



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
UNION ADMINISTRATIONS  
DISTRICT KHUSHAB**

**AUDIT YEAR 2012-13**

**AUDITOR GENERAL OF PAKISTAN**

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## **ABBREVIATIONS & ACRONYMS**

ADP	Annual Development Programme
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
FD	Finance Department
IPSAS	International Public Sector Accounting Standards
LG&CD	Local Government & Community Development
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
PAC	Public Accounts Committee
PDG	Punjab District Government
PLGO	Punjab Local Government Ordinance
PLG	Punjab Local Government
POL	Petroleum Oil and Lubricants
PCC	Plain Cement Concrete
PDSSP	Punjab Devolved Social Sector Programme
TAC	Tehsil Accounts Committee
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)
UAs	Union Administrations
UCs	Union Councils

## **PREFACE**

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

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

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

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

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

**Islamabad**  
**Dated:**

**(Muhammad Akhtar Buland Rana)**  
**Auditor General of Pakistan**

## **EXECUTIVE SUMMARY**

The Directorate General Audit, District Governments, Punjab (North), Lahore, is responsible to carry out the audit of all District Governments and Local Governments in Districts in Punjab (North) including Union Administrations. Its Regional Directorate Lahore has audit jurisdiction of District Governments, TMAs and UAs of five Districts i.e. Sargodha, Khushab, Mianwali and Bhakkar.

The Regional Directorate has a human resource of 14 officers and staff, constituting 4,555 man days and the budget of Rs9.398 million for the financial year 2011-12. It has the mandate to conduct financial attest audit, regularity audit, audit of sanctions, audit of compliance with authority and audit of receipts as well as the performance Audit of entities, projects and programs. Accordingly R.D.A Sargodha carried out audit of the accounts of two UAs of District Khushab for the financial years 2011-12.

Union Administrations, District Khushab conduct their operations under Punjab Local Government Ordinance, 2001 (as amended). Each Union Council comprises elected councilors headed by a Nazim, assisted by a Secretary who may be nominated by the Union Nazim to act as PAO. Funds, in lieu of Zilla tax share, are provided directly to the UAs through DCO to meet their expenditure.

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

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.

## **Audit Objectives**

Audit was conducted with the objectives to ensure that:

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

### **a) Audit Methodology**

Audit was performed through understanding the business processes of UAs with respect to functions, control structure, prioritization of risk areas by determining their significance and identification of key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field audit activity. Audit used desk audit techniques for analysis of compiled data and review of permanent files / record. Desk Audit greatly facilitated identification of high risk areas for substantive testing in the field.

### **b) Expenditure Audited**

Total expenditure of UAs, District Khushab for the financial year 2011-12, was Rs4.559 million against the budget allocation of Rs6.020 million. Out of this, RDA Sargodha audited an expenditure of Rs3.966 million, which, in terms of percentage, was 87% of the total expenditure. Regional Director Audit planned and executed audit of two (02) formations i.e 100% achievement against the planned audit activities.

Total receipt of UAs for the financial year 2011-12, was Rs4.656 million. RDA Sargodha audited receipt of Rs3.492 million, which in terms of percentage, is 75% of total receipts.

**c) Key Audit Findings**

- i. Non-compliance of rules and regulations noted in two cases amounting to Rs.2.222 million.<sup>1</sup>

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

**d) Recommendations**

Audit recommends that the PAO/management of UAs should ensure to resolve the following issues seriously:

- i. Strengthening of internal controls
- ii. Appointment of Internal Auditor
- iii. Holding of DAC meetings well in time
- iv. Compliance of DAC directives and decisions in letter and spirit
- v. Expediting recoveries pointed out by Audit as well as others recoverables in the notice of management
- vi. Compliance of relevant laws, rules, instructions and procedures, etc.
- vii. Proper maintenance of accounts and record
- viii. Appropriate actions against officers/officials responsible for violation of rules and losses
- ix. Addressing systemic issues to prevent recurrence of various omissions and commissions.
- x. Realization and reconciliation of various receipts
- xi. Production of record to audit for verification
- xii. Physical stock taking of fixed and current assets
- xiii. Hold investigations for wastage, fraud, misappropriation and losses, and take disciplinary actions after fixing responsibilities.

