



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

**AUDIT YEAR 2012-13**

**AUDITOR GENERAL OF PAKISTAN**

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## **ABBREVIATIONS AND ACRONYMS**

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 & TMA	Punjab District Governments & Tehsil Municipal Administration
PLA	Personal Ledger Account
PLGO	Punjab Local Government Ordinance
RCC	Re-enforced Cement Concrete
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**

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 Sheikhpura 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 in District Sheikhupura for the financial year 2011-2012 and the findings included in the Audit Report.

Each Union Administration in District Sheikhupura 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 requires 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 in District Sheikhupura 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:

- a. Money shown as expenditure in the accounts was authorized for the purpose for which it was spent.
- b. Expenditure incurred was in conformity with the laws, rules and regulations framed to regulate the procedure for expending public money.

- c. Every item of expenditure was incurred with the approval of the competent authority in the Government for expending the public money.
- d. Public money was not wasted.
- e. 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 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 Rs0.050 million out of Rs0.050 million and non-Development expenditure of Rs4.020 million out of Rs5.912 million for the financial year 2011-2012 was conducted which is 100% & 68% of development and non development expenditure respectively. Total expenditure of the UAs of District Sheikhpura for the financial year 2011-12 was Rs6.015 million, out of this an expenditure of Rs4.070 million was audited which, is 69% of total expenditure. Therefore, there was 100% achievement against the planned audit activities.

Total receipts of UAs of District Sheikhpura for the financial year 2011-12 were Rs3.373 million. RDA Lahore audited receipts of Rs2.361 million which were 70% of total receipts.

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

Recovery of Rs2.217 million was pointed out during the audit but no recovery was effected till compilation of this Report.

**d. Key audit findings of the report**

- i. Non-production of record of noted in one case.<sup>1</sup>

- ii. Recovery of Rs2.217 million noted in one case.<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. Strengthening of internal controls
- ii. Holding of DAC meetings well in time
- iii. Expediting realization of receipts
- iv. Compliance of relevant laws, rules, instructions and procedures
- v. Appropriate actions against officers/officials responsible for violation of rules
- vi. Addressing systemic issues to prevent recurrence of various omissions and commissions.
- vii. Production of record to audit for verification

<sup>1</sup>Para 1.2.1.1

<sup>2</sup>Para 1.2.2.1

## SUMMARY OF TABLES & CHARTS

**Table 1          Audit Work Statistics**

**Rs in million**

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) under Audit Jurisdiction	101	236.520
2	Total formations under Audit jurisdiction	101	236.520
3	Total Entities (PAO) Audited	03	6.805
4	Total formations Audited	03	6.805
5	Audit & Inspection Reports	03	6.805
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports (Relating to District Governments	-	-

**Table 2:          Audit Observations**

**Rs in million**

Sr. No.	Description	Amount under audit observation
1	Inappropriate/ irregular asset management	-
2	Weak financial management	2.217
3	Weak Internal controls	-
4	Others	-
<b>Total</b>		<b>2.217</b>



**Table 3: Outcome Statistics****Rs in million**

Sr. No.	Description	Expenditure procurement of physical assets	Civil Works	Receipt	Others	Total current year
1	Outlays audited	-	0.050	3.373	5.912	9.338*
2	Amount placed under audit observation / irregularities	-	-	2.217	-	2.217
3	Recoveries pointed out at the instance of Audit	-	-	2.217	-	2.217
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 Rs5.965 million.

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

Sr. No.	Description	Amount under Audit observation
1	Violation of Rules and regulations and violation of principle of propriety and probity in public operations	-
2	Reported cases of fraud, embezzlement, theft and misuse of public funds.	-
3	Quantification of weaknesses of internal control systems.	-
4	Recoveries, overpayments, or misappropriations of public money.	2.217
5	Non-production of record to Audit	-
6	Others, including cases of accidents, negligence etc.	-
<b>Total</b>		<b>2.217</b>

# CHAPTER-1

## 1 UNION ADMINISTRATIONS, SHEIKHUPURA

### 1.1 INTRODUCTION:

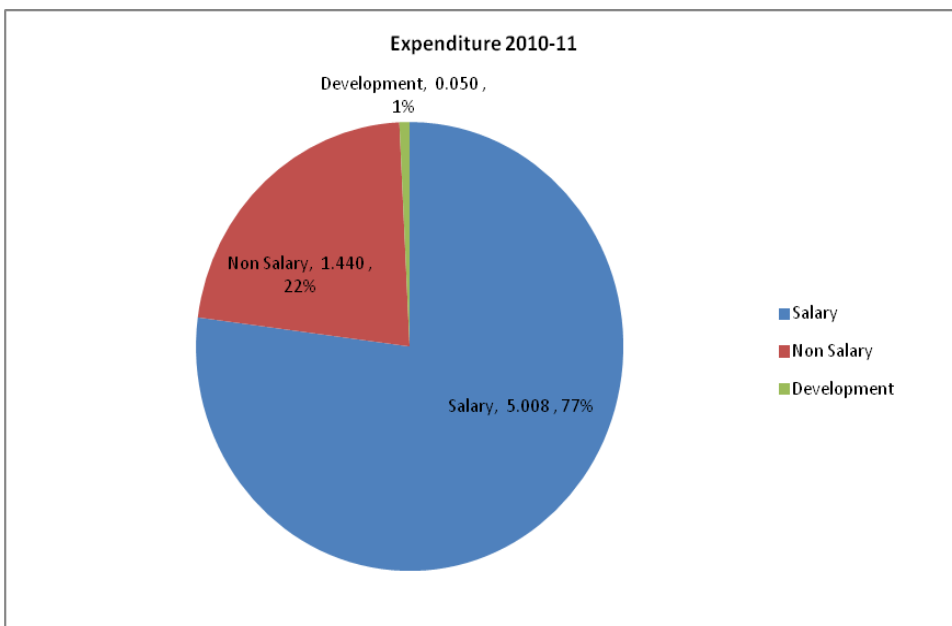
Each Union Administration, Sheikhpura consists of Union Nazim, Union Naib Nazim, Secretary and Administration. Each UA Sheikhpura comprises one Drawing & Disbursing Officer i.e. Secretary. The main functions of UAs are as follows:-

