



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

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 District Government Fund and Public Account of District Government is the responsibility of the Auditor General of Pakistan.

The report is based on audit of the accounts of Union Administrations of District Hafizabad 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 in the light of written responses and discussion in DAC 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 1824 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, Narowal, Sialkot and Mandi Baha-ud-Din.

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 per year for the financial year 2011-2012. It has mandated to conduct Financial Attest, Regularity Audit and Compliance with Authority & Performance Audit of entire expenditure including programmes/projects & receipts. Accordingly, RDA Gujranwala carried out Audit of accounts of three Union Administrations of District Hafizabad for the financial year 2011-2012.

3. Union Administrations, District Hafizabad conducts its operations under Punjab Local Government Ordinance, 2001 (as amended). Union Administration, Hafizabad comprises Union Nazim / Naib Union Nazim and Secretary Union Administration. The Secretary, Union Administration as Principal Accounting Officers (PAO). Financial provisions of the Ordinance describe the Government as Local Fund and Public Account for which Annual Budget Statement is authorized by the Union Nazim / Union Council / Union Administrator in the form of budgetary grants.

4. Audit of the Union Administration, District Hafizabad 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 / revenues was also conducted to verify whether the assessment, collection, reconciliation and allocation of revenue 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.

b. Audit of Expenditure and Receipts

Total expenditure of three Union Administrations of District Hafizabad for the financial year 2011-12 was Rs4.947 million covering three PAOs and 03 formations. Out of this, RDA Gujranwala audited expenditure of Rs3.02 million which, in terms of percentage, was 61% of the total expenditure. Regional Director Audit planned and executed audit of 03 formations i.e. 100% achievement against the planned audit activities.

Total receipts of 03 UAs of District, Hafizabad for the financial year 2011-12 were Rs 0.58 million. RDA Gujranwala audited receipts of Rs 0.21 million which was 36% of total receipts.

c. Recoveries at the Instance of Audit

No recovery was pointed out during Audit.

d. The key audit findings of the report;

- i. Non-compliance amounting to Rs2.540 million noted in one case.¹

Audit paras for the audit year 2011-12 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

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	42	98.350
2	Total formations under Audit Jurisdiction	42	98.350
3	Total Entities (PAO) Audited	03	4.947
4	Audit & Inspection Reports	03	4.947
5	Special Audit Reports	03	4.947
6	Performance Audit Reports	-	-
7	Other Reports (Relating to TMAs)	-	-

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

Table 2: Audit Observations Classified by Categories

(Rs in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Asset management	-
2	Financial management	-
3	Internal controls	-
4	Violation of rules	2.540
5	Others	-
TOTAL		2.540

Table 3: Outcome Statistics

(Rs in million)

Sr. No.	Description	Expenditure on Acquiring of Physical Assets (Procurement)	Civil Works	Receipts	Others	Current Year	Total Last Year
1	Outlays Audited	3.987	0.437	4.491	4.51	9.438*	77.737
2	Amount Placed Under Audit Observation / Irregularities of Audit	-	2.540	-	-	2.540	61.093
3	Recoveries Pointed out at the Instance of Audit	-	-	-	-	-	1.117
4	Recoveries Accepted / Established at the Instance of Audit	-	-	-	-	-	-
5	Recoveries Realized at the Instance of Audit	-	-	-	-	-	-

* The amount mentioned against serial No.1 in column of "Total Current Year" is the sum of Expenditure and Receipts whereas the total expenditure for the current year was Rs4.947 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	2.540
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public resources	0
3	Quantification of weaknesses of internal control systems	0
4	Recoveries, overpayments and loss to government	0
5	Non-production of record to Audit	0
6	Others, including cases of accidents, negligence etc.	0
7	Violation of rules and regulations, principle of propriety and probity	0
TOTAL		2.540

