



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

**AUDIT YEARS 2012-13**

**AUDITOR GENERAL OF PAKISTAN**

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## **ABBREVIATIONS AND ACRONYMS**

ADP	Annual Development Plan
DAC	Departmental Accounts Committee
FBR	Federal Board of Revenue
FD	Finance Department
IPSAS	International Public Sector Accounting Standards
LG &CD	Local Government & Coomunity Development
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
PAC	Public Account Committee
PDG	Punjab District Governments
PLGO	Punjab Local Government Ordinance
PLG	Punjab Local Government
PDSSP	Punjab Devolved Social Sector Programme
PPRA	Punjab Procurment regulation Authority
TAC	Town Accounts Committee
UA	Union Administration
TO (R)	Town Officer (Regulation)

## **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 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 shall be conducted by the Auditor General of Pakistan. 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 Attock 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 report 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 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 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 were 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 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 of Audit, Rawalpindi has audit jurisdiction of District Governments, Tehsil / Town Municipal Administration and Union Administrations of one City District Government i.e. Rawalpindi and three District Governments i.e. Jhelum, Chakwal and Attock.

The Regional Directorate has a human resource of 15 officers and staff, total 4,389 man-days and the annual budget of Rs12.199 million for the financial year 2011-12. It has mandated to conduct Financial Attest, Regularity Audit, Audit of Sanctions and Compliance with Authority & Performance Audit of entire expenditure including programmes / projects & receipts. Accordingly R.D.A Rawalpindi carried out audit of the accounts of 2 UAs of District Attock for the financial year 2011-12.

Each Union Administration in District Attock is headed by a Union Nazim / Administrator who carries out operations as per Punjab Local Government Ordinance, 2001. The Secretary is the Principal Accounting Officer (PAO). The financial provisions of the Punjab Local Government Ordinance, 2001 require the establishment of Union Local Fund and Public Account for which Annual Budget Statement is authorized by the Union Nazim/Union Council/Administrator in the form of Budgetary Grants.

Audit of UAs of District Attock 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 was 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 to ensure that:

1. Money shown as expenditure in the accounts was authorized for the purpose for which it was 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 laws, rules and regulations.

### **a) Audit Methodology**

Audit was performed through understanding the business process 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) Audit of Expenditure and Receipt**

Total expenditure of 2 UAs of District Attock for the financial year 2011-12 was Rs6.30 million covering two PAOs and two formations. Out of this Regional Director Audit (RDA) Rawalpindi audited an expenditure of Rs6.30 million which in terms of percentage was 100% of total expenditure. Regional Director Audit planned and executed audit of 2 UAs i.e. 100% achievement against the planned audit activities.

Total receipts of 2 UAs of the District Attock for the financial year 2011-12, were Rs3.277 million. RDA Rawalpindi audited receipts of Rs3.277 million which was 100% of total receipts.

**c) Recoveries at the Instance of Audit**

No Recovery was pointed out

**d) Key Audit Findings of the Report**

- i. Non Compliance of Rules of Rs0.975 million noted in one case<sup>1</sup>.

Audit paras for the audit year 2012-13 involving procedural violations including internal control weaknesses, unsound asset management and irregularities not considered worth reporting are included in MFDAC (Annexure-A).

**e) Recommendations**

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

- i. Strengthening of internal controls
- ii. Holding of DAC meetings well in time
- iii. Expediting recoveries pointed out by audit as well as others in the notice of management
- iv. Compliance of relevant laws, rules, instructions and procedures
- v. Proper maintenance of accounts and record
- vi. Production of record to audit for verification

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<sup>1</sup> Para 1.2.3.1

## SUMMARY TABLE & CHARTS

**Table 1: Audit Work Statistics**

(Rs in million)

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	72	170.000
2	Total formations in Audit Jurisdiction	72	170.000
3	Total Entities (PAOs)/DDOs Audited	2	6.300
4	Total Formations Audit	2	6.300
5	Audit & Inspection Reports	2	6.300
6	Special Audit Reports	Nil	Nil
7	Performance Audit Reports	Nil	Nil
8	Other Reports (Relating to UA)	Nil	Nil

\* Figures at Serial No.3 & 4 represent expenditure.

