



**AUDIT REPORT
ON
THE ACCOUNTS OF
TESHIL MUNICIPAL ADMINISTRATIONS
TOBA TEK SINGH
AUDIT YEAR 2014-15**

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	i
Preface	iii
EXECUTIVE SUMMARY	iv
SUMMARY TABLES & CHARTS.....	viii
Table 1: Audit Work Statistics	viii
Table 2: Audit Observations Classified by Category.....	viii
Table 3: Outcome Statistics.....	ix
Table 4: Irregularities Pointed Out.....	x
Table 5: Cost-Benefit	xi
CHAPTER 1	1
1.1 Tehsil Municipal Administrations, Toba Tek Singh.....	1
1.1.1 Introduction	1
1.1.2 Comments on Budget and Accounts	1
1.1.3 Brief Comments on the Status of Compliance of MFDAC Audit Paras of Audit Report 2013-14.....	3
1.1.4 Brief Comments on the Status of Compliance with PAC Directives.....	4
AUDIT PARAS.....	5
1.2 Tehsil Municipal Administration Toba Tek Singh	6
1.3 Tehsil Municipal Administration Gojra	16
1.4 Tehsil Municipal Administration Kamalia.....	19
ANNEX.....	27
Annex-A	28
Annex-B	31

ABBREVIATIONS AND ACRONYMS

AASHTO	American Association of State Highway and Transportation Officials
ADP	Annual Development Programme
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
DGA	Director General Audit
IPSAS	International Public Sector Accounting Standards
DNIT	Draft Notice Inviting Tenders
LG&CD	Local Government & Community Development
MFDAC	Memorandum for Departmental Accounts Committee
PDG	Punjab District Government
PLGO	Punjab Local Government Ordinance
PLG	Punjab Local Government
PLGB	Punjab Local Government Board
RDA	Regional Directorate of Audit
RR & MTI	Road Research & Material Testing Institute
TAO	Tehsil/Town Accounts Officer
TDC	Tehsil/Town Development Committee
TMA	Tehsil/Town Municipal Administration
TMO	Tehsil/Town Municipal Officer

TS	Technical Sanction
TO (F)	Tehsil/Town Officer (Finance)
TO (I&S)	Tehsil/Town Officer (Infrastructure & Services)
TO (P&C)	Tehsil/Town Officer (Planning & Coordination)
TO (R)	Tehsil/Town Officer (Regulations)
TSE	Technically Sanctioned Estimate

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 and Section 115 of the Punjab Local Government Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of Receipts and Expenditure of the Local Fund and Public Accounts of District Governments.

The report is based on audit of the accounts of Tehsil Municipal Administrations of District Toba Tek Singh for the Financial Year 2013-14. The Directorate General of Audit District Governments Punjab (South), Multan conducted audit during 2014-15 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs.1 million or more. Relatively less significant issues are listed in the Annex-A of the Audit Report. The Audit observations listed in the Annex-A shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this report have been finalized in the light of written responses of the management concerned and DAC directives.

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 read with Section 115 of the Punjab Local Government Ordinance, 2001 for causing it to be laid before the Provincial Assembly.

-Sd-

(Rana Assad Amin)

Auditor General of Pakistan

Islamabad

Dated: 23-06-2016

EXECUTIVE SUMMARY

The Directorate General Audit (DGA), District Governments, Punjab (South), Multan, a Field Audit Office of the Auditor General of Pakistan, is mandated to carry out the audit of all District Governments in Punjab (South) including Town/Tehsil Municipal Administration. Regional Directorate of Audit (RDA), Faisalabad has audit jurisdiction of District Governments, TMAs and UAs of four Districts i.e. Faisalabad, Jhang, Toba Tek Singh and Chiniot.

The Regional Directorate has a human resource of 25 officers and staff, constituting 6,060 mandays and the budget amounting to Rs 15.891 million was allocated in Audit Year 2014-15. The office is mandated to conduct financial attest 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 Faisalabad carried out audit of the accounts of three TMAs of District Toba Tek Singh for the Financial Year 2013-14 and the findings included in the Audit Report.

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

The total Development Budget of three TMAs in District Toba Tek Singh for the Financial Year 2013-14 was Rs 278.111 million and expenditure amounting to Rs 216.731 million was incurred showing savings of Rs 61.380 million. Total Non-development Budget for Financial Year 2013-14 was Rs 437.203 million

and expenditure amounting to Rs 411.283 million was incurred showing savings of Rs 25.920 million. The reasons for savings in development and non-development budget are required to be provided by TMOs/PAOs concerned.

Audit of TMAs Toba Tek Singh was carried out with a view to ascertaining that the expenditure was made with proper authorization, in conformity with laws/rules/regulations, economical procurement of assets and hiring of services etc.

Audit of receipts/revenue was also conducted to verify whether the assessment, collection, reconciliation and allocation of revenues, was made in accordance with laws and rules and there was no leakage of revenue.

a. Scope of Audit

Out of total expenditure of Tehsil Municipal Administrations, District Toba Tek Singh for the Financial Year 2013-14, auditable expenditure under the jurisdiction of Regional Director Audit (District Governments), Faisalabad was Rs 628.014 million covering three PAOs. Out of this, RDA Faisalabad audited an expenditure of Rs 222.093 million which, in terms of percentage, was 35% of total auditable expenditure and irregularities amounting to Rs 33.283 million were pointed out. Regional Director Audit planned and executed audit of three formations, i.e. 100% achievement against planned audit activities.

