



AUDIT REPORT
ON
THE ACCOUNTS OF
UNION ADMINISTRATIONS
CITY DISTRICT MULTAN
AUDIT YEAR 2012-13

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Programme
APR	Actual Payees Receipt
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
DGA	Director General Audit
D&C	Demand & Collection Register
FD	Finance Department
IPSAS	International Public Sector Accounting Standards
LG&CD	Local Government and Community Development
MFDAC	Memorandum for Departmental Accounts Committee
MRS	Market Rate Schedule
NAM	New Accounting Model
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PDG	Punjab District Government
PLGO	Punjab Local Government Ordinance
TO (R)	Tehsil/ Town Officer Regulation
UAs	Union Administrations
UAC	Union Accounts Committee

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973, and Section 115 of the Punjab Local Government Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of receipts and expenditure of the Local Fund and Public Accounts of Union Administration of the Districts.

The Report is based on audit of the accounts of five Union Administrations, City District Multan for the financial years 2008-12. The Director General of Audit District Governments Punjab (South), Multan, conducted audit during 2012-13 on test check basis with a view to reporting significant findings to 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 Annexure-I of the Audit Report. The Audit observations listed in the Annexure-I 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 observations included in this Report have been finalized in the light of written responses of the management concerned.

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, read with Section 115 of the Punjab Local Government Ordinance 2001, for causing it to be laid before the Provincial PAC.

Islamabad
Dated:

(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Director General Audit (DGA), District Governments, Punjab (South), Multan, is mandated to carry out audit of City District Governments and District Governments in Punjab (South) including Tehsil/Town Municipal Administrations and Union Administrations. The Regional Directorate of Audit, District Governments Multan, a field audit office of the DGA, District Governments, Punjab (South), Multan, carries out audit of District Governments, TMAs and UAs of six Districts i.e. Multan, Lodhran, Vehari, Sahiwal, Pakpattan and Khanewal.

The Regional Directorate has a human resource of 32 including 25 officers. Total mandays available were 7,575 and the budget amounted to Rs11.029 million in audit year 2012-13. It has the mandate 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, R.D.A Multan carried out audit of the accounts of five UAs of City District Multan for the financial years 2008-2012 and the findings are included in this Audit Report.

Union Administrations (UAs), City District Multan conduct their operations under Punjab Local Government Ordinance 2001. UAs of City District Multan 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 sub 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 February 24, 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 five above mentioned UAs in City District Multan for the financial years 2008-12, was Rs23.207 million and expenditure incurred was of Rs2.944 million, showing savings of Rs20.262 million. The total Non-development Budget for financial years 2008-2012 was Rs20.683 million and expenditure was of Rs14.174 million, showing savings of Rs6.508 million. The reasons for savings in Development and Non-development Budgets are required to be provided by the PAOs concerned.

Audit of UAs of City District Multan 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.

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

a. 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. 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 Rs2.061 million was carried out, out of the total expenditure of Rs2.944 million and Audit of non-development expenditure Rs8.210 million was conducted out of the total expenditure of Rs14.174 million for the financial years 2008-2012, which are 70% & 58% of development and non-development expenditures, respectively. Total overall expenditure of UAs of City District Multan for the financial years 2008-12 was Rs17.119 million, out of which overall

expenditure of Rs17.119 million was audited, which is 60 % of total expenditure. Therefore, there was 100% achievement against the planned audit activities.

Total receipts of the concerned UAs of District Multan for the financial years 2008-12 were Rs 4.592 million. RDA Multan audited receipts of Rs 2.296 million which is 50% of total receipts.

c. Recoveries at the Instance of Audit

Neither recovery was pointed out nor effected and verified during year 2012-13 till the time of compilation of report.

d. The Key Audit Findings of the Report

- i. Non-production of record involving Rs 10.263 million was noted in one case¹
- ii. Irregularities involving Rs 14.329 million were noted in two cases²
- iii. Weaknesses of internal controls involving Rs 4.087 million were noted in two cases³.

