



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

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

Article 170 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 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 Gujranwala 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 meetings.

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 Districts i.e. Gujrat, Hafizabad, Mandi Baha-ud-Din, Narowal & Sialkot.

2. The Regional Directorate has a human resource of 29 officers and staff, total 4,757 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, Audit of Sanctions, Audit of Compliance with Authority and Audit of Receipts as well as the Performance Audit of entities / projects and programs. Accordingly, RDA Gujranwala carried out audit of the accounts of three UAs of District Gujranwala for the financial year 2011-2012.

3. Each Union Administration in District Gujranwala 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 Gujranwala 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 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 Receipts

Audit of Development Expenditure of Rs 0.688 million, out of total Development Expenditure of Rs 2.617 million and audit of non-development Expenditure Rs 1.729 million out of total Rs 3.436 million for the financial year 2011-12 was conducted which is 26% and 50% of development and non-development expenditures respectively. Total overall expenditure of UAs of District Gujranwala for the financial year 2011-2012 was Rs 3.436 million, out of which overall expenditure of Rs2.417 million was, audited which is 70 % of total expenditure. There was 100% achievement against the planned audit activities.

c. Recoveries at the instance of audit

Recovery of Rs 0 million was pointed during Audit , no recovery was effected till compilation of this Report.

d. The key audit findings of the report;

- i. Lack of internal control weaknesses of Rs 4.478 million was 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 (Annexure-A).

e. Recommendations

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

- i. Head of the Union Administrations needs to conduct physical stock taking of fixed and current assets.
- ii. Departments need to comply with the Public Procurement Rules for and rational purchases of goods and services.
- iii. Inquiries need to be held to fix responsibility for wasteful expenditure and unauthorized payment.
- iv. The PAO needs to make efforts for expediting 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.

¹Para 1.2.1.1,1.2.1.1

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	188	620.750
2	Total formations under Audit Jurisdiction	188	620.750
3	Total Entities (PAO) Audited	3	3.436
4	Audit & Inspection Reports	3	3.436
5	Special Audit Reports	-	-
6	Performance Audit Reports	-	-
7	Other Reports (Relating to TMAs)	-	-

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

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	4.478
4	Violation of rules	0
5	Others	0
TOTAL		4.478

Table 3 Outcome Statistics

(Rs in million)

Sr. No.	Description	Salary	Non-salary	Civil Works	Receipts	Current Year *
1	Outlays Audited	2.927	0.509	0	0.590	4.026*
2	Amount Placed Under Audit Observations / Irregularities	0	2.678	1.800	0	4.478
3	Recovery Pointed Out at the Instance of Audit	0	0	0	0	0
4	Recovery Accepted / Established	0	0	0	0	0
5	Recovery Realized at the Instance of Audit	0	0	0	0	0

* 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 3.436 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	4.478
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		4.478

CHAPTER-1

1.1 UNION ADMINISTRATIONS, GUJRANWALA

1.1.1 INTRODUCTION

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

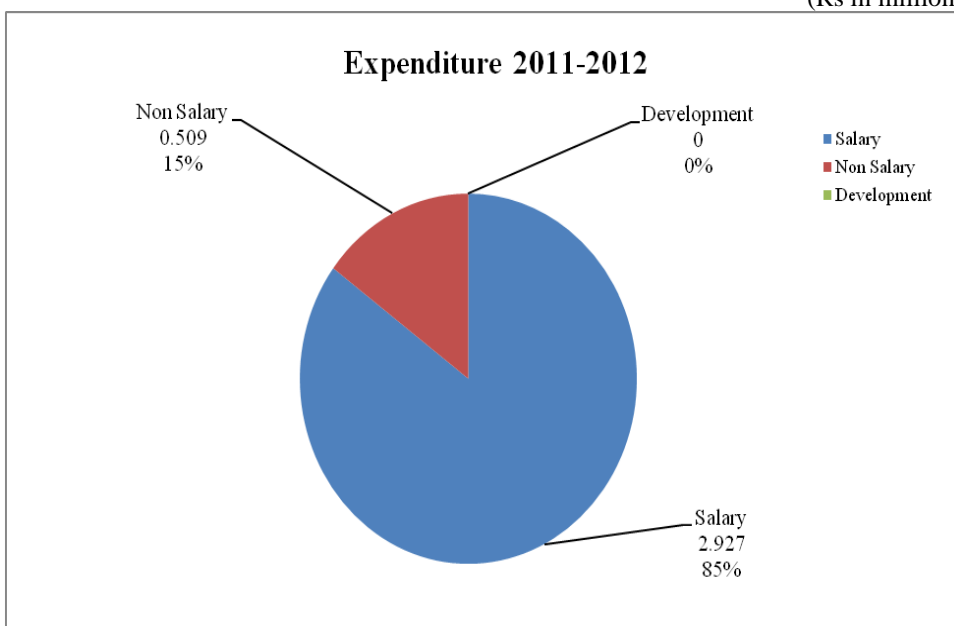
13. To assist the Village Councils or, as the case may be, Neighbourhood Councils in the Union to execute development projects.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