1. to collect and maintain statistical information for socio-economic surveys;
2. to consolidate village and 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.

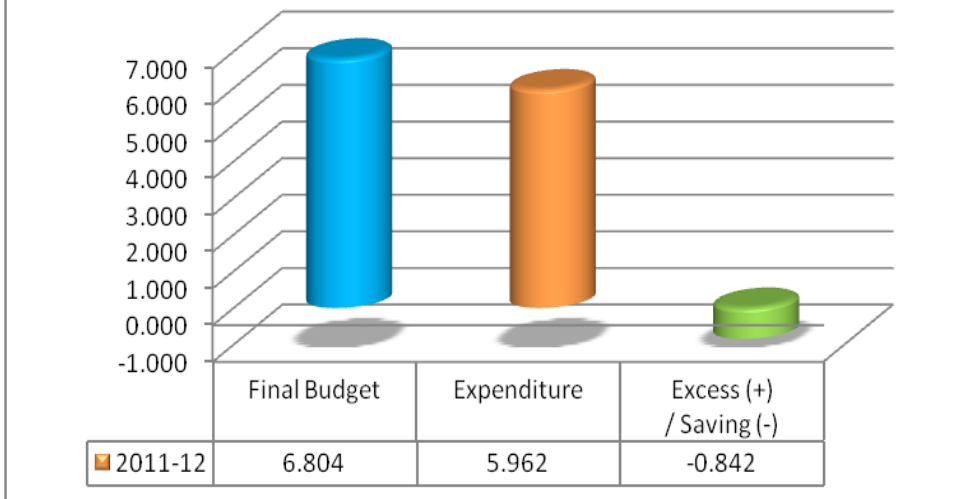
## 1.2 Comments on Budget and Accounts (Variance Analysis)

Rs in million



As per the Budget Books for the financial year 2011-12 of three UAs in District Sheikhpura, the original and final budget was Rs6.804 million. Against the final budget, total expenditure incurred by the UAs during the financial year 2011-12 was Rs5.962 million.

## Budget and Expenditure 2011-12



Savings to the tune of Rs0.842 million was shown which in term of percentage was 12% 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 115 (6) of PLGO, 2001, the officials of local government shall afford all facilities and provide No record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Management of following Union Administration, district Shekhupura did not provide the record to audit for verification despite the written request. In the absence of record, authenticity, validity, accuracy and genuineness could not be verified.

<b>Sr. No</b>	<b>UA No</b>	<b>Detail of Record not Produced</b>
1	UA-28 Ferozwala Shekhupura	All record of the expenditure and revenue for the period 2011-12
2	UA-99 Shekhupura	1. Records for the year 2009-10 (vouchers challans and budget) 2. Bank statement 3. Records of receipts.2009-12 4. Record January 2012 to June 2012.

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 non production of record may result in misappropriation / misuse of public resources

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

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

## **1.2.2 Performance**

### **1.2.2.1 Non-achievement of Financial Targets - Rs2.217 million**

According to Rule 76 of PDG & TMA (Budget) Rules 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 the proper receipt head.

Secretary Union Administrations No. 99 of District Sheikhpura realized Rs1.895 million against a receipt target of Rs4.112 million during the period from 2009-11.

Audit holds that the financial targets set by the auditee were not achieved due to poor financial management and weak internal controls.

This resulted in less realization of local government revenues worth Rs2.217.

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

Audit stresses fixing responsibility against the person(s) concerned for non achievement of financial targets under intimation to Audit.

# **ANNEXURES**



## MFDAC

Sr. No	UC No.	Subject of Para	Nature of Observation	Amount (Rs in million)
1	UC No 47 Sharqpur	Irregular payment of House Building Advance	Irregularity	0.20
2		Doubtful payment of NADRA share	Recovery	0.17
3		Avoidable payment on account of rent of office building	Irregularity	0.08
4		Blockage of funds	Irregularity	1.53
5		Irregular Payment for Printing		0.04
6	UC NO 99 Sheikhupura	Non utilization of Development Budget	Irregularity	0.22
7		Expenditure without budget allocation	Irregularity	0.92
8		un-authorized purchase without quotations	Irregularity	0.05
9		Preparation of budget on prescribed format	Irregularity	6.26
10		Unauthorized retention of Government Revenue	Irregularity	0.11
11		Non-utilization of CCBs Funds	Irregularity	0.09
13		Unauthorized expenditure	Irregularity	0.05