



**AUDIT REPORT
ON
THE ACCOUNTS OF
UNION ADMINISTRATIONS
DISTRICT NANKANA SAHIB**

AUDIT YEAR 2012-13

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS.....	i
PREFACE.....	ii
EXECUTIVE SUMMARY	iii
SUMMARY TABLES AND CHARTS	vi
Table 1: Audit Work Statistics	vi
Table 2: Audit Observations	vi
Table 3: Outcome Statistics.....	vii
Table 4: Irregularities pointed out	vii
CHAPTER-1.....	1
1. UNION ADMINISTRATIONS, DISTRICT NANKANA SAHIB	1
1.1 INTRODUCTION	1
1.1.1 Comments on Budget and Accounts (Variance Analysis)	2
1.2 AUDIT PARAS	4
1.2.1 Non-production of Record	5
1.2.2 Irregularity / Non-compliance.....	6
ANNEXURE.....	8

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
PCC	Plain Cement Concrete
PDG	Punjab District Government
PLGO	Punjab Local Government Ordinance
PLG	Punjab Local Government
POL	Petroleum Oil and Lubricants
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 Nankana Sahib 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 Sheikhpura.

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 in District Nankana Sahib for the financial year 2011-12.

Each Union Administration in District Nankana Sahib 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 Nankana Sahib 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 Rs0.749 million out of Rs1.070 million and non-development expenditure of Rs2.197 million out of Rs4.393 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 Nankana Sahib for the financial year 2011-12 was Rs5.463 million, out of this an expenditure of Rs2.946 million was audited which, is 54% of total expenditure. Therefore, there was 100% achievement against the planned audit activities.

Total receipts of UAs of District Nankana Sahib for the financial year 2011-12 were Rs4.220 million. RDA Lahore audited receipts of Rs2.954 million which were 70% of total receipts.

c. Recoveries at the Instance of Audit

Recovery of Rs1.870 million was pointed out through various audit paras but no recovery was effected till compilation of this Report.

d. Key Audit Findings of the Report

- i. Non-production of record was noted in one case.¹
- ii. Non-compliance of Rules of Rs1.069 million noted in one cases.²

- iii. Recovery of Rs1.87 million was pointed out in one case³.

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

¹Para 1.2.1.1

²Para 1.2.2.1

³Para 1.2.2.2

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

Rs in million

Sr. No.		No.	Budget
1	Total Entities (PAOs) under Audit Jurisdiction	68	165.200
2	Total formations under Audit Jurisdiction	68	165.200
3	Total Entities (PAOs) Audited	03	5.464
4	Audit & Inspection Reports	03	5.464
5	Special Audit Reports	Nil	Nil
6	Performance Audit Reports	Nil	Nil
7	Other Reports (Relating to UA)	Nil	Nil

Figures at Sr.No. 3 & 4 represent expenditure.

Table 2: Audit Observations

Rs in million

Sr. No.	Description	Amount Placed Under Audit Observation
1	Unsound asset management	0
2	Weak financial management	1.870
3	Weak internal controls	1.069
4	Others	0
Total		2.939

Table 3: Outcome Statistics

Rs in million						
Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total current year
1	Outlays audited	-	1.071	4.220	4.393	9.684*
2	Amount placed under audit observation / irregularities	-	1.069	1.870	-	2.939
3	Recoveries pointed out at the instance of Audit	-	-	1.870	-	1.870
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 Rs5.464 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.	-
3	Quantification of weaknesses of internal controls system.	1.069
4	Recoveries, overpayments and loss to the government.	1.870
5	Non-production of record to Audit	
6	Others, including cases of accidents, negligence etc.	-
	Total	2.939

CHAPTER-1

1. UNION ADMINISTRATIONS, DISTRICT NANKANA SAHIB

1.1 INTRODUCTION

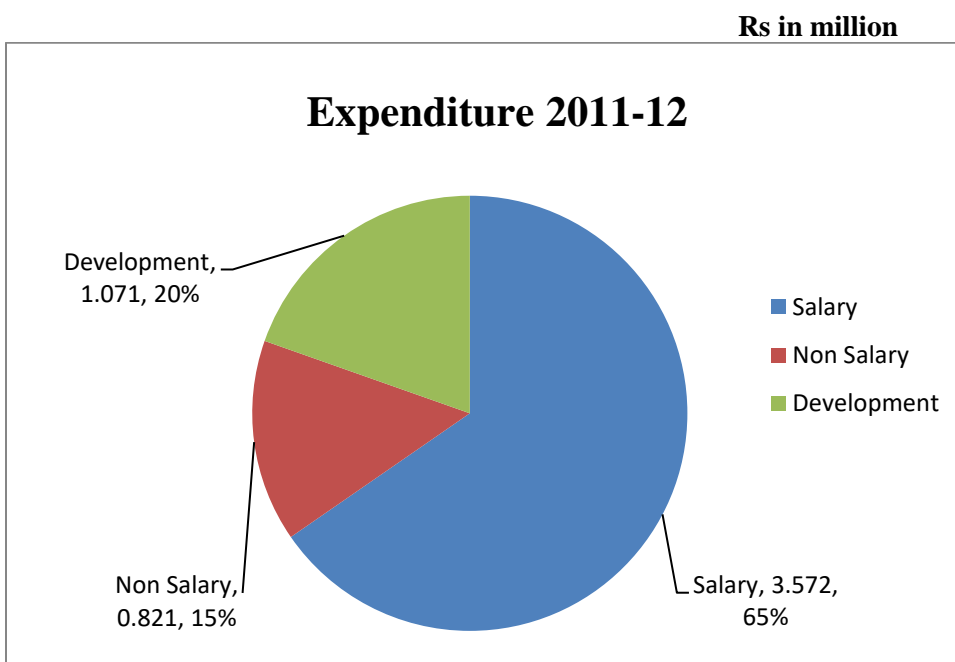
Each Union Administration, Nankana Sahib consists of Union Nazim, Union Naib Nazim, Secretary and Administration. Each UA Nankana Sahib comprises one Drawing and Disbursing Officer i.e. Secretary. The main functions of UAs are as follows:-

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.

