



AUDIT REPORT
ON THE ACCOUNTS OF
TEHSIL MUNICIPAL ADMINISTRATIONS
DISTRICT SHEIKHUPURA

AUDIT YEAR 2014-15

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ACL	Audit Command Language
ADP	Annual Development Programme
B&R	Buildings and Roads
BDD	Budget Demand Development
CAATs	Computer Assisted Audit Techniques
CCB	Citizen Community Board
CFT	Cubic Feet
DAC	Departmental Accounts Committee
DNIT	Draft Notice Inviting Tenders
FCR	Final Completion Report
IPSAS	International Public Sector Accounting Standards
LG&CD	Local Government & Community Development
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
MB	Measurement Book
MRS	Market Rate System
PAO	Principal Accounting Officer
PAC	Public Accounts Committee
PCC	Plain Cement Concrete
PFR	Punjab Financial Rules
PDG	Punjab District Governments
PLA	Personal Ledger Account
PLGO	Punjab Local Government Ordinance
POL	Petroleum Oil and Lubricants
RCC	Re-inforced Concrete Cement
RDA	Regional Director Audit
SAP	System Application Product
SFT	Square Feet
SOP	Standing Operating Procedure
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TO (F)	Tehsil Officer (Finance)
TO (I&S)	Tehsil Officer (Infrastructure & Services)
TO (P&C)	Tehsil Officer (Planning & Coordination)
TO (R)	Tehsil Officer (Municipal Regulations)
TST	Triple Surface Treatment
T&P	Tools & Plants
UA	Union Administration

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 accounts of various offices of Tehsil Municipal Administrations of District Sheikhupura for the financial year 2013-14. The Directorate General of Audit District Governments Punjab (North), Lahore conducted audit during 2014-15 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs. 1.00 million or more. Relatively less significant issues are listed in the Annex-A of the Audit Report. The Audit observations listed in the Annex-A shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

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

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

Islamabad

Dated:

(Rana Assad Amin)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit (DGA), District Governments, Punjab (North), Lahore is responsible to carry out the Audit of District Governments, Tehsil / Town Municipal Administrations and Union Administrations of three (03) City District Governments and sixteen (16) District Governments. Its Regional Directorate of Audit, Lahore has Audit jurisdiction of District Governments, TMAs and UAs of one (01) City District Government i.e. Lahore and four (04) District Governments i.e. Kasur, Sheikhupura, Okara and Nankana Sahib.

The Regional Directorate of Audit Lahore has a human resource of 20 officers and staff, total of 5,706 man days and annual budget of Rs. 27.061 million for the financial year 2014-15. It has mandate to conduct Financial Attest, Regularity Audit, Compliance with Authority and Performance Audit of programmes & projects. Accordingly, Directorate General Audit, District Governments Punjab (North), Lahore carried out audit of various offices of three TMAs of District Sheikhupura for financial years 2013-14.

Each Tehsil Municipal Administration in District Sheikhupura conducts its operations under Punjab Local Government Ordinance, 2001. It comprises one Principal Accounting Officer (PAO) i.e Town Municipal Officer 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 Punjab Local Government Ordinance, 2001 require the establishment of Tehsil/Town Local Fund and Public Account for which Annual Budget Statement is authorized by the Tehsil / Town Nazim / Tehsil / Town Council / Administrator in the form of budgetary grants.

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

Audit of receipts / revenues was also conducted to verify whether the assessment, collection, reconciliation and allocation of revenues were made in accordance with laws and rules, there was no leakage of revenue and revenue did not remain outside Government Account/Local Fund.

a) Scope of Audit

Total expenditure of three (03) out of five (05) TMAs of District Sheikhpura for the Financial Year 2013-14 under the jurisdiction of DG District Audit (North) Punjab was Rs. 1113.624 million covering three (03) PAO and three (03) formations. Out of this, the Directorate General Audit (North) Punjab audited an expenditure of Rs. 743.969 million, which in terms of percentage, was 66% of the auditable expenditure.

Total receipts from own sources of eight (03) Town Municipal Administrations of Sheikhpura District for the financial year 2013-14, were Rs. 500.371 million. Directorate General Audit Punjab (North), audited receipts of Rs. 350.260 million which was 70% of total receipts.

b) Recoveries at the instance of Audit

Recovery of Rs. 104.903 million was brought into the notice of the executive but no action to recover was affected till compilation of this report.

c) Audit Methodology

Audit was performed through understanding the business process with respect to functions, control structure, prioritization of risk areas by determining the significance and identification of key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field audit activity.

d) Audit Impact

A number of improvements, as suggested by audit, in maintenance of record and procedures have been initiated by the concerned departments; however, audit impact in shape of change in rules has been less materialized due to non-convening of regular PAC meetings. Had PAC meetings been regularly convened, audit impact would have been manifold.

e) Comments on Internal Control and Internal Audit Department

Internal control mechanism of TMAs of Sheikhpura was not found satisfactory during audit. Many instances of weak Internal Controls have been highlighted during the course of audit which includes some serious lapses like withdrawal of public funds against the entitlement of employees. Negligence on the part of TMA authorities may be captioned as one of important reasons for weak Internal Controls.

