



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

AUDIT YEAR 2012-13

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AGP	Auditor General of Pakistan
AIR	Audit and Inspection Report
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	Punjab District Governments
PLA	Personal Ledger Account
PLGO	Punjab Local Government Ordinance
RCC	Reinforcement of Concrete & Cement
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 and 170(2) of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 115 of the Punjab Local Government Ordinance, 2001 requires 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. Accordingly, the audit of all receipts and expenditures of the Local Fund and Public Accounts of Tehsil / Town Municipal 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 Gujrat 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 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 in the light of written responses and discussion in Departmental Accounts Committee meeting.

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 one thousand eight hundred and twenty four Union Administrations. Its Regional Directorate of Audit Gujranwala has audit jurisdiction of District Governments, TMAs and UAs of one City District Government i.e. Gujranwala and five District Governments i.e. Gujrat, Hafizabad, Mandi Baha-ud-Din, Narowal & Sialkot.

2. The Regional Directorate has a human resource of 29 officers and staff, total 4757 man days and the annual budget of Rs14.093 million for the financial year 2011-2012. It has the mandate to conduct Financial Attest Audit, Regularity Audit and Compliance with Authority and Performance Audit of entire expenditure including programmes / projects & receipts. Accordingly, RDA Gujranwala carried out audit of the accounts of three UAs of District Gujrat for the financial year 2011-2012.

3. Each Union Administration in District Gujrat 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 PLGO 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.

4. Audit of UAs of District Gujrat 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.

5. 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 with the objective 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 Rs1.466 million, out of total Development Expenditure of Rs2.094 million and audit of non-development Expenditure Rs2.584 million out of total Rs5.168 million for the financial year 2011-12 was conducted which is 70% and 50% of development and non-development expenditures respectively. Total overall expenditure of UAs of District Gujrat for the financial year 2011-2012 was Rs7.262 million, out of which overall expenditure of Rs4.05 million was, audited which is 56% of total expenditure. There was 100% achievement against the planned audit activities.

c. Recoveries at the instance of audit

Recovery of Rs 0.039 million was pointed out during Audit but no recovery was effected till compilation of this Report.

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 (Annexure-A).

d. Recommendations

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

- i. Head of Union Administrations needs to conduct physical stock taking of fixed and current assets.
- ii. Department needs to comply with the Public Procurement Rules for economical and rational purchase of goods and services.
- iii. Inquires need to be held to fix responsibility for fraud, misappropriation, losses, theft and wasteful expenditure.
- iv. The PAO needs to make efforts for expanding the realization of various Government receipts.
- v. The PAO and his team need to ensure proper execution and implementation of the monitoring system.
- vi. The PAO needs to take appropriate action for non-production of record.
- vii. The PAO needs to rationalize its budget with respect to utilization.

SUMMARY OF TABLES AND CHARTS

Table 1 Audit Work Statistics

(Rs in million)

Sr. No.	Description	Number	Budget
1	Total Entities (PAO) under Audit Jurisdiction	117	409.81
2	Total formations under Audit Jurisdiction	117	409.81
3	Total Entities (PAO) Audited	3	7.262
4	Audit & Inspection Reports	3	7.262
5	Special Audit Reports	3	7.262
6	Performance Audit Reports	-	-
7	Other Reports (Relating to TMAs)	-	-

* Figures at Serial No.3, 4 & 5 represents expenditure & Receipts.

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	0
4	Violation of rules	0
5	Others	0
TOTAL		0

Table 3 Outcome Statistics

(Rs in million)

Sr. No.	Description	Expenditure on Acquiring of Physical Assets (Procurement)	Civil Works	others	Receipts	Total current Year*
1	Outlays audited	-	0.898	2.094	5.168	8.16
2	Amount placed under audit observation / Irregularities of audit	-	-	0.944	-	0.944
3	Recoveries pointed out at the instance of audit	-	-	0.039	-	0.039
4	Recoveries accepted / established at the instance of audit	-	-	0.039-	-	0.039
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 year was Rs 7.262 million.

Table 4 Irregularities Pointed Out

(Rs in million)

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

CHAPTER-1

1.1 UNION ADMINISTRATIONS, GUJRAT

1.1.1 INTRODUCTION

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

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 Union Administration, as the case may be.
3. To identify deficiencies in the delivery of services and make recommendations for improvement thereof to the Union 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 Union 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 Union Administration or District Government for such execution.

