



**AUDIT REPORT
ON
THE ACCOUNTS OF
UNION ADMINISTRATIONS
KHANEWAL
AUDIT YEAR 2016-17**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Programme
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
D&C	Demand & Collection Register
DGA	Directorate General Audit
FD	Finance Department
IPSAS	International Public Sector Accounting Standards
LG&CD	Local Government and Community Development
MFDAC	Memorandum for Departmental Accounts Committee
NAM	New Accounting Model
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PLGO	Punjab Local Government Ordinance
PPRA	Punjab Procurement Regulatory Authority
PLG	Punjab Local Government
POL	Petroleum Oil and Lubricants
RDA	Regional Directorate Audit
TAO	Tehsil Accounts Officer
TMA	Tehsil Municipal Administration
TO (R)	Tehsil Officer Regulation
TS	Technical Sanction
UAs	Union Administrations

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 115 of the Punjab Local Government Ordinance, 2001 and Auditor General of Pakistan's SRO (1)/2009 dated 02.03.2009 require the Auditor General of Pakistan to conduct audit of Receipts and Expenditures of the Local Fund and Public Accounts of District Governments, Town / Tehsil Municipal Administrations and Union Administrations.

The Report is based on audit of the accounts of Union Administrations of District Khanewal for the Financial Years 2008-16 (first audit of Union Administrations). The Directorate General of Audit District Governments Punjab (South), Multan conducted audit during Audit Year 2016-17 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annex-A of the Audit Report. The Audit observations listed in the Annex-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.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The Report have been finalized without management response and DAC meeting, as the management failed to respond to audit observations despite repeated requests.

The Audit Report is submitted to the Governor of the Punjab in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 for causing it to be laid before the Provincial Assembly.

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit (DGA), District Governments, Punjab (South), Multan, a Field Audit Office of the Auditor General of Pakistan, is mandated to carry out the audit of all District Governments in Punjab (South) including Town / Tehsil Municipal Administrations and Union Administrations. Regional Directorate of Audit (RDA), Multan has audit jurisdiction of District Governments, TMAs and UAs of six Districts i.e. Multan, Lodhran, Vehari, Sahiwal, Pakpattan and Khanewal.

The Regional Directorate Audit has a human resource of 21 officers and staff, constituting 5,271 mandays and the budget amounting to Rs 22.549 million was allocated in the Audit Year 2016-17. The office is mandated to conduct financial attest 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 Multan carried out audit of the accounts of ten UAs of District Khanewal on sample basis for the Financial Years 2008-16 and the findings are included in this Audit Report.

Union Administrations (UAs), District Khanewal conduct their operations under Punjab Local Government Ordinance, 2001. UAs of District Khanewal comprise Union Nazim/Administrator and not more than three secretaries namely Secretary (Union Committees), Secretary (Municipal Services) and Secretary (Community Development). Administrator designates one secretary as Principal Accounting Officer (PAO). Financial provisions of the Ordinance require every Local Government to establish Public Account. Additional Secretary (Local Government and Community Development Department) in pursuance of Section 179-A of the PLGO, 2001, appointed Tehsil officer (Regulation) as Administrator of Union Councils falling in the respective Tehsil Municipal Administrations vide notification No.SOR(LG)39-6/208 dated Lahore, 24th February, 2010. According to this notification, “the Administrators shall perform the functions and exercise the powers of the Union Nazim, Naib Union Nazim and Union Councils under the ordinance and or any other law for the time being in force”.

The total Development Budget of ten above mentioned UAs in District Khanewal for the Financial Years 2008-16, was Rs 80.775 million and expenditure incurred was Rs 39.078 million, showing savings of Rs 41.697 million. The total Non-development Budget for Financial Years 2008-15 was Rs 89.190 million and expenditure was Rs 49.520 million, showing savings of Rs 39.670 million. The reasons for savings in Development and Non-development Budgets are required to be provided by the PAOs concerned.

The total budget targets of receipts of ten Union Administrations for the Financial Years 2008-16 were Rs 172.296 million against which Rs 128.356 million were collected.

Audit of UAs of District Khanewal was carried out with the view to ascertaining that the expenditure was incurred with proper authorization, in conformity with laws/rules/regulations and whether the procurement of assets and hiring of services were economical or not.

Audit of receipts/ revenues was also conducted to verify whether the assessment, collection and reconciliation were made in accordance with laws and rules and that there was no leakage of revenue.

a. Scope of Audit

Out of total expenditure of UAs for the Financial Years 2008-16, auditable expenditure under the jurisdiction of Regional Director Audit, Multan was Rs 841.681 million. Out of 100 UAs of District Khanewal, Regional Director Audit, Multan audited an expenditure of Rs 88.598 million covering ten UAs /PAOs / formations of District Khanewal which, in terms of percentage, is 11% of total auditable expenditure and irregularities amounting to Rs 170.373 million were pointed out. Regional Director Audit planned and executed audit of 10 formations i.e. 100% achievement against the planned audit activities.

Total receipts of the UAs for the Financial Years 2015-16 were Rs 511.210 million. RDA Multan audited receipts of Rs 128.356 million of the ten UAs of District Khanewal which is 25% of total receipts and irregularities amounting to Rs 0.312 were pointed out.

b. Recoveries at the Instance of Audit

Recoveries of Rs 4.126 million were pointed out by Audit (out of which Rs 2.116 million of paras over Rs 1 million are included in this Report) which was not in the notice of the management earlier. No amount was recovered by the management till the time of compilation of the Report.

c. Audit Methodology

Audit was conducted after 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.

d. Audit Impact

A number of improvements in record maintenance and procedures have been initiated by the departments concerned on pointation of Audit. However audit impact in the shape of change in rules could not be materialized as the Public Accounts Committee has not discussed Audit Reports pertaining to Union Administrations.

e. Comments on Internal Control and Internal Audit Department

Internal control mechanism of UAs of District Khanewal was not found satisfactory during audit. Many instances of weak internal controls have been highlighted during the course of audit which includes some serious lapses. Negligence on the part of UAs authorities may be captioned as one of the important reasons for Weak Internal Controls.

f. Key Audit Findings of the Report

- i. Non production of record involving Rs 11.251 million was noted in on case¹.