Section 115-A (1) of PLGO, 2001 empowers Nazim of each TMA to appoint an Internal Auditor but the same was not appointed in TMAs of Sheikhpura.

f) Key audit findings of the report

- i. Non-production of record of Rs. 3.148 million in 1 case.¹
- ii. Irregularity & Non-Compliance of Rs. 106.427 million in 9 cases.²
- iii. Recoveries of Rs. 104.903 million in 4 cases.³

Audit paras for the audit year 2014-15 involving procedural violations including internal control weaknesses and poor financial management not considered worth reporting are included in MFDAC (Annex-A).

g) Recommendations

- i. The PAO needs to take appropriate action for non-production of record.
- ii. Departments need to comply with the Public Procurement Rules for economical and rational purchases of goods and services.
- iii. Inquiries need to be held to fix responsibility for losses, unauthorized/irregular payments and wasteful expenditure.
- iv. The PAO needs to make efforts for expediting the realization of various Government receipts.

¹Para 1.3.1.1

²Para 1.2.1.2, 1.2.1.4, 1.3.2.1-3, 1.4.1.2, 1.4.1.4-5

³Para 1.2.1.1, 1.2.1.3, 1.4.1.1, 1.4.1.3

SUMMARY TABLES & CHARTS

Table 1 Audit Work Statistics

Rs. in million

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	5	1,613.358
2	Total formations in audit jurisdiction	5	1,613.358
3	Total Entities (PAOs) Audited	3	1,318.303
4	Total formations Audited	3	1,318.303
5	Audit & Inspection Reports	3	1,318.303
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

Table 2: Audit observation regarding Financial Management

Rs. in million

Sr. No.	Description	Amount Placed Under Audit Observation
1	Unsound Asset management	5.985
2	Weak Financial management	126.377
3	Weak Internal controls relating to Financial Management	70.61
4	Others	11.506
Total		214.478

Table 3: Outcome Statistics

Rs. in million

Sr. No.	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total Current year	Total Last Year
1	Outlays Audited	58.580	155.787	500.370	899.257	1,613.99	2306.827
2	Amount Placed under Audit Observation / Irregularities of Audit	5.985	4.078	92.562	111.853	214.478	862.267
3	Recoveries Pointed Out at the instance of Audit	-	1.233	92.562	11.108	104.903	104.499
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

* The amount mentioned against Serial No.1 in column of "Total Current Year" is the sum of Expenditure and Receipts whereas the total expenditure for the current year was Rs. 1113.624 million.

Table 4: Irregularities pointed out

Rs. in million

Sr. No.	Description	Amount Placed Observation under Audit
1	Violation of Rules and regulations, principle of propriety and probity in public operation	18.238
2	Reported cases of fraud, embezzlement, theft and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM[1], 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.	64.712
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	104.903
6	Non-production of record	3.148
7	Others, including cases of accidents, negligence etc.	23.477
Total		214.478

Table 5: Cost-Benefit

Rs. in million

Sr. No.	Description	Amount
1	Outlays Audited (Item-1 of Table 3)	1,613.990
2	Expenditure on Audit	1.804
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	-

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

CHAPTER 1

1.1 Tehsil Municipal Administrations of District Sheikhpura

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 (Municipal Regulation), TO(P&C). The main functions of TMAs are as follows:-

1. Prepare spatial plans for the Tehsil including plans for land use, zoning and functions for which TMA is responsible within the framework of the spatial/master plans for the City District;
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, cess, user fees, rates, rents, tolls, charges, surcharges, levies, fines and penalties under Part-IV 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.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

Total Budget of TMAs of District Sheikhpura was Rs. 1318.303 million (inclusive Salary, Non-salary and development) whereas the expenditure incurred (inclusive Salary, Non-salary and development) was Rs. 1113.624 million showing savings of Rs. 204.679 million which in terms of percentage was 16% of the final budget as detailed below:

Rs. in million

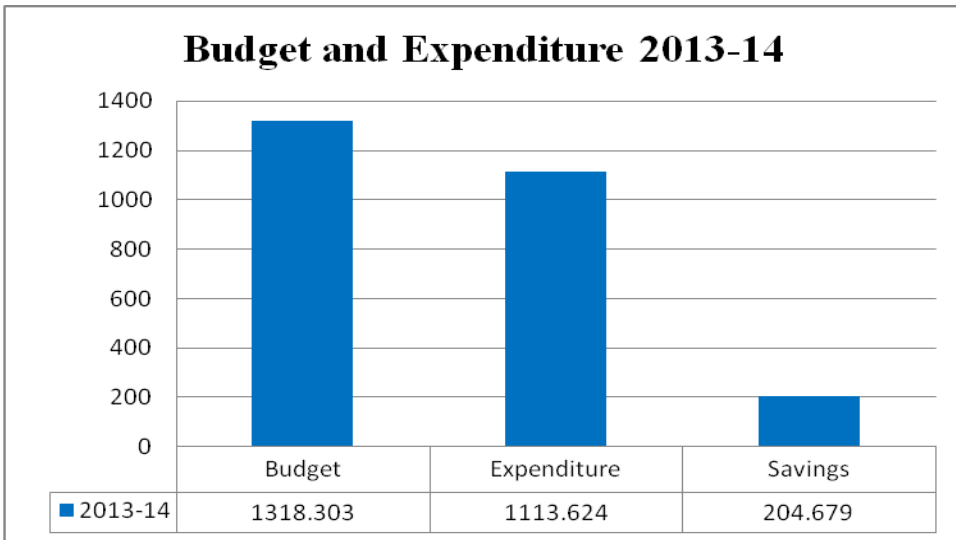
F.Y 2013-14	Budget	Expenditure	Savings	% of Savings
Salary	471.345	405.735	65.610	14
Non-salary	588.203	493.522	94.681	16
Development	258.755	214.367	44.388	17
Total	1318.303	1113.624	204.679	16

