



**AUDIT REPORT
ON
THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS
DISTRICT KHUSHAB
AUDIT YEAR 2016-17**

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS & ACRONYMS	i
PREFACE.....	ii
EXECUTIVE SUMMARY.....	iii
SUMMARY TABLES AND CHARTS	vii
Table 1: Audit Work Statistics	vii
Table 2: Audit Observations regarding Financial Management.....	vii
Table 3: Outcome Statistics.....	viii
Table 4: Irregularities Pointed Out	viii
Table 5: Cost-Benefit	viii
CHAPTER-1	1
1.1 TEHSIL MUNICIPAL ADMINISTRATIONS, DISTRICT KHUSHAB.....	1
1.1.1 Introduction.....	1
1.1.2 Comments on Budget and Accounts (Variance Analysis)	2
1.1.3 Brief Comments on the Status of Compliance on MFDAC Paras of Audit Year 2015-16	4
1.1.4 Brief Comments on the Status of Compliance with PAC Directives.....	4
AUDIT PARAS.....	5
1.2 TMA Khushab.....	6
1.2.1 Irregularity and Non-compliance	7
1.2.2 Internal Controls Weaknesses.....	13
1.2.3 Performance	16
1.3 TMA Noor Pur Thal	17
1.3.1 Internal Control Weaknesses	18
1.3.2 Performance	20
ANNEXURES	21-25

ABBREVIATIONS & ACRONYMS

CO	Chief Officer
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
PAC	Public Accounts Committee
PC	Project Cost
PCC	Plain Cement Concrete
PDG	Punjab District Government
PFC	Provincial Finance Commission
PLG	Punjab Local Government
PLGO	Punjab Local Government Ordinance
PPR	Punjab Procurement Rules
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)
TTIP	Tax on Transfer of Immoveable Property

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Section 115 of the Punjab Local Government Ordinance, 2001 require the Auditor General of Pakistan to audit the accounts of the provincial governments and the accounts of any authority or body established by, or under the control of, the provincial government. Accordingly, the audit of all receipts and expenditures of the Local Fund and Public Accounts of Tehsil /Town Municipal Administrations of the Districts is the responsibility of the Auditor General of Pakistan.

The Report is based on audit of the accounts of various offices of Tehsil Municipal Administrations of the District Khushab for the Financial Year 2015-16. The Directorate General of Audit, District Governments, Punjab (North), Lahore conducted audit during 2016-17 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 observations of serious nature. Relatively less significant issues are listed in the Annex-A of the Audit Report. The audit observations listed in the Annex-A shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

The observations included in this Report have been finalized after discussion of Audit paras with the management. However, no Departmental Accounts Committee meeting by PAO was convened despite repeated requests.

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

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

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

The Regional Directorate of Audit Sargodha had a human resource of 11 officers and staff, total 2,739 man-days and the budget of Rs 14.220 million for the Financial Year 2016-17. It had the mandate to conduct Financial Attest Audit, Compliance with Authority Audit and Performance Audit of entire expenditure including programmes / projects & receipts. Accordingly, Directorate General of Audit District Governments Punjab (North), Lahore carried out Audit of the accounts of two Tehsil Municipal Administrations of District, Khushab for the Financial Year 2015-16.

Each Tehsil Municipal Administration in District Khushab conducts its operations under Punjab Local Government Ordinance, 2001. Tehsil Municipal Officer is the Principal Accounting Officer (PAO) and acts as coordinating and administrative officer, responsible to control land use, its division and development and to enforce all laws including Municipal Laws, Rules and Bye-laws. The PLGO, 2001 requires the establishment of 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.

Audit of Tehsil Municipal Administration of Khushab District was carried out with a 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.

a. Scope of Audit

All two TMAs of District Khushab were audited. The expenditure of two TMAs of District Khushab for the Financial Year 2015-16 under the jurisdiction of DG District Audit (N) Punjab was Rs 286.299 million, covering two PAO and two entities. Out of this, DG District Audit (N) Punjab audited an expenditure of Rs 134.560 million which in terms of percentage was 47% of the auditable expenditure.

Total receipts of two Tehsil Municipal Administrations of Khushab District for the Financial Year 2015-16 were Rs 140.067 million. Directorate General Audit Punjab (N), audited receipts of Rs 54.626 million which was 39% of total receipts.

b. Recoveries at the Instance of Audit

Recovery of Rs 22.870 million was pointed out during audit. However, no recovery was effected till compilation of Report.

c. Audit Methodology

Audit was performed through understanding the business processes 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. Formations were selected for audit in accordance with risks analyzed. Audit was planned and executed accordingly.