¹ Para 1.2.1.1

- ii. Irregularities involving Rs 127.048 million were noted in seven cases².¹
- iii. Weaknesses of internal controls involving Rs 2.116 million were noted in one case³.

Audit Paras on the accounts for the Financial Years 2008-16 involving procedural violations including internal control weaknesses and irregularities which were not considered worth reporting to Provincial PAC have been included in Memorandum for Departmental Accounts Committee (Annex-A).

g. Recommendations

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

- i. Production of record for audit verification and disciplinary action against the concerned for non-production of record
- ii. Strengthening of internal controls
- iii. Holding of DAC meetings in time
- iv. Compliance of relevant laws, rules, instructions and procedures, etc.
- v. Appropriate actions against officers/officials responsible for violation of rules and losses
- vi. Implement internal as well as financial controls in letter and spirit to avoid unauthorized drawal/ utilization of funds.

² Para 1.2.2.1 to 1.2.2.7

³ Para 1.2.3.1

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rupees in million)

Sr. No.	Description	No.	Expenditure 2008-16	Receipts 2008-16	Total
1	Total Entities (PAOs) in Audit Jurisdiction		841.681	511.210	1,352.891
2	Total formations in Audit Jurisdiction	100	841.681	511.210	1,352.891
3	Total Entities (PAOs)/ DDOs Audited	10*	88.598	128.356	216.954
4	Total Formations Audited	10*	88.598	128.356	216.954
5	Audit & Inspection Reports	10*	88.598	128.356	216.954
6	Special Audit Reports	-	-	-	-
7	Performance Audit Reports	-	-	-	-
8	Other Reports (Relating to UAs)	-	-	-	-

*All the ten Union Administrations had been audited for Financial Years 2008-16.

Table 2: Audit observations regarding Financial Management

(Rupees in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Unsound asset management	-
2	Weak financial management	46.254
3	Weak Internal controls relating to financial management	2.116
4	Others	92.045
Total		140.415

Table 3: Outcome Statistics

(Rupees in million)

Sr. No.	Description	Expenditure On Physical Assets	Salary	Non Salary	Civil Works	Receipt	Total Current Year	Total Last Year
1	Total Financial Outlay	-	84.168	42.084	715.429	511.210	1,352.891	1,531.936
2	Outlays Audited	-	37.106	12.414	39.078	128.356	216.954*	96.264
3	Amount placed under audit observation / irregularities pointed out	-	15.500	18.758	106.157	-	140.415	103.916
4	Recoveries pointed out at the instance of Audit	-	-	2.116	-	-	2.116	1.919
5	Recoveries accepted / established at Audit instance	-	-	2.116	-	-	2.116	1.919
6	Recoveries realized at the instance of Audit	-	-	-	-	-	-	-

* The amount mentioned against Sr. No.2 in column of “Total Current Year” is the sum of expenditure and receipts, whereas the total expenditure was Rs 88.598 million.

Table 4: Irregularities Pointed Out

(Rupees in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and violation of principle of propriety and probity in public operations.	124.932
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from IPSAS*, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Quantification of weaknesses of internal control systems	2.116
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public money.	2.116
6	Non production of record to Audit	11.251
7	Others, including cases of accidents, negligence etc.	-
Total		140.415

Table 5: Cost Benefit

(Rupees in million)

Sr. No.	Description	Amount
1	Outlays Audit (Items 2 of Table 3)	216.954
2	Expenditure on Audit	0.075
3	Recoveries realized at the instance of Audit	-
4	Cost-Benefit Ratio	-

*The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS (Cash) compliant.

CHAPTER 1

1.1 Union Administrations, Khanewal

1.1.1 Introduction

Union Administration (UA) consists of Union Nazim, Union Naib Nazim and not more than three Secretaries namely Secretary (Union Committees), Secretary (Municipal Services) and Secretary (Community Development). Each UA has one Drawing & Disbursing Officer.

There are 100 UAs in District Government Khanewal out of which 10 UAs number 14, 15, 38, 53, 56, 64, 78, 79, 80 and 85 were audited on sample basis during 2016-17.

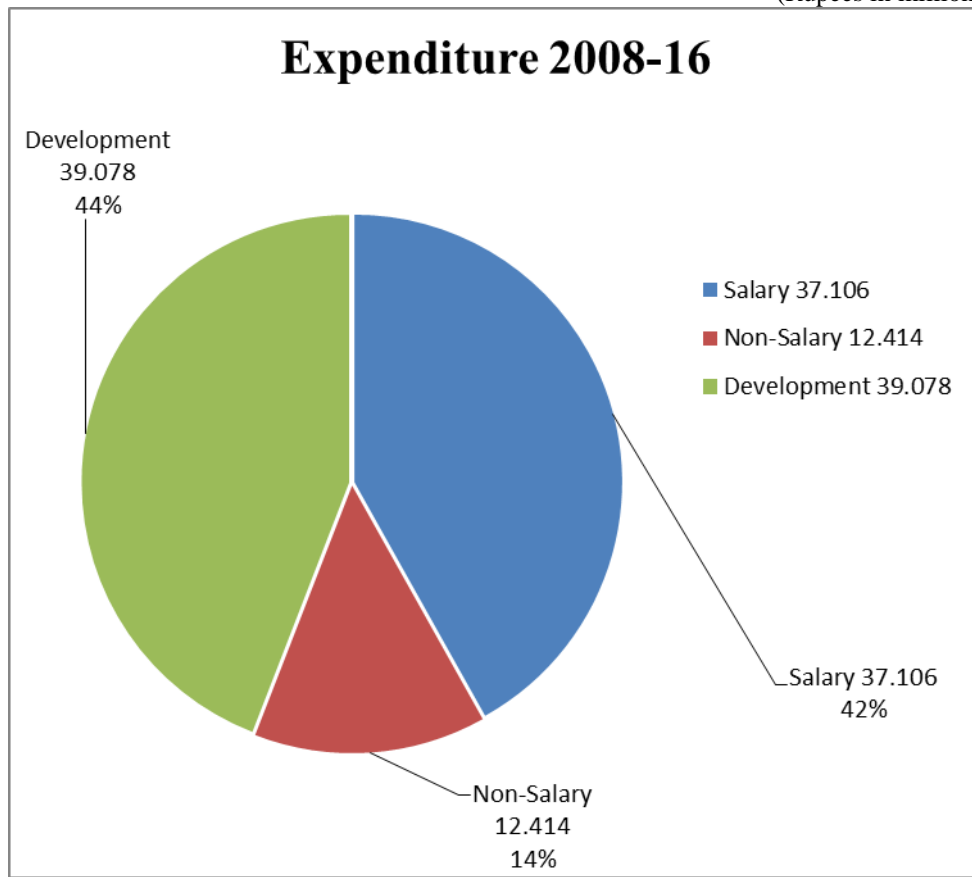
1.1.2 Comments on Budget and Accounts

The detail of budget and expenditure of ten UAs audited during 2016-17 is given below in tabulated form:

(Rupees in million)

2008-16	Budget	Actual	Excess (+)/ Saving (-)	% Saving
Salary	64.892	37.106	-27.786	43%
Non-salary	24.298	12.414	-11.884	49%
Development	80.775	39.078	-41.697	52%
Total	169.965	88.598	-81.367	15%
Revenue	172.296	128.356	-43.94	26%

(Rupees in million)

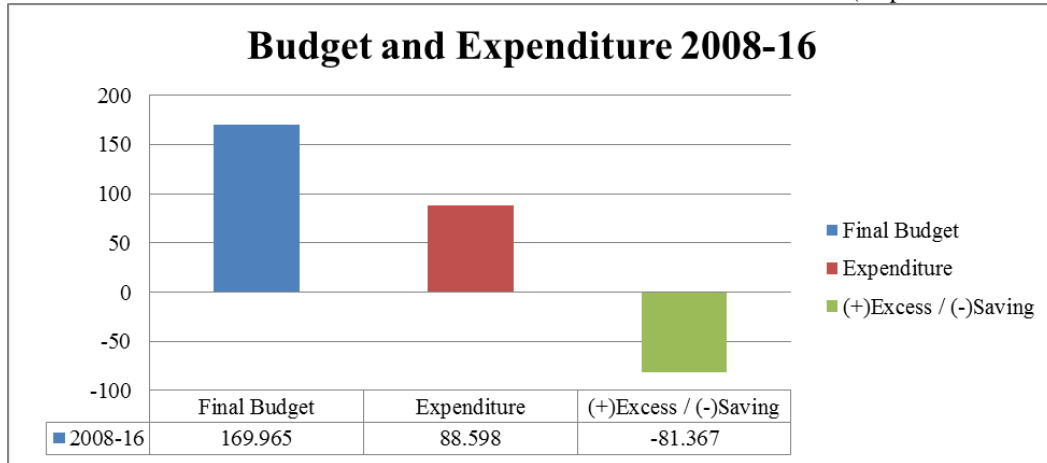


Details of budget allocations, expenditures and savings of each UA of District Khanewal for the Financial Years 2008-16 are at **Annex-B**.

As per Budget Books for the Financial Years 2008-16 of UAs in District Khanewal, original and final budget of audited ten UAs was Rs 169.965 million. Total expenditure incurred by these UAs during Financial Years 2008-16 were of Rs 88.598 million. A saving of Rs 81.367 million came to the notice of audit which shows that the UAs failed to provide essential services as envisaged and planned at the time of preparation and approval of annual budget for the year.

The comparative analysis of the budget and expenditure of current Financial Years is depicted as under:

(Rupees in million)



1.1.3 Brief Comments on the Status of Compliance of MFDAC Audit Paras of Audit Report 2015-16

Audit paras, reported in MFDAC (Annex-I) of Audit Report 2015-16, which have not been attended in accordance with the directives of DAC, have now been reported in Part-II of Annex-A.

1.1.4 Brief Comments on Status of Compliance with PAC Directives

The Audit Reports pertaining to following years were submitted to the Governor of the Punjab but have not been examined by the Public Accounts Committee.

Status of Previous Audit Reports

Sr. No.	Audit Report Year	No. of Paras	Status of PAC Meeting
1	2009-12	10	PAC not constituted
2	2012-13	06	PAC not constituted
3	2013-14	05	PAC not constituted
4	2015-16	09	PAC not constituted

AUDIT PARAS

1.2.1 Non Production of Record

1.2.1.1 Non production of record – Rs 11.251 million

According to Clause 14 (1) (b) of the Auditor General’s (Functions, Powers and Terms and Conditions of Service) Ordinance 2001 “The Auditor General shall in connection with the performance of his duties under this ordinance, have authority to inspect any office of accounts, under the control of Federation or of the Province or of District including Treasuries and such offices responsible for the keeping of initial and subsidiary accounts”.

Secretaries of following Union Administrations did not produce the record of withdrawal involving Rs 11.251 million for Audit scrutiny despite various repeated written and verbal requests. DDO did not produce cash book, bank statement, record of receipts from own sources along with notification of rates, stock register of permanent and consumable items and property register, service record and staff statement, budget and expenditure statement, contingent register, development register, record of project committee and list of DDOs for the period 2008 to 2016. Detail is as under:

(Rupees in million)

Sr. No.	UAs No.	Period	Amount
1	38	2008-16	10.724
2	79	2008-16	0.527
		Total	11.251

Audit is of the view that due to weak internal controls, the record was not produced.

Non production of record of Rs 11.251 million created doubt regarding the legitimacy of the expenditure as well as violation of the Government instructions.

The matter was reported to the Union Secretaries / PAOs in March, 2017. Union Secretaries did not submit any reply. Despite repeated requests, DAC meeting was not convened. No progress was intimated till finalization of this Report.

Audit recommends inquiry, fixing of responsibility on the person(s) at fault besides production of record to Audit for verification.

[UA-38 AIR Para No. 1], [UA-79 AIR Para No. 14]

1.2.2 Irregularities and non compliance

1.2.2.1 Unauthorized lump sum provision for development in the budget Rs 59.021 million

According to Rule 55 (1) of the Punjab Union Administration (Budget) Rules, 2003 the Annual Development Programme shall be formulated as prescribed in Part-VII, VIII and IX of Volume-I and include details of each development project. It shall be an explanatory document to the Demand for Grants (Development).