Audit paras on the accounts for 2011-12 involving procedural violations including internal control weaknesses, and irregularities which were not considered worth reporting to Provincial PAC, therefore have been included in Memorandum for Departmental Accounts Committee (MFDAC), (Annexure-A).

e. Recommendations

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

- i. Strengthening of internal controls
- ii. Holding of DAC meetings in time
- iii. Disciplinary action against the concerned for non production of record
- iv. Compliance of DAC directives and decisions in letter and spirit

¹ Para 1.2.1.1

² Para 1.2.2.1 to 1.2.2.2

³ Para 1.2.3.1 to 1.2.3.2

- v. Compliance of relevant laws, rules, instructions and procedures, etc.
- vi. Proper maintenance of accounts and production of record
- vii. Appropriate actions against officers/officials responsible for violation of rules and losses

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rupees in Million)

Sr. No	Description	No.	Budget / Expenditure
1	Total Entities (PAOs) in Audit Jurisdiction	126	234.490
2	Total formations in Audit Jurisdiction	126	234.490
3	Total Entities (PAOs) Audited	5	17.119
4	Audit & Inspection Reports	5	-
5	Special Audit Reports	-	-
6	Performance Audit Reports	-	-
7	Other Reports (relating to UAs)	-	-

Table 2: Audit Observations

(Rupees in Million)

Sr. No.	Description	Amount Placed Under Audit Observation
1	Asset management	-
2	Financial management	-
3	Internal controls	4.087
4	Violation of rules	14.329
5	Others	10.263
Total		28.679

Table 3: Outcome Statistics

Expenditure Outlay Audited				(Rupees in Million)		
Sr. No.	Description	Physical Assets	Civil Works	Receipts	Others	Total
1	Outlays Audited	-	2.945	4.592	14.174	21.711*
2	Amount Placed under Audit Observation/ Irregularities	-	18.416	-	10.263	28.679
3	Recoveries Pointed Out at the instance of Audit	-	-	-	-	-
4	Recoveries Accepted/ Established at Audit instance	-	-	-	-	-
5	Recoveries Realized at the instance of Audit	-	-	-	-	-

* The amount mentioned against serial No.1 in column of “Total” is the sum of Expenditure and Receipts whereas the total expenditure was Rs 17.119 Million.

Table 4: Irregularities Pointed Out

(Rupees in Million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of rules and regulations and principle of propriety and probity.	14.329
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public funds.	-
3	Quantification of weaknesses of internal control system.	4.087
4	Recoveries, overpayments, or unauthorized payments of public money.	-
5	Non-production of record to Audit.	10.263
6	Others, including cases of accidents, negligence etc.	-
Total		28.679

CHAPTER 1

1.1 Union Administration Nos. 01,08,41,44 and 54

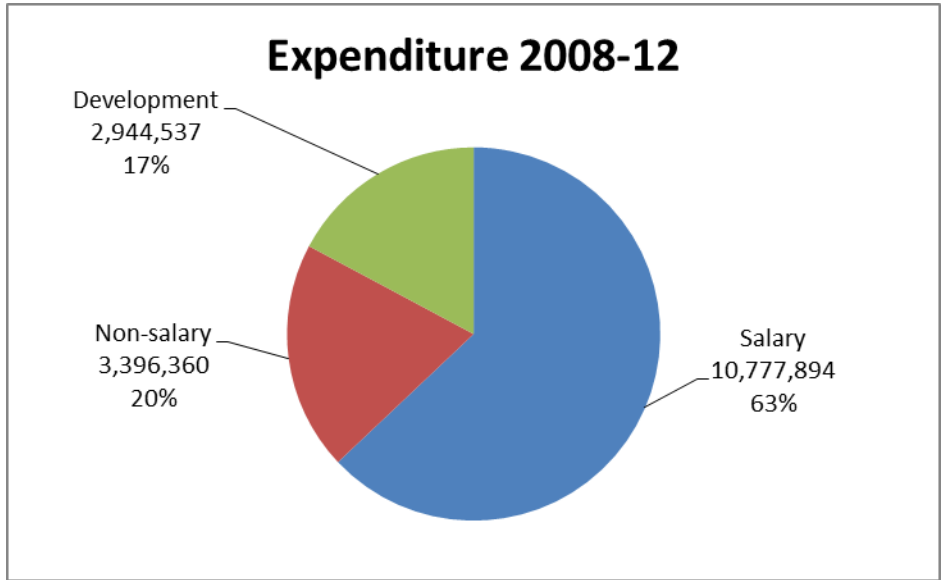
1.1.1 Introduction

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.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Amount in Rupees)