Total receipts of three TMAs of District Toba Tek Singh for the Financial Year 2013-14 were Rs 1,037.516 million. RDA, Faisalabad audited receipt of Rs 487.633 million which is 47% of total receipts and irregularities amounting to Rs 26.887 million were pointed out.

b. Recoveries at the Instance of Audit

Recoveries of Rs 58.287 million were pointed out by Audit which was not in the notice of the management before audit. An amount of Rs 0.031 million was

recovered and verified during year 2014-15, till the time of compilation of the Report.

However, against the total recovery amount of Rs 19.601 million pertaining to Paras (over one million) drafted in this Report, no amount of recovery has been made by the management till the time of compilation of this Report.

c. Audit Methodology

Audit was conducted after understanding the business processes of TMA with respect to its 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.

d. Audit Impact

A number of improvements in record maintenance and procedures have been initiated by the departments concerned, however audit impact in shape of change in rules could not be materialized as the Provincial Accounts Committee has not discussed audit reports pertaining to Tehsil Municipal Administrations for the year 2014-15.

e. Comments on Internal Control and Internal Audit Department

Internal control mechanism of TMAs of District Toba Tek Singh was not found satisfactory during audit. Many instances of Weak Internal Controls have been highlighted during the course of audit which includes some serious lapses like “non award of work at risk and expense of original contractor and irregular payment of bituminous items without testing.” Negligence on the part of TMA authorities may be captioned as one of important reasons for Weak Internal Controls.

According to Section 115-A (1) of PLGO, 2001, Nazim of each District Government and Tehsil/Town Municipal Administration shall appoint an Internal Auditor but the same was not appointed in all TMAs of District Toba Tek Singh.

f. The key Audit Findings of the Report

- i. Irregularities & Non-Compliance of Rs 92.735 million were noted in nine cases.¹
- ii. Internal Control Weaknesses of Rs 5.390 million were noted in three cases.²

Audit Paras on the accounts for Financial Year 2013-14 involving procedural violations including internal control weaknesses and irregularities which were not considered worth reporting to Provincial PAC, have been included in Memorandum for Departmental Accounts Committee (MFDAC), (Annex-A).

g. Recommendations

Audit recommends the Town Municipal Administrations (TMAs) to focus on the following issues.

- i. Compliance of relevant laws, rules, instructions and procedures, etc.
- ii. Appropriate actions against officers/officials responsible for violation of rules.
- iii. Compliance of DAC directives and decisions in letter and spirit.
- iv. Addressing systemic issues to prevent recurrence of various omissions and commissions.
- v. Strengthening of internal controls.

¹Para: 1.2.1.1, 1.2.1.2, 1.2.1.3, 1.2.1.4, 1.3.1.1, 1.3.1.2, 1.4.1.1, 1.4.1.2, 1.4.1.3

²Para: 1.2.2.1, 1.2.2.2, 1.4.2.1

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rupees in Million)

Sr. No.	Description	No.	Expenditure	Receipts
1	Total Entities (PAOs) in Audit Jurisdiction	03	628.014	1,037.516
2	Total formations in audit Jurisdiction	03	628.014	1,037.516
3	Total Entities (PAOs)/DDOs Audited	03	222.093	487.633
4	Total formations/DDOs Audited	03	222.093	487.633
5	Audit & Inspection Reports	03	-	-
6	Special Audit Reports	-	-	-
7	Performance Audit Reports	-	-	-
8	Other Reports (Relating to TMAs)	-	-	-

Table 2: Audit Observations Classified by Category

(Rupees in Million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Asset management	-
2	Financial management	18.449
3	Internal controls	5.390
4	Violation of rules	74.286
5	Others	-
Total		98.125

Table 3: Outcome Statistics

(Rupees in Million)

Sr. No.	Description	Expenditure on Acquiring of Physical Assets (Procurement)	Civil Works	Receipts	Others	Total Current Year	Total Last Year
1	Total financial outlay	-	216.731	1,037.516	411.283	1,665.530*	1,109.242
2	Outlays Audited	-	51.604	487.633	170.489	709.726	425.606
3	Amount Placed under Audit Observation/ Irregularities Pointed Out	-	17.616	22.107	58.402	98.125	23.209
4	Recoveries Pointed Out at the instance of Audit	-	1.152	18.449	-	19.601	14.750
5	Recoveries Accepted/ Established at the instance of Audit	-	-	18.449	-	18.449	10.456
6	Recoveries Realized at the instance of Audit	-	-	-	0.031	0.031	0.135

*The amount mentioned against Sr. No.2 in column of "Total Current Year" is the sum of Expenditure and Receipts whereas the total expenditure for the year was Rs 222.093 million.

Table 4: Irregularities Pointed Out

(Rupees in Million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of rules and regulations and violation of principal of propriety and probity in public operations.	74.286
2	Reported cases of fraud, embezzlement, theft and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from IPSAS ³ , 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.	-
4	Quantification of weaknesses of internal control systems	5.390
5	Recoveries and overpayments, representing cases of established overpayments or misappropriations of public monies*.	18.449
6	Non-production of record.	-
7	Others, including cases of accidents, negligence etc.	-
Total		98.125

³The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS (Cash) compliant.

Table 5: Cost-Benefit

(Rupees in Million)

Sr. No.	Description	Amount
1	Outlays Audited (Item 1 of Table 3)	1,665.530
2	Expenditure on Audit	0.051
3	Recoveries realized at the instance of Audit	0.031
4	Cost-Benefit Ratio	0.608

CHAPTER 1

1.1 Tehsil Municipal Administrations, Toba Tek Singh

1.1.1 Introduction

According to 1998 population census, the population of District Toba Tek Singh is 1,621,593. District Toba Tek Singh comprises of three TMAs namely Toba Tek Singh, Gojra and Kamalia. Business of each TMA is run by the Administrator and five Drawing & Disbursing Officers i.e. TMO, TO (I&S), TO (Finance), TO (P&C) and TO (Regulations) under Punjab Local Government Ordinance, 2001.