The budgeted outlay was Rs. 1,318.303 million of three (03) TMAs includes PFC award of Rs. 477.015 million whereas total expenditure incurred by the TMAs during 2013-14 was Rs. 1,113.624 million with a savings of Rs. 204.679 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

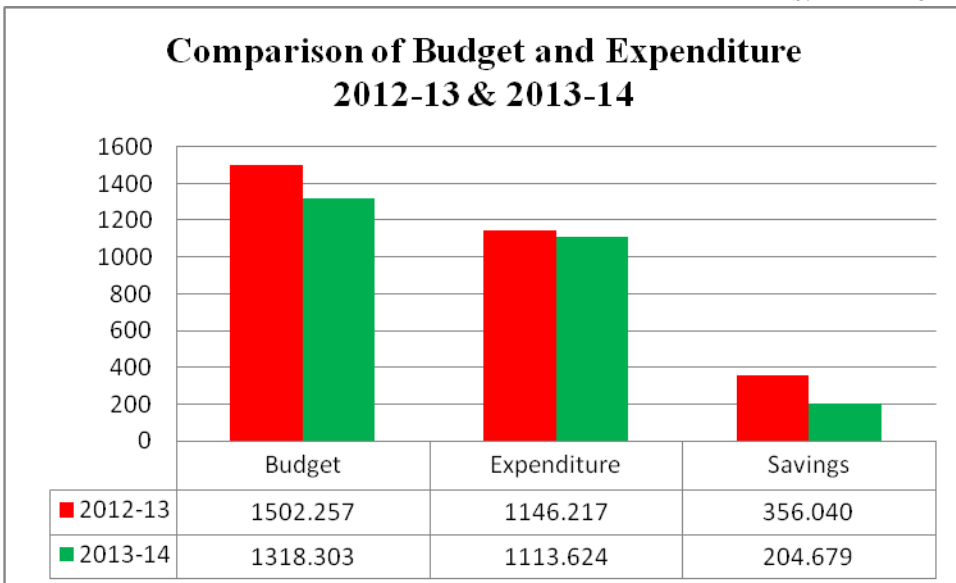
TMA	Budgeted Figure			Budgeted Outlay	Actual Expenditure	Savings	%age of Savings
	Own receipt including OB	PFC award	Total Receipts				
Sheikhpura	405.014	256.39	661.404	693.086	598.465	94.621	14
Muridke	183.595	85.476	269.071	230.568	219.552	11.016	5
Ferozewala	260.73	135.149	395.875	394.649	295.607	99.042	25
Total	849.339	477.015	1326.35	1318.303	1113.624	204.679	16

Rs. in million



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

Rs. in million



There was savings in the budget allocation of the financial years 2012-13 and 2013-14 as follows:

Financial Year	Budget	Expenditure	Savings	%age of Savings
2012-13	1502.257	1146.217	356.040	23.70
2013-14	1,318.303	1,113.624	204.679	15.52

The management needs to justify the saving when the development schemes have remained incomplete.

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

Audit paras reported in MFDAC of last year audit report which have not been attended in accordance with the directives of DAC have been reported in Part-II of Annex-A.

1.1.4 Brief Comments on the Status of Compliance with PAC Directives

The Audit Reports pertaining to following years were submitted to the Governor of the Punjab:

Status of Previous Audit Reports

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2009-12	10	Not convened
2	2012-13	09	Not convened
3	2013-14	42	Not Convened

1. AUDIT PARAS

1.2 TMA Sheikhupura

1.2.1 Non-compliance of Rules

1.2.1.1 Non-recovery of Government Dues –Rs. 70.305 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 shall be an offence and amount shall be recovered as arrears of land revenue.

TMA Sheikhpura failed to recover Rs. 70.306 million (detailed below) on account of water rates, rent of shops, firefighting charges and license fee. Amount was not recovered from the defaulters and no action was taken against them which show that no serious efforts were made for the recovery of government dues / local fund.

Description	Total recoverable (Rs.)
Water rates arrears	28,189,315
Water rates (2013-14)	8,061,890
Monthly shop rent (Farooqabad) Arrears	29,151,685
Monthly shop rent (Farooqabad) 2013-14	403,918
Petrol Pump Plot Rent 2013-14	4,245,467
Non recovery of firefighting charges	173,575
Non recovery of license Fee	80,000
Total	70,305,850

Audit holds that due to inefficient working, TMO did not make recovery before close of the financial year resulting in non-recovery of Rs. 70.305 million.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor was DAC meeting convened till the finalization of this report.

Audit recommends recovery and fixing the responsibility against the person(s) for non-recovery of government dues under intimation to Audit.

1.2.1.2 Non-deposit of Pension Contribution of Erstwhile Zila Council Employees – Rs. 11.108 million

According to Government of the Punjab, Local Government & Rural Development Department letter dated 15-04-1991, employees of Erstwhile Zila Council were adjusted in Town w.e.f 01.08.2002, the pension contribution @ 40 % of pay was required to be transferred to Local Government Pension Fund Account from the budget of the respective government where they were working.

TMA Sheikhpura did not deposit the due pension contribution of the Zila council employees amounting to Rs. 11.108 million in the District Government's Account.

