



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

AUDIT YEAR 2012-13

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
DAC	Departmental Accounts Committee
FBR	Federal Board of Revenue
FD	Finance Department
IPSAS	International Public Sector Accounting Standards
LG &CD	Local Government & Coomunity Development
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Model
PAC	Public Account Committee
PCC	Plain Cement Concrete
PDG	Punjab District Governments
PLGO	Punjab Local Government Ordinance
PLG	Punjab Local Government
PDSSP	Punjab Devolved Social Sector Programme
PPRA	Punjab Procurment regulation Authority
TAC	Town Accounts Committee
UA	Union Administration
TO (R)	Town Officer (Regulation)

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 the accounts of Union Administrations of District Jhelum 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 observations 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 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 of Audit, Rawalpindi has audit jurisdiction of District Governments, Tehsil / Town Municipal Administration and Union Administrations of one City District Government i.e. Rawalpindi and three District Governments i.e. Jhelum, Chakwal and Attock.

The Regional Directorate has a human resource of 15 officers and staff, total 4,389 man-days and the annual budget of Rs12.199 million for the financial year 2011-12. It has mandated to conduct Financial Attest, Regularity Audit, Audit of Sanctions and Compliance with Authority & Performance Audit of entire expenditure including programmes / projects & receipts. Accordingly Regional Directorate Rawalpindi carried out audit of accounts of two UAs of District Jhelum for the financial year 2011-12.

Each Union Administration in District Jhelum is headed by a Union Nazim / Administrator who 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 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 Jhelum 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 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 and revenue did not remain outside 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 process 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

Total expenditure of 2 UAs of District Jhelum for the financial year 2011-12 was Rs2.893 million covering two PAOs and two formations. Out of this Regional Director Audit (RDA) Rawalpindi audited an expenditure of Rs2.893 million which in terms of percentage was 100% of total expenditure. Regional Director Audit planned and executed audit of 2 UAs i.e. 100% achievement against the planned audit activities.

Total receipts of 2 UAs of District Jhelum for the financial year 2011-12, were Rs2.991 million. RDA Rawalpindi audited receipts of Rs2.991 million which were 100% of total receipts.

c) Recoveries at the Instance of Audit

No Recovery was pointed out.

d) Key Audit Findings of the Report

- i. Non Compliance of Rules of Rs12.12 million noted in two cases¹

Audit paras for the audit year 2012-13 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting are included in MFDAC (Annexure-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 recoveries pointed out by audit as well as others in the notice of management
- iv. Compliance of relevant laws, rules, instructions and procedures
- v. Proper maintenance of accounts and record
- vi. Production of record to audit for verification

¹Para 1.2.3.1-2

SUMMARY TABLE & CHARTS

Table 1: Audit Work Statistics

(Rs in million)

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	73	77.000
2	Total formations in Audit Jurisdiction	73	77.000
3	Total Entities (PAOs)/DDOs Audited	2	2.893
4	Total Formations Audited	2	2.893
5	Audit & Inspection Reports	2	2.893
6	Special Audit Reports	Nil	Nil
7	Performance Audit Reports	Nil	Nil
8	Other Reports	Nil	Nil

* Figures at Serial No.3 & 4 represent expenditure.

Table 2: Audit observations

(Rs in million)

Sr. No.	Description	Amount under audit observations	Para Reference
1	Asset management	0	
2	Financial management	12.12	1.2.3.1-2
3	Internal controls	0	
4	Others	0	
Total		12.12	

Table3: Outcome Statistics**Expenditure Outlays Audited**

(Rs in million)

Sr. No.	Description	Physical Assets	Civil Work	Receipt	Other	Total 2011-12
1	Outlays audited	0	0.336	2.991	2.557	5.884
2	Amount placed under Audit observation/irregularities	0	0	0	12.12	12.12
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 2011-12" is the sum of Expenditure and Receipts, whereas the total expenditure for the year 2011-12 was Rs2.893 million

Table4: Irregularities Pointed Out

(Rs in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and principle of propriety and probity.	12.12
2	Reported cases of fraud, embezzlement, theft and misappropriations and misuse of public funds.	0
3	Quantification of weaknesses of internal control systems	0
5	Recoveries, overpayments or unauthorized payments of public money.	0
6	Non-production of record.to Audit.	0
7	Others, including cases of accidents, negligence etc.	0
	Total	12.12

¹ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan.