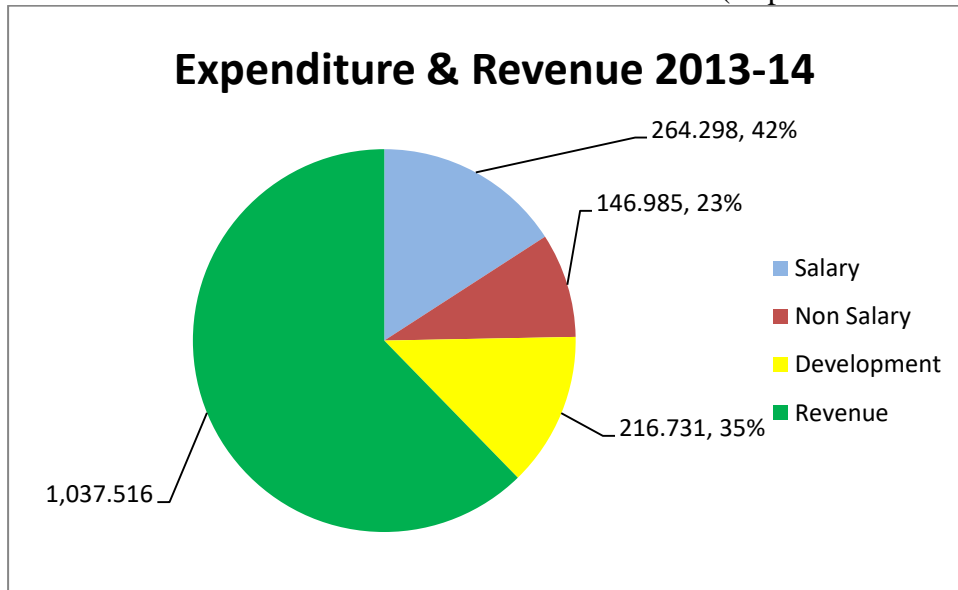
1.1.2 Comments on Budget and Accounts

The detail of budget and expenditure is given below in tabulated form.

(Rupees in Million)

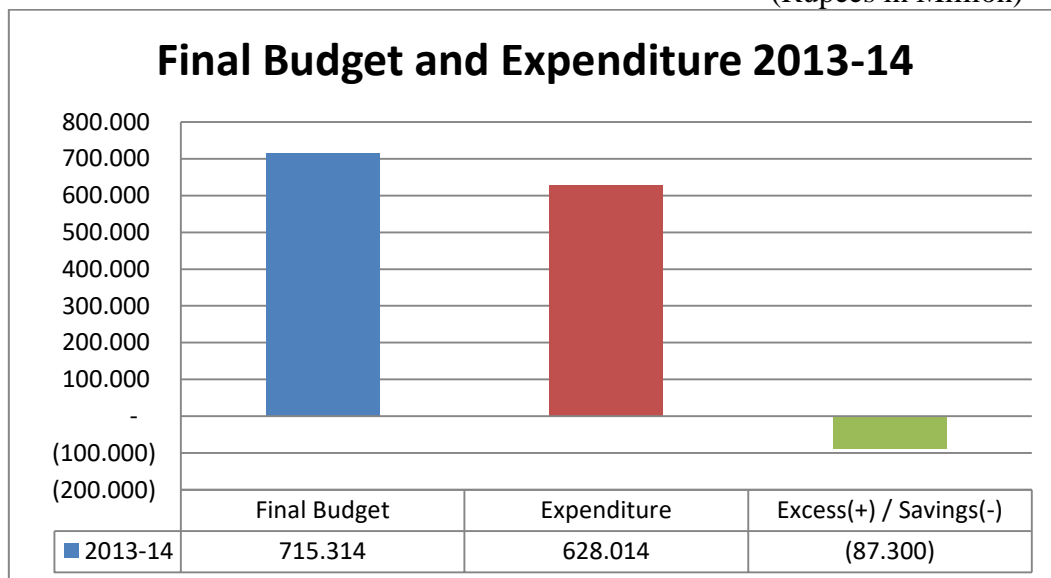
2013-14	Budget	Actual	Excess / (Saving)	% Excess / Savings
Salary	275.733	264.298	(11.435)	-4.15%
Non-Salary	161.470	146.985	(14.485)	-8.97%
Development	278.111	216.731	(61.380)	-22.07%
Total	715.314	628.014	(87.300)	-12.20%
Revenue	1,035.552	1,037.516	1.964	0.19%

(Rupees in Million)



As per Annual Accounts the expenditure relating to TMAs District Toba Tek Singh was Rs 628.014 million against original budget of Rs 715.314 million. A saving of Rs 87.300 million came to the notice of Audit, which shows that TMAs failed to provide municipal services and infrastructure developments. No plausible explanation was provided by the PAOs / Administrators and management of TMAs (Annex-B).

(Rupees in Million)



1.1.3 Brief Comments on the Status of Compliance of MFDAC Audit Paras of Audit Report 2013-14

Audit Paras reported in MFDAC (Annex-I) of last year Audit Report, which were not attended in accordance with the directives of DAC, have now 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 but have not been examined by the Public Accounts Committee.

