



**AUDIT REPORT
ON
THE ACCOUNTS OF
UNION ADMINISTRATIONS
DISTRICT GOVERNMENT
SIALKOT**

AUDIT YEAR 2012-2013

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS & ACRONYMS	i
PREFACE.....	ii
EXECUTIVE SUMMARY	iii
SUMMARY TABLES AND CHARTS	vi
Table 1 Audit Work Statistics	vi
Table 2 Audit observations classified by categories	vi
Table 3: Outcome Statistics.....	vii
Table 4 Irregularities Pointed Out.....	viii
CHAPTER-1.....	1
1.1 UNION ADMINISTRATIONS, SIALKOT	1
1.1.1 INTRODUCTION	1
1.1.2 Comments on Budget & Accounts (Variance Analysis).....	2
1.2 AUDIT PARAS	5
Nil	6
ANNEXURES.....	7

ABBREVIATIONS & ACRONYMS

AGP	Auditor General of Pakistan
AIR	Audit and Inspection Report
ACL	Audit Command Language
ADP	Annual Development Plan
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
NAM	New Accounting Model
MB	Measurement Book
MRS	Market Rate System
PAO	Principal Accounting Officer
PCC	Plain Cement Concrete
PFR	Punjab Financial Rules
PDG	Punjab District Governments
PLA	Personal Ledger Account
PLGO	Punjab Local Government Ordinance
RCC	Reinforcement of Concrete & Cement
RDA	Regional Director Audit
RMR	Road Metal Return
SAE	Schedule of Authorized Expenditure
SAP	System Application Product
SFT	Square Feet
SOP	Standing Operating Procedure
TMA	Town/Tehsil Municipal Administration
TST	Triple Surface Treatment
T&P	Tools & Plants
UA	Union Administration

PREFACE

Article 169 and 170(2) 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 Administration of District Sialkot for financial years 2008-11. The Directorate General of Audit District Governments Punjab (North), Lahore conducted audit during 2009-12 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 Rs 1.00 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.

The observations included in this Report have been finalized after discussion of Audit Paras with 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 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 1824 Union Administrations of three City District Governments and sixteen District Governments. Its Regional Directorate of Audit, Gujranwala has audit jurisdiction of District Governments, TMAs and UAs of one City District Government i.e. Gujranwala and five District Governments i.e. Gujrat, Hafizabad, Narowal, Sialkot and Mandi Baha-ud-Din.

2. The Regional Directorate has a human resource of 17 officers and staff, total 4757 man-days and the annual budget of Rs14.093 million per year for the financial year 2011-2012. It has mandated to conduct Financial Attest, Regularity Audit and Compliance with Authority & Performance Audit of entire expenditure including programmes/projects & receipts. Accordingly, Regional Directorate of Audit Gujranwala carried out Audit of accounts of three Union Administrations of District Sialkot for the financial year 2011-2012.

3. Union Administrations, District Sialkot conducts its operations under Punjab Local Government Ordinance, 2001 (as amended). Union Administration, Sialkot comprises Union Nazim / Naib Union Nazim and Secretary Union Administration. The Secretary Union Administration as Principal Accounting Officers (PAO). Financial provisions of the Ordinance describe the Government as Local Fund and Public Account for which Annual Budget Statement is authorized by the Union Nazim / Union Council / Union Administrator in the form of budgetary grants.

4. Audit of the Union Administration, District Sialkot 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.

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

Audit Objectives

Audit was conducted with the objective 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 Receipts

Total expenditure of three Union Administrations of District Sialkot for the financial year 2011-12 was Rs6.180 million covering one PAO and 03 formations. Out of this, RDA Gujranwala audited expenditure of Rs3.708 million which, in terms of percentage, was 60% of the total expenditure. Regional Director Audit planned and executed audit of 03 formations i.e. 100% achievement against the planned audit activities.

Total receipts of 03 UAs of District, Sialkot for the financial year 2011-12 were Rs 0.6 million. RDA Gujranwala audited receipts of Rs0.20 million which was 33% of total receipts.

c. Recoveries at the Instance of Audit

Recovery of Rs0.0728 million was pointed out, which was not in the notice of the executive before audit but no recovery was effected till the compilation of this report.