CHAPTER 1

1 UNION ADMINISTRATIONS, JHELUM

1.1 INTRODUCTION

There are 73 Union Administration in District Jhelum. Each UA consists of Union Nazim, Union Naib Nazim and Union Secretary. UA comprises of two Drawing and Disbursing Officers i.e. Administrator and Union Secretary. The Main functions of UAs are as follows:-

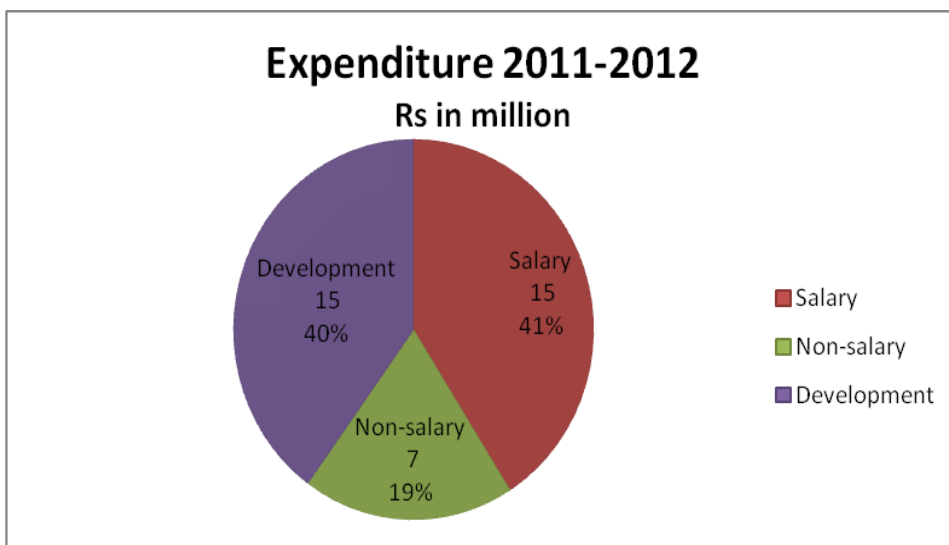
1. to collect and maintain statistical information for socio-economic surveys;
2. to consolidate village and neighbourhood development needs and prioritize them into union-wide development proposals with the approval of the Union Council and make recommendations thereof to the District Government or 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 Neighbourhood 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, Neighbourhood Councils in the Union to execute development projects;

1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Amount in million)

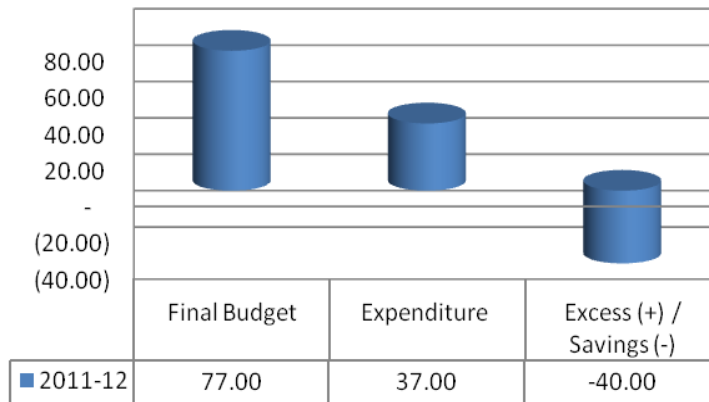
2011-2012	Budget	Expenditure	Excess (+) / Saving (-)	% (Saving)
Salary	33	15	-18	-54
Non-salary	15	7	-8	-55
Development	29	15	-14	-48
Total	77	37	-40	-52



As per Budget Books for the financial year 2011-12 of 73 UAs of Jhelum, the original and final budgets were of Rs77.00 million. Against the final budget, total expenditure incurred by the UAs during financial years 2011-12 was Rs37.00 million. There was a saving of Rs40.00 million the reasons for which should be explained by the Union Nazims and management of UAs.