Secretaries of following Union Administrations allocated the development funds in lump sum without the identification of projects valuing Rs 59.021 million during Financial Years 2008-2016. Detail is given below:

(Rupees in million)

Sr. No.	UAs No.	Period	Amount
1	14	2008-16	10.683
2	15	2008-16	8.110
3	53	2008-16	3.472
4	56	2008-16	6.554
5	64	2013-16	2.363
6	78	2013-16	8.152
7	80	2008-16	13.757
8	85	2013-16	5.930
Total			59.021

Audit is of the view that due to weak financial management, lump sum provision for development projects was kept in the budget.

Lump sum provision of budget Rs 59.021 million for development projects resulted in violation of the Government instruction.

The matter was reported to the Union Secretaries / PAOs in March, 2017. Union Secretaries did not submit any reply. Despite repeated requests, DAC meeting was not convened. No progress was intimated till finalization of this Report.

Audit recommends inquiry, fixing of responsibility on the person(s) at fault besides regularization from competent authority Finance Department, under intimation to Audit.

[UA- 14 AIR Para No.08], [UA- 15 AIR Para No.08], [UA- 53 AIR Para No.04],
[UA- 56 AIR Para No.04], [UA- 64 AIR Para No.4], [UA- 78 AIR Para No.02],
[UA- 80 AIR Para No.07], [UA- 85 AIR Para No.10],

1.2.2.2 Expenditure without Pre-Audit – Rs 46.254 million

According to Clause 3(iv) of the Government of Punjab Finance Department letter No.FD(FR)II-5/82(P) dated 29.05.2009, Tehsil Accounts Officer shall conduct pre-audit of payment of Union Administrations falling in the jurisdiction of respective TMA.

Secretaries of following Union Administrations drew Rs 46.254 million and made payments during 2011-2016 without pre-audit of vouched account by the concerned Tehsil Accounts Officer. Detail is as under:

(Rupees in million)

Sr. No.	UAs No.	Period	Amount
1	14	2011-16	6.025
2	15	2011-16	6.829
3	53	2011-16	4.096
4	56	2008-10, 2014-16	7.036
5	64	2012-16	3.752
6	78	2013-16	3.741
7	79	2013-16	5.750
8	80	2013-16	6.797
9	85	2013-16	2.228
Total			46.254

Audit is of the view that due to weak financial management, funds were withdrawn without any pre-audit.

Withdrawal of funds Rs 46.254 million without pre-audit resulted in violation of Government rules.

The matter was reported to the Union Secretaries / PAOs in March, 2017. Union Secretaries did not submit any reply. Despite repeated requests, DAC meeting was not convened. No progress was intimated till finalization of this Report.

Audit recommends inquiry, fixing of responsibility on the person(s) at fault besides regularization from competent authority Finance Department, under intimation to Audit.

[UA-14 AIR Para No.9], [UA-15 AIR Para No.9], [UA-53 AIR Para No. 9], [UA-56 AIR Para No. 9], [UA-64 AIR Para No. 1], [UA-78 AIR Para No. 1], [UA-79 AIR Para No. 8], [UA-80 AIR Para No. 8], [UA-85 AIR Para No. 11]

1.2.2.3 Unauthorized expenditure on development schemes through splitting – Rs 9.421 million

According to Rule 4 (5) of Punjab Union Administrations (Works) Rules, 2002, if the cost of a project included in the Annual Development Plan is more than Rs. 100,000 the Union Administration may get it executed through the Tehsil Municipal Administration or the District Government as deposit work for which the funds shall be placed at their disposal. The Tehsil Municipal Administration or the District Government, as the case may be, shall be responsible to prepare the detailed estimates of the project and get them technically sanctioned in accordance with the procedure as may be specified by Government from time to time.

Secretaries of following Union Administrations incurred unauthorized expenditure of Rs 9.421 million on development schemes through splitting the works to keep the expenditure within competency during the Financial Years 2011-12 and 2015-16. Detail is as under:

(Rupees in million)

Sr. No.	UAs No.	Number of Schemes	Amount
1	56	5	0.403
2	64	6	0.600
3	78	6	0.658
4	79	5	3.715
5	80	4	2.110
6	85	5	1.935
Total			9.421

Audit is of the view that due to maladministration, unauthorized expenditure was incurred beyond the competency by splitting the expenditure in pieces.

Unauthorized expenditure of Rs 9.421 million resulted in violation of the Government instructions.

The matter was reported to the Union Secretaries / PAOs in March, 2017. Union Secretaries did not submit any reply. Despite repeated requests, DAC meeting was not convened. No progress was intimated till finalization of this Report.

Audit recommends inquiry, fixing of responsibility on the person(s) at fault besides regularization from competent authority Finance Department, under intimation to Audit.

[UA -56 AIR Para No. 2], [UA -64 AIR Para No. 5], [UA -78 AIR Para No. 14], [UA-79 AIR Para No. 5],
[UA-80 AIR Para No. 1], [UA- 85 AIR Para No. 1],

1.2.2.4 Non-maintenance of cash book for receipts and drawal - Rs 5.140 million

According to Rule 2.2 of PFR Vol-I, a simple Cash Book should be kept in every office, receiving or disbursing money on behalf of Government regularly. All cash transactions should be entered in the Cash Book as soon as they occur and attested in token of check. The Cash Book should be closed regularly and completely checked. The last entry checked therein should be initialed (with date) by the Government servant concerned on each occasion. The entries in the Cash Book of the cheques drawn from the Audit Office or amount withdrawn from the treasuries should be compared and checked with the list of the cheques or Treasury Schedules issued by the Audit Office / Treasury Office. A certificate to this effect be recorded in the Cash Book. At the end of each month the head of the office should personally verify the cash balance and record below the closing entries in the Cash Book a certificate to that effect over his dated signature specifying both in words and figures the actual cash balance.

Secretaries of following Union Administrations did not maintain cash book for receipts and drawal of Rs 5.140 million. The entries were not attested, certificate of comparison of list of cheques for payment and receipts was not given and closing entries were not verified and signed. The payments and receipts were doubtful in absence of proper maintenance of cash book. The detail is as under:

(Rupees in million)			
Sr. No.	UAs No.	Period	Amount
1	53	2010-16	3.543
2	56	2010-11	1.597
Total			5.140

Audit is of the view that due to non compliance of rules, Cash Book was not maintained.

Non-maintenance of Cash Book for payment and receipts worth Rs 5.140 million resulted in violation of the Government rules.