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 not been significant due to non-convening of regular PAC meetings.

e. Comments on Internal Controls and Internal Audit Department

Internal control mechanism of Tehsil Municipal Administrations of District Khushab was not found satisfactory during audit. Many instances of weak Internal Controls have been highlighted during the course of audit. Negligence on the part of authorities of TMA of District Khushab may be captioned as one of the important reasons for weak Internal Controls.

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

f. Key Audit Findings

- i. Irregularities and Non-compliance of Rules and Regulations amounting to Rs 41.038 million were noted in six cases¹
- ii. Weaknesses of Internal Controls amounting to Rs 328.215 million were noted in three cases² and
- iii. Recovery of Rs 22.870 million was pointed out in five cases³.

Audit paras involving procedural violations including Internal Controls weaknesses, poor Asset Management and irregularities not considered worth reporting are included in MFDAC. (**Annex-A**)

¹Paras: 1.2.1.1-1.2.1.6

²Paras: 1.2.2.1, 1.2.3.1 & 1.3.2.1

³ Paras: 1.2.2.2 – 1.2.2.4 & 1.3.1.1-1.3.1.2

g. Recommendations

Audit recommends that the PAO / Management of TMAs should ensure the following:

- i. Holding of investigations for wastage, fraud, misappropriation and losses, and take disciplinary actions against the person (s) at fault
- ii. Expediting recoveries pointed out by Audit
- iii. Realizing and reconciling of various receipts and
- iv. Strengthening of Internal Controls

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

Sr. No.	Description	No.	Budget (F.Y. 2015-16)		
			Budget	Receipts	Total
1	Total Entities (PAOs) in Audit Jurisdiction	02	426.961	140.067	567.028
2	Total formations in audit jurisdiction	02	426.961	140.067	567.028
3	Total Entities (PAOs) Audited	02	426.961	140.067	567.028
4	Total formations Audited	02	426.961	140.067	567.028
5	Audit & Inspection Reports	02	426.961	140.067	567.028
6	Special Audit Reports	-	-	-	-
7	Performance Audit Reports	-	-	-	-
8	Other Reports	-	-	-	-

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	22.870
3	Weak Internal Controls relating to Financial Management	77.391
4	Violation of Rules	41.038
5	Others	250.824
Total		392.123

Table 3: Outcome Statistics

(Rs in million)

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total	Total last year
1	Outlays audited	-	14.159	140.067	272.140	426.366*	501.52
2	Amount placed under audit observation / irregularities of audit	-	6.497	22.572	363.054	392.123	120.81
3	Recoveries pointed out at the instance of Audit	-	2.000	20.870	-	22.870	4.61
4	Recoveries accepted / established at the instance of Audit	-	2.000	20.870	-	22.870	4.61
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 Rs 286.299 million.

Table 4: Irregularities Pointed Out

(Rs in million)

Sr. No.	Description	Amount under Audit observation
1	Violation of Rules, Regulations and principle of propriety and probity in public operations	41.038
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public resources.	-
3	Accounting Errors ¹ (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	250.824
4	If possible quantify weaknesses of internal control system.	77.391
5	Recoveries and overpayments representing cases of established overpayment of misappropriations of public money	22.870
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	-
Total		392.123

Table 5: Cost-Benefit

(Rs in million)

Sr. No.	Description	Amount
1	Outlays Audited (Item 1 of Table 3)	426.366
2	Expenditure on Audit	1.777
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	-

¹ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan.

CHAPTER-1

1.1 TEHSIL MUNICIPAL ADMINISTRATIONS, DISTRICT KHUSHAB

1.1.1 Introduction

TMA consists of Tehsil Nazim, Tehsil Naib Nazim and Tehsil Municipal Officer. Each TMA comprises five Drawing and Disbursing Officers i.e. TMO, TO (Finance), TO (I&S), TO (Regulation) and TO (P&C). As per Section 54 of PLGO 2001, the functions of TMAs are as follows:

- i. Prepare spatial plans for the Tehsil including plans for land use, zoning and functions for which TMA is responsible
- ii. Exercise control over land use, land sub-division, 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
- iii. Enforce all municipal laws, rules and by-laws governing TMA's functioning
- iv. Prepare budget, long term and annual municipal development programmes in collaboration with the Union Councils
- v. 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
- vi. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties
- vii. Manage properties, assets and funds vested in the Town Municipal Administration
- viii. Develop and manage schemes, including site development in collaboration with District Government and Union Administration
- ix. 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

