



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

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

2. The Regional Directorate has a human resource of 17 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 Narowal for the financial year 2011-2012.

3. Each Union Administration in District Narowal 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 Narowal 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 0.064 million, out of total Development Expenditure of Rs 0.184 million and audit of non-development Expenditure Rs 1.599 million out of total Rs 2.976 million for the financial year 2011-12 was conducted which is 35% and 54% of development and non-development expenditures respectively. Total overall expenditure of UAs of District Narowal for the financial year 2011-2012 was Rs 3.160 million, out of which overall expenditure of Rs1.663 million was audited which is 53% of total expenditure. There was 100% achievement against the planned audit activities.

Total receipts of 03 UAs of District, Narowal for the financial year 2011-12 were Rs 0.59 million. RDA Gujranwala audited receipts of Rs 0.23 million which was 38% 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 Rs1.349 million noted in one case.<sup>1</sup>

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.

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<sup>1</sup>Para 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	74	219.336
2	Total formations under Audit Jurisdiction	74	219.336
3	Total Entities (PAO) Audited	03	3.160
4	Audit & Inspection Reports	03	3.160
5	Special Audit Reports	03	3.160
6	Performance Audit Reports	-	-
7	Other Reports (Relating to TMAs)	-	-

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

**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	1.349
5	Others	-
<b>TOTAL</b>		<b>1.349</b>



**Table 3: Outcome Statistics**

(Rs in million)

<b>Sr. No.</b>	<b>Description</b>	<b>Salary</b>	<b>Non - Salary</b>	<b>Civil Works</b>	<b>Receipts</b>	<b>Total current year*</b>
1	Outlays audited	2.052	0.924	0.184	0.590	3.750*
2	Amount placed under Audit observation / Irregularities of Audit	0		0	0	1.349
3	Recoveries pointed out at the instance of Audit	0		0	0	0
4	Recoveries accepted / established at the instance of audit	0		0	0	0
5	Recoveries realized at the instance of Audit	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 3.160 million.

**Table 4: Irregularities Pointed Out**

(Rs in million)

<b>Sr. No.</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Violation of rules and regulations, principle of propriety and probity	1.349
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 the 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
<b>TOTAL</b>		<b>1.349</b>

# **CHAPTER-1**

## **1.1 UNION ADMINISTRATIONS, NAROWAL**

### **1.1.1 INTRODUCTION**

Each Union Administration, Narowal consists of Union Nazim/Administrator, Union Naib Nazim, Secretary and Administration. Each UA Narowal 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.

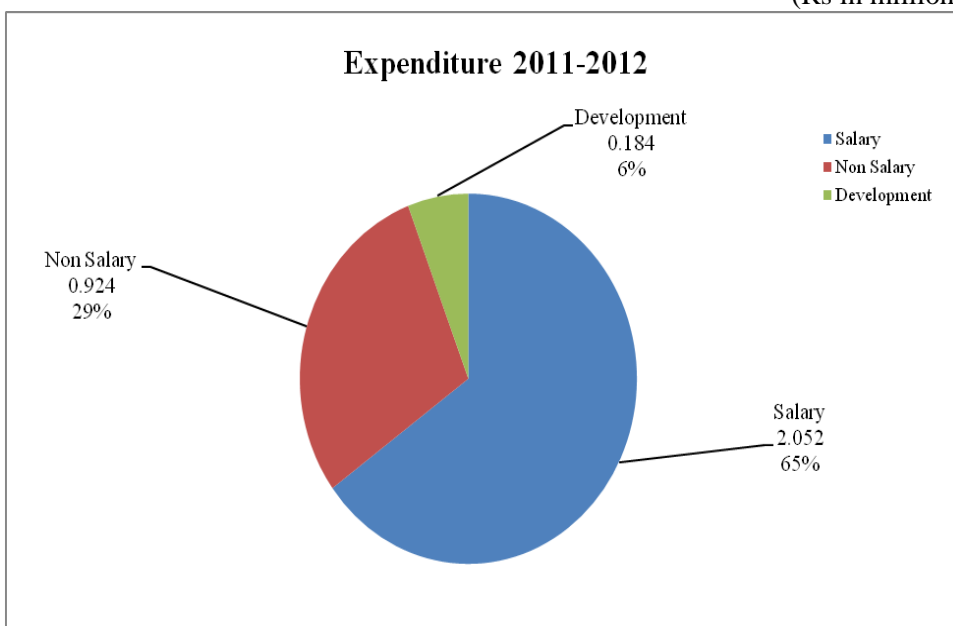
13. To assist the Village Councils or, as the case may be, Neighbourhood Councils in the Union to execute development projects.