Status of Previous Audit Reports

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2009-12	21	PAC not constituted
2	2012-13	06	PAC not constituted
3	2013-14	08	PAC not constituted

AUDIT PARAS

1.2 Tehsil Municipal Administration Toba Tek Singh

1.2.1 Irregularities & Non Compliance

1.2.1.1 Irregular payment of bituminous items – Rs 6.363 million

According to the Government of the Punjab, C&W Department, letter No.PA/SECY(C&W) 26.05/2009 dated 25th May, 2009, the bitumen to be used should be tested from the Road Research & Material Testing Institute (RR&MTI) to ensure that it meets the AASHTO Standards. Moreover, according to the Government of the Punjab, Communication & Works Department Notification No.SOH-I(C&W)1-49/2012 (G) dated 13th June, 2014, “Competent Authority has been pleased to allow the use of “Parco Biturox” produced by Pak Arab Refinery Limited (PARCO), Mehmood Kot District Muzaffargarh, in projects to be executed by C&W Department, having grade 60/70 & grade 80/100 in addition to bitumen of National Refinery Karachi”.

TMO Toba Tek Singh made payments of Rs 6.363 million during 2013-14 to various contractors against bituminous items of work without getting the quality of bitumen tested from the RR&MTI. Documentary evidence for procurement and consumption of bitumen from the National Refinery Ltd. Karachi was also not forthcoming from the record.

(Rupees in Million)

Sr. No.	Name of work	Quantity of TST/DST	Expenditure
1	Improvement of station road TT Singh	112,619 Sft	2.286
2	Improvement of Akal Wala (DPS) road	11,359 Sft	0.267
3	Improvement of Shorkot Road remaining work	59,010 Sft	2.916
4	Improvement of road Faiz Colony via session court	23,506 Sft	0.894
Total			6.363

Audit is of the view that due to weak internal controls, the quality of bituminous items was not got tested from RR&MTI.

Non-testing of bituminous items resulted in irregular expenditure amounting to Rs 6.363 million.

The matter was reported to TMO and Administrator in January, 2015. In DAC meeting held in March, 2015 it was replied that bitumen used in TST of roads was as per specification of National Refinery Limited, Karachi. However, contractors were asked for provision of bitumen test reports. The reply was not tenable as neither the quality of bitumen was got tested from RR&MTI nor proof regarding use of bitumen of National Refinery Ltd. was available. DAC directed TO (I&S) to ensure the quality of work according to standard & specification and pursue the matter for obtaining the test reports and report progress to Audit upto 31.03.2015. No progress was intimated to Audit till finalization of this Report.

Audit recommends regularization besides fixing of responsibility against concerned, under intimation to Audit.

[AIR Para: 11]

1.2.1.2 Non obtaining of additional performance security – Rs 5.274 million

According to Notification No.RO(Tech)FD-2-3/2004 dated 22nd December, 2004 of Punjab Finance Department amendment in the “General Directions for the Guidance of the Tender” and new general directions 26A clarification by the Finance Department vide No.RO(Tech)FD-1-283/VI(B)P dated 24th January, 2006, in case the total tender amount is less than 5% of the approved estimate (DNIT) amount the lowest bidder will have to deposit additional performance security from the scheduled bank ranging from 5% to the extent lowest rate quoted by the successful bidder within 15 days of issuance of notice or within expiry period of bid.

Tehsil Officer (I&S) Toba Tek Singh awarded 28 development works costing Rs 19.500 million to the contractors during the year 2013-14. These works were awarded below the estimated cost ranging from 14% to 45% to the contractors. However, additional performance security amounting to Rs 5.274

million was not obtained from the contractors concerned in violation of above stated instructions of the Government.

Audit is of the view that due to weak internal controls, additional performance security was not obtained.

Non-obtaining of additional performance security amounting to Rs 5.274 million resulted in non-observance of standing instructions of the Government.

The matter was reported to TMO and Administrator in January, 2015. In DAC meeting held in March, 2015 it was replied that work orders were issued to contractors after obtaining 10% performance security. The reply was not tenable as additional performance security was not obtained. DAC directed TO (I&S) to report compliance upto 31.03.2015. No progress was intimated to Audit till the finalization of this Report.

Audit recommends regularization besides fixing of responsibility against concerned, under intimation to Audit.

[AIR Paras: 8, 14]

1.2.1.3 Non-recovery of water charges – Rs 2.344 million

According to Section 76(1) of DG&TMA (Budget) Rules, 2003, the primary obligation of the Collecting Officers shall be to ensure that all revenue due is claimed, realized and credited immediately into the Local Government Fund under the proper receipt head.

TMO Toba Tek Singh did not recover water supply charges amounting to Rs 2.344 million from consumers of different categories i.e. domestic, commercial, industrial, railway station and WAPDA during the year 2013-14, as detailed below:

(Rupees in Million)

Sr. No.	Type of Connection	No. of Connections	Per Connection Demand for 2013-14	Annual Demand 2013-14
1	Domestic	9,240	600	5.544
2	Domestic	903	720	0.650
3	Commercial	74	3,000	0.222
4	Governmental	07	18,000	0.126
5	Governmental	08	8,300	0.067
6	Railway station	01	60,000	0.060
7	WAPDA	01	48,000	0.048
Total Demand 2013-14				6.717
Recovery during 2013-14				4.373
Outstanding Recovery				2.344

Audit is of the view that due to weak internal controls, water charges were not recovered.

Non recovery of water charges resulted in less realization of revenue amounting to Rs 2.344 million.