Audit holds that non deposit of pension contribution was made due to poor financial discipline and internal control.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

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

1.2.1.3 Loss due to Non-auction of Collection Rights – Rs. 3.432 million

According to Rule 76 of PDG & 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.

TMA Sheikhpura sustained a loss of Rs. 3.432 million due to non-auction of collection rights of Mala Pir Bahar Shah & Truck Adda Stand-Ghazi Minara during the year 2013-14 as detailed below:

Financial Year	Contract Name	Contract Amount
2013-14	Mela Pir Bahar Shah	332,000
2013-14	Truck Adda Stand-Ghazi Minara	3,100,000
Total		3,432,000

Audit is of the view that non auction of collection rights of income was made due to inefficient financial management and poor performance and resulted in loss of revenue to the government.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

Audit recommends recovery of loss besides fixing the responsibility against the officer/ official(s) at fault under intimation to Audit.

1.2.1.4 Unauthorized Repair of Transformer– Rs. 1.359 million

According to General Manager (Operation) WAPDA office letter No. 67251-33/GMO/CEHQ/6-B-F dated 27-06-2002, repair of defective/damaged transformer from private firms was stopped. The defective transformers should be sent to WAPDA approved Reclamation Workshops for repairs.

TMA Sheikhpura spent Rs. 1.359 million on repair of transformers installed by WAPDA from private workshops in violation of the above instructions.

Audit is of the view that unauthorized repair was made due to defective financial discipline.

This resulted in unauthorized payment of repair of transformer Rs. 1.359 million.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

Audit recommends fixing the responsibility against the person(s) for incurring expenditure on repair of transformer from unapproved private workshop under intimation to Audit.

1.3 TMA Ferozewala

1.3 Non-production of record

1.3.1.1 Non-production of Record – Rs. 3.148million

According to Section 14 (1) (b) of Auditor General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, the Auditor-General shall have authority to require that any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection. Further Section 115 (6) of PLGO 2001, the officials shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Management of TMA Ferozewala did not produce vouched and consumption account of POL worth Rs. 3.149 million. In the absence of record, authenticity, validity and accuracy of expenditure incurred could not be verified.

Vehicle Type	Amount of POL (Rs.)
Log Book of Tractor SAD 3155	3,148,631 (POL of I&S Branch)
Log Book of Tractor SAJ 10	
Log Book of Tractor MF 260	
Log Book of Tractor SAG 1032	
Log Book of Tractor SAF 4663	
Log Book of Tractor 385	

Audit is of the view that relevant record was not produced to Audit for verification which may lead to likely misappropriation and misuse of public resources. In the absence of record, authenticity, validity and accuracy of expenditure worth Rs. 3.148 million could not be verified.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

Audit recommends that matter be inquired and fix responsibility on the delinquent officers/ officials for non-production of record and ensure submission of record to audit for scrutiny.

1.3.2 Non-compliance of Rules

1.3.2.1 Non reconciliation of Opening / Closing Balances – Rs. 64.712 million

As per rule 2.2 of PFR Vol.1

- All cash transactions should be entered in the cash book and attested in token of check.
- The cash book should be completely checked and closed regularly
- In token of check of cash book the last entry checked therein should be initialed (with date) by the government servant concerned on each occasion.
- Treasury schedule and the cash book be compared

At the end of each month, the head of office should personally verify the cash balance and, record below the closing entries in the cash book, a certificate to the effect over his dated signatures specifying both in words and figures, the actual cash balance

TMA Ferozewala did not reconcile cash closing balance for the period ending 2013-14. Furthermore, an amount of Rs. 56.151 million as Pension Fund and Security Fund was added in opening balance as on 01-07-2014 instead of taking as separate fund. By adding this amount into opening balance, it was utilized as expenditure of the TMA. Moreover, difference between the residual amount after deducting the cash balance and the total of the reserve funds i.e. Rs. 64.712 -56.151= 8.561 resulted in shortfall which could not be justified.

Description	Rs. in million
As per Budget Book 2014-15 on 01-07-2014	116.017
As per Cash Book on 30-06-14	51.305
Difference	64.712
Pension & Security Fund	56.151
Short fall in the balance	8.561

Audit holds that stated amount was not reconciled due to poor financial management.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

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

1.3.2.2 Wasteful Purchase of Fire Brigade Vehicle –Rs. 5.985 million

According to Rule 64(iv) of the PDG & TMA (Budget) Rules 2003, District Governments should utilize its resources effectively & efficiently.

TMA Ferozewala purchased Fire Brigade Vehicle for an amount of Rs. 5.985 million during the period 2013-14. The vehicle was lying unused in the TMA premises due to non-availability of the staff to operate it.

Audit is of the view that wasteful expenditure was made due to inefficient financial management and poor performance and resulted in wasteful expenditure of Rs. 5.985 million.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

Audit recommends fixing the responsibility against the person(s) for purchase of fire brigade vehicle when it could not be used under intimation to Audit.

1.3.2.3 Unjustified Expenditure on POL–Rs. 2.466 million

Log book, history sheet and petrol consumption account register is required to be maintained for each government owned vehicle according to Rule 20 of West Pakistan Staff Vehicle (Use and Maintenance) Rules, 1969.