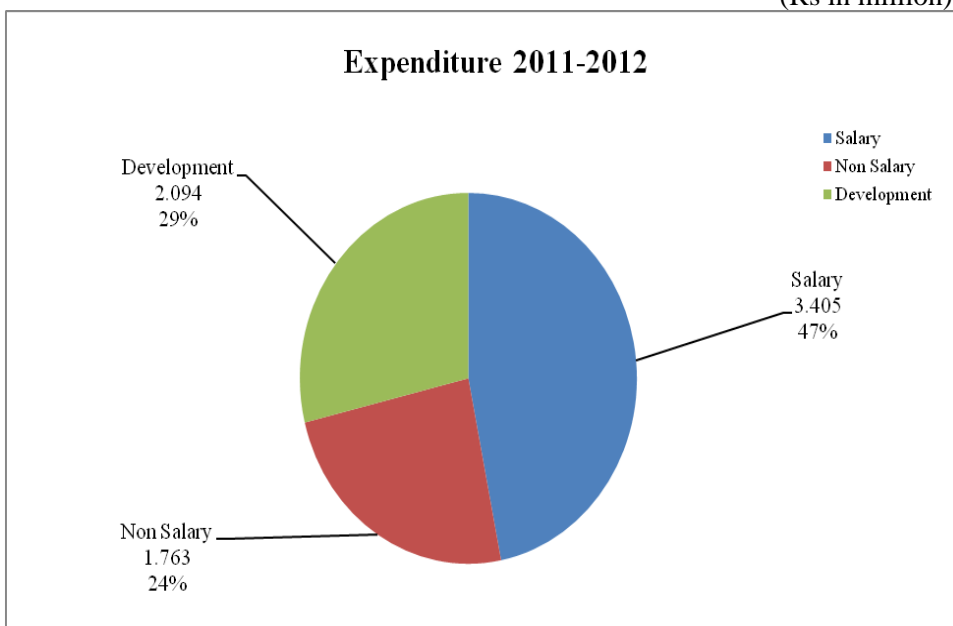
13. To assist the Village Councils or, as the case may be, Neighbourhood Councils in the Union to execute development projects.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

Financial Year 2011-2012	Budget	Expenditure	Savings	%age of Savings
Salary	4.223	3.405	-0.818	19
Non-salary	3.538	1.763	-1.775	50
Development	2.747	2.094	-0.653	24
Total	10.508	7.262	-3.246	31

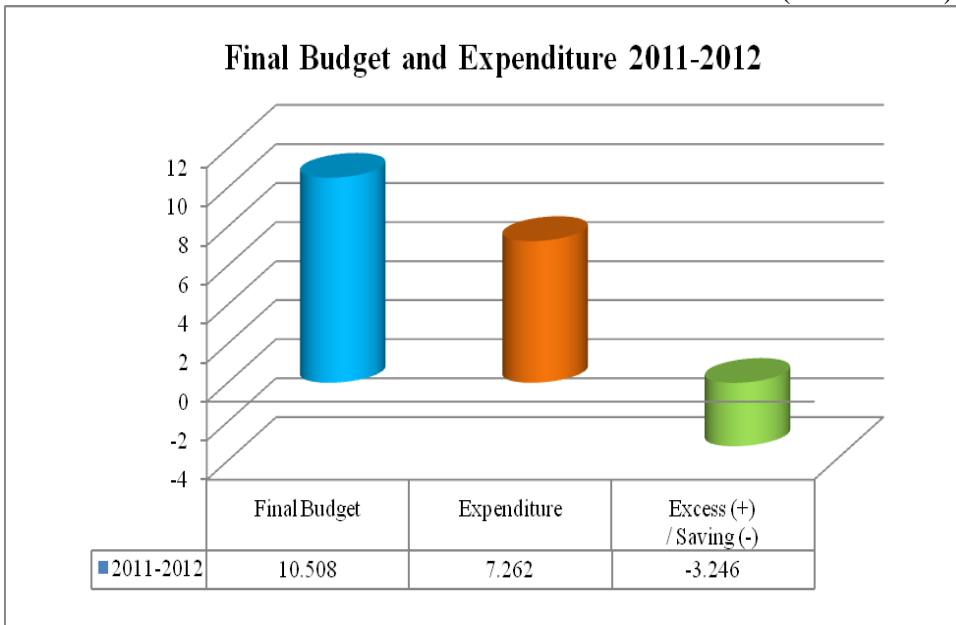
(Rs in million)



Details of budget allocations, expenditures and savings of three UAs in District Gujrat for the financial year 2011-12 are at Annexure-B.