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

1.1.2 Comments on Budget and Accounts (Variance Analysis)

Total Budget of TMAs of District Khushab was Rs 426.961 million (Salary, Non-Salary and Development) whereas the expenditure incurred (Salary, Non-Salary and Development) was Rs 286.299 million showing saving of Rs 140.662 million which in terms of percentage was 33% of the final Budget as detailed below:

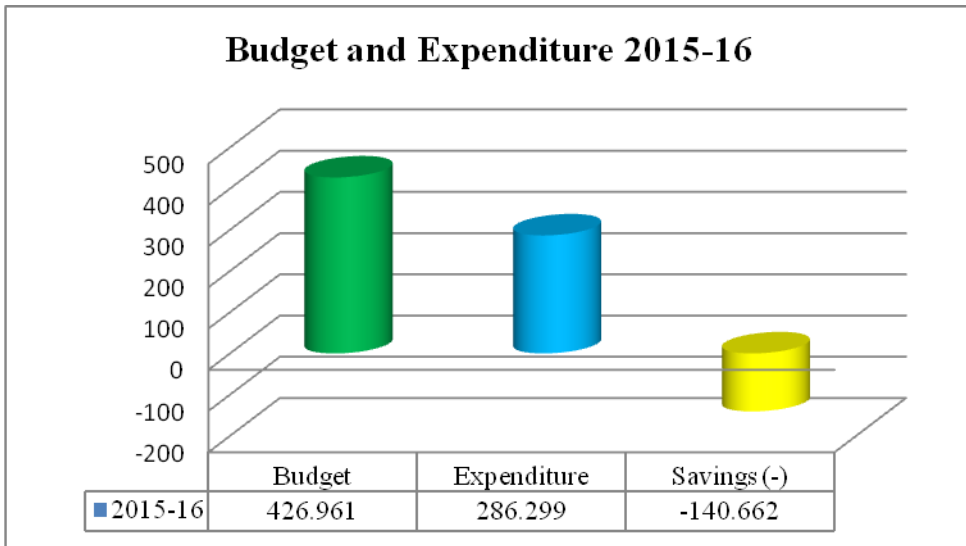
(Rs in million)

F.Y. 2015-16	Budget	Expenditure	Excess (+) / Saving (-)	%age of (Saving)
Salary	172.476	159.485	(-) 12.991	08
Non-salary	199.332	112.655	(-) 86.677	43
Development	55.153	14.159	(-) 40.994	74
Total	426.961	286.299	(-) 140.662	33

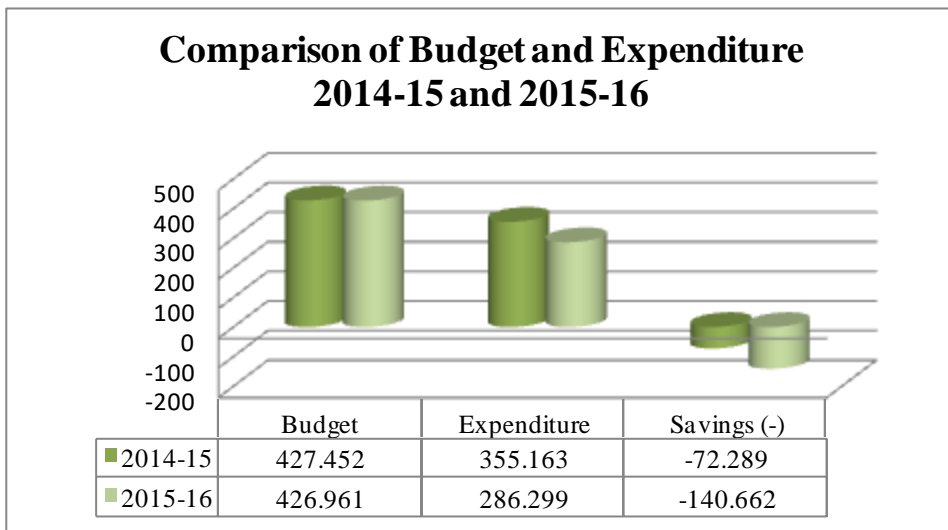
The budget outlays of Rs 426.961 million of two TMA includes PFC award of Rs 150.635 million whereas total expenditure incurred by the TMAs during 2015-16 was Rs 286.299 million with a saving of Rs 140.662 million (detailed below). This indicated that either the PFC award was allocated over and above the actual needs or the management failed to achieve the developmental targets for the welfare of masses during the financial year.

