



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
UNION ADMINISTRATIONS  
DISTRICT LAHORE  
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
PCC	Plain Cement Concrete
PDSSP	Punjab Devolved Social Sector Programme
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 (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 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 Lahore 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 five UAs of District Lahore for the financial year 2011-2012.

Each Union Administration in District Lahore 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 Lahore 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/ revenue 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 Rs14.648 million out of Rs20.927 million and Non-development Expenditure of Rs6.455 million out of Rs12.910 million for the financial year 2011-12 was conducted which is 70% and 50% of development and non-development expenditure respectively. Total overall expenditure of UAs of District Lahore for the financial year 2011-2012 was Rs33.837 million, out of which overall expenditure of Rs21.103 million was audited, which is 62 % of total expenditure. There was 100% achievement against the planned audit activities.

Total receipts of UAs of District Lahore for the financial year 2011-12 were Rs1.615 million. RDA Lahore audited receipts of Rs1.131 million which were 70% of total receipts.

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

No recovery was pointed out in the report.

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

- i. Non-production of record of Rs21.039 million noted in one case.<sup>1</sup>
- ii. Non-compliance of Rules amounting to Rs9.605 million noted in two cases.<sup>2</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 (Annex-A).

**e. Recommendations**

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

- i. Compliance of relevant laws, rules, instructions and procedures
- ii. Production of record to audit for verification
- iii. Proper maintenance of accounts and record
- iv. Appropriate actions against officers/officials responsible for violation of rules and losses
- v. Strengthening of internal controls
- vi. Appointment of internal auditor
- vii. Holding of DAC meetings well in time
- viii. Addressing systemic issues to prevent recurrence of various omissions and commissions.

<sup>1</sup>Para 1.2.1.1

<sup>2</sup>Para 1.2.2.1, 1.2.2.2

## SUMMARY TABLES AND CHARTS

**Table 1: Audit Work Statistics**

**Rs in million**

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) under Audit Jurisdiction	150	920.615
2	Total formations under Audit jurisdiction	150	920.615
3	Total Entities (PAOs)/ Audited	5	33.837
4	Audit & Inspection Reports	5	33.837
5	Special Audit Reports	Nil	Nil
6	Performance Audit Reports	Nil	Nil
7	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 observation
1	Asset management	0
2	Financial management	0
3	Internal controls	9.605
4	Others	21.039
<b>Total</b>		<b>30.644</b>



**Table 3: Outcome Statistics**

**Rs in million**

<b>Sr. No</b>	<b>Description</b>	<b>Physical Assets</b>	<b>Civil Works</b>	<b>Receipt</b>	<b>Others</b>	<b>Total current year</b>
1	Outlays audited	0	20.927	1.615	12.910	35.452*
2	Amount placed under Audit observation / irregularities	-	2.584	-	28.060	30.644
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 Current Year” is the sum of Expenditure and Receipts whereas the total expenditure for the current period was Rs33.837 million.

**Table 4: Irregularities pointed out****Rs in million**

<b>Sr. No.</b>	<b>Description</b>	<b>Amount under Audit observation</b>
1	Violation of rules and regulations and principle of propriety and probity.	9.605
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public funds.	0
4	Quantification of weaknesses of internal controls system.	0
5	Recoveries, overpayments and loss to the government.	0
6	Non-production of record to Audit	21.039
7	Others, including cases of accidents, negligence etc.	0
	<b>Total</b>	<b>30.644</b>

## **CHAPTER-1**

### **1. UNION ADMINISTRATIONS, DISTRICT LAHORE**

#### **1.1 INTRODUCTION**

Each Union Administration of District Lahore consists of Union Nazim, Union Naib Nazim, Secretary and Administration. Each UA Lahore 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;

