



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

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
PCC	Plain Cement Concrete
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 Kasur 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 of District Kasur for the financial year 2011-2012 and the findings included in the Audit Report.

Each Union Administration in District Kasur carries out 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 of District Kasur 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 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 Receipt

Audit of Development Expenditure of Rs3.714 million out of Rs5.306 million and Non-development Expenditure of Rs6.027 million out of Rs12.054 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 Kasur for the financial year 2011-2012 was Rs17.360 million, out of which overall expenditure of Rs9.741 million was audited which, is 56% of total expenditure. There was 100% achievement against the planned audit activities.

Total receipts of UAs of District Kasur for the financial year 2011-12 were Rs3.608 million. RDA Lahore audited receipts of Rs2.526 million which were 70% of

c. Key Audit Findings of the Report

- i. Non-production of record of Rs0.900 million noted in one case.¹
- ii. Non-compliance of Rules of Rs4.392 million noted in two cases.²

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. Production of record to audit for verification Strengthening of internal controls
- ii. Compliance of relevant laws, rules, instructions and procedures
- iii. Proper maintenance of accounts and record
- 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. Realization and reconciliation of various receipts
- vii. Holding of DAC meetings well in time

¹Para 1.2.1.1

²Para 1.2.2.1-2

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

Sr. No.	Description	Rs in million	
		No.	Budget
1	Total Entities (PAOs) under Audit Jurisdiction	113	635.750
2	Total formations under Audit jurisdiction	113	635.750
3	Total Entities (PAOs) Audited	3	17.360
4	Audit & Inspection Reports	3	17.360
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

Sr. No.	Description	Rs in million
		Amount under audit observation
1	Asset management	-
2	Financial management	7.455
3	Internal controls	4.392
4	Others	0.900
Total		12.747

Table 3: Outcome Statistics

Rs in million						
Sr. No.	Description	Physical Assets	Civil Works	Receipt	Other s	Total current year
1	Outlays audited	-	5.306	3.608	12.054	20.968*
2	Amount placed under Audit observation / irregularities	-	-	7.455	5.292	12.747
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 Rs17.360 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.	11.847
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	0.900
7	Others, including cases of accidents, negligence etc.	0
Total		12.747

CHAPTER-1

1. UNION ADMINISTRATIONS, DISTRICT KASUR

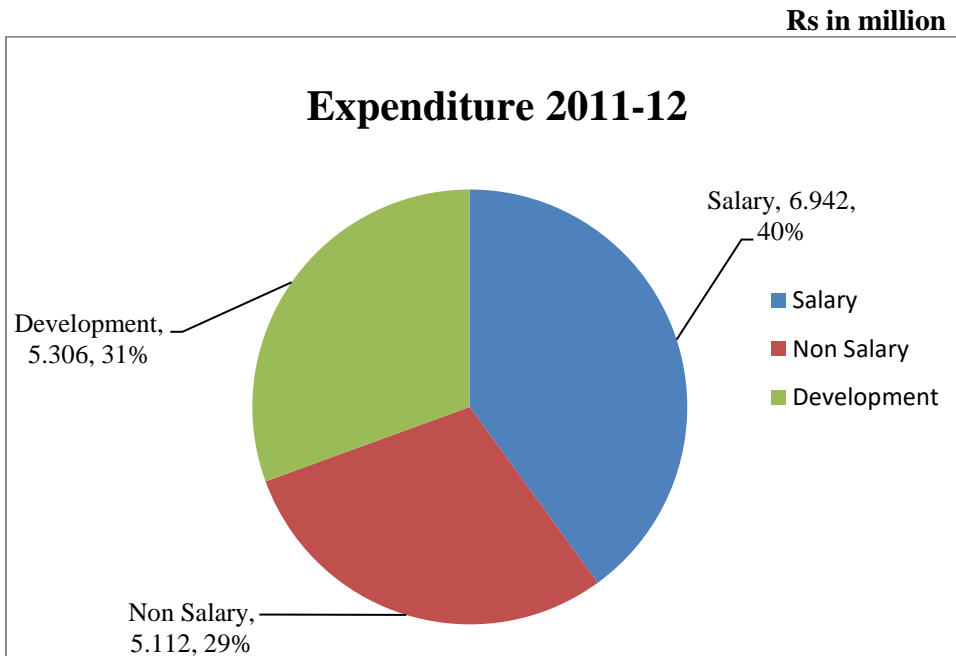
1.1 INTRODUCTION

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

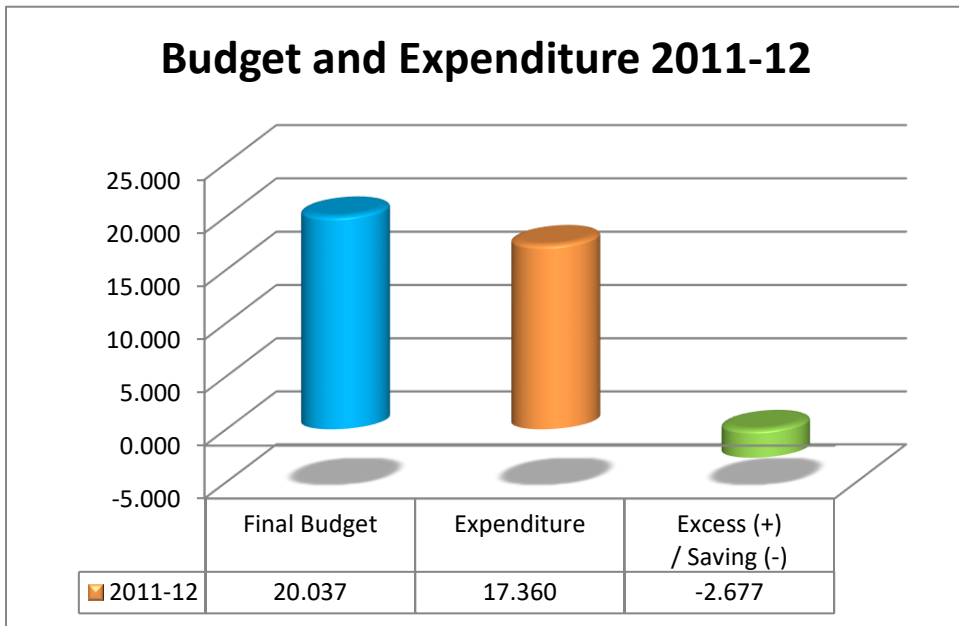
1.1.1 Comments on Budget and Accounts (Variance Analysis)