The matter was reported to TMO and Administrator in January, 2015. In DAC meeting held in March, 2015 it was replied that an amount of Rs 880,510 had been recovered and efforts were being made to recover the remaining amount. Audit stressed to produce record in support of reply and expedite the process of recovery. DAC directed TO (Finance) to recover the dues and report progress at the earliest. No progress was intimated to Audit till finalization of this Report.

Audit recommends recovery of Rs 2.344 million from the concerned, under intimation to Audit.

[AIR Para: 4]

1.2.1.4 Non award of work at risk and expense of original contractor – Rs 1.316 million

According to Clause 3(a) and (c) of contract agreement and tender documents of civil works “in any case in which under any clause or clauses of the contract the contractor shall have rendered himself liable to pay compensation amounting to whole of the security deposit. Municipal Engineer on the behalf of the Municipal Committee shall have power to adopt any of the following sources as he may deemed best suited to the interest of the Committee. To rescind the contract of which rescission notice in writing to contractor under the hand of the Municipal Engineer shall be conclusive evidence, and in which case the security deposit of the contractor shall stand forfeited, and be absolutely at disposal of the Committee. To measure up the work of the contractor and to take such part thereof as shall be executed out of his hand, and to give it to another contractor to complete, in which case any expense which may be incurred in excess of the sum, which would have been paid to the original contractor, if the whole work had been executed by him shall be borne and paid by the original contractor and may be deducted from any money due to him by the Committee under contract or otherwise, or from his security deposit or the proceeds of sale thereof or a sufficient part thereof.

Tehsil Officer (I&S) Toba Tek Singh awarded two civil works for repair of roads at an agreement cost of Rs 2.135 million to M/s Chand Construction Company with the completion period of six months. The contractor executed the works and received payment amounting to Rs 0.819 million, after that works costing Rs 1.316 million were left abandoned/incomplete even after lapse of 3 ½ years. The abandoned/incomplete works were not awarded to any other contractor at the risk and cost of the original contractor.

(Rupees in Million)

Sr. No.	Name of Work	Estimated Cost	Agreement Cost	Date of Commencement	Target Date of Completion	Work done up to date
1	Repair of Bhulair road from office Fire Brigade to Bhulair	1.500	1.276	21.01.2011	20.07.2011	0.533
2	Improvement of road office PHE wali Iqbal Nagar	1.000	0.859	21.01.2011	20.07.2011	0.286
Total		2.500	2.135			0.819

Audit is of the view that due to weak internal and financial controls, works could not be completed and awarded to other contractor at risk and expense of the original contractor.

Non-award of works amounting to Rs 1.316 million at risk and cost of original contractor resulted in wastage of Government resources.

The matter was reported to TMO and Administrator in January, 2015. In DAC meeting held in March, 2015 it was replied that savings from these schemes would be utilized in the next budget of TMA. The reply was not tenable as works were required to be awarded at the risk and expense of original contractor for completion. DAC directed TMO to investigate the matter and get complete the works at the risk and expense of original contractor and report progress upto 31.03.2015. No progress was intimated to Audit till the finalization of this Report.

Audit recommends fixation of responsibility against the concerned besides completion of schemes at the risk and expense of the original contractor, under intimation to Audit.

[AIR Para: 6]

1.2.2 Internal Control Weaknesses

1.2.2.1 Wasteful expenditure – Rs 2.141 million

According to Clause 2 (iv) of contract agreement between TMA authority and Secretary Social Development CCB, in the event the project is not carried out in accordance with the agreement or the provisions of the Ordinance, the Local Government may, in addition to any other remedy available under law, cancel the agreement and terminate disbursement of the outstanding portion of the grant.

Tehsil Officer (P&C), Toba Tek Singh executed two development schemes costing Rs 6.453 million through Social Development CCB and released funds of Rs 2.141 million during 2012-14. CCB failed to complete the works within stipulated time period, as detailed below:

(Rupees in Million)

Sr. No.	Name of Scheme	Date of Completion	Cost of Project	Funds Released	No. of Installments
1	Construction of main road from Chak No.318/JB to 295/JB	May, 2014	1.487	1.188	3 rd installment
2	Construction/ improvement of road from Chak No.287 GB (North) to Chak No. 287 GB (South)	June, 2013	4.966	0.953	1 st installment
Total			6.453	2.141	

Audit is of the view that due to weak internal controls, the development works were not completed.

Non-completion of works resulted in wastage of funds amounting to Rs 2.141 million and depriving the public from envisaged benefits.

The matter was reported to TMO and Administrator in January, 2015. In DAC meeting held in March, 2015 it was replied that work at Sr.No.1 was

partially executed but TST work was defective in some portion and work at Sr.No.2 could not be completed due to dispute at site. DAC directed TMO to fix responsibility for non completion of works and report progress upto 31.03.2015. No progress was intimated to Audit till finalization of this Report.

Audit recommends completion of schemes besides fixing of responsibility against the concerned under intimation to Audit.

[AIR Paras: 3, 7]

1.2.2.2 Non-imposition of penalty of Rs 1.152 million

According to Clause 2 of Contract Agreement for works, the time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor and shall be reckoned from the date on which the order to commence work is given to the contractor. The work shall throughout the stipulated period of the contract be proceeded with all due diligence (time being deemed to be the essence of the contract on the part of contractor). In the event of the contractor failing to comply with the condition he shall be liable to pay compensation an amount equal to one percent on the estimated cost provided always that the entire amount of compensation to be paid under the provisions of this clause shall not exceed ten percent on the estimated cost of the work.