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

d. Recommendations

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

- i. Head of Union Administrations needs to conduct physical stock taking of fixed and current assets.
- ii. Department needs to comply with the Public Procurement Rules for economical and rational purchase of goods and services.
- iii. Inquires need to be held to fix responsibility for fraud, misappropriation, losses, theft and wasteful expenditure.
- iv. The PAO needs to make efforts for expanding the realization of various Government receipts.
- v. The PAO and his team need to ensure proper execution and implementation of the monitoring system.
- vi. The PAO needs to take appropriate action for non-production of record.
- vii. The PAO needs to rationalize its budget with respect to utilization.

SUMMARY TABLES AND CHARTS

Table 1 Audit Work Statistics

(Rs in million)

Sr. No.	Description	Number	Budget
1	Total Entities (PAO) under Audit Jurisdiction	124	1195.360
2	Total formations under Audit Jurisdiction	124	1195.360
3	Total Entities (PAO) Audited	3	6.180
4	Audit & Inspection Reports	3	6.180
5	Special Audit Reports	3	6.180
6	Performance Audit Reports	-	-
7	Other Reports (Relating to TMAs)	-	-

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

Table 2 Audit observations classified by categories

(Rs in million)

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

Table 3: Outcome Statistics

(Rs in million)

Sr. No.	Description	Expenditure on Acquiring of Physical Assets (Procurement)	Civil Works	Receipts	Others	Total current year	Total Last Year
1	Outlays Audited	0	2.220	5.572	3.96	11.752	217.952
2	Amount Placed Under Audit Observations /Irregularities of Audit	0	0	0	0	0	52.839
3	Recoveries Pointed out at the Instance of Audit	0	0.021	0.024	0.0287	0.0728	13.871
4	Recoveries Accepted / Established at the Instance of Audit	0	0.021	0.024	0.0287	0.0728	13.871
5	Recoveries Realized at the Instance of Audit	0	0.021	0.024	0.0287	0.0728	0

* The amount in serial No. 1 column of “Total Current Year” is the sum of Expenditure and Receipt whereas the total expenditure for the current year was Rs 6.180 million.

Table 4 Irregularities Pointed Out

(Rs in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of rules and regulations, principle of propriety and probity	-
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public resources	-
3	Quantification of weaknesses of internal control systems	-
4	Recoveries, overpayments and loss to the government	-
5	Non-production of record to Audit	-
6	Others, including cases of accidents, negligence etc.	-
7	Violation of rules and regulations, principle of propriety and probity	-
TOTAL		-

CHAPTER-1

1.1 UNION ADMINISTRATIONS, SIALKOT

1.1.1 INTRODUCTION

Each Union Administration, Sialkot consists of Union Nazim, Union Naib Nazim, Secretary and Administration. Each UA Sialkot 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 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 Union Administration, as the case may be.
3. To identify deficiencies in the delivery of services and make recommendations for improvement thereof to the Union 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 Union 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 Union Administration or District Government for such execution.

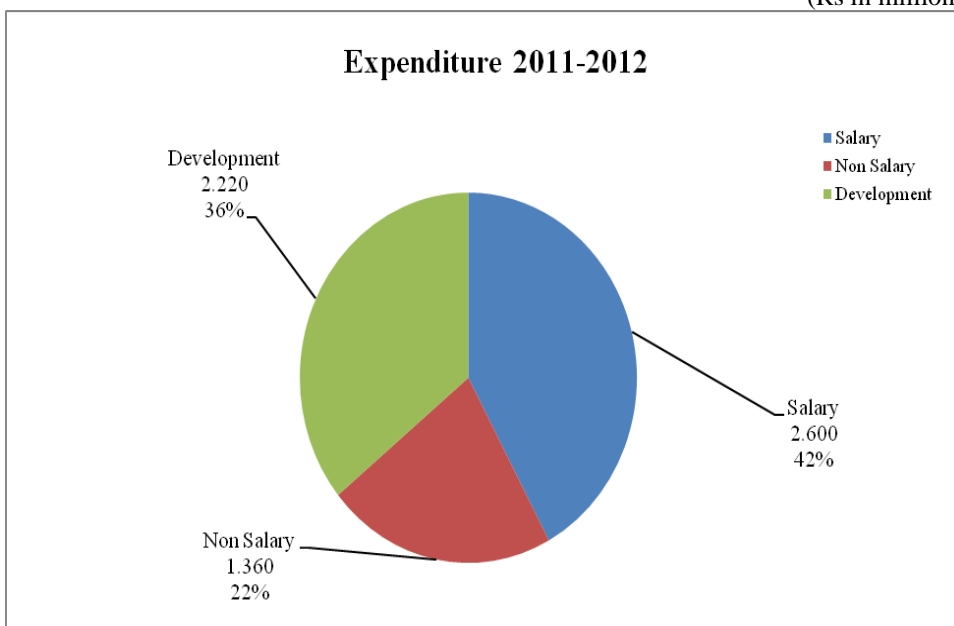
13. To assist the Village Councils or, as the case may be, Neighbourhood Councils in the Union to execute development projects.