2008-12	Budget	Expenditure	Excess (+) /	% (Saving)
			Saving (-)	
Salary	15,392,952	10,777,894	-4,615,058	-30%
Non-salary	5,289,875	3,396,360	-1,893,515	-36%
Development	23,206,682	2,944,537	-20,262,145	-87%
Revenue	4,592,000	-	-	-
Total	48,481,509	17,118,791	-26,770,718	

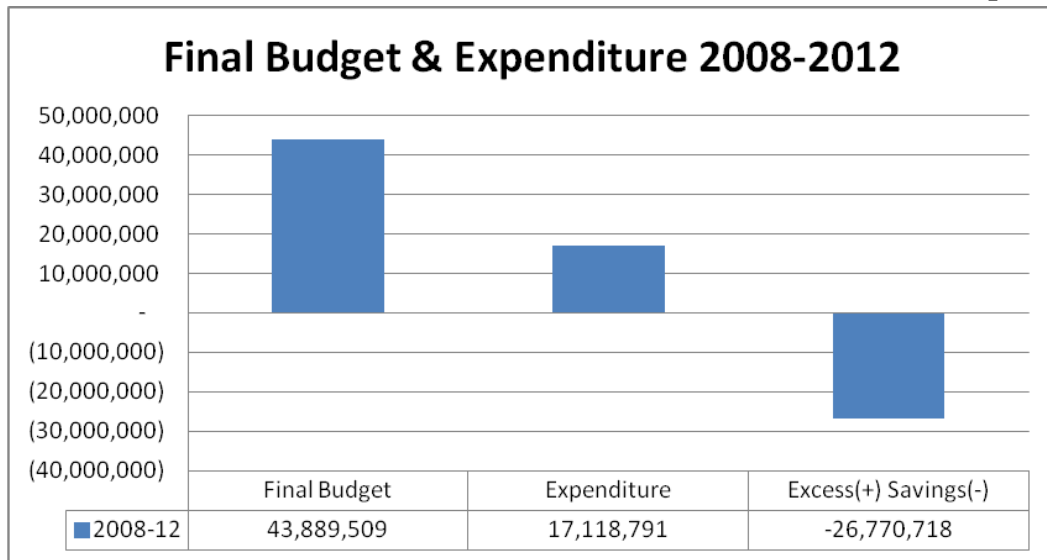


Details of budget allocations, expenditures and savings of each UA in City District Multan are at Annexure-B.

As per Budget Books for the financial years 2008-12 of UAs in City District Multan, the original and final budget were of Rs43.890 million. Total expenditures incurred by these UAs during financial years 2008-2012 was Rs17.119 million. There was a saving of Rs26.770 million, the reasons for which should be provided by the PAOs, UA Nazims and management of UAs.

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

(Amount in rupees)



(Amount in rupees)

Financial Year	Budget Allocation	Expenditure	Total Saving	% of Saving
2008-12	43,889,509	17,118,791	-26,770,718	-61%

The justification of saving when the development schemes have remained incomplete is required to be provided by PAO.

1.1.3 Brief Comments on Status of Compliance with PAC/UAC Directives

S. No.	Audit Report Year	No. of Paras	Status of PAC/ZAC Meeting
1	2009-12	6	Nil
Total		6	

As indicated in the above table, no PAC/UAC meeting was convened to discuss the Audit Reports of UAs.

AUDIT PARAS

1.2.1 Non Production of Record

1.2.1.1 Non-production of Record – Rs 10.263 Million

According to Section 14(2) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, the officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Secretaries Union Administrations did not produce auditable record of Rs 10.263 million as detailed below:

(Amount in rupees)

Sr. No.	Account Head	Year				
		2008-09	2009-10	2010-11	2011-12	Total
1	Development Expenditures	886,500	216,070	0	0	1,102,570
2	Non Development Expenditures	703,876	691,670	738,498	1,127,350	3,261,394
3	Receipts	1,428,309	1,255,559	1,629,005	1,586,282	5,899,155
	Grand Total					10,263,119

Audit is of the view that due to poor management, the record was not produced.