**Table 2: Audit observations**

(Rs in million)

Sr. No.	Description	Amount under audit observations	Para Reference
1	Asset management	0	
2	Financial management	0.975	1.2.3.1
3	Internal controls	0	
4	Others	0	
<b>Total</b>		<b>0.975</b>	



**Table3: Outcome Statistics****Expenditure Outlays Audited**

(Rs in million)

Sr. No.	Description	Physical Assets	Civil Work	Receipt	Other	Total Current Year	Total Last Year
1	Outlays audited		3.635	3.277	2.664	9.576*	879.293
2	Amount placed under Audit observation/irregularities		0	0	0.975	0.975	49.13
3	Recoveries pointed out at the instance of Audit.						
4	Recoveries accepted/established at Audit instance.						
5	Recoveries realized at the instance of Audit.						

\* The amount in serial No 1 column of “total 2011-12” is the sum of Expenditure and Receipts, whereas the total expenditure for the year 2011-12 was Rs6.300 million

**Table4: Irregularities Pointed Out**

(Rs in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and principle of propriety and probity.	0.975
2	Reported cases of fraud, embezzlement, theft and misappropriations and misuse of public funds.	0
3	Quantification of weaknesses of internal control systems	0
4	Recoveries, overpayments or unauthorized payments of public money.	0
5	Non-production of record.to Audit.	0
6	Others, including cases of accidents, negligence etc.	0
	<b>Total</b>	<b>0.975</b>

<sup>1</sup> The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan.

# **CHAPTER 1**

## **1 UNION ADMINISTRATIONS, ATTOCK**

### **1.1 INTRODUCTION**

There are 72 Union Administration in District Attock. Each UA consists of Union Nazim, Union Naib Nazim and Union Secretary. UA comprises of two Drawing and Disbursing Officers i.e. Administrator and Union Secretary. The Main functions of UAs are as follows:-

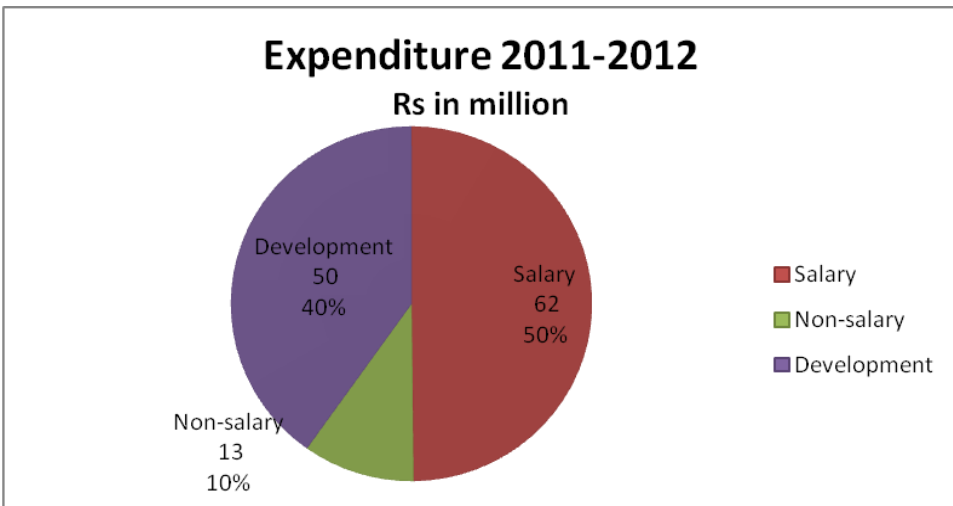
1. to collect and maintain statistical information for socio-economic surveys;
2. to consolidate village and neighbourhood development needs and prioritize them into union-wide development proposals with the approval of the Union Council and make recommendations thereof to the District Government or 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 Neighbourhood 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, Neighbourhood Councils in the Union to execute development projects;

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

( Amount in million)

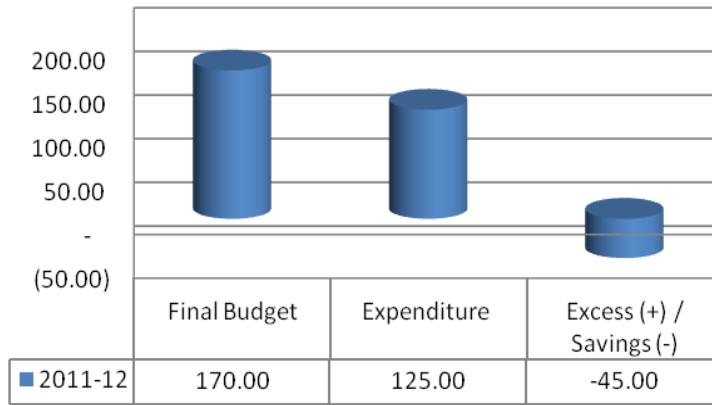
2011-2012	Budget	Expenditure	Excess (+) / Saving (-)	% (Saving)
Salary	85	62	-23	26
Non-salary	17	13	-4	26
Development	68	50	-18	26
<b>Total</b>	<b>170</b>	<b>125</b>	<b>-45</b>	<b>26</b>



As per Budget Books for the financial year 2011-12 of 72 UAs of Attock, the original and final budgets was of Rs170.00 million. Against the final budget, total expenditure incurred by the UAs during financial years 2011-12 was Rs125.00 million. There was a saving of Rs45.00 million.