The matter was reported to the Union Secretaries / PAOs in March, 2017. Union Secretaries did not submit any reply. Despite repeated requests, DAC meeting was not convened. No progress was intimated till finalization of this Report.

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

[UA-53 AIR Para No.7], [UA-56 AIR Para No.10]

1.2.2.5 Non-maintenance of record of development schemes – Rs 4.198 million

According to Rule 4(e) of the Punjab Union Administrations (Works) Rules, 2002, the Secretary of the Project Committee shall ensure the maintenance of the following record of each project, detailed estimates duly approved by the Union Nazim, the quotations and vouchers of all articles / materials etc. purchased by the Project Committee, duly verified by the convener of the Project Committee, Muster Roll for payment of labour charges, Stock Register,

Inspection Register for each scheme and completion report verified by all members of the Project Committee.

Secretaries of the following Union Administrations allowed payment of Rs 4.198 million during the Financial Year 2008-16 for the development schemes but the Secretaries of the Project Committees did not maintain the record in the light of above mentioned rule for verification. During the course of audit, work was shown as executed by the project committee but it was executed by the secretary himself. The expenditure was not verified by the committee. It was also observed that muster rolls, stock register and inspection register were not maintained by the project committee. The detail is as under:

(Rupees in million)

Sr. No.	UAs No.	Number of Schemes	Amount
1	14	2	0.541
2	15	4	1.480
3	53	6	0.831
4	56	5	1.346
Total			4.198

Audit is of the view that due to weak internal controls, record was not maintained.

Non-maintenance of record of development schemes worth Rs 4.198 million resulted in violation of the Government rules.

The matter was reported to the Union Secretaries / PAOs in March, 2017. Union Secretaries did not submit any reply. Despite repeated requests, DAC meeting was not convened. No progress was intimated till finalization of this Report.

A Audit recommends inquiry, fixing of responsibility on the person(s) at fault, under intimation to Audit.

[UA-14 AIR Para No.4], [UA-15 AIR Para No.5], [UA-53 AIR Para No.1],
[UA-56 AIR Para No.1],

1.2.2.6 Unauthorized expenditure of CCB funds – Rs 1.840 million

According to rule 11(2) & (3) of the PLG (CCB) Rules 2003, CCB funds are earmarked in the development budget at all levels of local governments and a CCB may submit project proposals to any level of local government and a CCB shall identify project proposals in accordance with the classification of projects issued by the local government concerned and submit to the concerned CCB official in accordance with the time frame provided in the third schedule or as notified by a Local Government.

Secretary Union Administration No.56 allocated CCB Funds of Rs 1.840 million during 2008-16 in different years but made expenditure out of CCB funds directly without releasing the funds to the registered CCBs.

Audit is of the view that due to non compliance of rules, funds of CCB were released for non-CCB development projects.

Unauthorized expenditure of CCB funds of Rs 1.840 million resulted in violation of the Government instructions.

The matter was reported to the Union Secretary / PAO in March, 2017. Union Secretaries did not submit any reply. Despite repeated requests, DAC meeting was not convened. No progress was intimated till finalization of this Report.

Audit recommends inquiry, fixing of responsibility on the person(s) at fault besides regularization from competent authority Finance Department, under intimation to Audit.

[UA-56 AIR Para No.06]

1.2.2.7 Irregular expenditure on development works without technical sanction of the estimates - Rs 1.174 million

According to Rule 4 (2) of the Punjab Union Administrations (Works) Rules 2002, when a development project is to be executed by contracting out to

the private sector, the tenders shall be invited and accepted in the form prescribed by the Communications and Works Department.

Secretary Union Administration No.14 incurred expenditure of Rs 1.174 million during 2014-16 on account of development works. The expenditure was incurred in absence of estimate or technical sanctioned estimate. **Annex-C**

Audit is of the view that due to weak internal controls, estimate were not prepared or got technically sanctioned from the competent authority.

Non preparation/sanction of TS estimates resulted in irregular and doubtful expenditure of Rs 1.174 million.

The matter was reported to the Union Secretary / PAO in March, 2017. Union Secretary did not submit any reply. Despite repeated requests, DAC meeting was not convened. No progress was intimated till finalization of this Report.

Audit recommends inquiry, fixing of responsibility on the person(s) at fault besides regularization from competent authority Finance Department, under intimation to Audit.

[UA-14 AIR Para No.-]

1.2.3 Internal Control Weaknesses

1.2.3.1 Non-deduction / Non-deposit of Income Tax – Rs 2.116 million

According to Section 153(1) (a) of the Income Tax Ordinance, 2001 every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person for the sale of goods shall, at the time of making the payment, deduct tax from the gross amount payable at the prescribed rate.

Secretaries of following Union Administrations, did not deduct income tax amounting to Rs 2.116 million during the Financial Years 2008-2016. The payments were made to different suppliers / contractors without deduction of income tax at source. Detail is as under:

(Rupees in million)

Sr. No	UAs No.	Period	Amount
1	14	2008-16	0.249
2	15	2008-16	0.357
3	53	2008-16	0.180
4	56	2008-16	0.219
5	64	2008-16	0.313
6	78	2012-16	0.067
7	79	2012-16	0.268
8	80	2008-16	0.324
9	85	2012-16	0.139
Total			2.116

Audit is of the view that due to weak internal controls, income tax was not deducted / deposited and excess payment was made.

Non-deduction / non-deposit of Income Tax resulted in loss to the Government amounting to Rs 2.116 million.

The matter was reported to the Union Secretaries / PAOs in March, 2017. Union Secretaries did not submit any reply. Despite repeated requests, DAC meeting was not convened. No progress was intimated till finalization of this Report.

Audit recommends inquiry, fixing of responsibility on the person(s) at fault besides recovery of Rs 2.116 million, under intimation to Audit.

