



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

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

ADP	Annual Development Programme
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
MFDAC	Memorandum for Department Accounts Committee
PAO	Principal Accounting Officer
PLGO	Punjab Local Government Ordinance
TMA	Tehsil Municipal Administration
UAs	Union Administrations
UCs	Union Councils

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 government 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 accounts of Union Administrations of District Mianwali for the Financial Years 2014-15 and 2015-16. The Directorate General of Audit District Governments Punjab (North), Lahore conducted audit during 2016-17 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit observations of serious nature. Relatively less significant issues are listed in the Annex-A of the Audit Report. The Audit observations listed in the Annex-A shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations 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 regulatory 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 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:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

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

The Regional Directorate has a human resource of 11 officers and staff, total 2,739 man-days and the annual budget of Rs 14.220 million for the Financial Year 2016-17. 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, Regional Directorate Sargodha carried out audit of the accounts of 10 UAs of District Mianwali for the Financial Year 2014-15 and 2015-16.

Each Union Administration in District Mianwali conducts its operations as per Punjab Local Government Ordinance, 2001. The Secretary is the Principal Accounting Officer (PAO). The financial provisions of the PLGO, 2001 require the establishment of Union Local Fund and Public Account for which Annual Budget Statement is authorized by the Union Nazim and Union Council / Administrator in the form of budgetary grants.

Audit of UAs of District Mianwali was carried out with the view to ascertaining 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 was also conducted to verify whether the assessment, collection, reconciliation and allocation of revenues were made in accordance with Laws and Rules.

a. Scope of Audit

Total expenditure of ten UAs of District Mianwali for Financial Years 2014-15 and 2015-16 was Rs 25.613 million. Out of this, Directorate General Audit, District Governments Punjab (North) Lahore audited expenditure was Rs 18.441 million which, in terms of percentage, was 72% of total expenditure. Directorate General Audit, District Governments, Punjab (North), Lahore planned and executed audit of ten

UAs in Audit Year 2016-17 i.e. 100% achievement against the planned audit activities.

Total receipts of UAs of District Mianwali for the Financial Years 2014-15 and 2015-16 were Rs 4.533 million. RDA Sargodha audited receipts of Rs 2.402 million which was 53% of total receipts.

b. Recoveries at the Instance of Audit

Recovery of Rs 0.573 million was pointed out, which was not in the notice of executive before audit. However, no recovery was affected till compilation of this report.

c. Audit Methodology

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

d. Audit Impact

A number of improvements, as suggested by audit, in maintenance of record and procedures, have been initiated by the concerned departments. However, audit impact in shape of change in rules has not been significant due to non-convening of regular PAC meetings.

e. Comments on Internal Controls

Internal controls mechanism of UAs of District Mianwali 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 Union Administration authorities may be captioned as one of important reasons for weak Internal Controls.

f. Key Audit Findings

- i. Non production of record of Rs 4.0 million were noted in one case¹.
- ii. Irregularities and Non-compliance of rules and regulations amounting to Rs 0.463 million were noted in two cases² and
- iii. Internal Control weaknesses amounting to Rs 28.514 million were noted in two cases.³

Audit paras for the Audit Year 2016-17 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting are included in MFDAC (Annex-A).

¹ Para: 1.2.1.1

² Para: 1.2.2.1 - 1.2.2.2

³ Para: 1.2.3.1 - 1.2.3.2

g. Recommendations

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

- i. Proper maintenance of record and its production to audit for scrutiny
- ii. Compliance of relevant laws, rules, instructions and procedures, etc.
- iii. Appropriate actions against officers/officials responsible for violation of rules and losses
- iv. Addressing systemic issues to prevent recurrence of various omissions and commissions
- v. Physical Stock Taking of fixed and current assets and
- vi. Holding of investigations for wastage, fraud, misappropriation and losses, and take disciplinary actions against the person (s) at fault.