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<sup>1</sup>Para 1.2.1.1 -1.2.1.2

## SUMMARY TABLES AND CHARTS

**Table 1: Audit Work Statistics**

Rs in million

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	51	122.362
2	Total formations in audit jurisdiction	51	122.362
3	Total Entities (PAOs)/ DDOs Audited	02	4.559
4	Audit & Inspection Reports	02	-
5	Special Audit Reports	Nil	Nil
6	Performance Audit Reports	Nil	Nil
7	Other Reports (Relating to UAs)	Nil	Nil

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

**Table 2: Audit Observations**

Rs in million

Sr. No.	Description	Amount under audit observation
1	Asset management	0
2	Financial management	0
3	Internal controls	1.400
4	Violation of rules	0.822
5	Others	0
<b>Total</b>		<b>2.222</b>



**Table 3: Outcome Statistics**

Rs in million

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total
1	Outlays audited	1.362	2.235	4.656	0.962	9.215
2	Amount placed under audit observation / irregularities	0	2.222	0	0	2.222
3	Recoveries pointed out at the instance of Audit	0	0	0	0	0
4	Recoverable accepted / established at Audit instance	0	0	0	0	0
5	Recoveries realized at the instance of Audit	0	0	0	0	0

\*The amount in serial No.1 column of "Total Current Year" is the sum of Expenditure and Receipts whereas the total expenditure for the current year was Rs4.559 million.

**Table 4: Irregularities Pointed Out**

Rs in million

Sr. No.	Description	Amount under Audit observation
1	Violation of rules and regulations and principle of propriety and probity.	0.822
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public funds.	0
3	Quantification of weaknesses of internal controls system.	1.400
4	Recoveries, overpayments and loss to the government.	0
5	Non-production of record to Audit	0
6	Others, including cases of accidents, negligence etc.	0
<b>Total</b>		<b>2.222</b>

# **CHAPTER-1**

## **1 UNION ADMINISTRATIONS OF DISTRICT, KHUSHAB**

### **1.1 INTRODUCTION**

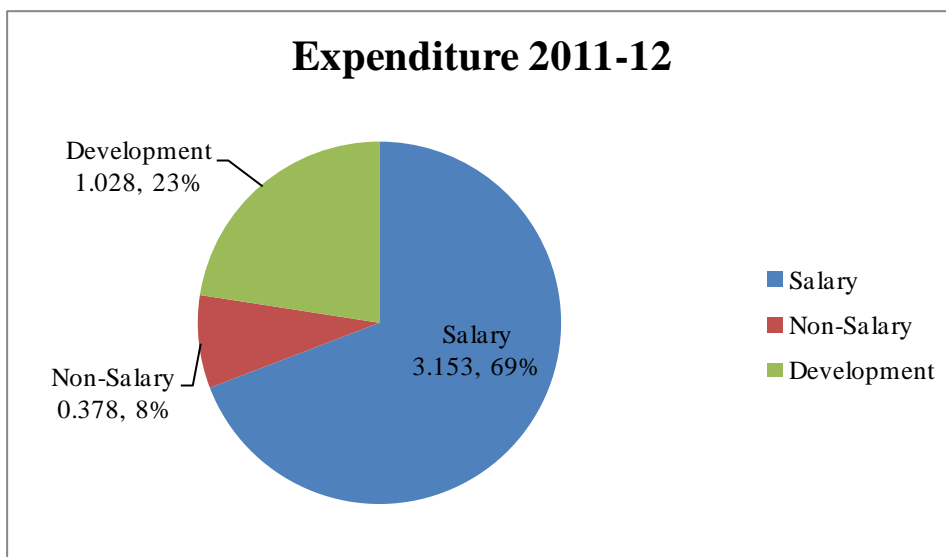
Each Union Administration, Khushab consists of Union Nazim, Union Naib Nazim, Secretary and Administration. Each UA Khushab comprises one Drawing & Disbursing Officer i.e. Secretary. The main functions of UAs are as follows:-