### 1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

F.Y 2011-12	Budget	Expenditure	Savings	%age of Savings
Salary	3.405	2.052	-1.353	39.73
Non-salary	1.872	0.924	-0.948	50.64
Development	3.615	0.184	-3.431	94.91
<b>TOTAL</b>	<b>8.892</b>	<b>3.16</b>	<b>-5.732</b>	<b>64.46</b>

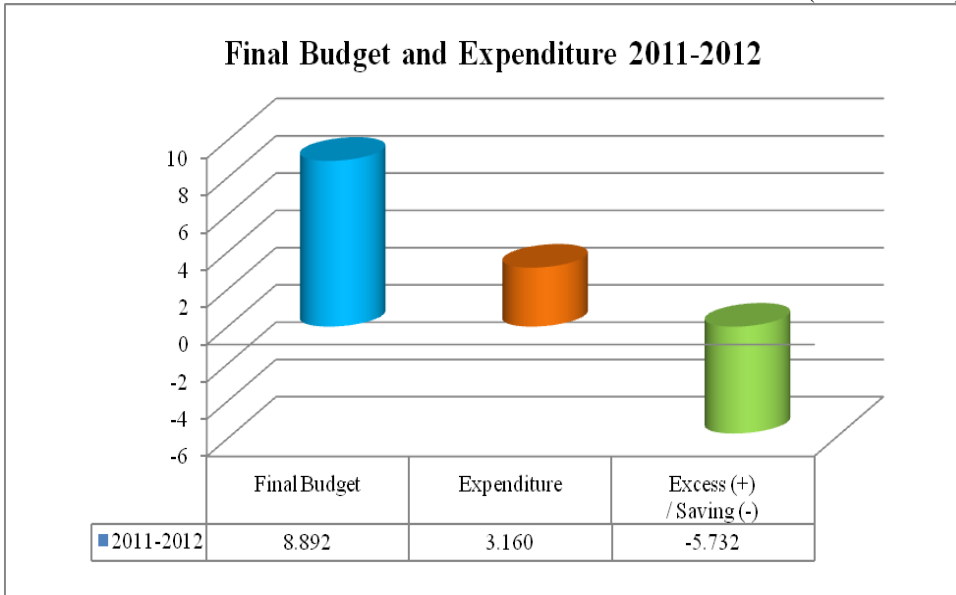
(Rs in million)



Details of budget allocations, expenditures and savings of three UAs in District Narowal for the financial year 2011-12, is at Annexure-A.

As per Budget Books for the financial year 2011-12 of three UAs of Narowal the original and the final budget was Rs8.892 million. Against budget, total expenditure incurred by the UAs during the financial year 2011-12 was Rs 3.16 million.

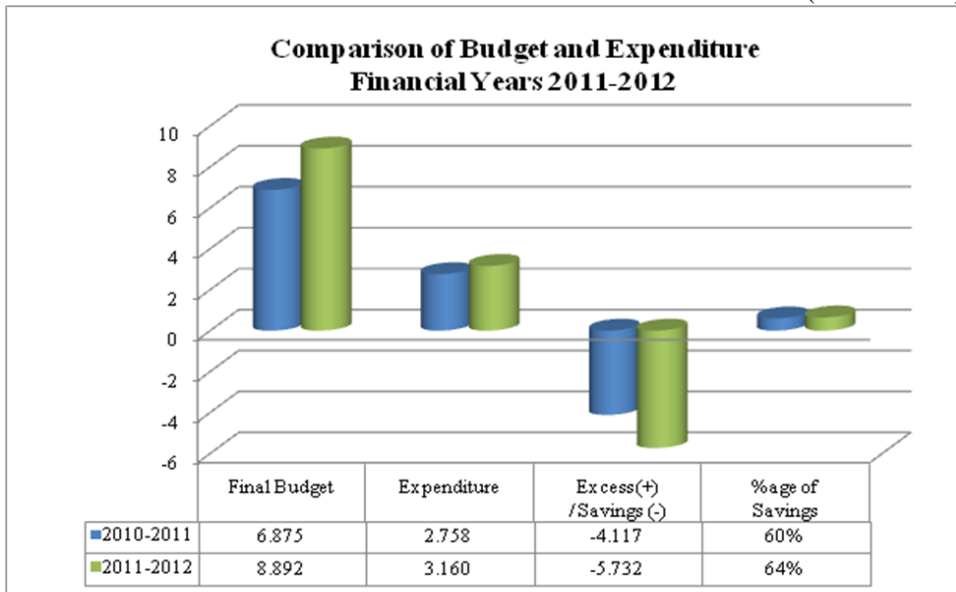
(Rs in million)