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

Sr. No.	Description	No.	Budget (F.Ys. 2014-16)		
			Budget	Receipts	Total
1	Total Entities (PAOs) in Audit Jurisdiction	56	232.165	25.349	257.514
2	Total formations in audit jurisdiction	56	232.165	25.349	257.514
3	Total Entities (PAOs)/ DDOs Audited	10	42.325	4.533	46.858
4	Total Formations Audited	10	42.325	4.533	46.858
5	Audit & Inspection Reports	10	42.325	4.533	46.858
6	Special Audit Reports	-	-	-	-
7	Performance Audit Reports	-	-	-	-
8	Other Reports (Relating to UAs)	-	-	-	-

Table 2: Audit Observations Classified by Categories

(Rs in million)

Sr. No.	Description	Amount under Audit Observation
1	Unsound Asset Management	-
2	Weak Financial Management	0.573
3	Weak Internal Controls relating to Financial Management	27.941
4	Violation of Rules	0.463
5	Others	4.000
Total		32.977

Table 3: Outcome Statistics

(Rs in million)

Sr. No.	Description	Expenditure and Acquiring Physical Assets	Civil Work	Receipt	Others	Total
1	Outlays audited	-	1.024	4.533	24.589	30.146*
2	Amount placed under audit observation / irregularities	-	-	0.573	32.404	32.977
3	Recoveries pointed out at the instance of Audit	-	-	0.573	-	0.573
4	Recoverable accepted / established at Audit instance	-	-	0.573	-	0.573
5	Recoveries realized at the instance of Audit	-	-	-	-	-

*The amount in Serial No.1 column of "Total Current Year" is the sum of Expenditure and Receipts whereas the total expenditure for the Financial Years 2014-15 and 2015-16 was Rs 25.613 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	0.463
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public funds	-
3	Quantification of weaknesses of Internal Controls system	27.941
4	Recoveries, overpayments and loss to the government.	0.573
5	Non-production of record to Audit	4.000
6	Others, including cases of accidents, negligence etc.	-
Total		32.977

Table 5: Cost-Benefit Ratio

(Rs in million)

Sr. No.	Description	Amount
1	Outlays Audited (Items 1 of Table 3)	30.146
2	Expenditure on Audit	1.185
3	Recoveries realized at the instance of Audit	-
4	Cost –Benefit Ratio	-

CHAPTER-1

1.1 UNION ADMINISTRATIONS, DISTRICT MIANWALI

1.1.1 Introduction

Each Union Administration of District Mianwali consists of Union Nazim, Union Naib Nazim, Secretary and Administration. Each UA Mianwali comprises one Drawing and Disbursing Officer i.e. Secretary. As per Section 76 of PLGO 2001, the functions of UAs are as follows:

- i. to collect and maintain statistical information for socio-economic surveys;
- ii. 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;
- iii. to identify deficiencies in the delivery of services and make recommendations for improvement thereof to the Tehsil Municipal Administration
- iv. to register births, deaths and marriages and issue certificates thereof;
- v. 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;
- vi. to establish and maintain libraries;
- vii. to organize inter-village or neighborhood sports tournaments, fairs, shows and other cultural and recreational activities;
- viii. to disseminate information on matters of public interest;
- ix. to improve and maintain public open spaces, public gardens and playgrounds;
- x. to provide and maintain public sources of drinking water, including wells, water pumps, tanks, ponds and other works for the supply of water;
- xi. to maintain the lighting of streets, public ways and public places through mutual agreement with the Tehsil Municipal Administration;

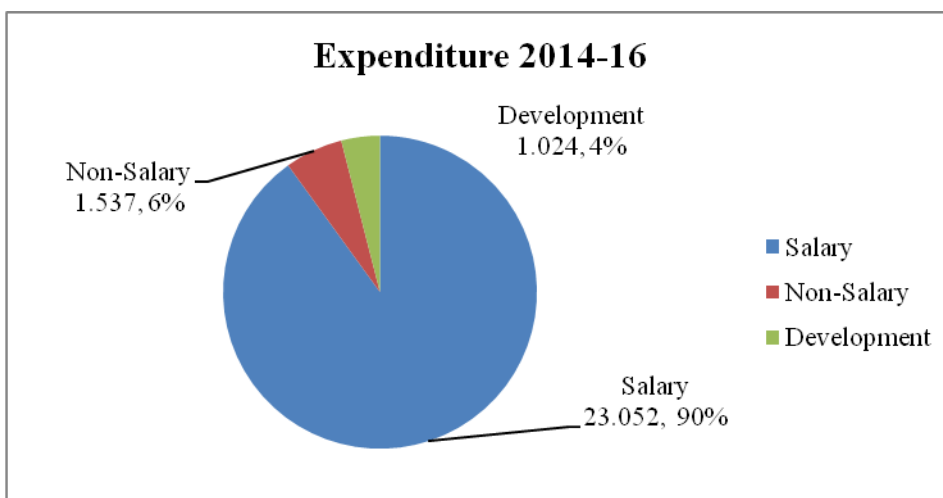
- xii. to execute the projects of the approved Union Annual Development Plan by contracting out to the private sector in the manner as may be prescribed and to obtain support of the Tehsil Municipal Administration or District Government for such execution and
- xiii. to assist the Village Councils or,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