Officers of TMA Ferozewala drew Rs. 2.466 million on account of POL as log books of the vehicles showed travelling of 300 KM to 350 KM per day without recording meter reading for the period 2013-14 as under:

Vehicle No.	Used by	Travelling in km	Amount (Rs.)
SAD 755	TO I&S	Up to 300 km travelled a day	653,255
SAG 555	TMO	Up to 350 km travelled a day	668,978
SAG 1033	TO Regulation	Up to 300 km travelled a day	571,981
SAF 4666	TO Regulation	Up to 300 km travelled a day	571,981
Total			2,466,195

Audit is of the view that unjustified payment of POL was made due to defective financial discipline.

This resulted in unjustified payment of POL worth Rs. 2.466 million.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

Audit recommends fixing responsibility against the officer(s) drawing unjustified POL under intimation to Audit.

1.4 TMA Muridke

1.4.1 Non-compliance of Rules

1.4.1.1 Non-realization of Water Rate – Rs. 22.257 million

According to Rule 76 of PDG and TMA (Budget) Rules 2003, the primary obligation of Collecting Officer shall be to ensure that all revenue due is claimed, realized and credited immediately to local government fund under proper receipt head.

TMA Sheikhpura failed to recover Rs. 22.257 million (detailed below) on account of water rates. Amount was not recovered from the defaulters and no action was taken against them which show that no serious efforts were made for the recovery of government dues / local fund

Sr. No.	Description of income	Previous Years Outstanding amount	Amount Recoverable for the year 2013-14	
1	Water Rates-CO Unit Muridke	11,305,495	7,426,924	18,732,419
2	Water Rates-CO Unit Narang	1,534,746	1,990,249	3,524,995
Total		12,840,241	9,417,173	22,257,414

Audit holds that due to inefficient working, TMO did not make recovery before close of the financial year resulting in non-realization of water rate Rs. 22.057 million.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

Audit recommends recovery and fixing the responsibility against the person(s) for non-recovery of government dues under intimation to Audit.

1.4.1.2 Unauthorized Award of Contracts –Rs. 6.955 million

The contractor who is not enlisted shall not be eligible to participate in the auctioned proceeding of collection rights of different taxes & fees, according to the Rule 15(2) of Punjab Local Government (Auctioning of Collection Rights) Rules 2003. Further, the name & identity card number of each participant shall be written and attested copy of the participant's identity card shall be collected

and kept, in the record according to Rule 6(2) of Punjab Local Government (Auctioning of Collection Rights) Rules, 2003.

TMA Muridke awarded contracts of Rs. 6.955 million pertaining to General Bus Stand, Advertisement fee on sign boards, and rent of municipal property shops were awarded to unlisted participants as copies of the certificate of registration of contractors along with CNIC number of the participants was not available in the files. The bid sheets were also without CNIC numbers and addresses of the participants. In absence of the records, award of contracts could not be termed as legitimate. Further, 2% bank guarantee was also neither available on record nor shown to audit.

Sr. No.	Auction Name	Contractor Name	Amount (Rs.)
1	General Bus Stand	Chaudhary & Co.	4,570,970
2	Advertisement fee on sign boards of shops/commercial places	Akhtar Manzoor	2,319,029
3	Rent of municipal property shops	Rehmat	65,150
Total			6,955,149

Audit holds that unauthorized award of contracts were made due to poor financial discipline and weak internal control.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

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

1.4.1.3 Loss due to Non-auction of Properties –Rs. 14.060 million

According to Rule 76 of PDG and TMA (Budget) Rules 2003, the primary obligation of Collecting Officer shall be to ensure that all revenue due is claimed, realized and credited immediately to local government fund under proper receipt head.

During audit of TMA Muridke for the period 2013-14 it was observed that TMA did not auction the license fee, change in land use, slaughtering of animals and sale of animals in cattle markets etc. and self-recovery was made

during the year 2013-14. This resulted in loss to the Government Rs. 14.060 million as per detail given below.

Sr. No.	Description of income	Revised budget estimates of receipts	Actual Receipts	Less realization of Receipts (Rs.)
1	License fee (Dangerous & Offensive Trades)	1,000,000	414,950	585,050
2	Fee from other Transport stands	300,000	-	300,000
3	Fee for approval of building/ construction plan	4,000,000	1,353,646	2,646,354
4	Fee for change in land use	6,000,000	1,065,430	4,934,570
5	Fee for slaughtering of animals	600,000	424,345	175,655
6	Water connection/disconnection/re-connection fee	100,000	55,660	44,340
7	Fee on sale of animals in cattle markets	500,000	-	500,000
8	Receipt from public latrines	100,000	-	100,000
9	Fee for fair, agriculture shows & other Public events	100,000		100,000
	Other Misc (Water rate)	10,000,000	5,325,442	4,674,558
	Total	22,700,000	5,325,442	14,060,527

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

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

Audit recommends fixing responsibility against the person(s) for less collection of government dues under intimation to Audit.

1.4.1.4 Non-transparent Expenditure Rs. 4.613 million

As per Rule 15.2(c) & (d) of PFR Vol-I, purchase orders should not be split up so as to avoid the necessity for obtaining the sanction of higher authority required with reference to the total amount of the orders. According to Rule 12(1) of Punjab Procurement Rules 2009, procurements over one hundred thousand rupees and up to the limit of two million rupees shall 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, if deemed necessary by the procuring agency.