Rs in million				
2011-12	Budget	Expenditure	(+) Excess (-) Savings	% (+) Excess (-) Savings
Salary	7.752	6.942	-0.81	-10
Non salary	5.535	5.112	-0.423	-8
Development	6.750	5.306	-1.444	-21
Total	20.037	17.360	-2.677	-13



As per the Budget Books for the financial year 2011-12 of three UAs in District Kasur, the original and final budget was Rs20.037 million. Against the final budget, total expenditure incurred by the UAs during the financial year 2011-12 was Rs17.360 million.

Rs in million



Savings to the tune of Rs2.677 million was shown which in terms of percentage was 13% 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 – Rs900,353

According to Section-115(5) & (6) of PLGO, 2001, the Auditor General have the authority to require that any accounts books, papers & other documents which deal with, or form the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection and the officials 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 the Union Administration No. 41 of District Kasur did not produce expenditure and receipt record of Rs900,353 for the year 2008-09 and 2009-10 respectively. In the absence of record, authenticity, validity, accuracy and genuineness could not be verified as detailed below:

Sr. No.	Description of Record	Amount (Rs)
1	Expenditure record for the year 2008-09	834,155
2	Receipts record for the year 2009-10	66,198
Total		900,353

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.

Non-production of record resulted in non verification of authenticity of the expenditure and may lead to misappropriation of public resources.

The matter was reported to PAO/ Administrator in October, 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 Irregular Expenditure - Rs2.797 million

According to Rule 3 of Union Administrations (Works) Rules 2002, before the start of work on a project included in the Annual Development Plan the detailed estimates of the work shall be prepared and approved by the Union Nazim.

Management of Union Administration No. 21 and 77 of District Kasur incurred an expenditure of Rs2.797 million on different development schemes without preparation of technical sanction and recording in measurement books.

Audit holds that due to poor financial discipline and weak internal controls unauthorized expenditure was incurred.

This resulted in irregular expenditure of Rs2.797 million.

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

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

1.2.2.2 Non-utilization of CCB Funds – Rs1.595 million

According to section 41(2) of the Punjab Union Administration (Budget Rules 2003) 25% of the development budget shall be earmarked for execution through Citizen Community Board Project shall be proceed included in the development budget and approved by the Administration in accordance with volume I and II of the rules.

Management of the following Union Administrations of District Kasur did not utilize the Citizen Community Board Funds amounting to Rs1.595 million during 2011-12 as detailed below:

Sr. No.	Union Administration	Amount (Rs)
1	UA-21	169,659
2	UA-41	717,886
3	UA-77	707,797
Total		1,595,342

Audit holds that management did not take appropriate action in time for the utilization of funds and due to non-utilization of CCB funds,

the community could not get the benefits of development projects through public participation.

The matter was reported to PAOs/ Administrators in October, 2012. Neither reply was furnished nor DAC meeting convened till the finalization of this report.

Audit stresses fixing of responsibility for non-utilization of CCB funds under intimation to Audit.

1.2.3 Performance

1.2.3.1 Non-achievement of Financial Targets - Rs7.455 million

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 according to Rule 76 of PDG & TMA (Budget) Rules, 2003.

Management of Union Administration No. 21 District Kasur, during the financial period from 2008-12, realized only Rs8.130 million against the receipt target of Rs15.585 million.

Audit holds that due to poor performance and mismanagement, the financial targets set by the auditee were not achieved.

This resulted in less realization of receipt Rs7.455 million.

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

Audit stresses fixing of responsibility for non achievement of financial targets under intimation to Audit.

ANNEXURES

MFDAC

Sr. No.	UA No.	Subject	Nature of Observation	Amount (Rs in million)
1	UA 21	Non-allocation of CCB Funds	Irregularity	0.541
2		Non-deduction of Income Tax	Irregularity	0.078
3		Non preparation of budget on prescribed format	Irregularity	25.496
4		Non preparation of annual development plan	Irregularity	2.223
5		Non utilization of Development Budget	Irregularity	3.288
6		Non preparation and non reconciliation of Income & Expenditure statements	Irregularity	10.354
7		Excess expenditure	Irregularity	0.026
8	UA 77	Non-deduction of Contractor Profit	Irregularity	0.110
9		Non preparation of budget on prescribed format	Irregularity	-
10		Non preparation of annual development plan	Irregularity	1.238
11		Less utilization of Development Budget	Irregularity	0.750
12		Non preparation and non reconciliation of Income & Expenditure statements	Irregularity	-