1.1.2 Comments on Budget & Accounts (Variance Analysis)

(Rs in million)

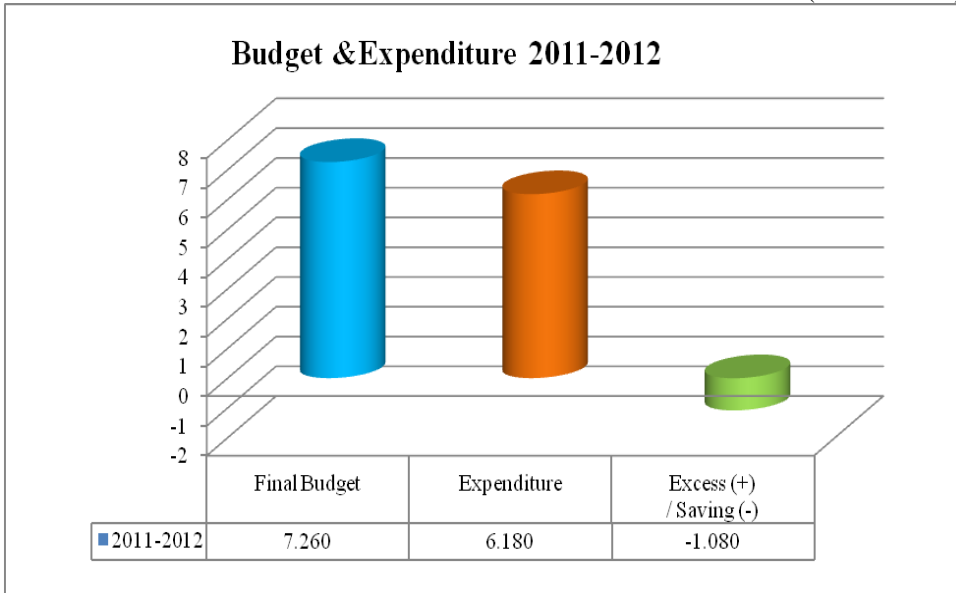
F.Y. 2011-12	Budget	Expenditure	Excess/Savings	%age of Savings
Salary	3.110	2.600	-0.510	16
Non-salary	1.250	1.360	0.100	08
Development	2.900	2.220	-0.680	24
TOTAL	7.260	6.180	-1.080	15

(Rs in million)



As per Budget Books for the financial year 2011-12 of UAs of District Sialkot the original and the final budget was Rs7.26 million. Against budget, total expenditure incurred by the UAs during the financial year 2011-12 was Rs6.18 million as detailed at Annexure-B