(Rs in million)

TMA	Budgeted Figure			Budgeted Outlay	Actual Expenditure	Saving	%age of Saving
	Own receipt including OB	PFC award	Total Receipts				
Khushab	248.479	124.679	373.158	345.802	236.287	109.515	32
Noor Pur	63.275	25.956	89.231	81.159	50.012	31.147	38
Total	311.754	150.635	462.389	426.961	286.299	140.662	33



The comparative analysis of the Budget and Expenditure of current and previous financial years is depicted as under:



There was saving in the budget allocation of the Financial Years 2014-15 and 2015-16 as follows:

(Rs in million)

Financial Year	Budget	Expenditure	Saving	%age of Saving
2014-15	427.452	355.163	72.289	17
2015-16	426.961	286.299	140.662	33

The justification of saving when the development schemes remained incomplete besides poor Public Service Delivery 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 2015-16

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	22	Not convened
2	2012-13	01	Not convened
3	2013-14	26	Not convened
4	2014-15	12	Not convened
5	2015-16	06	Not convened

AUDIT PARAS

1.2 TMA Khushab

1.2.1 Irregularity and Non-compliance

1.2.1.1 Irregular payment to daily wages staff-Rs 13.740 million

According to clause 4(VIII) (VI) of appointment policy issued by S&GAD Govt. of Punjab Lahore vide letter No. DS.(O&M)5-3-2004 Contract (MF) dated 20th December 2004, recruitment policy 2004 does not allow appointment of any person without advertisement and in violation of any procedural formalities laid down in the policy. As per Wage Rate 2007 the appointment to a post included in the schedule shall be advertised properly in leading newspapers and recruitment to all posts in the schedule shall be made on the basis of merits specified for regular establishment vide Para 11 of the Recruitment Policy issued by the S&GAD vide No. SOR-IV(S&GAD)10-1/2003 dated 17-9-2004.

TMO Khushab appointed daily wages staff without open advertisement in the press and observing codal formalities in violation of the above instructions. It was further noticed that the personal files were not maintained and applications for appointment were of same hand writing which reflects that the persons of own choice were appointed and undue favour was granted by ignoring the rights of the deserving persons.

Period	No. of days	No of Employees	Rate	Amount (Rs)
01.07.15 to 27.09.15	89	83	465	3,434,955
01.10.15 to 28.12.15	89		465	3,434,955
0.01.16 to 30.03.16	89		465	3,434,955
01.04.16 to 28.06.16	89		465	3,434,955
			Total	13,739,820

Audit holds that due to non-compliance of rule, irregular expenditure was incurred without fulfillment of codal formalities.

This resulted in irregular expenditure of Rs 13.740 million.

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of expenditure under intimation to Audit.

[AIR Para No.16]

1.2.1.2 Non advertisement of collection rights on PPRA's website – Rs 9.798 million

According to Rule 12 (1) of PPRA Rule 2014, a procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without any splitting or regrouping of procurement so planned. The annual requirements thus determined would be advertised in advance at the PPRA's website. Procurement over Rs 100,000 and up to Rs 2.00 million should be advertised on PPRA's website as well as in print media if deemed necessary by the procuring agency.

TMO Khushab advertised different collection rights only in newspapers but did not upload on PPRA's website for the financial year 2015-16 in violation of the rule *ibid*. Detail is as under:

Sr. #	CO Unit	Name of Collection Rights	Reserve Price (Rs)
1	Khushab	Parking Adda Fee General Bus Stand	4,651,354
2		Slaughtering House Khushab	64,418
3		Riksha Fee	75,955
4		Latrin Fee	540,872
5	Jauharabad	Parking Adda Fee General Bus Stand	2098,403
6		Slaughtering House Jauharabad	64,444
7		Latrin Fee	82,467
8	Hadali	Parking Fee	161,375
9		Slaughtering House	8,412
10	Noshehra	Parking Fee	498,100
11		Slaughtering House	19,409
12	Mitha Tiwana	Slaughtering House	19,536
13	Quaidabad	Parking Fee	1461,760
14		Slaughtering House	51,960
Total			9,798,465

Audit is of the view that due to defective financial management, expenditure was incurred in violation of PPRA Rules.

This resulted in irregular expenditure of Rs 9.798 million.

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends investigation of the matter besides fixing of responsibility against the persons at fault under intimation to Audit.

[AIR Para No.3]

1.2.1.3 Irregular and uneconomical expenditure - Rs 6.253 million

According to Rule 9 of PPRA Rules 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of procurement so planned. The annual requirements thus determined would be advertised in advance on the PPRA's website. Procurement over 2.00 million should be advertised on PPRA's website as well as at least in two National Newspapers.