Tehsil Officer (I&S), Toba Tek Singh awarded 05 development works for construction of drainage, soling and improvement of roads to contractors at a cost of Rs11.521 million during 2012-14. The contractors executed the works to the extent of Rs10.846 million and received payments accordingly. Thereafter, the works were abandoned by the contractors despite lapse of target dates of completion. TO (I&S) did not take action for the completion of works and to impose penalty amounting to Rs1.152 million.

Audit is of the view that due to weak internal controls, the development works could not be completed.

Non-completion of works resulted in wastage of funds already incurred and non-imposition of penalty amounting to Rs 1.152 million.

The matter was reported to TMO and Administrator in January, 2015. In DAC meeting held in March, 2015 it was replied that work construction of soling Chak No.306/GB was not completed due to stay order of court. In case of other works extensions were granted by competent authority. The reply was not tenable as no record in support of reply was provided. DAC directed TMO to investigate the matter for fixing of responsibility and provide relevant record. DAC further directed to impose penalty for delay in completion of works. No progress was intimated to Audit till the finalization of this Report.

Audit recommends imposition of penalty besides fixing of responsibility against the concerned, under intimation to Audit.

[AIR Para: 23]

1.3 Tehsil Municipal Administration Gojra

1.3.1 Irregularities & Non Compliance

1.3.1.1 Non-recovery of rent of shops – Rs 14.795 million

According to Rule 76 (1) of the PDG and TMA (Budget) Rules, 2003, the primary obligation of the Collecting Officers shall be to ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund under proper receipt head.

TMO Gojra, failed to recover rent of 248 shops amounting to Rs 14.795 million for the period July, 2011 to June, 2014. Strenuous efforts were also not made to recover the outstanding amount from the defaulters.

Audit is of the view that due to weak internal controls, outstanding amount could not be recovered.

Non-recovery of rent resulted in less realization of revenue amounting to Rs 14.795 million.

The matter was reported to TMO and Administrator in February, 2015. In DAC meeting held in March, 2015 it was replied that Punjab Board of Revenue had directed District Collector to effect recovery. Audit stressed to expedite the process of recovery. DAC directed TO (Finance) to pursue the cases of recovery vigorously. No progress was intimated to Audit till finalization of this Report.

Audit recommends recovery amounting to Rs 14.795 million from the concerned, under intimation to Audit.

[AIR Paras: 2, 6]

1.3.1.2 Non-recovery of water rate charges – Rs 1.310 million

According to Section 76(1) of DG&TMA (Budget) Rules, 2003, the primary obligation of the Collecting Officers shall be to ensure that all revenue due is claimed, realized and credited immediately into the Local Government Fund under the proper receipt head.

TMO Gojra recovered Rs 2.890 million during 2013-14 against the total demand of Rs 4.200 million from the 6000 water consumers leaving a balance of Rs 1.310 million un-recovered.

Audit is of the view that due to weak internal controls, water charges were not recovered.

Non recovery of water charges resulted in less realization of revenue amounting to Rs 1.310 million.

The matter was reported to TMO and Administrator in February, 2015. In DAC meeting held in March, 2015 it was replied that notices were issued to defaulters for recovery. Audit stressed to expedite the process of recovery. DAC directed TO (Finance) to pursue the cases of recovery vigorously. No progress was intimated to Audit till the finalization of this Report.

Audit recommends recovery of Rs 1.310 million from the concerned, under intimation to Audit.

[AIR Para: 5]

1.4 Tehsil Municipal Administration Kamalia

1.4.1 Irregularities & Non Compliance

1.4.1.1 Non realization of cost of land from the dwellers of Kachi Abadies – Rs 56.305 million

According to Directorate General of Kachi Abadies Colonies Department, Board of Revenue, Punjab, Lahore letter No.DG(KA) BOR/8-200/2012 dated 22nd November, 2012 Clause F (ii), the grace period for imposition of penalty of delay in payments will be up to 30th June, 2013. Thereafter, current valuation table rates will be charged from the dwellers of left over cases of pervious schemes.

Tehsil Officer (Regulations) Kamalia failed to realize the cost of land on revised rates of valuation table of 2013-14 from the dwellers of Kachi Abadies even after the expiry of grace period. However, on pointing out by Audit, demand against three Kachi Abadies was revised without effecting recovery, which resulted in less realization of Rs 56.305 million, as detailed below:

(Rupees in Million)

Sr. No.	Name of Kachi Abadi	Current Demand	Already Collected	Difference
1	Gujjar Colony	9.182	0.113	9.069
2	Christian Colony	7.536	0.027	7.509
3	Ghareeb Colony	39.870	0.143	39.727
Total		56.588	0.283	56.305

Audit is of the view that due to weak financial controls, demand of cost of land was not revised.

Non revision of demand resulted in less realization of the Government revenue amounting to Rs 56.305 million.

The matter was reported to TMO and Administrator in February, 2015. In DAC meeting held in April, 2015 it was replied that recovery would be made

on revised demand and progress would be intimated. DAC directed TO (Regulations) to make strenuous efforts to effect recovery from all the dwellers of Kachi Abadies. No progress was intimated to Audit till the finalization of this Report.

Audit recommends recovery amounting to Rs 56.305 million from the concerned, under intimation to Audit.

[AIR Para: 2]

1.4.1.2 Less realization of revenue due to non-revision of water rates – Rs 3.658 million

According to Rule 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 the Government through fraud or negligence on his part. Further according to Rule 4 (2) (i) & 3 (viii) of PDG & TMA (Budget) Rules, 2003, Town Municipal Officer is responsible for ensuring that internal controls are effectively applied.