TMA Muridke drew Rs. 4.613 million on account of repair of tractors and purchase of stores items without sanction of the competent authority as sanction were split up in order to avoid sanction of competent authority and advertisement at PPRA's website as detailed below:

Token No. date	Description	Amount (Rs.)
222/23-11-13	Repairing of Tractor No.13	78,760
223/23-11-13	Repairing of Tractor No.9381	273,450
161/11-11-13	Repairing of Tractor No.14	25,500
158/11-11-13	Repairing of Tractor No.4200	24,900
157/11-11-13	Repairing of Tractor No.4200	24,500
159/11-11-13	Repairing of Tractor No.8365	23,800
208/23-9-13	Repairing items for engine	387,000
138/5-8-2013	Main hole covers	700,000
177/29-11-13	Main hole covers	600,000
209/23-9-13	Flex sing, banners etc	300,000
85/4-10-13	Jackets and caps	375,000
122/6-10-13	Stickers	1,000,000
87/9-12-13	Stickers	800,000
Total		4,612,910

Audit is of the view that incurring expenditure without advertisement on PPRA's website was due to poor procurement management, poor inventory management and non-compliance of Punjab Procurement Rules.

This resulted in non-transparent purchase of Rs. 4.612 million without advertisement at PPRA's Website.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

Audit recommends fixing responsibility against the officer(s) for making purchases without sanction and advertisement at PPRA's website under intimation to Audit.

1.4.1.5 Unauthorized and Doubtful Expenditure—Rs. 2.845 million

As per Rule 4.5 of B&R Code, the measurement book must be looked upon as a most important record since it is the basis of all accounts of quantities, whether of work done by labour or by the piece or by contract, or of material received, which have to be counted or measured. The description of the work must be lucid, so as to admit of easy identification and check.

- A.** TMA Muridke made payments against purchase of manhole covers for the provision in different areas of city without having TS from competent authority. Moreover, the payment was made without recording entries in MB. This resulted in unauthorized payment amounting to Rs. 1,300,000 as detailed below:

Token No. & date	Description	Amount (Rs.)
138/5-8-2013	Provision of manholes covers for city Muridke	700,000
177/29-11-13	Provision of manholes covers for city Muridke	600,000
Total		1,300,000

- B.** TMA Muridke incurred expenditure amounting Rs. 1,545,260 on purchase of manhole covers from the wrong object heads it resulted in irregular expenditure as detailed below:-

Token No. & date	Description	Head of Account Charged A03970	Head of Account to be Charged (A13303) Others Buildings (Man hole covers)	Amount (Rs.)
138/5-8-2013	Provision of manholes covers for city Muridke	-do-	-do-	700,000
177/29-11-13	-do-	-do-	-do-	600,000
1-11-13	-do-	-do-	-do-	23815
1-11-13	-do-	-do-	-do-	23815

19-11-13	-do-	-do-	-do-	23815
19-11-13	-do-	-do-	-do-	23815
24-11-13	-do-	-do-	-do-	150000
Total				1,545,260

Audit holds that unauthorized and doubtful expenditure was made due to poor financial discipline and weak internal controls.

The observation was discussed with the management but no reply was submitted. Afterwards the matter was reported to TMO/PAO in March-2015. Neither any reply was furnished by the department nor DAC meeting was convened till the finalization of this report.

Audit recommends fixing responsibility against the person(s) for unauthorized drawal under intimation to Audit.

ANNEXES

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

Sr. No.	Name of the TMA	Subject	Nature of Irregularity	Amount (Rs. in million)
1	TMA Sheikh upura	Unauthorized advertisement of Contracts	Irregularity	5.834
2		Loss to the government due to less realization of receipts than targets	Irregularity	70.438
3		Unauthorized expenditure of Regulations Branch	Irregularity	0.450
4		Overpayment to contractors for MS Bars	Recovery	0.040
5		Unauthorized expenditure	Irregularity	1.051
6		Unauthorized expenditure without approval of Rate Analysis	Irregularity	0.606
7		Unauthorized expenditure due to overlapping of PCC	Irregularity	1.269
8		Unauthorized payment due to non maintaining lead chart of earth filling	Irregularity	0.703
9		Non recovery of 10% Advance Income Tax on Sale by Auction	Recovery	0.205
10		Unauthorized expenditure	Irregularity	0.131
11		Unauthorized payment	Irregularity	0.095
12	TMA Feroze wala	Non preparation of branch wise Income and Expenditure statements million	Irregularity	305.974
13		Loss due to less targets achieved		21.863
14		Unauthorized Expenditure by misclassification	misclassification	17.980
15		Improper maintenance of Cash Book of Regulations Branch	Irregularity	5.073
16		Non reconciliation of income of P&C Branch	Irregularity	5.047
17		Unauthorized Expenditure on Gully Grating	Irregularity	0.453
18		Unauthorized Expenditure Beyond TS Estimates	Irregularity	0.320
19		Less deduction of Income Tax on Advertisement Fee	Recovery	0.217
20		Unauthorized Repair of Transformer	Irregularity	0.197
21		Overpayment for RCC by applying	Recovery	0.161