F.Y. 2011-12	Budget	Expenditure	(-) Savings	%age of Savings
Salary	3.983	2.927	-1.056	27
Non-salary	0.849	0.509	-0.340	40
Development	2.617	0	-2.617	-
TOTAL	7.449	3.436	-4.013	54

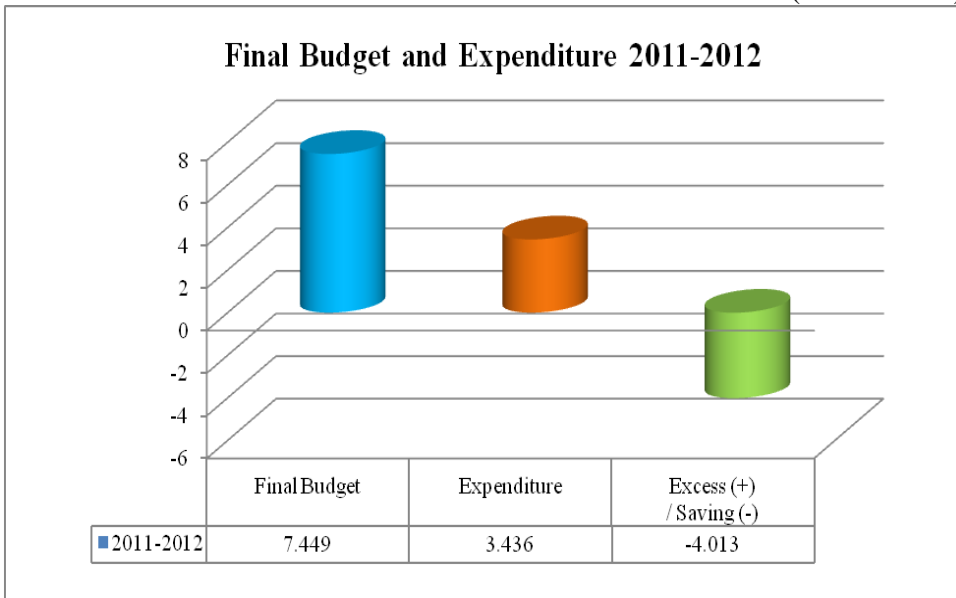
(Rs in million)



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

As per Budget Books for the year 2011-12 of UAs of Gujranwala the original and the final budget was Rs 7.449 million. Against budget, total expenditure incurred by the UAs during the financial year 2011-12 was Rs 3.436 million.

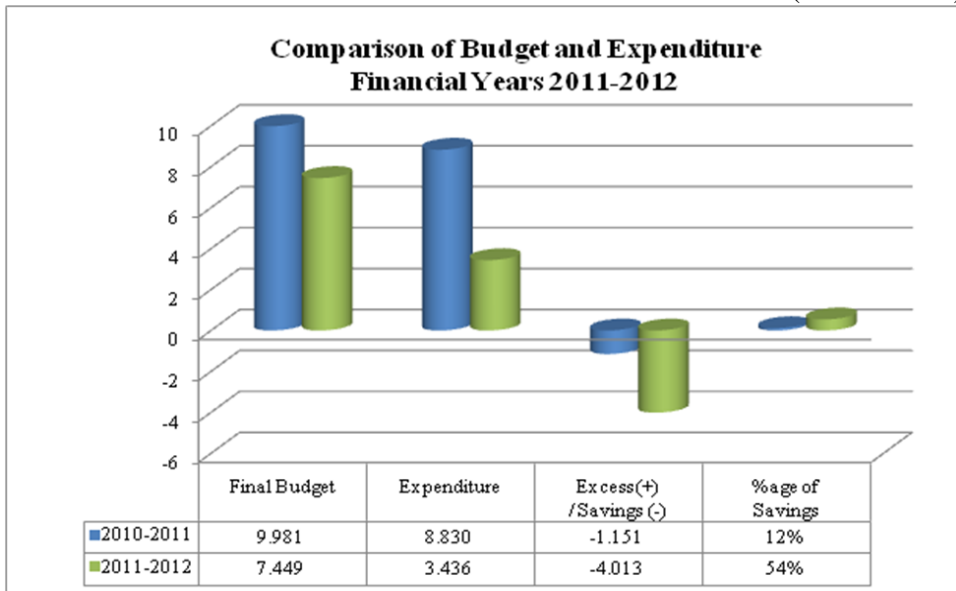
(Rs in million)



Ineffective financial management resulted in savings to the tune of Rs4.013 million which in term of percentage was 54% of the final budget.