TMO Khushab incurred expenditure of Rs 6.253 million on accounts of purchase of tentage for Sasta Ramzan Bazar and procession of Moharam-ul-Haram and Eid Milad un Nabi at exorbitant rates in violation of the rule ibid. The expenditure was held irregular and uneconomical due to the following:

- i. Huge expenditure was incurred on purchase of tentage but the stock and stores of tentage are not fully available and the chances of theft and misappropriation could not be ignored.
- ii. Approval of competent authority / finance department was not available.

Advertisement was not uploaded on PPRA's website.)

Sr. No	Head of Account	Expenditure (Rs)
1	Ramadan Bazar	2,201,223
2	Moharram & Eid Milad-Un-Nabi	4,052,289
	Total	6,253,512

Audit is of the view that due to weak Internal and financial controls, purchases were made in violation of PPRA Rules.

This resulted in an irregular and uneconomical expenditure of Rs 6.253 million.

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends fixing of responsibility against the person(s) at fault under intimation to Audit.

[AIR Para No.2]

1.2.1.4 Irregular payment of Tuff Tile Pavers without quality test - Rs 5.355 million

According to rough cost estimate vide letter No. 5124/B dated 13.07.2012 (6) “the strength of tuff pavers should be 7000-PSI and these should be of approved manufacturers i.e. Tuff Pavers (Pvt) Ltd., Izhar building material (Pvt) Ltd.

TMO Khushab made payment of Rs 5.355 million on account “P/L Tuff Tiles Paver 80mm” (000PSI) of Izhar Co. Texila” for the quantity of 47,424Sft Tuff tiles. Neither the gate pass of Izhar Co. Texila nor the lab test of Tuff Tile from govt. research laboratory was available in record as detailed below:

Name of scheme	Description	Qty	Rate (Rs)	Amount (Rs)
Repair of New General Bus Stand Phase-I	Laying Tuff Pavers	29783sft	112.92	3,363,096
Improvement of wagon stand Khushab	80mm	17641sft	112.92	1,992,022
Total				5,355,118

Audit is of the view that due to weak Internal Controls payment was made in violation of Government directions.

This resulted in irregular expenditure of Rs 5.355 million.

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends inquiry of the matter besides fixing of responsibility against the persons at fault under intimation to Audit.

[AIR Para No.14]

1.2.1.5 Unauthorized self collection of parking stand fee - Rs 4.750 million

Rule 2.33 of PFR Vol-I provides that every Government servant should realized fully and clearly the he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

TMO Khushab made self collection on account of parking stand fee for the financial year 2015-16 by rejecting the bid offer of M/S Imtiaz Hussain amounting to Rs 4.750 million, which was more than the reserve

price of Rs 4.651 million. Furthermore TMA also failed to achieve the targeted reserve price.

(Rs in million)

Sr. No.	Name of Auction	Reserve Price	Price offered	Name of contractor	Remarks
1	Parking Stand Fee	4.651	4.750	M/s Imtiaz Hussain	Self collection

Audit is of the view that due to weak internal controls receipt targets were not achieved.

This resulted in loss of revenue to local fund.

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends inquiry of the matter under intimation to Audit.

[AIR Para No.4]

1.2.1.6 Irregular expenditure on sub base course – Rs 1.142 million

According to para (ii) of FD Letter No.RO(Tech)FD.18-23/2004, the rate analysis of the item rate shall be prepared by the Executive Engineer clearly giving specifications of the material used and approved by the competent authority to accord Technical Sanction (not below the rank of S.E) before the work is undertaken.

TMO Khushab made payment of Rs 1.142 million for sub base course. As per specification the maximum thickness of base course should be 1.25' but as per pictures attached with the documents the thickness was 21". Natural Surface Level (NSL), Finished Surface Level (FSL), lead chart and rate analysis were also not provided to audit for verification.

Name of scheme	Description	Qty	Rate (Rs)	Amount (Rs)
Repair of New General Bus Stand Phase-I	P/L sub base course of pit run and bed run	31134cft	3492.96	1,087,498
Improvement of Wagon Stand Khushab	gravel	1875cft	2929.67	54,931
Total		33,009		1,142,429

Audit is of the view that due to weak Internal and Financial Controls payment was made in violation of Finance Department directions.

This resulted in irregular expenditure of Rs 1.142 million.

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends inquiry of the matter besides fixing responsibility under intimation to Audit.