Tehsil Officer (Finance), Kamalia collected water rates from 3357 residential and 06 commercial connection holders @ Rs 30 and Rs 150 per month respectively during 2013-14. The said rates were approved in 2006 and still applicable in TMA, Kamalia which were too lower in comparison with rates applicable in TMA Gojra. No efforts were made to revise the water rates since 2006. Less revenue of Rs 3.658 million was realized due to non-revision of rates, as detailed below:

(Rupees in Million)

Sr. No.	Description	No. of Connections	Rate per month of TMA Kamalia	Rate per month of TMA Gojra	Difference per Connection	Less Realization of Revenue
1.	Residential connections	3,357	30	120	90	3.626

Sr. No.	Description	No. of Connections	Rate per month of TMA Kamalia	Rate per month of TMA Gojra	Difference per Connection	Less Realization of Revenue
2.	Commercial connections	06	150	600	450	0.032
Total						3.658

Audit is of the view that due to weak financial controls, water rates were not revised.

Non-revision of water rates resulted in less realization of revenue amounting to Rs 3.658 million.

The matter was reported to TMO and Administrator in February, 2015. In DAC meeting held in April, 2015 it was replied that revision of tax schedule was under process. Audit stressed to expedite the process. DAC directed TO (Finance) to produce record regarding revision of water rates for verification and report progress. No progress was intimated to Audit till the finalization of this Report.

Audit recommends revision of water rates besides fixing of responsibility, under intimation to Audit.

[AIR Para: 8]

1.4.1.3 Irregular payment of bituminous items – Rs 1.370 million

According to the Government of the Punjab, C&W Department, letter No.PA/SECY(C&W) 26.05/2009 dated 25th May, 2009, the bitumen to be used should be tested from the Road Research & Material Testing Institute (RR&MTI) to ensure that it meets the AASHTO Standards. Moreover, according to the Government of the Punjab, Communication & Works Department Notification No.SOH-I(C&W)1-49/2012 (G) dated 13th June, 2014, “Competent Authority has been pleased to allow the use of “Parco Biturox” produced by Pak Arab Refinery Limited (PARCO), Mehmood Kot District Muzaffargarh, in projects to be

executed by C&W Department, having grade 60/70 & grade 80/100 in addition to bitumen of National Refinery Karachi”.

TMO Kamalia made payments amounting to Rs 1.370 million during 2013-14 to various contractors against bituminous items of work without getting the quality of bitumen tested from the RR&MTI. Documentary evidence for procurement and consumption of bitumen from the National Refinery Ltd. Karachi was also not forthcoming from the record.

(Rupees in Million)

Sr. No.	Name of work	WO No./Date	Item	Amount
1	Improvement of road main housing colony road Pir Mahal	1632/13.06.14	TST	0.380
2	Special repair of metalled road Pir Mahal City	1627/13.06.14	TST	0.239
3	Special repair of metalled road Mohallah lower colony Pir Mahal	967/18.04.11	TST	0.153
4	Patch work of metalled roads Pir Mahal	233/04.11.11	TST	0.290
5	Improvement of metalled road from Nawaz Chowk to Haji Chowk	1522/12.04.14	TST	0.308
Total				1.370

Audit is of the view that due to weak internal controls, the quality of bituminous items was not got tested from RR&MTI.

Non-testing of bituminous items resulted in irregular expenditure of Rs 1.370 million.

The matter was reported to TMO and Administrator in February, 2015. In DAC meeting held in April, 2015 it was replied that file had been completed and all documents were available for verification. The reply was not tenable as neither the quality of bitumen was got tested from RR&MTI nor proof regarding use of bitumen of National Refinery Ltd. was available. DAC directed TMO to investigate the matter and produce the record for verification upto

10.04.2015. No progress was intimated to Audit till the finalization of this Report.

Audit recommends regularization besides fixing of responsibility against concerned, under intimation to Audit.

[AIR Para: 3]

1.4.2 Internal Control Weaknesses

1.4.2.1 Non allocation of budget for civil defense – Rs 2.097 million

According to the Government of the Punjab, LG&CD Department letter No.SO.D.G.Dev(LG)4-1/2010 dated March, 2010, instructions were conveyed to all the Districts/City District Governments/TMAs in the Punjab to reserve 1% of their budget for Civil Defense.

TMO Kamalia did not reserve 1% of total budget amounting to Rs 2.097 million for civil defense during financial year 2013-14 in violation of above instructions, as detailed below:

(Rupees in Million)

Sr. No.	Description	Budget
1	Non-development budget 2013-14	124.097
2	Development budget 2013-14	85.560
Total Budget Excluding Govt. Grants		209.657
3	Total funds to be allocated for civil defense (1%)	2.097
4	Actual funds allocation for civil defense	-
Less allocation for civil defense		2.097

Audit is of the view that due to inefficient budgeting, funds for civil defense were not allocated.

Non-allocation of budget for civil defense resulted in violation of the Government instructions.

The matter was reported to TMO and Administrator in February, 2015. In DAC meeting held in April, 2015 it was replied that funds would be allocated in the next year budget. DAC directed TO (Finance) to get the matter regularized from the competent authority and ensure allocation of budget for civil defense in future. No progress was intimated to Audit till the finalization of this Report.

Audit recommends regularization besides ensuring allocation of budget for civil defense in future, under intimation to Audit.