Sr. No.	Name of the TMA	Subject	Nature of Irregularity	Amount (Rs. in million)
		incorrect rates		
22		No collection of income under Fines / penalties / encroachment activities	Irregularity	5.073
23		Doubtful expenditure on preparation of copies of Maps of Union Councils	Irregularity	0.099
24		Irregular purchase on account of manholes	Irregularity	1.999
25		Non-imposition of penalty due to delay	Recovery	0.900
26		Over payment	Irregularity	0.029
27		Substandard use of Bitumen without obtaining documentary evidence	Irregularity	1.038
28		Execution of Substandard work due to less use of steel in RCC	Irregularity	0.732
29	TMA Murid ke	Non maintenance of classified and progressive expenditure statement/register on monthly basis and incorrect expenditure statement	Irregularity	566.502
30		Unjustified Expenditure as legal advisors	Irregularity	0.180
31		Unauthorized payment on purchase of Mobile Sets	Recovery	0.050
32		Overpayment on account of extra mileage for tuff tiles	Recovery	0.177
33		Non-imposition of Penalty on late completion / non completion of scheme	Recovery	0.120
34		Less Realization of Receipt from General Bus Stand	Recovery	0.100
35		Non Recovery Tender form Fee	Recovery	0.120
36		Irregular/Doubtful execution of work without Estimate, Technical Sanction and other formalities	Irregularity	11.165

PART-II
Memorandum for Departmental Accounts Committee
Paras Pertaining to Audit Year 2013-14

Para 1.1.3
(Rs. in million)

S.No	Name of TMA	Year	Subject	Nature of Para	Amount
1	TMA Sheikhupura	2012-13	Unauthorized Repair of Transformer	Irregularity	0.631
2		2012-13	Loss of Rs. 438240 Due to Non Collection of Government Receipts	Recovery	0.838
3		2012-13	Non recovery of land rent Rs.537680	Recovery	0.537
4		2012-13	Non Recovery of Rent of Shops – Rs.656795	Recovery	0.656
5		2012-13	Less Collection of Advertisement Fee Rs429,000	Recovery	0.429
6		2012-13	Unauthorized Expenditure on POL Rs389800	Irregularity	0.389
7		2012-13	Overpayment to contractor for Pacca Brick Work – Rs43583	Recovery	0.043
8		2012-13	Loss of Rs311914 due to less deduction of old material	Recovery	0.914
9		2012-13	Loss due less collection of Fire Fighting Charges – Rs323020	Recovery	0.323
10		2012-13	Unauthorized payment of rent of vehicle.73320	Irregularity	0.073
11		2012-13	Unauthorized payment of Rs928941 for the purchase Traffic	Irregularity	0.928

			signboards		
12		2012-13	Unauthorized payment of Rs409160 for the purchase of chemical.	Irregularity	0.409
13		2012-13	Un-authorized payment of previous year liability Rs342440	Irregularity	0.342
14		2012-13	Irregular payment of Rs31645000	Irregularity	31.645
15		2012-13	Unauthorized expenditure of Rs3575361 due to purchase different item to the person not registered with the sales tax department.	Irregularity	3.575
16		2012-13	Non recovery of renewal fee	Recovery	0.795
17		2012-13	Unauthorized payment of cement plaster – Rs67870	Irregularity	0.067
18		2012-13	Overpayment to contractor for MS Bars	Recovery	0.052
19		2012-13	Unauthorized expenditure of PCC Rs2254530 and Marble Patti 158029 aggregated due to overlapping	Irregularity	2.254
20		2012-13	Overpayment for RCC – Rs45296	Recovery	0.045
21		2012-13	Unauthorized expenditure without approval of rate	Irregularity	0.514

			analysis		
22		2012-13	un-authorized execution of development projects due to use of sub-standard Tuff Tiles	Irregularity	0.803
23		2012-13	Overpayment for RCC by allowing excessive rates	Recovery	0.250
24		2012-13	Unauthorized expenditure of Contractor's Profit	Irregularity	0.047
25		2012-13	Non realization of government receipts.	Recovery	14.479
26		2012-13	Non achievement of Receipt Targets	Performance	9.024
27		2012-13	Less recovery of Government Receipts	Recovery	8.800
28		2012-13	Unauthorized payment to contingent paid staff	Irregularity	234.124
29	TMA Sharaqpur	2012-13	Unauthorized Expenditure On Account Of Pay & Allowances	Irregularity	0.410
30		2012-13	Non-Accountal of Material	Non-accountal	0.489
31		2012-13	Doubtful Payments On Account Of Punjab Youth Festival	Irregularity	0.171
32		2012-13	Unauthorized Repair of Transformer	Irregularity	0.072
33		2012-13	Non-Deduction Of Sales Tax Rs. 75,129 /-	Recovery	0.075
34		2012-13	Loss to Government Due To Non-Deduction Of Income Tax	Recovery	0.041
35		2012-13	Loss To Government Due To Non-Realization Of Rent of	Recovery	0.136

			Shops		
36		2012-13	Non-recovery of Income Tax	Recovery	0.015
37		2012-13	Loss Of Millions of Rupees Due To Non Auction Of Cattle Mandi And BaqarMandi	Irregularity	
38		2012-13	Loss Of Millions Of Rupees Due To Non-Collection of Professional Fee	Irregularity	
39		2012-13	Non-deduction of Shrinkage Charges	Recovery	0.420
40		2012-13	Overpayment to Contractor for MS Bars	Recovery	0.024
41		2012-13	Avoidable expenditure on account of removal of Malba amounting to	Recovery	0.067
42		2012-13	Wasteful expenditure incurred on the hiring of tantage	Irregularity	0.562
43		2012-13	Irregular payment of repair of Machinery and Equipment	Irregularity	0.204
44		2010-12	Non Approval of Lead Chart by the Competent Authority for Earth Filling	Irregularity	0.143
45		2010-12	Less deduction of shrinkage on earth work	Recovery	0.037
46		2010-12	Overpayment for RCC	Recovery	0.027
47		2010-12	Excess expenditure than over and above the budget	Irregularity	0.079