CHAPTER-1

1.1 UNION ADMINISTRATIONS, HAFIZABAD

1.1.1 INTRODUCTION

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

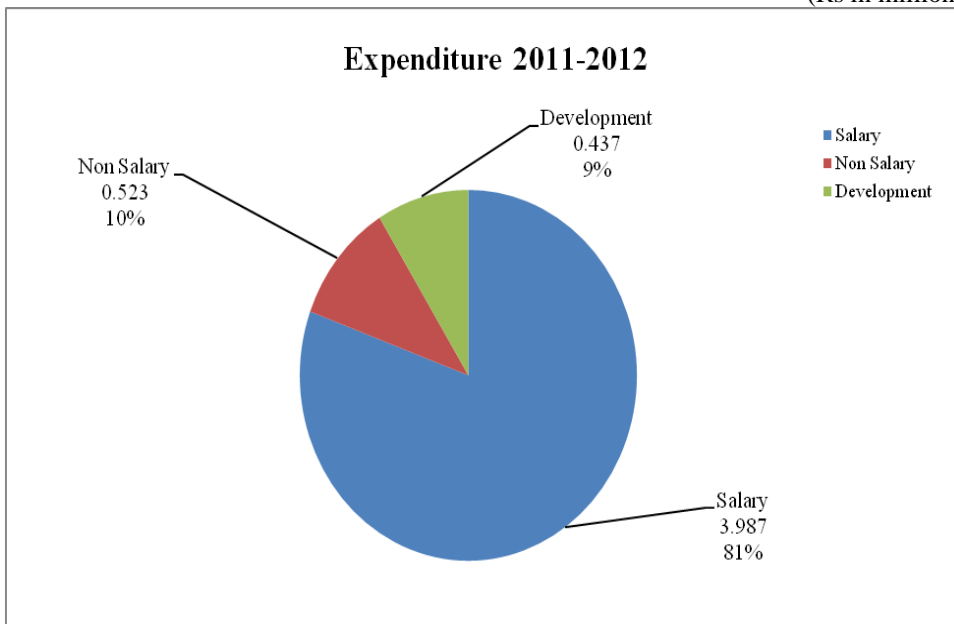
13. To assist the Village Councils or, as the case may be, Neighbourhood Councils in the Union to execute development projects.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

F.Y. 2011-12	Budget	Expenditure	Savings (-)	%age of Savings
Salary	4.270	3.987	-0.282	07
Non-salary	0.615	0.523	-0.091	15
Development	2.140	0.437	-1.703	80
TOTAL	7.025	4.947	-2.076	30

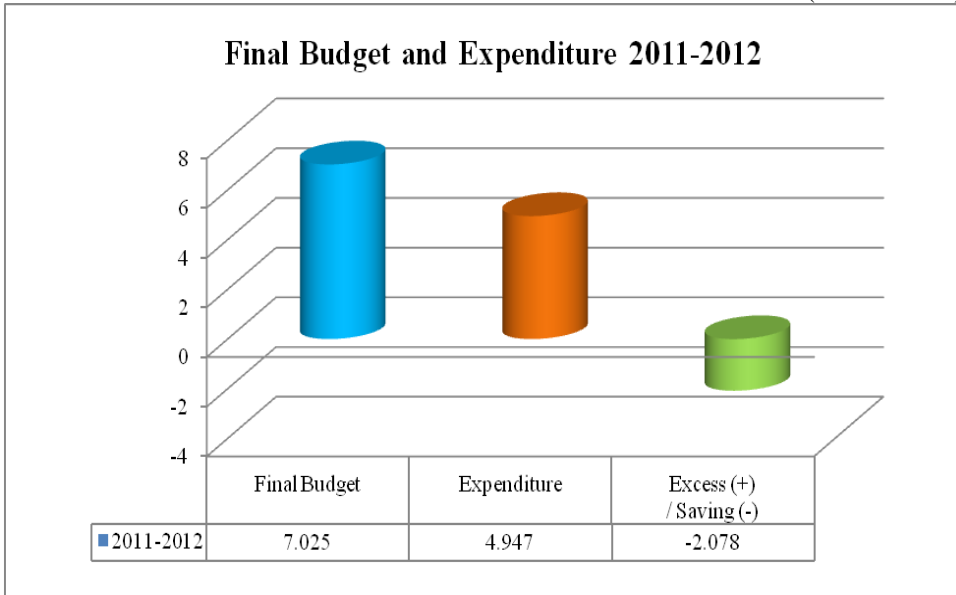
(Rs in million)



Details of budget allocations, expenditures and savings of three UAs in District Hafizabad for the financial year is at Annexure-A.