Final Budget & Expenditure 2011-12

Rs in Million



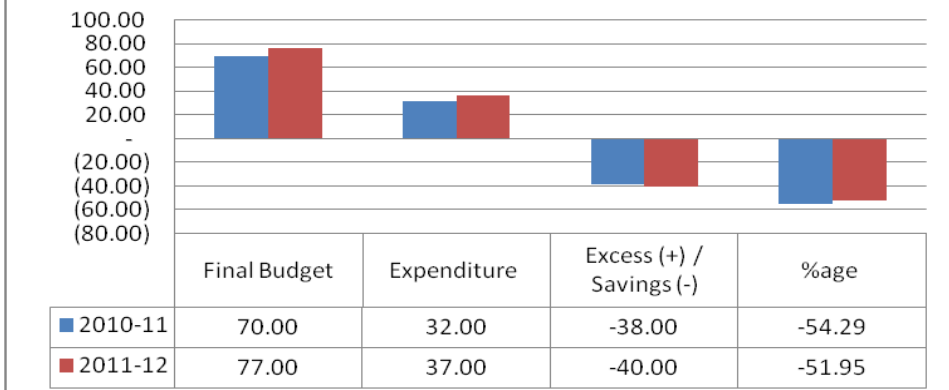
Ineffective financial management resulted in savings to the tune of Rs40 million which in term of percentage was 52% of the final budget. The same was required to be justified by the Principal Accounting Officer.

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Overall Comparison of Budget & Expenditure

2010-11 & 2011-12

Rs in million



There was savings in the budget allocation of the financial years 2010-11 and 2011-12 as follows:

(Rs in million)

Financail Year	Budget Allocation	Expenditure	Savings	% of Saving
2010-11	70	32	-38	-54
2011-12	77	37	-40	-52
Total	147	69	-78	

The justification of saving when the development scehemes have remained incomplete, is required to be provided, explained by PAO and Administrators concerned.

1.2 AUDIT PARAS

1.2.3 NON COMPLIANCE OF RULES

1.2.3.1 Preparation of Un-Classified Budget – Rs 9.237 million

According to the rule 9(1)(1)(2) and (3) of PLG District Government and TMA rules 2003 read with Para 30 of Audit code that the budget shall be prepared in accordance with the chart of classification of accounts issued by the Auditor General of Pakistan and the expenditure shall be classified into development and non-development the receipt shall be classified in major heads and detail heads.

The following Union Administrations incurred expenditure of Rs 9.237 million against the budget allocation for the year 2010-12. However it was observed that while budgeting, UAs did not followed chart of classification. Similarly payments were made without observing proper classification mentioned in chart of Accounts, in violation the above mentioned criteria, as detailed below:-

(Amount in million)

S.No.	Name of Union Administration	Budgeted Amount (Rs)
1	UA No. 24 Dina-II Tehsil Dina District Jhelum	3.131
2	UA No. 25 Madukalas Tehsil Dina District Jhelum	6.106
Total:		9.237

Audit holds that due to defective financial discipline and weak internal controls funds were utilized without observing codal requirement / classification.

The matter was reported to PAO/Administrator in October 2012. In DAC meeting held on 15-12-2012 neither any reply was submitted nor progress was shown till the finalization of this report.

Audit stresses that budget estimates should be prepared and all expenditure and receipt should be categorized / classified as per chart of classification.

[AIR Para No.1,1]

1.2.3.2 Non-Utilization Of Developmental Funds – Rs 2.887 million

According to Rule 64(iv) of the TMA & Budget Rules, 2003 the resources of the District Govt. should be utilized effectively and efficiently.

The following Union Administrations were allocated with an amount of Rs 2.887 millions for development during the year 2010-12 , but the funds were not utilized for the purpose it was reserved and public was deprived of the benefit, in violation of the above mentioned rule. As detailed below:-

S.No.	Name of Union Administration	Budgeted Amount (Rs)
1	UA No. 24 Dina-II Tehsil Dina District Jhelum	1.262
2	UA No. 25 Madukalas Tehsil Dina District Jhelum	1.625
Total:		2.887

Audit holds that due to defective financial discipline and weak internal controls development budget was not utilized and public was deprived of the benefit.

The matter was reported to PAO/Administrator in October 2012. In DAC meeting held on 15-12-2012 neither any reply was submitted nor progress was shown till the finalization of this report.

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

[AIR Para No.2,2]

ANNEXURE

[Annexure-A]

MFDAC Paras

Sr.No	AIR Para No	Title of Para	Nature of Para	Amount (Rs)
1	6	Irregular Payment On Account Of Building Rent	Non compliance of Rule	82,500
2	5	Unauthorized Allocation Of Funds For Purchase Of Furniture	-do-	80,000