1.1.2 Comments on Budget and Accounts (Variance Analysis)

Total Budget of ten UAs of District Mianwali was Rs 42.325 million (inclusive Salary, Non-salary and Development) whereas the expenditure incurred (inclusive Salary, Non-salary and development) was Rs 25.613 million showing savings of Rs 16.712 million which in terms of percentage was 39% of the final budget as detailed below:

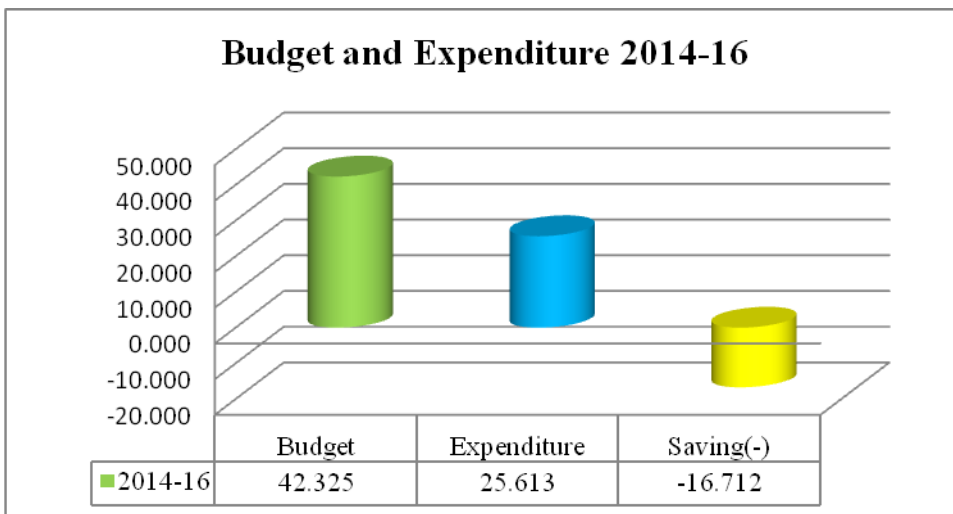
(Rs in million)

2014-16	Budget	Expenditure	Excess (+) / Saving (-)	% (Saving)
Salary	30.897	23.052	(-)7.845	25
Non-salary	8.888	1.537	(-)7.351	83
Development	2.540	1.024	(-)1.516	60
Total	42.325	25.613	(-)16.712	39



The original and final Budget of ten UAs of Mianwali for the Financial Years 2014-15 and 2015-16 was Rs 42.325 million. Against the

final budget, total expenditure incurred by the UAs during Financial Years 2014-15 and 2015-16 was Rs 25.613 million.



1.1.3 Brief Comments on the Status of Compliance with Ad-hoc Accounts Committee 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 Ad-hoc Accounts Committee Meetings
1.	2009-12	8	Not Convened
2.	2012-13	0	Not Convened
3.	2013-14	6	Not Convened
4.	2015-16	5	Not Convened

As indicated in the above table, no Adhoc Accounts Committee meeting was convened to discuss the audit report of UAs of District Mianwali.

1.2 AUDIT PARAS

1.2.1 Non-production of Record

1.2.1.1 Non-production of Record – Rs 4.0 million

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, according to Section-115(5) & (6) of PLGO, 2001, at the time of audit, the officials concerned shall provide all record for audit inspection and comply with any request for information in as complete a form as possible and with all reasonable expedition.

Secretary Union Administration No.43 Piplan urban, Tehsil Piplan did not produce record for audit verification pertaining to the financial year 2015-16. In the absence of record, authenticity, validity, accuracy and genuineness of expenditure of Rs 4.0 million could not be verified.

Audit is of the view that due to failure of administrative controls and financial discipline relevant record was not produced to Audit.