The comparative analysis of the expenditure of current and previous financial years 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 Years	Budget	Expenditure	Savings	%age of Savings
2010-2011	9.981	8.830	-1.151	12
2011-2012	7.449	3.436	-4.013	54

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

1.2.1 Internal Control Weaknesses

1.2.1.1 Undue Retention of Government Money - Rs2.678 million

According to Rule 64 (ii) of the TMA & Budget Rule,2003, the resources of the Govt.should be utilized effeciently & effectively.

Union Councils of District Gujranwala had closing balances with Banks for Rs2.678 million which were not utilized for the welfare of the Public and deprived the messes from the benefits of development projects as detailed below:

Sr. No.	Name of UCs	Bank and A/C No.	Amount (Rs)
1	38/2-Gujranwala	UBL -PLS- 8613	1,671,124
2	39/3-Gujranwala	NBP-PLS-1857-6	987,254
TOTAL			2,658,378

Audit holds that due to weak internal controls of management this resulted into depriving the community from better services but the management did not furnish any reply.

The matter was reported to the T.O (Regulation) in August,2012. DAC in its meeting held in November,2012 directed the department to take appropriate action.

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

[AIR Para No.03 & 03]

1.2.2.2 Irregular Provision of Block Allocation - Rs1.800 million

According to Section 58(5) of Budget Rule, 2003 notified by the LG&RD Department vide No.SOV (LG) 5-12/2003, dated 05.06.2003, no lump sum provision shall be made in the budget the details of which cannot be explained.

Scrutiny of budget of Union Administrations revealed that an allocation of Rs1.800 million pertaining to financial year 2011-12 were earmarked for different development programs but the scheme-wise details of the sub head of development components were not reflected in the budget nor provided separately as detailed below:

Sr. No	Name of UCs	Financial Year	Allocation (Rs)
1	U/C-39/3 Gujranwala	2011-12	1,100,000
2	U/C-38/2 Gujranwala	2011-12	700,000
TOTAL			1,800,000

Audit holds that this is the case of weak internal controls of management. This resulted into irregular utilization of Development funds but the management did not furnish any reply.

The matter was reported to the T.O (Regulation) in August, 2012. DAC in its meeting held in November,2012 directed the department to take appropriate action.

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

[AIR Para No.02 & 07]

ANNEXURES

Annexure-A**MFDAC Paras 2011-12**

Sr. No.	Name of Formation	AP No.	Subject	Amount (Rs)	Nature of Para
1	UA 37/1 Gujranwala	01	Irregular provision of block Allocation	500,000	Non-compliance
2		02	Non-allocation of CCB Funds	125,000	Non-compliance
3		03	Irregular preparation of budget	-	Non-compliance
4		04	Non-maintenance of record	-	Internal control weakness
5	UA 38/2 Gujranwala	05	Doubtful expenditure	20,000	Internal control Weakness
6		02	Non-production of record	160,230	Internal control Weakness
7		04	Receipt target not achieved	367,970	Internal control Weakness
8		03	Non-utilization of CCB funds	688,493	Internal control Weakness
9	UA 39/3 Gujranwala	04	Irregular expenditure on Rent of building	60,000	Non-compliance
10	UA Bhattike	05	Non-maintenance of record	-	Internal Control weakness

UAs of Gujranwala District

Budget and Expenditure Statement for the financial years 2011-2012 Three Union Administrations - Budget and Expenditure details

UA 37/1 Gujranwala					
Financial Year 2011-2012					
(Rs in million)					
Head	Budget	Expenditure	Excess / Savings	%age of Savings	Comments
Salary	1.396	1.129	0.267	19.12	-
Non-salary	0.285	0.187	0.098	34.38	-
Development	0.669	0	0.669	100.00	-
Total	2.350	1.316	1.034	44.00	-
UA 38/2 Gujranwala					
Financial Year 2011-2012					
Head	Budget	Expenditure	Excess / Savings	%age of Savings	Comments
Salary	1.311	0.846	0.465	35.47	-
Non-salary	0.274	0.225	0.049	17.88	-
Development	1.248	0	1.248	100.00	-
Total	2.833	1.071	1.762	62.19	-
UC 39/3 Gujranwala					
Financial Year 2011-2012					
Head	Budget	Expenditure	Excess / Savings	%age of Savings	Comments
Salary	1.276	0.952	0.324	25.39	-
Non-salary	0.290	0.096	0.194	66.90	-
Development	0.700	0	0.700	100.00	-
Total	2.266	1.048	1.218	53.75	-