



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

AUDIT YEAR 2012-13

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND 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
PDSSP	Punjab Devolved Social Sector Programme
PCC	Plain Cement Concrete
UIPT	Urban Immoveable Property Tax
TAC	Town Accounts Committee
TMA	Town Municipal Administration
TMO	Town Municipal Officer
TO (F)	Town Officer (Finance)
TO (I&S)	Town Officer (Infrastructure & Services)
TO (P&C)	Town Officer (Planning & Coordination)
TO (R)	Town Officer (Municipal Regulations)

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 receipt and expenditure 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 Okara 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 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 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 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. Lahore, Okara, Nankana Sahib, Kasur and Sheikhupura.

The Regional Directorate has a human resource of 20 officers and staff, total 5706 man days and the annual budget of Rs15.816 million for the financial year 2011-2012. 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 Lahore carried out audit of the accounts of three UAs of District Okara for the financial year 2011-12.

Each Union Administration in District Okara conducts its 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 Okara 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 in the 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 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. Audit of Expenditure and Receipts

Audit of development expenditure of Rs2.703 million out of Rs3.861 million and non-development expenditure Rs2.466 million out of Rs4.932 million for the financial year 2011-12 was conducted which is 70% and 50% of development and non-development expenditure respectively. Total total expenditure of the UAs of District Okara the financial year 2011-12 was Rs8.793 million, out of this an expenditure of Rs5.169 million was audited which, is 59% of total expenditure. Therefore, there was 100% achievement against the planned audit activities.

Total receipts of UAs of District Okara for the financial year 2011-12 were Rs1.093 million. RDA Lahore audited receipts of Rs0.765 million which were 70% of total receipts.

c. Key audit findings of the report

- i. Non-compliance of Rules of Rs3.786 million noted in two cases.¹

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 (Annex-A).

d. 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. Compliance of relevant laws, rules, instructions and procedures
- iv. Proper maintenance of record
- v. Appropriate actions against officers/officials responsible for violation of rules
- vi. Addressing systemic issues to prevent recurrence of various omissions and commissions.

¹Para 1.2.1.1-1.2.2.1

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

Rs in million

Sr. No.		No.	Budget
1	Total Entities (PAOs) under Audit Jurisdiction	114	565.240
2	Total formations under Audit Jurisdiction	114	565.240
3	Total Entities (PAOs) Audited	03	15.378
4	Audit & Inspection Reports	03	15.378
5	Special Audit Reports	Nil	Nil
6	Performance Audit Reports	Nil	Nil
7	Other Reports (Relating to UA)	Nil	Nil

Table 2: Audit Observations

Rs in million

Sr. No.	Description	Amount under audit observation
1	Asset management	-
2	Financial management	-
3	Internal controls	3.786
4	Others	-
Total		3.786

Table 3: Outcome Statistics

Rs in million

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total current year
1	Outlays audited	-	3.861	1.093	5.649	10.603*
2	Amount placed under audit observation / irregularities	-	-	-	3.786	3.786
4	Recoveries accepted / established at Audit instance	-	-	-	-	-
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 current period was Rs9.510 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.	-
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public funds.	-
4	Quantification of weaknesses of internal controls system.	3.786
6	Non-production of record to Audit	-
7	Others, including cases of accidents, negligence etc.	-
	Total	3.786

CHAPTER-1

1. UNION ADMINISTRATIONS, DISTRICT OKARA

1.1 INTRODUCTION

Each Union Administration, Okara consists of Union Nazim, Union Naib Nazim, Secretary and Administration. Each UA Okara comprises one Drawing and 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;