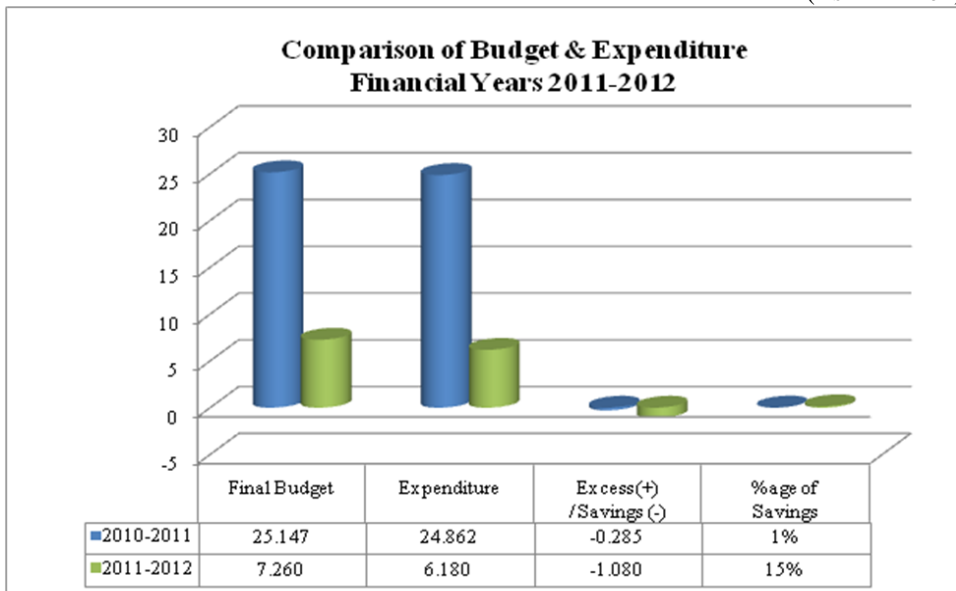
(Rs in million)



Ineffective financial management resulted in savings to the tune of Rs1.080 million which in term of percentage was 15% of the final budget.

The comparative analysis of the expenditure of current and previous financial year is depicted as under.

(Rs in million)



There were overall savings in the budget allocation of the financial year 2011-2012 as follows:

(Rs in million)

Financial Years	Budget	Expenditure	Savings	%age of Savings
2010-11	25.147	24.862	-0.285	01%
2011-12	7.261	6.172	-1.089	15%

The justification of saving when the development schemes have remained incomplete is required to be explained by the Principal Accounting Officer, Administrator and management of UAs.

1.2 AUDIT PARAS

Nil

ANNEXURES

ANNEXURE-A**MFDAC Paras**

Sr. No.	Name of Formation	AP No.	Subject	Amount (Rs)	Nature of Paras
1	Ahmed Pura	01	Non-utilization of CCB Funds	200,000	Internal Controls Weakness
2	Ahmed Pura	02	Expenditure over & above Budget Estimates	352,315	Irregularity/Non Compliance
3	Ahmed Pura	03	Non-deduction of GPF, Benevolent Fund & Group Insurance from Pay	8,820	Internal Controls Weakness
4	Ahmed Pura	04	Payment of salary without work	180,780	Internal Controls Weakness
5	Headmaral	01	Non-utilization of CCB Funds	387,500	Internal Controls Weakness
6	Headmaral	02	Non Deduction of Income Tax	23,760	Internal Controls Weakness
7	Headmaral	03	Non-deduction of GPF, Benevolent Fund & Group Insurance from Pay	26,460	Internal Controls Weakness
8	Headmaral	04	Payment of salary without work	166,430	Internal Controls Weakness
9	Uggoki	01	Non-utilization of CCB Funds	200,000	Internal Controls Weakness
10	Uggoki	02	Non-deduction of GPF, Benevolent Fund & Group Insurance from Pay	13,800	Internal Controls Weakness
11	Uggoki	04	Payment of salary without work	189,912	Internal Controls Weakness

ANNEXURE-B

UAs of Sialkot District
Budget and Expenditure Statement for the financial year 2011-2012
Budget and Expenditure details for the FY 2011-12

UC, Ahmed Pura (Rs in million)

F.Y. 2011-12	Budget	Expenditure	Excess (+) / Saving (-)	%age Saving
Salary	1.24	1.09	-0.16	-12%
Non-salary	0.19	0.20	0.01	3%
Development	0.80	0.95	0.15	18%
TOTAL	2.23	2.23	0.00	0%

UC, Head Maral

F.Y. 2011-12	Budget (Rs)	Expenditure (Rs)	Excess (+) / Saving (-) (Rs)	%age Saving
Salary	0.92	0.77	-0.15	-16%
Non-salary	0.41	0.26	-0.14	-35%
Development	1.30	0.83	-0.47	-36%
TOTAL	2.62	1.86	-0.76	-29%

UC, Uggoki

F.Y. 2011-12	Budget (Rs)	Expenditure (Rs)	Excess (+) / Saving (-) (Rs)	%age Saving
Salary	0.95	0.74	-0.21	-22%
Non-salary	0.66	0.90	0.24	37%
Development	0.80	0.44	-0.36	-45%
TOTAL	2.41	2.08	-0.33	-14%