48		2010-12	Unauthorized execution of work without Estimate, Technical Sanction and other formalities	Irregularity	0.880
49		2010-12	Unauthorized payment of Hiring Charges	Irregularity	0.221
50		2010-12	Irregular repair of Machinery & Equipment	Irregularity	0.199
51		2010-12	Irregular payment of Additional allowance and Recovery thereof	Irregularity	0.023
52		2010-12	Doubtful expenditure on food of animals	Irregularity	0.086
53		2010-12	Irregular expenditure on the repair of transformer worth	Irregularity	0.112
54		2010-12	Non Recovery of Tender form Fee	Recovery	0.045
55		2010-12	Unjustified Expenditure as legal advisor	Irregularity	0.120
56	TMA Safdarabad	2011-12	Non Production of Enlistment and Renewal Fee Record of Contractor	Non-production of record	0.720
57		2011-12	Non Production of Professional Tax Paid Record of Contractor	Non-production of record	0.240
58		2011-12	Non Recovery Tender form Fee		0.046
59		2011-12	Non Approval of Lead Chart by the Competent Authority for Earth Filling	Irregularity	0.488
60		2011-12	Unauthorized Payment for laying substandard PCC	Irregularity	0.903
61		2011-12	Non Realization of Arrears of Slaughter	Recovery	0.018

			House Fee		
62		2011-12	Non recovery of NOC Fee and Building Plan Fee for installation of mobile towers	Recovery	0.836
63		2011-12	Unauthorized payment made in advance without execution of work	Irregularity	0.587
64		2011-12	Non Recovery of water Charges	Recovery	0.142
65		2012-13	Unauthorized expenditure on Punjab Youth Festival	Irregularity	0.363
66		2012-13	Expenditure without approval of rate analysis	Irregularity	0.298
67		2012-13	Unauthorized expenditure on PCC	Irregularity	0.152
68		2012-13	Excess allocation for sports fund	Irregularity	0.133
69	TMA Ferozwala	2012-13	Non recovery of Advance Tax	Recovery	0.176
70		2012-13	Non-recovery of Pay of the Staff from the Contractors-Rs240,000	Recovery	0.240
71		2012-13	Loss to the government and general public of millions of rupees	Recovery	
72		2012-13	Non recovery of NOC Fee	Recovery	0.300
73		2012-13	Un-justified payment on account of RCC Sewer Pipe Min Hold etc	Irregularity	0.319
74		2012-13	Non recovery of renewal/registration and professional Tax	Recovery	0.370
75		2012-13	Overpayment for RCC	Recovery	0.269
76		2012-13	Overpayment for RCC	Recovery	0.050

77		2012-13	Unauthorized expenditure by deviation from Original Estimate	Irregularity	0.104
78		2012-13	Loss due to non-deduction of 2% from earth filling of slope	Recovery	0.113
79		2012-13	Un-authentic receipt on account of license and permit fee	Irregularity	0.760
80		2012-13	Loss due to non-auction of confiscated goods	Recovery	0.100
81	TMA Muridke	2012-13	Non deduction of 1/5 th of GST	Recovery	0.292
82		2012-13	Non achievement of income targets	Recovery	2.822
83		2012-13	Less recovery of map fee	Recovery	0.115
84		2012-13	Loss of millions of Rupees due to non-approval of Master Plan	Irregularity	-
85		2012-13	Non recovery of professional Tax	Recovery	0.205
86		2012-13	Loss due to Non deduction of shrinkage	Recovery	0.158
87		2012-13	Overpayment for RCC	Recovery	0109
88		2012-13	Loss due to allowing excessive measurement of berm	Recovery	0.444
89		2012-13	Un-justified payment on account of Brocken Glass	Irregularity	0.465
90		2012-13	Unauthorized payment	Irregularity	0.511
91		2012-13	Unjustified payment on account of RCC Sewer Pipe	Irregularity	0.151
92		2012-13	Non transparent execution of development schemes	Irregularity	-

**TMA of Gujranwala District
Budget and Expenditure
Financial Year 2013-14**

Rs. in million

TMA Sheikhpura 2013-14				
Head	Budget	Expenditure	Savings	% age
Salary	320.900	289.900	31.000	9.6
Non-salary	291.200	248.600	42.600	14.6
Development	81.000	59.900	21.100	26
Total	693.100	598.500	94.600	13.7
Revenue		230.520		
TMA Muridke 2013-14				
Head	Budget	Expenditure	Savings	% age
Salary	66.600	66.600	0.000	0
Non-salary	75.500	75.500	0.000	0
Development	88.500	77.500	11.000	12.5
Total	230.600	219.600	11.000	4.8
Revenue		96.685		
TMA Ferozewala 2013-14				
Head	Budget	Expenditure	Savings	% age
Salary	83.900	49.200	34.700	41.3
Non-salary	221.500	169.400	52.100	23.5
Development	89.200	77.000	12.300	13.8
Total	394.600	295.600	99.000	25.1
Revenue		173.166		

Grand Total 2013-14				
Salary	471.345	405.735	65.610	13.9
Non-salary	588.203	493.522	94.681	16.1
Development	258.755	214.367	44.388	17.1
Total	1318.303	1113.624	204.679	15.5
Revenue		500.371		