This resulted in non provision of record.

The matter was reported to the PAO / Secretary in April 2017, but no reply was furnished. Despite of repeated requests, DAC meeting was not convened by management till the finalization of this Report.

Audit recommends fixing of responsibility against the officers / officials for non-production of record under intimation to Audit.

[AIR Para No.1]

1.2.2 Irregularity and Non-compliance

1.2.2.1 Irregular Expenditure on the Execution of Development Schemes – Rs 0.314 million

According to Punjab Tehsil / Town Municipal Administration (Works) Rules, 2003 Chapter IV Section 14, an estimate on the basis of which a work is to be undertaken shall be subject to:

- a. Sanction and grant of administrative approval by the competent authority.
- b. Technical sanction by competent authority in accordance with the provisions of these rules; and
- c. Availability of funds for the scheme.

Management of Union Council No.14 Tabisar District Mianwali administratively and technically approved six development schemes during the year 2014-15 without having sufficient budget for execution. The schemes were advertised in Daily Nawa-e-Waqat dated 12th July 2014. Three schemes were executed in the year 2014-15 while one was executed in 2015-16 and the remaining two schemes were not executed due to shortage of funds. Moreover, exact place and location of schemes as well as End User Certifications about satisfactory completion of schemes were also not found available.

Audit is of the view that due to weak internal controls and financial discipline, rules were not followed.

This resulted in irregular expenditure of Rs 0.315 million.

The matter was reported to the PAO / Secretary in April 2017, but no reply was furnished. Despite of repeated requests, DAC meeting was not convened by management till the finalization of this Report.

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

[AIR Para No.3]

1.2.2.2 Irregular Expenditure due to Splitting – Rs 0.149 million

According to Rule 9 of PPRA 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. (2) The procuring agency

shall advertise in advance annual requirements for procurement on the website of the Authority as well as on its website.

Administrator of Union Council No.09 Tani Khel district Mianwali incurred an expenditure of Rs 0.149 million by splitting in violation of rule ibid, during the years 2014-16. Detail is as under:

Name of Scheme	Name of Contractor	Amount of Work Done/ Estimated cost (Rs)
Distribution Line Moza Sodhri Part-I	Saeed Nawaz Govt. Contractor	98,950
Distribution Line Moza Sodhri Part-II	Saeed Nawaz Govt. Contractor	49,800
Total		148,750

Audit is of the view that due to weak internal controls and financial discipline, expenditure was made by splitting up.

This resulted in an irregular expenditure of Rs 0.149 million.

The matter was reported to the PAO / Secretary in April 2017, but no reply was furnished. Despite of repeated requests, DAC meeting was not convened by management till the finalization of this Report.

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

[AIR Para No.3]

1.2.3 Internal Control Weaknesses

1.2.3.1 Non Reconciliation of Receipts with the Bank – Rs 27.941 million

According to Rule 78(1) of PDG & TMA (Budget) Rules 2003, the Collecting Officers shall reconcile his figures with the record maintained by the Accounts Officer by the 10th day of the month following the month to which the statement relates.

Management of following Union Administrations of District Mianwali did not reconcile receipts with the banks for the financial years 2014-15 & 2015-16.

Sr. No.	UA No.	Name of UA	AIR Para No.	Receipts (Rs)
1	56	Tibba Meharban Shah	1	2.679
2	51	Harnoli Urban	1	2.607
3	35	Musa Khel	1	3.003
4	28	Mari	1	2.687
5	26	Daud Khel	1	1.383
6	20	Yaru Khel	1	2.743
7	14	Tabisar	1	5.068
8	09	Tani Khel	1	2.769
9	02	Khaglanwala	1	5.002
Total				27.941

Audit is of the view that due to non-reconciliation the receipts figures were unauthentic.

This resulted in non reconciliation of receipt of local Government of Rs 27.941 million.

The matter was reported to PAO / Secretary in April, 2017 but no reply was furnished. Despite repeated requests, DAC meeting was not convened till the finalization of this Report.

Audit recommends early reconciliation of receipts figures besides fixing of responsibility against the persons at fault under intimation to Audit.

1.2.3.2 Un-authentic Receipt Figures of NADRA - Rs 0.573 million

According to Rule 78(1) of PDG & TMA (Budget) Rules 2003, the Collecting Officers shall reconcile his figures with the record maintained by the Accounts Officer by the 10th day of the month following the month to which the statement relates.