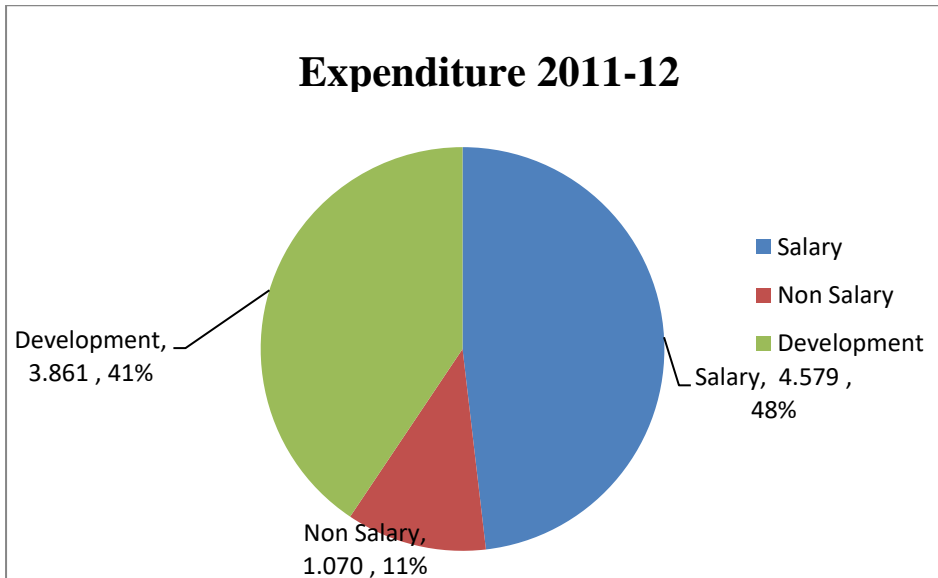
12. to execute the projects of the approved Union Annual Development Plan by contracting out to the private sector in the manner as may be prescribed and to obtain support of the Tehsil Municipal Administration or District Government for such execution; and
13. to assist the Village Councils or, as the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

1.1.1 Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

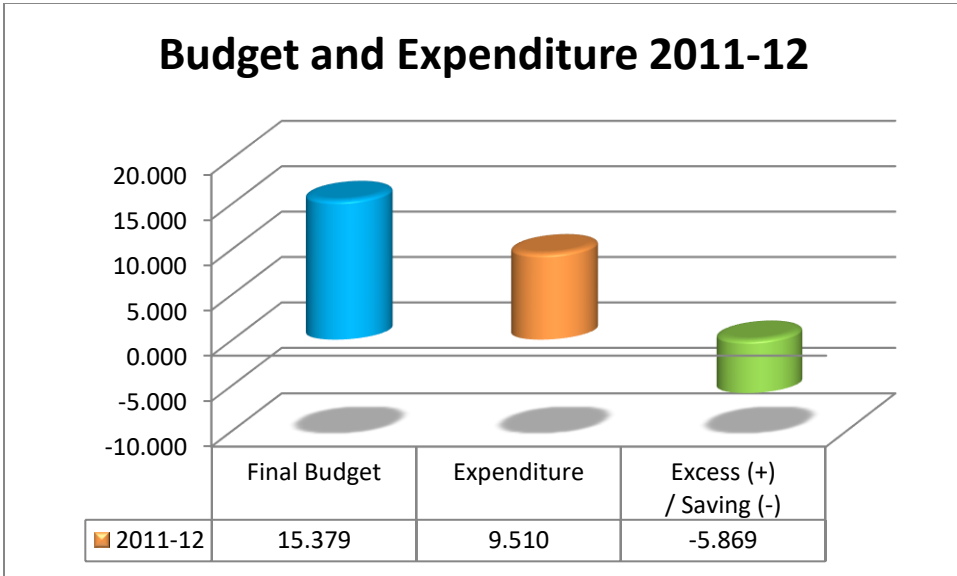
2011-12	Budget	Expenditure	Excess (+) / Saving (-)	% Excess (+) / Saving (-)
Salary	5.910	4.579	-1.331	-23
Non-salary	4.073	1.070	-3.003	-74
Development	5.396	3.861	-1.535	-28
Total	15.379	9.51	-5.869	-38

Rs in million



As per the Budget Books for the financial year 2011-12 of three UAs of Okara, the original and final budget was Rs15.379 million. Against the final budget, total expenditure incurred by the UAs during the financial year 2011-12 was Rs8.793 million.