1. to collect and maintain statistical information for socio-economic surveys;
2. to consolidate village and neighborhood development needs and prioritize them into union-wide development proposals with the approval of the Union Council and make recommendations thereof to the District Government or Tehsil Municipal Administration, as the case may be;
3. to identify deficiencies in the delivery of services and make recommendations for improvement thereof to the Tehsil Municipal Administration;
4. to register births, deaths and marriages and issue certificates thereof;
5. to make proposals to the Union Council for levy of rates and fees specified in the Second Schedule and to collect such rates and fees within the Union;
6. to establish and maintain libraries;
7. to organize inter-Village or Neighborhood sports tournaments, fairs, shows and other cultural and recreational activities;
8. to disseminate information on matters of public interest;
9. to improve and maintain public open spaces, public gardens and playgrounds;
10. to provide and maintain public sources of drinking water, including wells, water pumps, tanks, ponds and other works for the supply of water;
11. to maintain the lighting of streets, public ways and public places through mutual agreement with the Tehsil Municipal Administration;

12. to execute the projects of the approved Union Annual Development Plan by contracting out to the private sector in the manner as may be prescribed and to obtain support of the Tehsil Municipal Administration or District Government for such execution; and
13. to assist the Village Councils or, as the case may be, Neighborhood Councils in the Union to execute development projects.

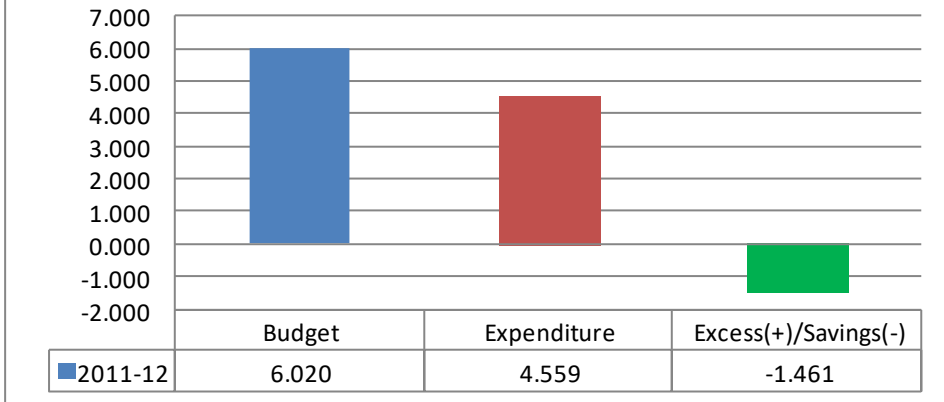
### 1.1.2 Comments on Budget and Accounts (Variance Analysis)

2011-12	Budget	Expenditure	Excess (+) / Saving (-)	% age (Saving)
Salary	3.353	3.153	(-) 0.200	6
Non-salary	1.038	0.378	(-) 0.660	64
Development	1.629	1.028	(-) 0.601	37
Revenue	4.656			
<b>Total</b>	<b>6.020</b>	<b>4.559</b>	<b>(-) 1.461</b>	<b>24</b>



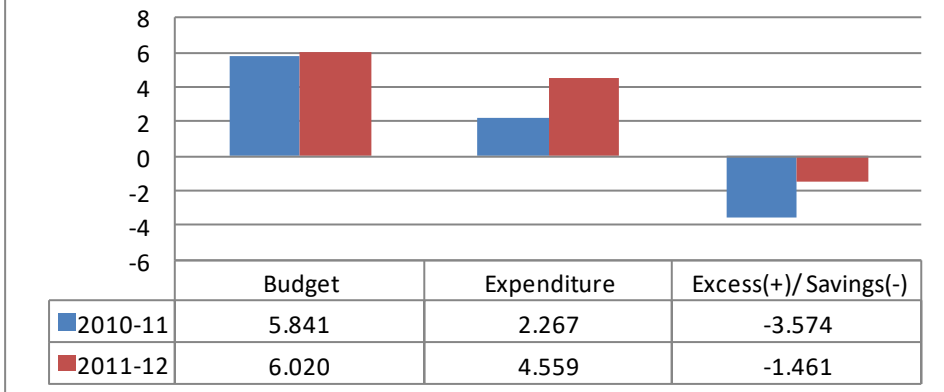
As per Budget Book for the financial year 2011-12 of UAs in District Khushab, the original and final budget was of Rs6.020 million. Against actual total expenditures incurred by these UAs during financial year 2011-12 was Rs4.559 million as detailed in Annex-B.

### Budget and Expenditure 2010-11 & 2011-12



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

### Comparison of Budget and Expenditure 2010-11 & 2011-12



There was 3% increase in Budget Allocation and 101% increase in Expenditure.