[AIR Para: 18]

ANNEX

Annex-A**Part-I****Memorandum for Departmental Accounts Committee Paras Pertaining to
Current Audit Year 2014-15**

(Rupees in Million)

Name of TMA	Sr. No	Para No	Subject	Amount
TMA Gojra	1	1	Expenditure in Violation of PPRA Rules	1.935
	2	3	Non Realization of Cost of Land from the Dwellers of Kachi Abadies – Rs 7.713 Million	-
	3	4	Non-transfer of land in the name of TMA	9.472
	4	7	Irregular Use of Funds from Personal Ledger Account – Rs 12.108 million	-
	5	8	Non recovery of outstanding dues from the contractor	1.754
	6	9	Non-deposit of withheld GST	0.201
	7	10	Non receipt of Map fee from the owner of Residential Housing Scheme	0.080
	8	11	Unauthorized Block Allocation of Development Funds – Rs 29.467 million	-
TMA Toba Tek Singh	9	1	Unjustified expenditure on provincial government scheme	5.592
	10	2	Non-deposit of development charges recovered from the dwellers of Kachi Abadies	2.884
	11	5	Non-recovery of Rent of shops/ Thara Jaat	0.938
	12	9	Non-revision of demand/Realization of cost of land from the Dwellers of Kachi Abadies – Rs26.912 million	-
	13	10	Unauthorized transfer of Provincial receipts to Federal Board of Revenue	0.282
	14	12	Irregular expenditure in violation of PPRA rules	2.947
	15	13	Unauthorized retention of government receipts in bank account	0.345
	16	15	Non-recovery of government dues from the owners of Land Sub division	0.170
	17	16	Non-deduction of 1/5 th GST	0.087
	18	17	Non-forfeiture of earnest money of contractors	0.071
	19	18	Non-deposit of Professional Tax	0.06
	20	19	Non-collection of amount paid out of TMA funds	0.048
	21	20	Difference in expenditure booked by TAO and expenditure provided by department	0.178
TMA Toba Tek Singh	22	21	Non-verification of deposit amount – Rs83.437 million	-

Name of TMA	Sr. No	Para No	Subject	Amount
	23	22	Non-maintenance of cash books – Rs212.021 million	-
	24	24	Un-authorized drawl of conveyance allowance	0.020
TMA Kamalia	25	1	Non Completion of Civil Works	4.644
	26	4	Non-imposition of Penalty due to Delay in Completion of Works	0.664
	27	5	Non-Deposit/Forfeiture of Performance Security and Additional Performance Security	0.595
	28	6	Misclassification in booking of expenditure – Rs2.117 million	-
	29	7	Non Revision of Demand for recovery from the Dwellers of Kachi Abadies – Rs 143.775 million	-
	30	9	Non realization of Map Fee from the owners of Buildings	0.319
	31	10	Non realization of approval fee for designs of water supply and road bridge	0.042
	32	11	Non-deduction of 1/5 th GST	0.039
	33	12	Transfer of Provincial Receipt to Federal Board of Revenue	0.452
	34	13	Less departmental Collection of Parking Fee	0.278
	35	14	Unauthorized drawl of Conveyance Allowance	0.042
	36	15	Non Recovery of Water Charges	0.211
	37	16	Non-recovery of rent of shops	0.017
	38	17	Non Reconciliation of Receipts with Tehsil Accounts Officer – Rs 39.428 million	-
	39	19	Non Reconciliation of Expenditure with Tehsil Accounts Officer – Rs205.288 million	-
	40	20	Irregular Expenditure in violation of PPRA Rules	1.388

Part-II**[Para-1.1.3]****Memorandum for Departmental Accounts Committee Paras not Attended in
Accordance with the Directives of DAC Pertaining to Audit Year 2013-14**

(Rupees in Million)

Name of TMA	Sr. No	Para No	Title of Para	Amount of Audit Observation	Nature of Audit Observation
TMA Toba Tek Singh	1	26	Non recovery of development charges/cost of land	0.527	Recovery
	2	30	Irregular utilization of ADP savings against deposits work schemes	0.051	Violation of Rules
	3	01	Non Recovery of Sign Board Fee	0.928	Recovery
TMA Toba Tek Singh A.Y.2012-13	4	5	Non recovery of water charges	0.728	-do-
TMA Gojra	5	13	Non-recovery of Govt. dues from owners of housing schemes	0.306	Recovery
TMA Kamalia	6	02	Excess payment by overwriting the percentage rate offered by the contractor	0.196	-do-
	7	09	Overpayment of personal allowance due to wrong pay fixation	0.185	-do-
	8	21	Irregular Payment of Bituminous Items without Testing from RR&MTI	0.380	-do-

Annex-B

(Rupees in Million)

Description	Budget	Actual	Excess/ (Savings)
Tehsil Municipal Administration, Toba Tek Singh			
Salary	97.093	95.245	(1.848)
Non Salary	64.668	58.899	(5.769)
Development	127.084	76.302	(50.782)
Total Expenditure	288.845	230.446	(58.399)
Revenue	84.922	86.438	(1.516)
Grand Total	373.767	316.884	(56.883)
Tehsil Municipal Administration, Gojra			
Salary	91.700	82.452	(9.248)
Non Salary	59.645	51.469	(8.176)
Development	65.467	58.359	(7.108)
Total Expenditure	216.812	192.280	(24.532)
Revenue	95.860	96.108	0.248
Grand Total	312.672	288.388	(24.284)
Tehsil Municipal Administration, Kamalia			
Salary	86.940	86.601	(0.339)
Non Salary	37.157	36.617	(0.540)
Development	85.560	82.070	(3.490)
Total Expenditure	209.657	205.288	(4.369)
Revenue	854.770	854.970	0.200
Grand Total	1,064.427	1,060.258	(4.169)