Rs in million



Savings of Rs5.869 million was shown which in term of percentage was 38% of the final budget. The same was required to be justified by the Principal Accounting Officer, Administrator and management of UAs.

1.2 AUDIT PARAS

1.2.1 Irregularity / Non-compliance

1.2.1.1 Non-accountal of Store Items-Rs2.361 million

According to rule 15.4 of PFR Vol I, all materials / store received should be counted, weighed, measured and recorded in appropriate stock register.

Management of the UA 72 incurred expenditure Rs2.361 million on development schemes but Stock entry in stock register of bricks, cement etc was not made. Further Completion reports were also not found in the record as detailed below:

Sr. No	Year	Amount (Rs)
1	2009-10	511,369
2	2010-11	1,290,880
3	2011-12	559,125
Total		2,361,374

Audit holds that due to poor internal controls, store items were not entered in stock register. Non-accountal may result in misappropriation of items and loss to the public exchequer.

The matter was reported to the PAO/secretary of UA in December 2012. Neither any reply was submitted nor DAC meeting convened till finalization of this report.

Audit stresses fixing responsibility for non-accountal of articles under intimation to Audit.

1.2.2 Performance

1.2.2.1 Non-utilization of CCB Funds -Rs 1.425 million

According to Rule 4(3)(v) of PDG and TMA Budget Rules, 2003, the head of office is responsible for ensuring that the funds allotted are spent on the activities for which the money was provided.

Management of the following Union Administrations of District Okara did not utilize the Development Budget and CCBS Funds amounting to Rs 1.425 million.

Sr. No	Name of UC	Year	Budget (Rs)	Expenditure (Rs)	Balance (Rs)
1	UC-33	2010-11	550,000	275,381	274,619
		2011-12	600,000	00	600,000
2	UA-90	2011-12	150,000	00	150,000
3	UA-72	2011-12	400,000	00	400,000
Total			1,700,000	275,381	1,424,619

Audit holds that funds were not utilized due weak internal control and defective financial management.

Non utilization of funds resulted in blockage of government money and depriving the community of the desired service delivery of the socio-economic and development schemes.

The matter was reported to the PAO/secretaries in December 2012 but no reply was submitted nor DAC meeting convened till finalization of this report.

Audit stresses fixing responsibility against the person(s) at fault for not utilization of funds against responsible under intimation to Audit.

ANNEXURES

MFDAC

Sr. No.	UA No.	Description of Para	Nature of Observation	Amount (Rs in million)
1	33	Non preparation of budget on prescribed format	Irregularity	10.299
2	33	Non preparation of annual development plan	Irregularity	1.150
3	33	Non preparation and non reconciliation of Income & Expenditure statements	Irregularity	-
4	90	Non preparation of budget on prescribed format	Irregularity	-
5	90	Non preparation of annual development plan	Irregularity	1.300
6	90	Non preparation and non reconciliation of Income & Expenditure statements	Irregularity	-
7	90	Unauthorized expenditure without approval of rate analysis	Irregularity	0.024
8	72	Irregular payment to daily wage naib qasid	Irregularity	0.128
9	72	Non preparation of budget on prescribed format	Irregularity	5.875
10	72	Non reconciliation of Expenditure	Irregularity	4.293
11	72	Expenditure in Excess of Budget Allocation	Irregularity	0.491
12	90	Unauthorized Execution of Development Schemes – Rs400,000	Irregularity	0.400
13	90	Splitting of Expenditure – Rs 400,000	Irregularity	0.400
14	33	Non-allocation of CCB Funds - Rs 287,500	Irregularity	0.288
15	33	Unjustified Execution of Development Schemes – Rs 150,000	Irregularity	0.150
16	72	Non-deduction of Income Tax – Rs 35,547	Recovery	0.036