Ineffective financial management resulted in savings to the tune of Rs5.732 million which in term of percentage was 64% 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 2010-11 and 2011-12 as follows:

(Rs in million)

<b>Financial Year</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Savings</b>	<b>%age Saving</b>
2010-11	6.875	2.758	-4.117	60
2011-12	8.892	3.16	-5.732	64

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

## **1.2 AUDIT PARAS**

## **1.2.1 Irregularity/ Non-compliance**

### **1.2.1.1 Non-utilization of Development Funds – Rs1.349 million**

According to Rule 58(5) (1) of the Punjab Union Administration (Budget) Rules, 2003, the proposed development expenditure in the estimates shall be at least 50% of the total proposed revenue expenditure of the year.

Secretary, Union Council No.1 City Narowal neither utilized the development funds nor the development schemes were executed and the funds were lying unspent amounting to Rs12.781 million. This resulted in non-utilization / non-execution of development funds. The detail is as under: -

<b>Financial Year</b>	<b>Development Budget (Rs)</b>	<b>Utilized (Rs)</b>	<b>Balance (Rs)</b>	<b>%age incomplete</b>
2011-12	1,400,000	51,155	1,348,845	95.35%

Audit holds that due to weak financial management and internal controls welfare for the community was not made through execution of development schemes. This resulted in non-utilization of Government fund amounting to Rs 1.349 million.

Management just noted the observation for compliance.

The matter was reported to Secretary Union Council / PAO in October, 2012. DAC in its meetin held on 17.11.12 directed the department to enquire the matter. No progress was intimated till the finalization of report.

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

[AIR Para No.1]



# **ANNEXURES**

## Annexure-A

### MFDAC Paras

<b>Sr. No.</b>	<b>Name of Formation</b>	<b>AP No.</b>	<b>Subject</b>	<b>Amount (Rs)</b>	<b>Nature of Paras</b>
1	UA No.2, 3 City Narowal	1,1	Irregular provision of block Allocation	864,873	Irregularity / Non-compliance
2	UA No.1 City Narowal	02	Irregular execution of development schemes	51,115	Irregularity / Non-compliance

### UAs of Narowal District

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

<b>UA City No.1 Narowal</b>					
<b>Financial Year 2011-2012</b>					
(Rs in million)					
Head	Budget	Expenditure	Excess / Savings	%age of Savings	Comments
Salary	1.035	0.684	-0.351	33.91	-
Non-salary	0.624	0.291	-0.333	53.36	-
Development	1.274	0.063	-1.211	95.05	-
<b>Total</b>	<b>2.933</b>	<b>1.038</b>	<b>-1.895</b>	<b>64.60</b>	-
<b>UA City No.2 Narowal</b>					
<b>Financial Year 2011-2012</b>					
Head	Budget	Expenditure	Excess / Savings	%age of Savings	Comments
Salary	1.145	0.723	-0.422	36.85	-
Non-salary	0.721	0.308	-0.413	57.28	-
Development	1.205	0.061	-1.144	94.93	-
<b>Total</b>	<b>3.071</b>	<b>1.092</b>	<b>-1.979</b>	<b>64.44</b>	-
<b>UA City No.3 Narowal</b>					
<b>Financial Year 2011-2012</b>					
Head	Budget	Expenditure	Excess / Savings	%age of Savings	Comments
Salary	1.225	0.645	-0.580	47.34	-
Non-salary	0.527	0.325	-0.202	38.33	-
Development	1.136	0.060	-1.076	94.71	-
<b>Total</b>	<b>2.888</b>	<b>1.03</b>	<b>-1.858</b>	<b>64.33</b>	-