1853,680 |
| 2452/TO | 09-02-12 | 27-03-12 | M.S Traders | Benches for various Gardens | 50 benches purchased | 340,000 |
| - | - | 02-11-11 | M.S Traders | - | 40 iron hand carts | 408,000 |
| TOTAL | | | | | | 2,976,122 |

(B) Expenditure on Sports festival

| Sr. No. | Description | Amount paid |
|--------------|---|------------------|
| 1 | Refreshment of 198 players | 198,000 |
| 2 | Hiring of tentage / furniture | 165,575 |
| 3 | 40 shields, 35 winner cup large and 35 winner cup small | 498,000 |
| 4 | Purchase of sports gears | 172,500 |
| 5 | Uniform, ballons, Iranian carpet etc | 175,500 |
| TOTAL | | 1,209,575 |

Grand Total (A+B) = 2,976,122 + 1,209,575 = **Rs4,185,697**

Annexure-D

Para 1.4.1.1 – Rs79.501 million

| Sr. No. | Head of Account | Amount (Rs. in million) |
|----------------|---|--------------------------------|
| 1 | Fee for approval of Buildings plans wazirabad | 1.615 |
| 2 | Fee for approval of building plans Gakkhar | 0.562 |
| 3 | Fee for approval of building plans Ali pur | 0.442 |
| 4 | Fee for approval of building plans Sohdra | 0.372 |
| 5 | Approval/ NOC/ scrutiny fee of private colonies i.e Haji Park, Abdullah Town, Shuja Town etc. | 1.000 |
| 6 | Tax on transfer of immoveable property | 59.300 |
| 7 | Fee for encroachment | 0.292 |
| 8 | Fee for slaughter of animals Wazirabad | 0.505 |
| 9 | Fee for slaughter of animals Ali pur | 0.364 |
| 10 | Receipts on sale of water wazirabad | 8.615 |
| 11 | Receipts on sale of water Ghakkhar | 1.926 |
| 13 | Rent of shops Wazirabad, Gakkhar, Sohdra, Rasool Nagar | 6.309 |
| 14 | Others | 1.095 |
| 15 | All the record in respect of leases, files and D&C register | 1.095 |
| TOTAL | | 79.501 |

Annexure-E
Para 1.4.2.1 – Rs14.979 million

| Cheque No. | Dated | Supplier | Description | Amount (Rs) |
|-------------------|--------------|-----------------------------------|---|--------------------|
| 73238123 | 12/8/2011 | M/s Kisan Engineering Lahore | purchased mechanical sweeper | 1545500 |
| 74084224 | 21-10-11 | | manhole covers | 55011 |
| 74084223 | 21-10-11 | | manhole covers | 97612 |
| 73238153 | 26-8-11 | | front blade, bucket, front MF-385 tractor, loaders hydraulic system | 412335 |
| 74084285 | 25-11-11 | Bilal engg. | sucker machine | 1450000 |
| | | | water bowzer | 49000 |
| 74511609 | 19-12-11 | Amjad iqbal | Garbage (solid waste) containers | 1589400 |
| 74511610 | 19-12-11 | Kisan engg. | hydraulic | 794700 |
| 74511649 | 16-1-12 | Bilal engg. | hydraulic stairs for street lights | 1397125 |
| 74084284 | 24-11-11 | M. Yasin | stud breaker (cats eye) | 1176866 |
| 74084264 | 4/11/2011 | M. Yasin | Plants purchased City Park | 393120 |
| 74511612 | 19-12-11 | yasin gujjar | Plants purchased City Park | 251622 |
| 73238169 | 24-9-11 | M/s OMI Engg. | Deltamethrin | 263389 |
| 73238192 | 6/10/2011 | M/s OMI Engg. | -do- | 775065 |
| 74084238 | 27-10-11 | M/S Omi Engg. | -do- | 1745550 |
| 73238169 | 24-9-11 | | fog machine | 163355 |
| - | - | - | spray machine | 26490 |
| 74084249 | 2/1/2011 | Anjum iqbal government contractor | 5 no. fog machines | 1677700 |
| 74084249 | 2/2/2011 | Anjum iqbal government contractor | thermal fog machine | 883000 |
| 74084261 | 4/11/2011 | Zulfiqar ahmad | manual grass cutter machine | 18799 |
| - | - | - | hatch cutter machine | 12080 |
| - | - | - | electric grass cutter | 97268 |
| - | - | - | cutter machine | 104190 |
| TOTAL | | | | 14,979,177 |