## Final Budget & Expenditure 2011-12

Rs in Million

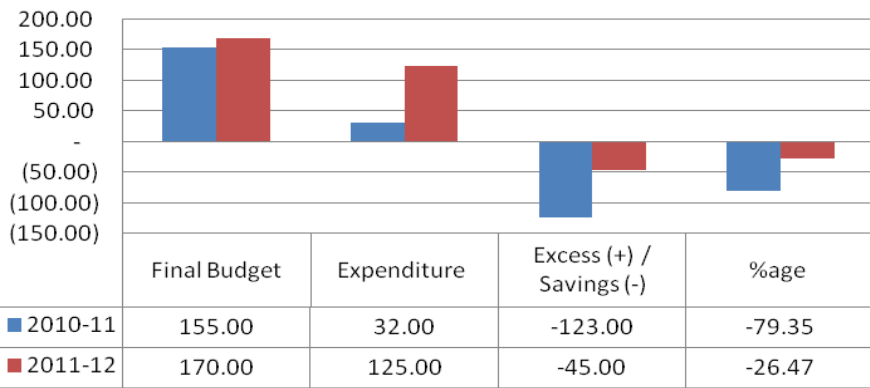


Ineffective financial management resulted in savings to the tune of Rs45.00 million which in term of percentage was 26.47% of the final budget. The same was required to be justified by the Principal Accounting Officer.

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

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

Rs in million



There was savings in the budget allocation of the financial years 2010-11 and 2011-12 as follows:

(Rs in million)

<b>Financail Year</b>	<b>Budget Allocation</b>	<b>Expenditure</b>	<b>Savings</b>	<b>% of Saving</b>
<b>2010-11</b>	155	32	-123	79
<b>2011-12</b>	170	125	-45	26
<b>Total</b>	<b>325</b>	<b>157</b>	<b>-168</b>	

The justification of saving when the development schemes have remained incomplete, is required to be provided, explained by PAO and Administrators concerned.

## **1.2 AUDIT PARAS**

### **1.2.3 NON-COMPLIANCE OF RULES**

#### **1.2.3.1 Un-Reconciled Difference Between Cash Book & Bank Statement – Rs974, 917**

According to Para 5(5) of local Government Account Manual the cash balance of each local Government shall be reconciled by the respective Local Accounts Officer with the Bank on daily and monthly basis.

Union Administrations Number I and II Attock City did not reconcile their cash book balances with National Bank of Pakistan. Audit noticed a difference of Rs974, 917 between Cash book figure and Bank Statement closing balances for the year 2011-12 as detailed below:

<b>Name of UC</b>	<b>Balance as per Bank on 30.06.2012</b>	<b>Balance as per Cash Book on 30.06.2012</b>	<b>Difference (Rs)</b>
Attock-I	1,881,181	1,684,598	196,583
Attock-II	3,596,460	2,818,126	778,934
<b>Total</b>	<b>5,477,641</b>	<b>4,502,724</b>	<b>974,917</b>

Audit was of the view that due to defective financial discipline and weak internal controls the balances were not reconciled with the Bank on daily and monthly basis.

The matter was reported to Union Secretaries in November, 2012. The Secretaries signed the audit observation but did not submit detailed reply. The matter was also reported to the administrator union administrations for convening of DAC meetings but neither DAC meeting was convened nor was any further progress intimated till the finalization of this report.

Audit stresses fixation of responsibility against the person(s) at fault under intimation to Audit.

(AIR Para No 1,1)

# **ANNEXURE**



**MFDAC Paras**

<b>Sr.No</b>	<b>AIR Para No</b>	<b>Title of Para</b>	<b>Nature of Para</b>	<b>Amount (Rs)</b>
1	2,4	Irregular with holding of Income Tax	Non compliance of Rule	107,415
2	3,2	Non Utilization of 25% Share of CCBs Funds	-do-	799,730
3	6,3	Non Verification of Pension Contribution Fund	-do-	236,470