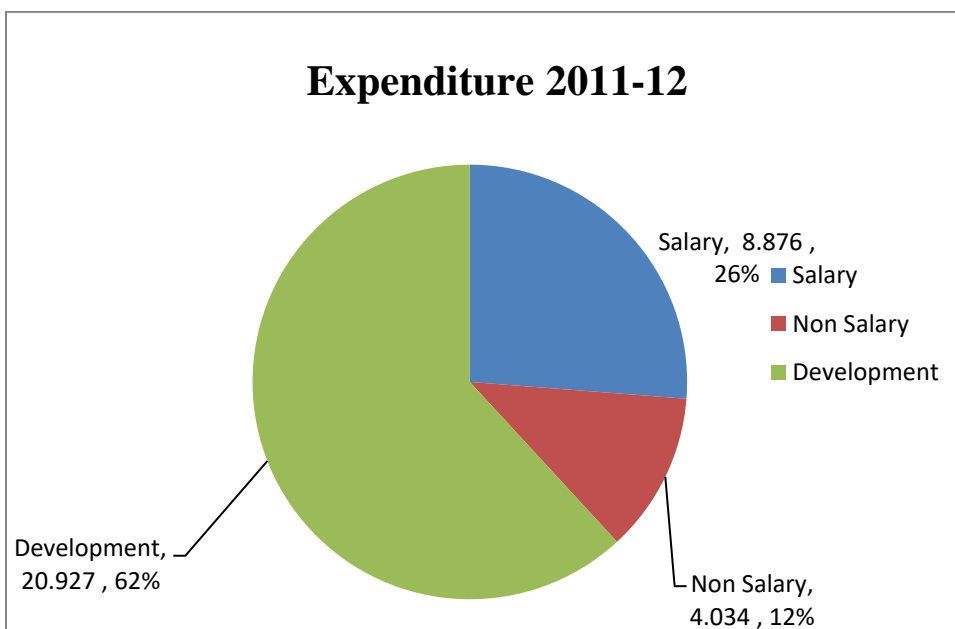
12. to execute the projects of the approved Union Annual Development Plan by contracting out to the private sector in the manner as may be prescribed and to obtain support of the Tehsil Municipal Administration or District Government for such execution; and
13. to assist the Village Councils or, as the 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 (-) Savings	% Savings
Salary	11.440	8.876	-2.564	-22
Non-salary	9.361	4.034	-5.327	-56
Development	37.689	20.927	-16.762	-44
<b>Total</b>	<b>58.491</b>	<b>33.837</b>	<b>-24.653</b>	<b>-42</b>

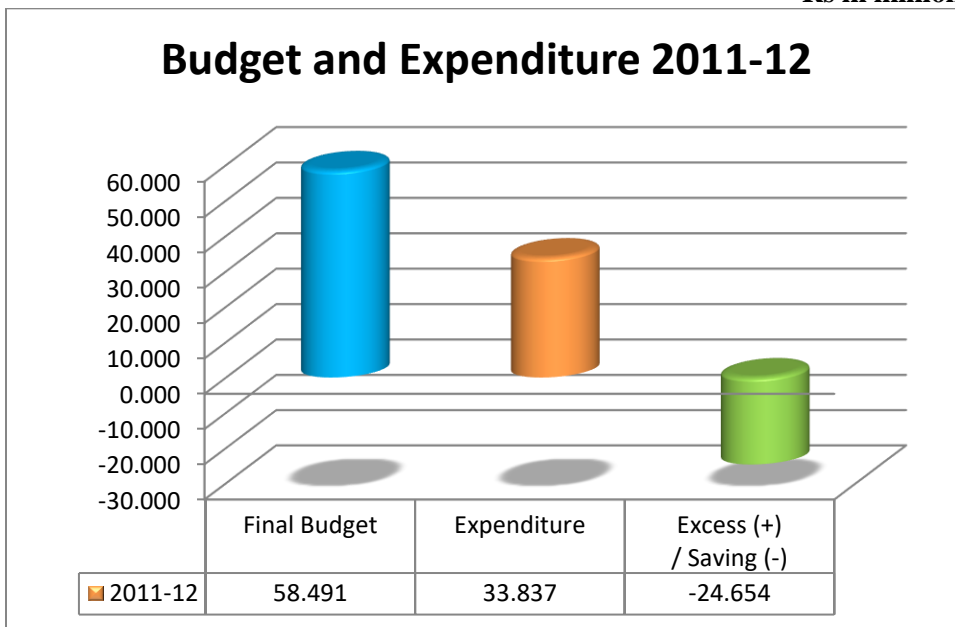
Rs in million



As per the Budget Books for the year 2011-12 of five UAs of Lahore, the original and final budget was Rs58.491 million. Against the

final budget, total expenditure incurred by the UAs during the financial year 2011-12 was Rs33.837 million.

Rs in million



Savings of Rs24.654 million was shown which in term of percentage was 42% 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 Non-production of Record

### 1.2.1.1 Non-production of Record – Rs21.039 million

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.

Management of the Union Administration No. 1 & 5 of TMA Ravi Town Lahore did not produce expenditure and receipt record of Rs21.039 million for the year 2008-12. In the absence of record, authenticity, validity, accuracy and genuineness could not be verified as detailed below:

Sr. No.	Description of Record	UA No.	Amount (Rs)
1	Expenditure for the year 2008-12	1	5,249,000
2	Receipts record for the year 2008-12	1	5,092,050
3	Expenditure for the year 2008-12	5	4,083,718
4	Receipts record for the year 2008-12	5	6,614,555
<b>Total</b>			<b>21,039,323</b>

Audit holds that the relevant record of the expenditure and receipt was not maintained and hence was not produced to Audit for verification which may lead to apprehension of misappropriation and misuse of public resources.

The matter was reported to PAO/ Administrator in November, 2012. Neither the reply was furnished nor DAC meeting convened till the finalization of this report.