[AIR Para No.15]

1.2.2 Internal Controls Weaknesses

1.2.2.1 Non maintenance of receipts in cash book - Rs 250.824 million

According to Rule 78 (1 & 2) of the PDG & TMA Budget Rules 2003, the collecting officers shall reconcile his figures with the record maintained by the Accounts Officer by the 10th day of the month following the month to which the statement relates. In order to enable the head of offices concerned to verify whether the amounts shown as realized in the statements have actually been realized and credited to the proper head of account, the Accounts Officer concerned shall provide the head of the offices with statements confirming the actual amounts credited under the relevant receipt heads.

TMO Khushab did not mention the receipts in the cash books and the receipts were also not reconciled with the banks. In the absence of statutory reconciliation, amounting to Rs 250.824 million could not be verified. **(Annex-C)**

Audit is of the view that due to weak internal controls receipts were not maintained in cash book.

This resulted in non maintenance of receipt.

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends fixing of responsibility against the persons at fault under intimation to Audit.

[AIR Para No.9]

1.2.2.2 Less realization of arrears of rent of shops - Rs 14.300 million

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

TMO Khushab failed to collect arrears of rent of shops amounting to Rs 14.300 million from the defaulters after the close of the financial year. No efforts were made and no action initiated against the defaulters during the financial year to recover the outstanding amount.

(Rs in million)

Sr. No	Description	Budget Target	Actual realization	Less realization
1	Rent of Shops	47.540	12.590	34.950

Audit is of the view that due to weak financial discipline and internal controls less recovery on account of leases was made.

This resulted in loss of Rs 14.300 million

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends recovery of stated amount under intimation to Audit.

[AIR Para No.13]

1.2.2.3 Non recovery on account of conversion fee - Rs 2.904 million

According to Rule 60 sub rules (c) The conversion fee for the conversion of peri-urban area or intercity service area to residential use shall be one percent of the value of the land as per valuation table or one percent of the average sale price of preceding twelve months of land in the vicinity, if valuation table is not available;

TMO Khushab earlier rejected the map of marriage hall due to non-submission of conversion fee amounting to Rs 3.075 million. Later on the same case was approved against only building map fee of Rs 0.171 million and the remaining amount of Rs 2.904 million was not recovered till date of audit.

Audit is of the view that due to weak financial discipline and internal controls the requisite fees were not recovered.

This resulted in non-recovery of conversion fee Rs 2.904 million

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit stresses for recovery of stated amount under intimation to Audit besides fixing the reasonability against the person (s) at fault.

[AIR Para No.12]

1.2.2.4 Wasteful expenditure on cattle market - Rs 2.800 million

As per LG&CD Department vide letter No.AO(Dev)(LG)2-252/97(P.V) dated 30.05.2014 that the new mechanism of cattle market under the control of management company will start from 01.07.2014. The previous 41 cattle markets being run in all the District of Sargodha Division will stop functioning on the mid night of 30.06.2014.

TMO Khushab incurred expenditure of Rs 2.800 million on the purchase of tents, beds and iron beds etc un-authorizedly for Cattle Mandi despite the fact that a Cattle Market Management Company is functional in Sargodha Division.

(Rs in million)

Sr. No.	Name of item	Qty	Amount
1	Tents	100	2.800
2.	Beds	100	
3.	Iron beds	150	

Audit is of the view that due to weak Internal and financial controls, unauthorized expenditure was made.

This resulted in an unauthorized expenditure of Rs 2.800 million.

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends recoupment of expenditure from the Cattle Market Management Company Sargodha besides fixing of responsibility against the persons at fault under intimation to Audit.

[AIR Para No.18]

1.2.3 Performance

1.2.3.1 Non achievement of receipts targets – Rs 76.130 million

According to Rule 13 (i & ii) read with 16 of the PDG & TMA Budget Rules 2003, the collecting officer shall prepare the estimates of receipts diligently and accurately and in relation to revised estimates, he shall take into consideration the actual receipts of the first eight months and head of office shall consolidate the finalize and consolidate the figures.

TMO Khushab realized a less amount of Rs 76.130 million against the targets under various heads in violation of the Rule ibid.

Sr. No.	Receipt Heads	Budgeted Target (Rs)	Actual Realization (Rs)	Less Recovery (Rs)
1	Water Rates	38,195,000	3,161,627	35,033,373
2	Advertisement Fee	5,517,000	2,359,020	3,157,980
3	Receipts of Public Latrines	1,670,000	354,857	1,315,143
4	NOC of Towers	1,500,000	14,100	1,485,900
5	Rent of Shops	47,538,974	12,586,717	34,952,257
6	Enlistment Fee	200,000	15,000	185,000
	Total	94,620,974	18,491,321	76,129,653

Audit is of the view that due to poor performance receipt targets were not achieved.