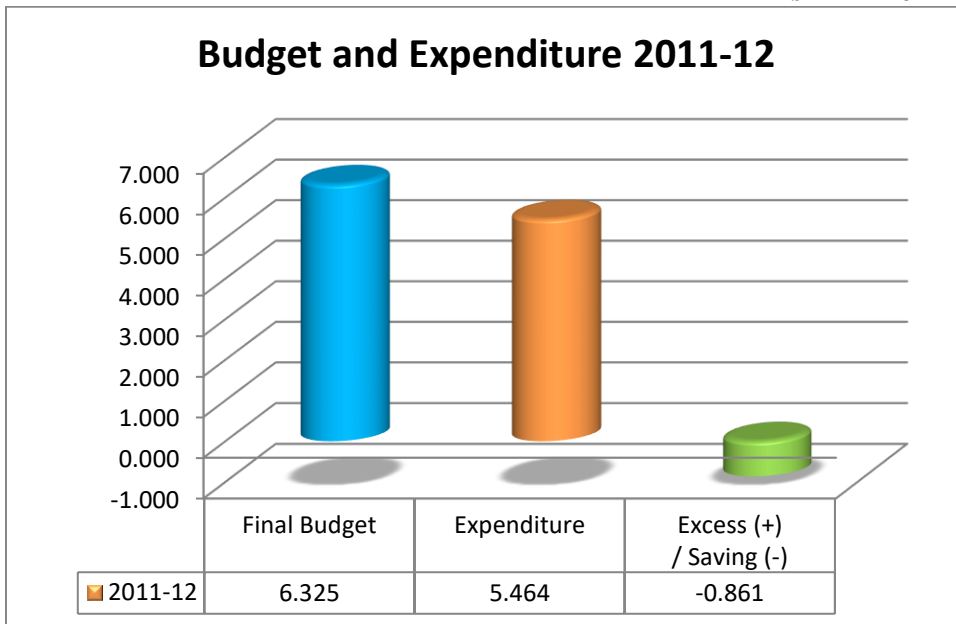
1.1.1 Comments on Budget and Accounts (Variance Analysis)

Rs in million				
2011-12	Budget	Expenditure	Savings	%age Savings
Salary	3.808	3.572	0.236	6
Non-salary	0.876	0.821	0.055	6
Development	1.641	1.071	0.570	35
Total	6.325	5.464	0.861	14



As per the Budget Books for the financial year 2011-12 of three UAs in District Nankana Sahib, the original and final budget was Rs6.325 million. Against the final budget, total expenditure incurred by the UAs during the financial year 2011-12 was Rs5.463 million.

Rs in million



Savings of Rs0.861 million was shown which in term of percentage was 14% 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

According to Section 14 (2, 3) of Auditor General of Pakistan (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, the officer in charge of any office shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Management of Union Administration No. 56 did not produce the auditable record of the union council for 2009-12. In the absence of record, authenticity, validity, accuracy and genuineness could not be verified.

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 the PAO in December, 2012 but no reply was furnished. Despite repeated requests, DAC meeting was not convened by PAO and TMO till the finalization of this Report.

Audit stresses fixing responsibility for non-production of record under intimation to Audit.

1.2.2 Irregularity / Non-compliance

1.2.2.1 Unauthorized Execution of Work – Rs1.069 million

Para 127 (6) and 129 (i) of PWD code provide that payment for all work done should be made on the basis of measurement recorded in M.B in accordance with the work actually done at site, measured in person by the S.D.O and he will be responsible for the general correctness of the bill as a whole.

Management of the following UCs incurred an expenditure of Rs1.069 million during 2009-12 under development schemes without administrative approval, technically sanctioned estimates and without recording in measurement books.

Sr. No.	Year	Name of union Council	Amount (Rs)
1	2009-12	Union Administration # 4	468,500
2	2011-12	Union Administration # 35	600,200
Total			1,068,700

Audit holds that unauthorized execution of development work was due to defective financial discipline and weak internal controls.

This resulted in unauthorized expenditure of Rs1.069 million

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

Audit stresses investigating the matter besides fixing responsibility for violation of law and rules.

1.2.2.2 Less Realization of Receipts – Rs1.870 million

According to Rule 76(1) of Union Administration (Budget) Rule 2003, the primary obligation of the collecting officers shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under proper receipt head.

Sectary of Union Administration No. 04 of District Nankana Sahib during 2009-12, realized only Rs4.22 million against receipt target of Rs6.09 million.

Audit holds that less realization of receipts was due to defective financial discipline and weak internal controls.

This resulted in less recovery of Rs1.87 million.

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

Audit stresses recovery of the remaining amount besides fixing responsibility against the person(s) at fault under intimation to Audit.

ANNEXURE

Annex-A**MFDAC Paras**

Sr. No .	Name of Formation	Subject	Nature of para	Amount (Rs in million)
1	UA # 04 & 35	Non Allocation of CCB Funds	Irregularity	0.513
2	UA # 04	Non Utilization of Development Funds	Recovery	0.613
3	UA # 04	Irregular Expenditure	Recovery	0.185