Receipts of UC No.35 Musa Khel district Mianwali for the years 2014-15 and 2015-16 on account of birth, marriage and death registration fee @ Rs 100 per case did not match and reconcile with the NADRA Security Papers/forms issued during this period. Fresh Sr. No. was allotted to birth registrations from 1st January, 2016 instead of maintaining continuity. NADRA forms and receipt numbers were not mentioned in birth registration register. Number of registrations of births, marriages and deaths were more than the enrolments/registrations reported to the NADRA authorities.

Audit is of the view that due to weak internal controls and financial discipline, receipts were not matched with NADRA Security papers.

This resulted in un-authentic receipts of Rs 0.573 million.

The matter was reported to the PAO / Secretary in April 2017, but no reply was furnished. Despite of repeated requests, DAC meeting was not convened by management till the finalization of this Report.

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

[AIR Para No.3]

ANNEXURES

Annex-A**MFDAC Paras for the Audit Year 2016-17**

(Rs in million)

Sr. No.	Name of Formation	PDP No.	Description of Paras	Nature of violation	Amount
1	Union Council No.56 Tibba Meharban Shah	02	Unjustified excess expenditure than receipts	Weak internal control	0.234
2		03	Non deduction of income tax	Recovery	0.004
3	Union Council No.35 Musa Khel	02	Unjustified excess expenditure than receipts	Weak internal control	0.339
4		04	Doubtful expenditure on account of purchase of printer	Weak internal control	0.008
5		05	Loss to government due to non deduction of income tax	Recovery	0.005
6	Union Council No.28 Mari	02	Unjustified excess expenditure than receipts	Weak internal control	0.091
7		03	Undue retention of Government money	Weak internal control	0.031
8	Union Council No.26 Daud Khel	02	Unjustified excess expenditure than receipts	Weak internal control	0.174
9		03	Undue retention of Government money		0.049
10		04	Loss to government due to non deduction of income tax	Recovery	0.004
11	Council No.20 Yaru Khel	02	Unjustified excess expenditure than receipts	Weak internal control	0.844
12		03	Undue retention of Government money	Weak internal control	0.306
13		04	Loss to government due to non deduction of income tax	Recovery	0.001
14	Union Council No.14 Tabisar	02	Undue retention of Government money	Weak internal control	2.266
15		04	Loss to government due to less deduction of income tax	Recovery	0.007

16	Union Council No.09 Tani Khel	02	Unjustified excess expenditure than receipts	Weak internal control	0.910
17		04	Irregular execution of development Schemes without collecting Performance security	Irregularity	0.039
18	Union Council No.02 Khaglanwala	02	Undue retention of Government money	Weak internal control	2.981
19		03	Loss to government due to non recovery of HBA	Recovery	0.090
20		04	Loss to government due to non deduction of income tax	Recovery	0.005
21		05	Irregular payment of TA / DA	Irregularity	0.004

UAs of Mianwali District

Budget and Expenditure for the Financial Year 2014-15 and 2015-16

(Rs in million)

UA No.	Name of UAs	F.Y.	Budget	Expenditure	Saving
20	Yaru Khel	2014-15	1.504	1.488	0.016
		2015-16	1.653	1.653	0
26	Daud Khel Urban	2014-15	1.318	1.303	0.015
		2015-16	1.448	1.448	0
28	Mari	2014-15	1.848	1.211	0.637
		2015-16	2.031	1.345	0.686
35	Musa Khel	2014-15	2.816	1.623	1.193
		2015-16	3.095	1.803	1.292
51	Harnoli Urban	2014-15	1.045	1.033	0.012
		2015-16	1.148	1.148	0
43	Piplan Urban	2014-15	0	0	0
		2015-16	0	0	0
56	Tibba Mehrban Shah	2014-15	2.175	1.247	0.928
		2015-16	2.390	1.385	1.005
02	Khaglan Wala	2014-15	4.000	1.207	2.793
		2015-16	4.396	1.341	3.055
09	Tani Khel	2014-15	1.666	1.648	0.018
		2015-16	1.831	1.831	0
14	Tabi Sar	2014-15	3.793	1.373	2.420
		2015-16	4.168	1.526	2.642
Total			42.325	25.613	16.712