This resulted in less realization of receipts of Rs 76.129 million to local fund.

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends that inquiry be initiated for non achievement receipt targets under intimation to Audit.

[AIR Para No.1]

1.3 TMA Noor Pur Thal

1.3.1 Internal Control Weaknesses

1.3.1.1 Excess payment to CCB without assessment of work – Rs 2.295 million

According to Para 4.8 of Buildings & Roads Code, the payments made to the contractor should be based on actual measurements and checked by the Sub-Divisional Officer to safeguard against risk of double / overpayment. Further, according to Rule 2.31(a) of PFR Vol-I, a drawer of bill for pay and allowances, contingent and other expense will be held responsible for any overcharges, fraud, and misappropriation.

TMO Noor Pur Thal made payment for a development scheme “construction of road from Kot Ahmad Khan to Dera Akbar Shah Mouza Khai Khurd” of Rs 4.495 million without assessment. The assessment made by Anti Corruption Establishment Department for the said work was Rs 18 Lac to 22 Lac but the excess payment of Rs 2.295 million was made to the CCB as detailed below:

Date	Particulars	Amount (Rs)
-	CCB Share	999,000
08.06.2012	1 st Installment	1,498,500
09.08.2012	2 nd Installment	1,998,000
Total		4,495,500

Audit is of the view that due to weak internal controls excess payment was made.

This resulted in excess payment of Rs 2.295 million was made.

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends recovery from the concerned under intimation to audit.

[AIR Para No.4]

1.3.1.2 Less recovery on account of water rate charges – Rs 0.571 million

According to rule 76 of PGD and TMA budget rule 2003 read with section 18 (2) of PLGO 2001 The primary obligation of the collecting officer shall to ensure that all revenue due is claimed, realized and credited into the Govt. treasury under proper head.

TMO Noor Pur Thal recovered an amount of Rs 801,230 from connection holders out of Rs 1,372,200. The remaining amount of Rs 0.571 million was not realized till the close of financial year. No efforts were made and no action initiated against the defaulters during the financial year to recover the outstanding amount as detailed below:

Financial Year	Nature of connection	No. of connections	Amount recoverable (Rs)	Current Recovery (Rs)	Less Recovery (Rs)
2014-15	Domestic	563	675,000	342,970	332,630
2015-16	Domestic	581	697,200	458,260	238,940
Total					571,570

Audit is of the view that due to weak financial management the water rate was not recovered from the defaulters.

This resulted in less realization of water rate of Rs 0.571 million.

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends recovery from the concerned under intimation to audit.

[AIR Para No.11]

1.3.2 Performance

1.3.2.1 Non-achievement of revenue targets – Rs 1.262 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.

TMO Noor Pur Thal realized an amount of Rs 0.238 million against the target of Rs 1.500 million and the balance amount of Rs 1.262 million was not realized till the close of the financial year. No efforts were made and action initiated against the defaulters during the financial year to recover the outstanding amount.

Sr. No.	Receipt Head	Year	Budget Estimates (Rs)	Recovery (Rs)	Less Recovery (Rs)
1	Building Fee	2014-15	500,000	58,945	441,055
2	License Fee	2014-15	300,000	21,678	278,322
3	Registration/Renewal of contract	2014-15	500,000	87,875	412,125
4	Registration/Renewal of contract	2015-16	200,000	70,000	130,000
Total			1,500,000	238,498	1,261,502

Audit is of the view that less collection of receipts was made due to inefficient financial management and poor performance.

This resulted in a loss of Rs 1.261 million

The matter was reported to the PAO in April, 2017. The reply was not furnished and DAC meeting was also not convened till finalization of report.

Audit recommends fixing of responsibility against the person (s) at fault under intimation to Audit.

[AIR Para No.5]

ANNEXURES

PART-I
Memorandum for Departmental Accounts Committee Paras
pertaining to Audit Year 2016-17

(Rs in million)