The non-production of record constitutes violation of government rules and legal provisions and an attempt to cause hindrance in the auditorial functions of the Auditor General of Pakistan.

The matter was reported to Union Secretaries in September, 2012. The Secretaries signed the paras but did not submit detailed reply. The matter was reported to the administrators for convening of DAC meetings but neither the DAC meeting was convened nor any progress was intimated till the finalization of this Report.

Audit recommends that responsibility be fixed and appropriate disciplinary action taken against the concerned DDO for attempt to cause

hindrance in the auditorial functions of the Auditor General of Pakistan by non-production of record.

[UA-01 Para: 01]

[UA-08 Para: 08]

1.2.2 Irregularities and Non-compliance

1.2.2.1 Unauthorized Lump-sum Provision of Funds – Rs 11.874 Million

According to Rule 58(3) of Union Administration (Budget) Rules, 2003, no lump sum provisions shall be made in the budget the details of which cannot be explained.

Secretaries Union Administrations allocated the development funds in lump sum without the identification of projects valuing Rs. 11.874 million during 2008-12. Such allocation was irregular and contradictory to the instructions of government. Detail is given below:

(Amount in rupees)

Union Administration No.	Lump sum allocation of Development Funds				
	2008-09	2009-10	2010-11	2011-12	Total
8	1,079,000	964000	2,451,500	2,451,500	6,946,000
41	0	0	1,131,573	1,476,253	2,607,826
44	470,000	0	950,000	900,000	2,320,000
Total	1,549,000	964,000	4,533,073	4,827,753	11,873,826

Audit is of the view that due to weak financial management the Union Administrations, funds were allocated in lump sum.

Lump sum allocation of funds resulted in irrational budgeting and defective allocation of available resources.

The matter was reported to Union Secretaries in September, 2012. The Secretaries signed the paras but did not submit detailed reply. The matter was reported to the administrators for convening of DAC meetings. No DAC meeting was convened, and no progress was intimated till the finalization of this Report.

Audit recommends regularization from Secretary (LG&CD), besides inquiry into the matter as to why the lump-sum provision of development funds was made by the Secretaries/Administrators, under intimation to Audit.

[UA-08 Para: 1]

[UA-41 Para: 5]

[UA-44 Para: 1]

1.2.2.2 Unauthorized Expenditure on account of Development Works – Rs 2.455 Million

According to Government of the Punjab, Union Administration (Works) Rules, 2002, Rule (4) (e) and (f), Inspection register for each scheme should be maintained. All members of the Project Committee shall periodically inspect the project and check the quality of work and the project committee shall prepare and submit the completion certificate in respect of each project separately in the Performa prescribed by Communication and Works Department. Moreover, according to Government of the Punjab, Union Administration (Budget) Rules, 2003, Rule (44) (1) and (2), Expenditure can be incurred only on development projects for which Administrative Approval and Technical Sanction (for works) has been accorded and the development project has been included in the budget and has been approved by the Council. For development projects under execution, the executing agency shall send monthly progress reports in the prescribed Form BM-5 and BM-7 to the Planning Officer and Finance and Budget Officer, and the Monitoring Committee in the first week following each month.

Secretary Union Administration No. 44 incurred expenditure amounting to Rs. 2.455 million on development schemes during the period 2008-12 through project committee as detailed below:

(Amount in rupees)

Union Administration No	No. of schemes	Budget allocation	Amount Paid
8	10	1,000,000	997,584
44	9	900,000	897,500
54	6	570,000	560,414
Total			2,455,498

The expenditure was subject to following audit observations:

- Completion certificate was neither found available in the record nor produced on demand.
- Proper record entry in the Measurement Books was not made.