[UA-14 AIR Para No. 7], [UA-15 AIR Para No. 7], [UA-53 AIR Para No. 8], [UA-56 AIR Para No. 12],
[UA- 64 AIR Para No. 7], [UA- 78 AIR Para No.12], [UA- 79 AIR Para No. 6], [UA- 80 AIR Para No. 6],
[UA- 85 AIR Para No. 9]

Annex

Annex-A**Part-I****Memorandum for Departmental Account Committee Paras Pertaining to Audit Year 2016-17**

(Rupees in million)

Sr. No.	UA No.	AIR Para No.	Subject of Para	Amount
1	UA No.14	1	Unauthorized expenditure on development works	0.903
2		2	Unauthorized withdrawal of computer allowance	0.070
3		3	Unjustified / doubtful expenditure on refreshment charges and purchase of sports items	0.291
4		5	Unauthorized technical sanction of the estimates and expenditure on development works	1.696
5		10	Irregular expenditure for supply of electricity to community of union council	0.505
6		11	Loss due to non-levying of licensing fee on various professions	-
7	UA No.15	1	Doubtful expenditure on purchase of sewing machines	0.079
8		2	Unauthorized expenditure on development works	1.162
9		3	Unauthorized withdrawal of computer allowance	0.047
10		4	Unjustified / doubtful expenditure on refreshment charges and purchase of sports items	0.334
11		6	Unauthorized technical sanction of the estimates and expenditure on development works	2.488
12		10	Loss due to non-levying of licensing fee on various professions	-
13	UA No.38	2	Recovery of expenditure	0.008
14	UA No.53	2	Misappropriation of funds on account of development works	0.110
15		3	Irregular tendering process of development works	0.492
16		5	Unauthorized withdrawal of computer allowance and doubtful excess withdrawal of TA/DA	0.080
17		6	Irregular expenditure for supply of electricity to community of union council	0.120
18		10	Loss due to non-levying of licensing fee on various professions	-
19		UA No.56	3	Unauthorized withdrawal of honorarium by the Administrator
20	5		Less allocation of CCB funds	0.246
21	7		Unauthorized withdrawal of computer allowance and doubtful excess withdrawal of TA/DA	0.067

Sr. No.	UA No.	AIR Para No.	Subject of Para	Amount
22		8	Irregular purchase of UPS without approval of austerity committee	0.090
23		11	Non-recovery of rent of shops	0.043
24		13	Loss due to non-levying of licensing fee on various professions	-
25	UA No.64	2	Unjustified payment of washing allowance to naib qasid, recovery thereof	0.058
26		3	Misappropriation of government funds by drawing the repeated amount as loan without refund of previous drawn	0.175
27		6	Non imposition of plenty of late completion of work	0.042
28		8	Irregular expenditure without opening separate project committee bank account	0.906
29		9	Unjustified expenditure through project committee without measurement books & work completion report	0.906
30	UA No.78	3	Unjustified excess drawl of ta/da	0.031
31		4	Unjustified high expenditure on white wash of two rooms UA office	0.058
32		5	Irregular purchase of ups & printer & non availability of both items	0.087
33		6	Doubtful expenditure on cleaning weak	0.095
34		7	Doubtful expensive purchase of iron board	0.020
35		8	Doubtful expenditure on sports events	0.090
36		9	Doubtful drawl of money for payment of income tax	0.169
37		10	Doubtful expenditure on 14 August	0.069
38		11	Unauthorized withdrawal of computer allowance	0.051
39		13	Irregular award of tendering process for execution of development schemes	1.345
40		15	Non obtaining of additional performance securities	0.032
41	16	Non imposition of plenty of late completion of work	0.081	
42	UA No.79	1	Fraudulent drawl of electricity bills of secretary residence	0.084
43		2	Less deposit of naqool fee lead to misappropriation of naqool fee	0.223
44		3	Loss to union fund due to payment of nadra share and secretary share from union council fund	0.151

Sr. No.	UA No.	AIR Para No.	Subject of Para	Amount	
45		4	Unjustified excess drawl of TA/DA	0.057	
46		7	Purchases of union council from unregistered suppliers	0.578	
47		9	Unauthorized withdrawal of computer allowance	0.060	
48		10	Non imposition of plenty of late completion of work	0.134	
49		11	Non obtaining of additional performance securities	0.480	
50		12	Irregular award of tendering process for execution of development schemes	6.890	
51		13	Irregular payment of construction of cement benches without detail entry	0.265	
52		15	Doubtful expenditure on sports events	0.081	
53		16	Misappropriation of Nikah Fee	0.011	
54		17	Unjustified and doubtful expenditure on rent of building	0.135	
55		18	Unjustified payment of washing allowance to naib qasid, recovery thereof	0.019	
56		19	Irregular purchase of ups & printer and non-availability of both items	0.087	
57		20	Doubtful expenditure on 14 August	0.104	
58		21	Doubtful expenditure on cleaning weak	0.102	
59		22	Doubtful expensive purchase of iron board	0.020	
60		UA No.80	2	Non imposition of plenty of late completion of work	0.191
61			3	Non obtaining of additional performance securities	0.125
62			4	Irregular award of tendering process for execution of development schemes	1.631
63			5	Irregular payment of construction of cement benches without detail entry	0.230
64	9		Non -deposit of income tax & sales tax	0.131	
65	10		Purchases of union council from unregistered suppliers	0.554	
66	11		Irregular expenditure without opening separate project committee bank account	1.065	
67	12		Unjustified expenditure through project committee without measurement books & work completion report	1.065	

Sr. No.	UA No.	AIR Para No.	Subject of Para	Amount
68		13	Unauthorized opening of bank accounts and deposit of government money in private bank	-
69		14	Doubtful Expenditure on construction of Culverts	0.269
70		15	Drawl of excess pay by fixing of excess pay	0.123
71		16	Doubtful expenditure on sports events	0.157
72		17	Unauthorized withdrawal of computer allowance	0.027
73		18	Doubtful expenditure on 14 august	0.082
74		19	Doubtful expenditure on cleaning weak	0.128
75		20	Doubtful drawl of money for payment of income tax	0.038
76		2	Less deposit of naqool fee lead to misappropriation of naqool fee	0.078
77		3	Non imposition of plenty of late completion of work	0.030
78		4	Unauthorized withdrawal of computer allowance	0.060
79		5	Doubtful expenditure on sports events	0.100
80		6	Non obtaining of additional performance securities	0.054
81		7	Unjustified execution on development schemes of construction of cement benches	0.137
82	UA No.85	8	Irregular payment of construction of cement benches without detail entry	0.137
83		12	Unjustified and doubtful expenditure on rent of building	0.108
84		13	Purchases of union council from unregistered suppliers	0.602
85		14	Doubtful expenditure on 14 august	0.070
86		15	Doubtful expenditure on cleaning weak	0.095
87		16	Doubtful expensive purchase of iron board	0.020
88		17	Non -deposit of income tax & sales tax	0.065