Sr. No	Name of TMA	PDP No.	Description of Paras	Nature of violation	Amount
1	Khushab	05	Difference between Bank Closing Balance and Expenditure Statement	Internal control weakness	2.123
2	Khushab	08	Difference between figures in financial statements on account of rent of shops	Internal control weakness	1.6
3	Khushab	11	Non Preparation of Survey Register	Internal control weakness	-
4	Khushab	17	Doubtful payment on account of sports	Irregularity	0.500
5	Khushab	19	Irregular expenditure on account of discharge of previous year liability	Irregularity	0.968
6	Khushab	20	Irregular expenditure on purchase of shopping bags	Irregularity	0.052
7	Noor Pur	01	Less collection of contractors Enlistment & renewal fee	Recovery	0.169
8	Noor Pur	02	Non deposit of Professional Tax	Recovery	0.019
9	Noor Pur	03	Non Recovery of Penalty amount due to non completion of schemes	Recovery	0.117
10	Noor Pur	06	Wasteful Expenditure of POL on the process of Handling Solid Waste & Improper handling of Solid Waste loss to Government	Irregularity	-
11	Noor Pur	07	Non Recovery of arrears	Recovery	0.098
12	Noor Pur	08	Loss to Govt. due to Non-Auction of Adda Parking Fee	Recovery	0.183
13	Noor Pur	09	Non realization of commercialization fee	Recovery	0.159
14	Noor Pur	10	Unjustified expenditure on personal publicity	Irregularity	0.177
15	Noor Pur	12	Irregular expenditure on pay of legal advisors	Irregularity	0.241
16	Noor Pur	13	Doubtful expenditure on repair of vehicle	Irregularity	0.626
17	Noor Pur	14	Non Incorporation of Receipts into DDO Cash Book	Internal control weakness	-

PART-II**[Para 1.1.3]****Memorandum for Departmental Accounts Committee Paras
pertaining to Audit Year 2015-16**

(Rs in million)

Sr. No	Name of TMA	Para No.	Description of Paras	Nature of violation	Amount
1	Khushab	02	Irregular award of auctions of Rikshaw stand fee & Slaughter house fee	Irregularity	0.238
2		03	Irregular cancellation of Parking Adda fees Chief Officer Unit Joharabad Loss to TMA	-do-	0.428
3		06	Irregular expenditure on hiring of generator on eve of Youth Festival	-do-	0.194
4		07	Non auctioning of old material	-do-	0.850
5		12	Overpayment on account of use of Local Sand	Irregularity / recovery	0.132
6		13	Non-forfeiture of earnest money	Recovery	0.090
7		14	Non imposition of penalty for delayed completion of work	Recovery	0.250
8		16	Non-reimbursement of expenditure	Recovery	0.500
9		17	Irregular expenditure	Irregularity	0.197

Annex-B**TMA of Khushab District****Budget and Expenditure Statement for the Financial Year 2015-16****1. TMA, Khushab**

(Rs in million)

Head	Budget	Expenditure	Excess / Saving	%age	Comments
Salary	147.505	145.469	2.036	01	-
Non-salary	157.917	88.362	69.555	44	-
Development	40.380	2.456	37.924	94	-
Total	345.802	236.287	109.515	32	-

2. TMA, Noor Pur

(Rs in million)

Head	Budget	Expenditure	Excess / Saving	%age	Comments
Salary	24.971	14.016	10.955	44	-
Non-salary	41.415	24.293	17.122	41	-
Development	14.773	11.703	3.070	21	-
Total	81.159	50.012	31.147	38	-

Non maintenance of receipts in cash book

Sr. No.	Receipt Heads	Previous Months	Actual for the month of June	Progressive
1	Share of Net Proceed Assigned to District /TMA etc. (UIP Tax 85%)	36,109,684	4,154,945	40,264,629
2	Tax on transfer of Immovable Property	43,871,411	5284,823	49,156,234
3	Govt. Grant	103,649,000	21030,000	124,679,000
4	General Bus Stand Fee	11,968,333	958,980	12,927,313
5	Rent of Shops	11,551,360	1035,357	12,586,717
6	Water rate	2,966,409	195,218	3,101,627
7	copying fee	7,840	280	8,120
8	Receipts on Account of Sale of Water through Tankers	70,330	6,000	76,330
9	Receipts from Latrines	304,137	50,720	354,857
10	Riksha/Motor Cycle/ By cycle Stand Fee	185,160	2,100	187,260
11	Advertisement fee	2,329,020	30,000	2,359,020
12	Tehbazari fee	820,450	2,900	823,350
13	Fee for Slaughtering of Animals	304,450	22,290	326,740
14	Other Fee – Misc. Fee	1,454	263	1,717
15	Other rent (House rent)	54,800	0	54800
16	Installation of Towers & Petrol Pump	14,100	0	14100
17	License Fee	284,000	56,600	340,600
18	Fee for approval of Building	1,888,124	68,000	1,956,124
19	Enlistment Fee	15,000	0	15,000
20	Other Fee – Misc. Fee	152,988	3,000	155,988
21	Receipts from Investment of Cash Balances	1,280,421	94,574	1,374,995
Total		217,828,471	32,996,050	250,764,521