- The executing agency has not sent even a single monthly progress report on prescribed form of BM-5 and BM-7 in first week of every following month during the entire period of nine years of devolution.
- No inspection register was maintained. Neither the individual inspection report was shown to Audit nor separate inspection proforma was prepared.
- No APRs of the payees were obtained.
- No site plan was prepared hence the identification of project and their physical inspection could not be carried out effectively.
- The stock entries of the material purchased e.g. Cement, Bricks, Pipes etc was not made in the stock register along with consumption record.

Audit is of the view that due to weak financial management the union funds were misappropriated/ misused.

Misappropriation of government funds resulted in non-execution of development works and loss to Union Fund.

The matter was reported to Union Secretaries in September, 2012. The Secretaries signed the para but did not submit detailed reply. The matter was reported to the administrators for convening of DAC meetings. No DAC meeting was convened, and no progress was intimated till the finalization of this Report.

Audit recommends inquiry of the matter at appropriate level and action against the responsible, under intimation to Audit.

[UA-08 Para: 10]

[UA-44 Para: 03]

[UA-44 Para: 02]

1.2.3 Internal Control Weaknesses

1.2.3.1 Unauthorized Execution of Development Projects without Maintenance of Form BDD-4 – Rs 2.189 Million

According to Rules 30 and 34 of Union Administration (Budget) Rules, 2003, development projects are those projects undertaken through development budget and required to be prepared on the Form BDD-4.

Secretaries Union Administrations incurred development expenditure of Rs 2.189 million on execution of development projects during the financial years 2008-12 without maintenance of basic document i.e. Form BDD-4. In the absence of this form the identification of scheme and scope of work, specifications, feasibility to incur the expenditure and its beneficiaries could not be ascertained. Hence, the actual execution of work could not be verified by Audit. The detail is as under:

(Amount in rupees)

Union Administration No.	Expenditure (2008-09 to 2011-12)
8	1,629,000
54	560,414
Total	2,189,414

Audit is of the view that due to weak internal controls over execution of development projects, no proper record was maintained regarding identification and execution of development projects.

Non-maintenance of proper record resulted in apprehensions of doubtful execution of schemes against the true spirit and virtue of the project.

The matter was reported to Union Secretaries in September, 2012. Secretaries signed the paras but did not submit detailed reply. The matter was reported to the administrators for convening of DAC meetings. No DAC meeting was convened, and no progress was intimated till the finalization of this Report.

Audit recommends inquiry at appropriate forum to initiate strict disciplinary action against the responsible for such negligence, under intimation to Audit.

[UA-08 Para: 3]

[UA-54 Para: 1]

1.2.3.2 Unauthorized Award of Tenders for Works to Contractors – Rs 1.898 Million

According to Rule 29 of Punjab Local Government (Account) Rules, 2009, every drawing and disbursing officer is personally responsible for any erroneous payment and claim of bill.

Secretaries Union Administrations adopted irregular tendering process due to which tenders for works of Rs 1.898 million were pooled by the contractors with the involvement of management as revealed from the following factors:

- i. No applications for receipt of tenders were obtained from the contractors.
- ii. No scheme wise/work wise total tenders requested by contractors and total tenders sold by management and total tenders received by the contractors were recorded.
- iii. There were no copies of ID Cards available or ID card number on the stamp papers.
- iv. Mostly blank stamp paper were attached
- v. The documents attached were without No. & Date i.e Administrative Approval
- vi. No record of call deposit was maintained
- vii. Most of the agreements were signed after the completion of the project.
- viii. The work orders were issued after the completion of the project.

(Amount in rupees)

UA No.	Period	No. of Works	Amount
8	2008-09	10	997,584
44	2011-12	9	900,000
Total			1,897,584

Audit is of the view that weak internal controls resulted in pooling of tender and non observance of realistic competition to ensure economical execution of works.

Doubtful allotment and uneconomical execution of works resulted in loss to Union Administrations funds.

The matter was reported to Union Secretaries in September, 2012. The Secretaries signed the paras but did not submit detailed reply. The matter was reported to the administrators for convening of DAC meetings. No DAC meeting was convened, and no progress was intimated till the finalization of this Report.

Audit recommends inquiry of the matter by an appropriate authority to take action against the responsible, besides condonation of expenditure from competent authority, under intimation to Audit.