As per Budget Books for the financial year 2011-12 of UAs of Gujrat the original and the final budget was Rs 10.508 million. Against the final budget total expenditure incurred by the UAs during the financial year 2011-12 was Rs7.262 million.

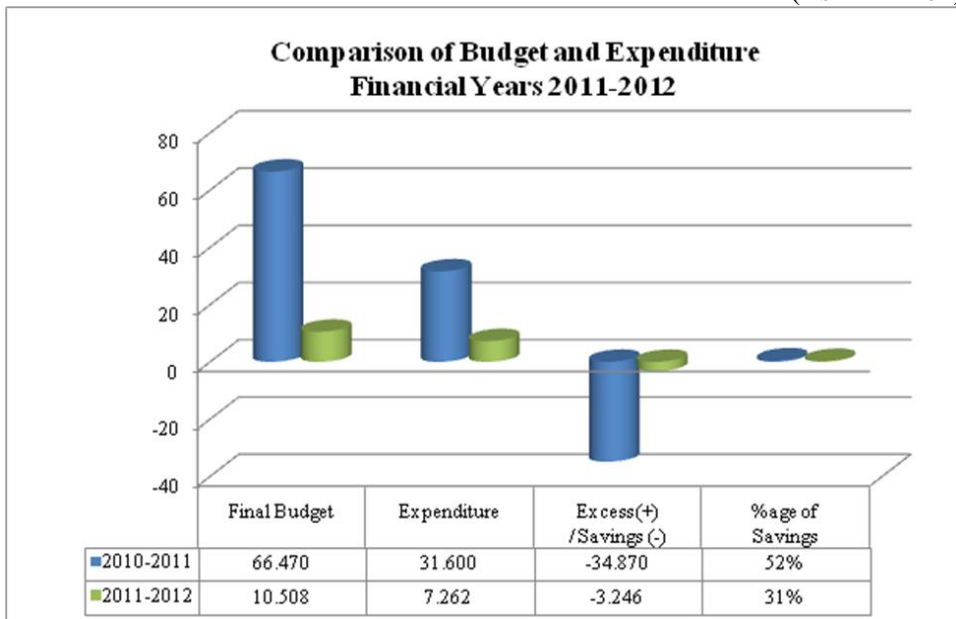
(Rs in million)



Ineffective financial management resulted in savings to the tune of Rs3.246 million which in term of percentage was 31% of the final budget.

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

(Rs in million)



There were overall savings in the budget allocation of the financial year 2011-2012 as follows:

(Rs in million)

Financial Year	Budget	Expenditure	Savings	%age of Savings
2010-2011	66.470	31.600	-34.870	52
2011-2012	10.508	7.262	-3.246	31

The justification of saving when the development schemes have remained incomplete is required to be explained by the Principal Accounting Officer, Administrator and management of UAs.

1.2 AUDIT PARAS

Nil

ANNEXURES

ANNEXURE-A

MFDAC Paras

Sr. No.	Name of Formation	AP No.	Subject	Amount (Rs)	Nature of Paras
1	UA 52/8 Gujrat	04	Irregular expenditure	100,000	Irregularity / Non-compliance
2	UA 51/7 , UA 52/8	03, 03 & 05	Non-production of record	828,914	Internal Control Weakness
3	UA 51/7	04	Unjustified payment of POL	114,580	Weak Financial Management

UAs of Gujrat District
Budget and Expenditure Statement for the financial year 2011-2012

1. UA 51/7, Gujrat - Budget and Expenditure details (Rs in million)
for the FY 2011-12

Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	1.538	1.220	0.318	21%	
Non-salary	1.329	0.620	0.709	53%	
Development	1.227	1.124	0.103	8%	
Total	4.094	2.964	1.130	28%	

2. UA 52/8 Gujrat - Budget and Expenditure details
for the FY 2011-12

Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	1.538	1.160	0.378	25%	
Non- salary	1.329	0.612	0.717	54%	
Development	0.720	0.449	0.271	38%	
Total	3.587	2.221	1.366	38%	

3. UA 53/9 Gujrat - Budget and Expenditure details
for the FY 2011-12

Head	Budget	Expenditure	Excess / Savings	%age	Comments
Salary	1.147	1.025	0.122	11%	
Non-salary	0.880	0.531	0.349	40%	
Development	0.800	0.521	0.279	35%	
Total	2.827	2.077	0.750	27%	