As per Budget Books for the financial year 2011-12 of three UAs of Hafizabad the original and the final budget was Rs 7.025 million. Against budget, total expenditure incurred by the UAs during the financial year 2011-12 was Rs 4.947 million.

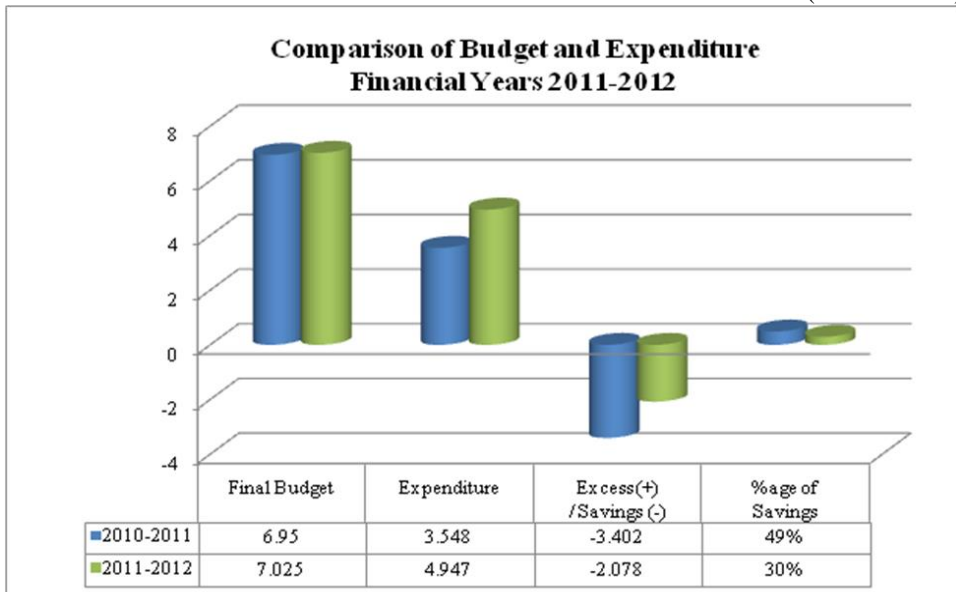
(Rs in million)



Ineffective financial management resulted in savings to the tune of Rs2.078 million which in term of percentage was 30% 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 2010 -11and 2011-12 as follows:

(Rs in million)

Financial Year	Budget	Expenditure	Savings	%age Savings
2010-11	6.950	3.548	-3.402	49%
2011-12	7.025	4.947	-2.078	30%

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 Non-compliance

1.2.1.1 Irregular Provision of Block Allocation - Rs2.540 million

According to Section 58(5) of Budget Rules, 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.

Secretaries of the following Union Administrations allocated an amount of Rs2.54 million for development programs during the financial year 2011-12 but the scheme wise details of the sub head of development components were neither reflected in the budget nor provided separately in violation of above rule:

Name of Union Administration	Allocation (Rs)
Union Council 1/18 City Hafizabad	1,000,000
Union Council 2/19 City Hafizabad	540,000
Union Council 3/20 City Hafizabad	1,000,000
TOTAL	2,540,000

Audit holds that management did not mention the scheme-wise details in the budget book. This resulted in defective maintenance of budget book.

Management replied that the record would be prepared in future.

The matter was reported to the Secretary / PAO in September, 2012. DAC in its meeting held on 20.10.2012 directed the department to investigate the matter and provide relevant details of planned formations, but no compliance was made till the finalization of this report.

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

[AIR Para No.01, 01, 01]

ANNEXURES

ANNEXURE-A**MFDAC Paras**

Sr. No.	Name of Formation	AP No.	Subject	Nature of Paras	Amount (Rs)
1	Union Council 1/18 City Hafizabad	Nil	Nil	Nil	Nil
2	Union Council 2/19 City Hafizabad	Nil	Nil	Nil	Nil
3	Union Council 3/20 City Hafizabad	Nil	Nil	Nil	Nil

ANNEXURE – B

UAs of Hafizabad District

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

(Rs in million)

F.Y. 2011-12	Budget	Expenditure	Savings (-)	%age of Savings
Salary	4.270	3.987	-0.282	07
Non-salary	0.615	0.523	-0.091	15
Development	2.140	0.437	-1.703	80
TOTAL	7.025	4.947	-2.076	30