Part-II

**Memorandum for Departmental Account Committee Paras pertaining to
Audit Year 2015-16**

(Rupees in million)

Sr. No.	UA No.	AIR Para No.	Subject	Amount
1	UA 34	5	Unauthorized withdrawal of computer allowance	0.042
2		6	Unauthorized withdrawal of honorarium	0.009
3		7	Doubtful withdrawal without stock entry and consumption record	0.148
4		8	Unauthorized expenditure on quotations without technical sanction of the estimates	0.396
5		10	Loss due to non levying of licensing fee on various professions	-
6	UA 35	5	Unauthorized withdrawal of computer allowance	0.037
7		6	Unauthorized Withdrawal of honorarium	0.009
8		7	Doubtful withdrawal without stock entry and consumption record	0.354
9		8	Unauthorized expenditure on quotations without technical sanction of the estimates	0.395
10		10	Loss due to non levying of licensing fee on various professions	-
11	UA 36	5	Unauthorized lump sum provision for development in the budget	0.7
12		6	Unauthorized expenditure of CCB funds	0.175
13		7	Doubtful less recording of Government grant	0.109
14		8	Doubtful withdrawal without stock entry and consumption record	0.083
15		9	Unauthorized withdrawal of computer allowance	0.008
16		10	Loss due to non-levying of licensing fee on various professions	-
17	UA 42	4	Less allocation of CCB funds	0.150
18		6	Non conducting of post completion evaluation of development projects	3.633
19		7	Unauthorized withdrawal of computer allowance	0.031
20		8	Loss due to non-levying of licensing fee on various professions	-
21	UA 43	3	Non conducting of post completion evaluation of development projects	3.165
22		4	Unauthorized withdrawal of computer allowance	0.03
23		5	Loss due to non levying of licensing fee on various professions	-

Sr. No.	UA No.	AIR Para No.	Subject	Amount
24	UA 90	2	Unauthorized withdrawal of computer allowance	0.057
25		3	Unjustified/doubtful expenditure on refreshment charges and purchase of sports items	0.248
26		4	Unauthorized transfer of funds without maintenance of record of development schemes executed through project committee	0.650
27		8	Unjustified/doubtful expenditure on repair of culverts	0.136
28		10	Loss due to non-levying of licensing fee on various professions	-
29	UA 92	1	Unauthorized withdrawal of computer allowance	0.063
30		2	Unjustified/wasteful expenditure on refreshment charges and purchase of sports items	0.277
31		4	Loss to the Government due to non-levying of licensing fee on various trades	1.225
32		9	Non deduction of sales tax on the procurement of bricks and sand for development works	0.133
33		10	Unauthorized execution of development projects without maintenance of form BDD-4	3.908
34		11	Unjustified / doubtful expenditure on repair of soling and culverts	0.095
35		12	Unjustified refund of contractor's security without maintenance of security register and non-deduction of professional tax	0.027
36		13	Unauthorized payment from union council funds on account of supply of electricity	0.837
37	UA 93	2	Unauthorized withdrawal of computer allowance	0.038
38		3	Unauthorized award of tenders for works to contractors	2.761
39		5	Doubtful expenditure on sports events	0.189
40		7	Non collection of proof of deposit of sales tax	0.015
41		8	Irregular purchase without the approval of austerity committee	0.049
42		10	Loss due to non levying of taxes on different business activities	-
43	UA 99	2	Unauthorized withdrawal of computer allowance	0.047
44		3	Unauthorized award of tenders for works to contractors	2.345
45		4	Doubtful expenditure on sports events	0.085
46		6	Non collection of proof of deposit of sales tax	0.019
47		7	Irregular purchase without the approval of austerity committee	0.049
48		9	Loss due to non levying of taxes on different	-

Sr. No.	UA No.	AIR Para No.	Subject	Amount
			business activities	
49	UA- 91	3	Unauthorized expenditure on quotations without technical sanction of the estimates	2.821
50		4	Unauthorized expenditure on execution of development works without approval of ADP	1.681
51		8	Irregular expenditure on account of purchase of durable goods	0.239
52		9	Non deduction of sales tax	0.057

UAs of Khanewal District

Budget and Expenditure Statement for Financial Years 2008-2016

(Rupees in million)

Sr. No.	UA No.	Particular	Original Budget	Final Budget	Actual Expenditure	Excess (+) Saving (-)
1	UA - 14	Salary	9.614	9.614	4.075	-5.539
		Non-Salary	3.58	3.58	2.261	-1.319
		Sub Total	13.194	13.194	6.336	-6.858
		Development	13.646	13.646	3.625	-10.021
		Total	26.840	26.840	9.961	-16.879
		Receipt	28.845	28.845	26.822	-2.023
2	UA - 15	Salary	5.117	5.117	3.597	-1.52
		Non-Salary	2.149	2.149	2.071	-0.078
		Sub Total	7.266	7.266	5.668	-1.598
		Development	11.52	11.52	5.42	-6.1
		Total	18.786	18.786	11.088	-7.698
		Receipt	19.825	19.825	19.716	-0.109
3	UA - 38	Salary	-	-	-	-
		Non-Salary	-	-	-	-
		Sub Total	-	-	-	-
		Development	-	-	-	-
		Total	-	-	10.724	10.724
		Receipt	-	-	-	-
4	UA - 53	Salary	7.73	7.73	7.284	-0.446
		Non-Salary	1.75	1.75	0.874	-0.876
		Sub Total	9.480	9.480	8.158	-1.322
		Development	7.434	7.434	2.972	-4.462
		Total	16.914	16.914	11.130	-5.784
		Receipt	18.322	18.322	15.956	2.366
5	UA - 56	Salary	8.101	8.101	6.181	-1.92
		Non-Salary	2.925	2.925	1.13	-1.795
		Sub Total	11.026	11.026	7.311	-3.715
		Development	10.739	10.739	4.662	-6.077
		Total	21.765	21.765	11.973	-9.792
		Receipt	21.764	21.764	20.346	-1.418
6	UA - 64	Salary	5.943	5.943	4.761	-1.182
		Non-Salary	1.652	1.652	1.485	-0.167
		Sub Total	7.595	7.595	6.246	-1.349
		Development	8.571	8.571	4.922	-3.649