## **1.2 AUDIT PARAS**

## **1.2.1 Non-compliance of Rules**

### **1.2.1.1 Non utilization of CCB funds - Rs 1.400 million**

According to Section 119 sub Section 2 of Punjab Local Government Ordinance 2001 “a local government may grant to the Citizen Community Boards within its local areas, up to 80% of the budgeted amount of an approved development schemes in the manner prescribed”.

UA Urban 22, Khushab failed to utilize CCB funds for financial year 2011-12 as accumulated balance of Rs1.400 million was available for CCB Projects but no expenditure had so far been incurred as detailed below:

<b>Year</b>	<b>Description</b>	<b>Funds available</b>
2011-12	Accumulated balance of CCB	1,400,000

Audit holds that CCB funds were not utilized due to defective financial discipline. Non utilization of CCB funds deprived general public from benefits.

The matter was reported to the PAO in November, 2012 but no reply was furnished. Despite repeated requests, DAC meeting was not convened by PAO and Secretary till the finalization of this Report.

Audit stress utilization and fixing of responsibility under intimation to audit.

### **1.2.1.2 Doubtful Expenditure on Development Schemes – Rs 0.822 million**

According to Rule 29 of PLG (Accounts) Rules 2003, every Drawing and Disbursing Officer signing and authorizing the payment for salary and bonus, contingent account, work bill, grants bill and traveling allowance bill shall be personally responsible for any erroneous payment and claim of bill.

Union Council 22 Urban Khushab incurred an expenditure of Rs822,000 on execution of nine development schemes during the financial years 2010-12 but estimates of work, technical sanction, administrative approval, and completion reports were not provided to audit for scrutiny as detailed below:

<b>Sr. #</b>	<b>Year</b>	<b>Name of UC</b>	<b>Development expenditure</b>
1.	2011-12	PCC slab from house of mukhtar to house sufi ramzan	99,500
2.	-do-	PCC slab masjid Ithad bhatto chowk to house snocher	99,500
3.	-do-	Const. of drains syed Khalid Hussain shah to hosue Tariq Nawaz	45,000
4.	2010-11	PCC slab hosue shahbaz karana store to House Naveed Hamat Pura Khushab	99,000
5.	-do-	-do-	99,000
6.	-do-	PCC slab house Aqeel Advocate to Levi Mohalla Mugheem Shah (Phase-I)	90,000
7.	-do-	-do- (Phase-II)	90,000
8.	2008-09	Const. of slab and drains street Qasai near Dara a Aulfat Hussain Shah	100,000
9.	-do-	Const. of soling slab house Malik Muhammad Altaf to house Haji Muhammad Ali	100,000
<b>Total</b>			<b>822,000</b>

Audit holds that execution of schemes without approval was due to defective financial discipline.

The matter was reported to the PAO in November, 2012 but no reply was furnished. Despite repeated requests, DAC meeting was not convened by PAO and Secretary till the finalization of this Report.

Audit stresses recovery and fixing of responsibility under intimation to audit.



# **ANNEXES**

**MFDAC PARAS**

<b>Sr. No.</b>	<b>Name of Formation</b>	<b>Description of Paras</b>	<b>Nature of violation</b>	<b>Amount (Rs)</b>
1	UA Urban 22, Khushab	Splitting up the projects -Rs 378,000	Violation of Rules	378,000

## UAs of Khushab District

### Budget and Expenditure Statement for the Financial Year 2011-12

<b>UA Nari___ Budget and Expenditure for the financial year 2011-12</b>				
<b>Head</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Excess(+)/ Savings(-)</b>	<b>%age</b>
Salary	1.185	1.485	(+ 0.300)	25.32
Non-Salary	0.447	0.088	(-) 0.359	81.31
Development	0.447	0.447	0	0
Revenue	1.406			
<b>Total</b>	<b>2.079</b>	<b>2.020</b>	<b>(-) 0.059</b>	<b>2.84</b>
<b>UA Urban 22_ Budget and Expenditure for the financial year 2011-12</b>				
<b>Head</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Excess(+)/ Savings(-)</b>	<b>%age</b>
Salary	2.168	1.668	(-) 0.500	23.06
Non-Salary	0.591	0.290	(-) 0.301	50.93
Development	1.182	0.581	(-) 0.601	50.85
Revenue	3.250			
<b>Total</b>	<b>3.941</b>	<b>2.539</b>	<b>(-) 1.402</b>	<b>35.57</b>