Audit stresses early production of record besides fixing of responsibility against the person(s) at fault under intimation to Audit.

## 1.2.2 Irregularities / Non-compliance

### 1.2.2.1 Non-utilization of CCB & Sports Funds - Rs7.021 million

According to Sub Section sub section 5 (a) & (b) of Section 109 of PLGO 2001, 25% of the development budget shall be set apart for utilization in community development schemes. The development budget shall be prioritized in accordance with the bottom up planning system and funds allocated for CCBs will be expended on development projects with public participation.

Management of Union Administration No. 1, 5, 7 and 18 did not utilize the 2% and 25% budget allocated for sports and CCBs respectively. This resulted in non utilization of funds of Rs7.021 million as detailed below:

Amount in Rs

Year	UA-1, CCB Funds	UA-5, CCB Funds	UA-7, CCB Funds	UA-18, CCB Funds	UA-1, Sports Funds	UA-7, Sports Funds	Total
2008-09	696,281	0	225,000	0	41,200	24,000	986,481
2009-10	500,000	0	225,000	0	40,000	27,000	792,000
2010-11	625,000	410,259	125,000	0	122,189	22,500	1,304,948
2011-12	1,425,000	1,442,033	624,999	445,453	0	0	3,937,485
<b>Total</b>							<b>7,020,914</b>

Audit holds that non utilization of funds was due to poor performance on part of the management.

Non-utilization of funds of Rs7.021 million deprived the community of the benefits of development projects.

The matter was reported to PAO/Administrator during November 2012. Neither reply was submitted nor DAC meeting convened till finalization of this report

Audit stresses fixing of responsibility for non utilization of funds against the person(s) at fault under intimation to Audit.



### 1.2.2.2 Unauthorized Payment to WASA - Rs2.584 million

According to Rule 64(1)(ii) & (2)(i)(ii) of PDG & TMA (Budget) Rules 2003, each Local Government shall ensure that authorized budget allocations are expended in conformity with the Schedule of Authorized Expenditure and that there must be an appropriation of funds for the purpose besides sanction of an authority competent to sanction expenditure.

Management of Union Administration No. 1, 5 and 7 made payment of Rs2.584 million to WASA during 2008-12 for establishment of filtration plants in the Union Councils. The expenditure was held unauthorized since the approved allocation for the same was not available in the Union Councils budget. Further, the vouched account was also not provided to Audit for verification and authenticity of the expenditure. The detail is given as under:

Sr. No.	UA No.	Amount (Rs)
1	1	591,644
2	5	1,328,430
3	7	664,495
<b>Total</b>		<b>2,584,569</b>

Audit holds that due to poor financial discipline and weak internal controls payment was made without authorization.

This resulted in unauthorized expenditure of Rs2.584 million.

The matter was reported to PAO/ Administrator in October, 2012. Management noted the observation for future guidance. Department admitted the lapse. DAC meeting was not convened till the finalization of this report.

Audit stresses fixing of responsibility for unauthorized payment against the person(s) at fault under intimation to Audit.

# **ANNEXURES**

## MFDAC Para

Sr. No.	Formati on Name	Subject	Nature of Observation	Amount (Rs in million)
1	UA 1	Non conducting of Annual Physical Verification	Irregularity	-
2		Non deposit of receipt of Raddi	Recovery	0.002
3		Non preparation of Monthly Expenditure	Irregularity	12.388
4		Non Entry of Schemes in the Measurement Book	Irregularity	1.176
5	UA 5	Non conducting of Annual Physical Verification	Irregularity	-
6		Non preparation of Monthly Expenditure	Irregularity	5.550
7		Expenditure without administrative approval and Technical sanction	Irregularity	0.252
8		Unauthorized payment	Irregularity	0.420
9		Doubtful execution of schemes	Irregularity	0.336
10	UA 7	Non deposit of receipt of Raddi	Recovery	0.002
11		Non preparation of Monthly Expenditure	Irregularity	11.810
12	UA 18	Unauthorized execution of Development schemes	Irregularity	1.892
13		Non provision of vouched accounts / completion status by WASA	Non production of record	-
14	UA 34	Execution of schemes without preparation of BDD-4/ PC-I	Irregularity	2.200
15		Unauthorized transfer of money to the higher level of government	Irregularity	0.996
16		Non-deposit of Income Tax	Recovery	0.132
17	1,7	Irregular Payment of Rent of Office Building	Recovery	0.506
18	7,18	Unauthorized Payment of non-scheduled Items	Recovery	0.441
19	1,7,18	Overpayment for Malba	Recovery	0.441
20	7	Overpayment for PCC Topping	Recovery	0.233
21	1,5,7	Non-deduction of Shrinkage of Earth Filling	Recovery	0.040