Sr. No.	UA No.	Particular	Original Budget	Final Budget	Actual Expenditure	Excess (+) Saving (-)
		Total	16.166	16.166	11.168	-4.998
		Receipt	17.004	17.004	15.240	-1.764
7	UA - 78	Salary	4.315	4.315	2.947	-1.368
		Non-Salary	2.692	2.692	0.794	-1.898
		Sub Total	7.007	7.007	3.741	-3.266
		Development	3.32	3.32	8.153	4.833
		Total	10.327	10.327	11.894	1.567
		Receipt	6.086	6.086	4.932	-1.154
8	UA - 79	Salary	5.87	5.87	2.455	-3.415
		Non-Salary	3.164	3.164	0.941	-2.223
		Sub Total	9.034	9.034	3.396	-5.638
		Development	6.04	6.04	2.354	-3.686
		Total	15.074	15.074	5.750	-9.324
		Receipt	16.660	16.660	7.317	9.343
9	UA - 80	Salary	12.902	12.902	4.717	-8.185
		Non-Salary	2.982	2.982	1.308	-1.674
		Sub Total	15.884	15.884	6.025	-9.859
		Development	13.575	13.575	4.861	-8.714
		Total	29.459	29.459	10.886	-18.573
		Receipt	30.442	30.442	12.637	-17.805
10	UA - 85	Salary	5.3	5.3	1.089	-4.211
		Non-Salary	3.404	3.404	1.55	-1.854
		Sub Total	8.704	8.704	2.639	-6.065
		Development	5.93	5.93	2.109	-3.821
		Total	14.634	14.634	4.748	-9.886
		Receipt	13.348	13.348	5.390	-7.958
Total Salary			64.892	64.892	37.106	-27.786
Total Non-Salary			24.298	24.298	12.414	-11.884
Sub Total			89.190	89.190	49.520	-39.67
Total Development			80.775	80.775	39.078	-41.697
Grand Total			169.965	169.965	88.598	-81.367
Receipt			172.296	172.296	128.356	-43.94

Annex-C

[Para 1.2.2.8]

Irregular expenditure on development works without technical sanction of the estimates - Rs 1.174 million

Cheque No.	Date	Vr. No.	Name of Payee	Name of work	Remarks	Amount	
70757859	27.03.14	70	Different	Construction oof soling street M. Sher wali 19/9-R	The estimate was not technically sanctioned by the competent authority	0.100	
802297223	25.10.14	34	Nadeem Iqbal	Repair of Nala Chak No.19/9-R Islam Pura		0.024	
802297242	15.01.15	51	Nadeem Iqbal	Repair of culverts 19/9-R		0.026	
802297261	25.03.15	70	Fahim Afzal	Construction of culvert	The estimate was not available.	0.020	
802297262	25.03.15	71	Fahim Afzal	Construction of culvert Babu Jut wali 19/9-R Gharbi	The estimate prepared by the sub-engineer was not technically sanctioned by the competent authority and entries on the MB were also not verified by the TO (I&S)	0.025	
802297263	25.03.15	72	Fahim Afzal	Construction of drain street Khalil wali 19/9-R Gharbi		0.025	
802297264	25.03.15	73	Fahim Afzal	Construction of drain street Liaqat wali 19/9-R Gharbi		0.025	
802297265	25.03.15	74	Fahim Afzal	Construction of drain street Malik Atta wali 19/9-R Gharbi		0.025	
802297266	25.03.15	75	Fahim Afzal	Construction. of drain street Arslan wali 19/9-R Gharbi		0.025	
802297267	25.03.15	76	Fahim Afzal	Construction of Soling street Mazhar wali 19/9-R Gharbi		0.025	
802297268	25.03.15	77	Fahim Afzal	Construction of culvert Rifaqat wali 19/9-R Gharbi		0.025	
802297269	25.03.15	78	Fahim Afzal	Construction of drain street Naziran wali 19/9-R Gharbi		0.025	
802297270	02.04.15	79	Ahmed Rasheed	Earth filling street Pirowal wali		Neither estimate prepared nor TS.	0.055
802297271	02.04.15	80	Ahmed Rasheed	Resoling of street Pirowal wali			0.036
802297272	02.04.15	81	Ahmed Rasheed	Resoling of different streets	0.028		
2297283	09.05.15	95	Different	Earth filling street Jinnah Colony Pirowla	0.055		

Cheque No.	Date	Vr. No.	Name of Payee	Name of work	Remarks	Amount
2297285	20.05.15	97	New Niazi Bricks	Resoling of street Jinnah Colony Pirowal wali		0.036
2297286	20.05.15	98	Different	Resoling of street Jinnah Colony Pirowal wali		0.028
803428234	05.11.15	39	Different	Construction of soling street Rana Nazir wali 19/9-R	The estimate prepared by the sub-engineer was not technically sanctioned by the competent authority and entries on the MB were also not verified by the TO (I&S)	0.084
803428235	05.11.15	40	Different	Construction of soling street Rana Nazir wali 19/9-R		0.084
803428236	05.11.15	41	Different	Construction of soling street Jinnah Colony 19/9-R		0.083
803428251	20.01.16	58	Aman Ullah	Repair of culvert Waryam wala Zakhera Pirowal	Neither estimate prepared nor TS.	0.024
803428252	20.01.16	59	Aman Ullah	Construction of culvert Jinah abadi to Mian Shameer		0.044
803428253	20.01.16	60	Aman Ullah	Construction of culvert Chak Waryam to 19/9-R		0.044
803428270	02.03.16	78	Different	Construction of soling Bhaini yousaf wali	The estimate prepared by the sub-engineer was not technically sanctioned by the competent authority and entries on the MB were also not verified by the TO (I&S)	0.083
803428271	02.03.16	79	Different	Construction of soling basti soba wali 19/9-R		0.083
803428286	05.05.16	94	Aman Ullah	Construction of slab drain 19/9-R Gharbi	Neither estimate prepared nor TS.	0.010
803428296	29.06.16	102	Aman Ullah	Construction of slab drain 19/9-R Gharbi		0.013
803428297	29.06.16	103	Aman Ullah	Construction of slab drain 19/9-R Gharbi		0.013
Total						1.174