[UA-08 Para: 6]

[UA-44 Para: 2]

ANNEXURES

**Annexure-1
(Rs in million)**

Sr. No.	Name of Formation	AP No.	Title of Para	Amount	Nature of Audit Observation.
1	UA No: 08	5	Short allocation of funds for CCBs	0.202	Non-compliance

Annexure-A

MFDAC Paras

(Rupees in Million)

Sr. No.	Name of Formation	AIR Para No.	Subject	Amount
	Union Administration No. 8	2	Non-utilization of CCB Funds	1.534
1		4	Loss of government due to non-recovery of trade license fee	0.039
2		7	Irregular expenditure by splitting up of development schemes	0.499
3		9	Irregular expenditure on account of sports activities	0.099
	Union Administration No. 41	1	Non-utilization of CCB Funds	1.004
4		2	Loss to government due to non-auction of taxes and non-notifying the schedule of taxes	0
5		3	Non constitutional of Marriage Function Committee	0
6		4	Non-utilization of Development Funds	2.608
	Union Administration No. 44	4	Non-utilization of CCB Funds	0.745
7		5	Recovery of double payment of 20% overhead charges and contractor profit	0.251
8		6	Irregular Expenditure on account of Rent of Office Building	0.23
9		7	Deposit Proof of income tax not available on the works	0.124
10		8	Irregular payment of pending liabilities	0.109
11		9	Irregular purchase of sports	0.08
	Union Administration No. 54	3	Non-utilization of CCB Funds	1.169
12		4	Loss to government due to non-auction of taxes and non-notifying the schedule of taxes	0
13		5	Non constitutional of Marriage Function Committee	0
14		6	Non-utilization of Development Funds	1.609
Total				10.100

UAs of Multan District

Budget and Expenditure Statement for Financial Year 2008-2012

(Amount in Rupees)

Sr. No.	Name of UAs	Particular	Original Budget	Supplementary Grant/Re-Appropriation	Final Budget	Actual Expenditure	Excess (+) Saving (-)
1	UA No. 01	Salary	2,660,250	-	2,660,250	2,747,193	86,943
		Non-Salary	886,750	-	886,750	514,201	-372,549
		Sub Total	3,547,000	-	3,547,000	3,261,394	-285,606
		Development	5,320,500	-	5,320,500	1,102,570	-4,217,930
		Total	8,867,500	-	8,867,500	4,363,964	-4,503,536
2	UA No. 08	Salary	3,255,100	-	3,255,100	1,531,254	-1,723,846
		Non-Salary	829,000	-	829,000	654,966	-174,034
		Sub Total	4,084,100	-	4,084,100	2,186,220	-1,897,880
		Development	5,943,900	-	5,943,900	-	-5,943,900
		Total	10,028,000	-	10,028,000	2,186,220	-7,841,780
3	UA No. 41	Salary	2,270,000	-	2,270,000	1,614,000	-656,000
		Non-Salary	643,000	-	643,000	232,000	-411,000
		Sub Total	2,913,000	-	2,913,000	1,846,000	-1,067,000
		Development	3,605,000	-	3,605,000	-	-3,605,000
		Total	6,518,000	-	6,518,000	1,846,000	-4,672,000
4	UA No. 44	Salary	2,970,602	-	2,970,602	2,116,447	-854,155
		Non-Salary	1,881,125	-	1,881,125	1,417,193	-463,932
		Sub Total	4,851,727	-	4,851,727	3,533,640	-1,318,087
		Development	5,050,282	-	5,050,282	1,371,967	-3,678,315
		Total	9,902,009	-	9,902,009	4,905,607	-4,996,402
5	UA No. 54	Salary	4,237,000	-	4,237,000	2,769,000	-1,468,000
		Non-Salary	1,050,000	-	1,050,000	578,000	-472,000
		Sub Total	5,287,000	-	5,287,000	3,347,000	-1,940,000
		Development	3,287,000	-	3,287,000	470,000	-2,817,000
		Total	8,574,000	-	8,574,000	3,817,000	-4,757,000
Grand Total			43,889,509	-	43,889,509	17,118,791	26,770,718