



AUDIT REPORT
ON
THE ACCOUNTS OF
LOCAL GOVERNMENTS
OF PUNJAB (SOUTH)

AUDIT YEAR 2022-23

VOLUME-I

AUDITOR GENERAL OF PAKISTAN

EXECUTIVE SUMMARY

The Directorate General of Audit (DGA), District Governments, Punjab (South), Multan is responsible for carrying out the audit of Local Governments (Metropolitan / Municipal Corporations, Municipal Committees, District / Tehsil / Union Councils, District Education / Health Authorities and Public Sector Companies (PSCs) including Punjab Cattle Market Management & Development Company and Waste Management Companies) as well as Danish Schools and Centers of Excellence in 17 districts of Punjab (South).

The DGA, District Governments, Punjab (South), Multan had a human resource of 77 officers and staff constituting 19,250 man-days and Annual Budget of Rs 180.380 million during Audit Year 2022-23. This Report contains audit findings of Compliance with Authority Audit conducted by DGA, District Governments, Punjab (South), Multan on the accounts of 05 Metropolitan Corporations, 02 Municipal Corporations, 45 Municipal Committees, 16 District Councils and 60 Tehsil Councils of Punjab (South) for the Financial Years 2020-21 and 2022 and accounts of some formations for previous financial years.

Metropolitan / Municipal Corporations, Municipal Committees, District / Tehsil Councils conducted their operations under the Punjab Local Government Act, 2019 (during 01.07.2021 to 15.10.2021), the Punjab Local Government Act, 2013 (during 16.10.2021 to 24.06.2022) and the Punjab Local Government Act, 2022 (during 25.06.2022 to 30.06.2022). The Chief Officer is the Principal Accounting Officer (PAO) of respective local government and carries out functions through offices as notified. Local Fund and Public Account constitute the fund of respective local government. Due to delay in electoral process, Chairmen were not elected. Therefore, the annual budget statements were authorized, in each District / Tehsil, by the Deputy Commissioner / Assistant Commissioner who was notified as Administrator by Government of the Punjab.

a) Scope of Audit

The DGA is mandated to conduct audit of 149 local government formations in 17 districts under its jurisdiction. Total expenditure and receipt of these

formations was Rs 75,692.856 million and Rs 61,503.292 million respectively for the Financial Year 2021-22.

Audit coverage relating to expenditure for the current audit year comprises 128 formations having total expenditure of Rs 53,206.011 million for the Financial Years 2020-21 and 2021-22. In terms of percentage, the audit coverage for expenditure was 43% of auditable expenditure.

This audit report also includes audit observations relating to audit year 2021-22 resulting from the audit of expenditure of Rs 15,089.429 million for the Financial Year 2020-21 pertaining to 37 formations.

Audit coverage relating to receipts for the current audit year comprises 128 formations having total receipts of Rs 74,310.928 million for the Financial Years 2020-21 and 2021-22. In terms of percentage, the audit coverage for receipt was 39% of auditable receipt.

In addition to this Compliance with Authority / Thematic Audit Report, the DGA also conducted 130 Financial Attest Audits, 03 Compliance with Authority Audits and 01 Thematic Audit. Reports of these audits are being published separately.

b) Recoveries at the instance of Audit

As a result of audit, a recovery of Rs 71,486.697 million has been pointed out in this Report. Recovery effected from January to December, 2022 was Rs 114.540 million which was verified by Audit.

c) Audit Methodology

Audit was carried out against the standards of financial governance provided under various provisions of PFR Vol-I & II, Delegation of Financial Powers Rules and other relevant laws which govern the propriety of utilization of financial resources of the Local Governments. On the spot examination and verification of record was also carried out in accordance with the applicable laws / rules and according to INTOSAI auditing standards.

The selection of audit formations was made keeping in view their significance and risk assessment. Samples were selected after prioritizing risk areas by determining significance and risk associated with identified key controls.

d) Audit Impact

A number of improvements in record maintenance and procedures have been initiated by the authorities concerned. However, audit impact in the shape of change in rules is not materialized as the Public Accounts Committee has not discussed any Audit Report of local governments.

e) Comments on Internal Controls and Internal Audit Department

Internal control mechanism of the local governments audited by DGA was not found satisfactory. Many instances of weak internal controls have been highlighted during audit which includes some serious lapses like unauthorized withdrawal of public funds against entitlement of employees, misappropriation of funds, etc. Negligence on the part of management of local governments may be captioned as one of the important reasons for weak internal controls. Further, no Internal Audit Department was established by the local governments.

f) The Key Audit Findings of the Report

- i. Non-production of record worth Rs 12,870.152 million was reported in 53 cases¹.
- ii. Fraud and misappropriation amounting Rs 14.208 million were reported in 03 cases².
- iii. Procedural irregularities amounting Rs 9,145.117 million were noticed in 368 cases³.

¹Para 2.2.1, 2.3.1, 2.5.1, 2.9.1, 2.20.1, 2.24.1, 2.27.1, 2.32.1, 2.33.1, 2.34.1, 2.39.1, 2.45.1, 2.46.1, 2.49.1, 2.53.1, 2.54.1, 2.55.1, 2.59.1, 2.59.2, 2.63.1, 2.64.1, 2.69.1, 2.71.1, 2.72.1, 2.75.1, 2.76.1, 2.79.1, 2.82.1, 2.83.1, 2.87.1, 2.89.1, 2.90.1, 2.91.1, 2.100.1, 2.101.1, 2.102.1, 2.104.1, 2.105.1, 2.107.1, 2.108.1, 2.112.1, 2.114.1, 2.116.1, 2.119.1, 2.120.1, 2.121.1, 2.122.1, 2.123.1, 2.124.1, 2.125.1, 2.126.1, 2.128.1 & 2.129.1

²Para 2.6.1, 2.20.2 & 2.46.2

³Para 2.2.2 to 2.2.6, 2.3.2 to 2.3.16, 2.4.1 to 2.4.6, 2.5.2 to 2.5.5, 2.6.2 to 2.6.5, 2.7.1, 2.8.1, 2.9.2, 2.10.1 to 2.10.3, 2.12.1 to 2.12.3, 2.13.1 to 2.13.2, 2.14.1 to 2.14.2, 2.15.1 to 2.15.5, 2.17.1 to 2.17.4, 2.19.1 to 2.19.2, 2.20.3 to 2.20.4, 2.22.1 to 2.22.4, 2.25.1 to 2.25.5, 2.26.1 to 2.26.4, 2.27.2 to 2.27.4, 2.28.1 to 2.28.3, 2.29.1 to 2.29.4, 2.30.1 to 2.30.6, 2.31.1, 2.32.2 to 2.32.5, 2.33.2 to 2.33.5, 2.34.2, 2.35.1 to 2.35.3, 2.36.1 to 2.36.3, 2.37.1 to 2.37.5, 2.39.2, 2.40.1 to 2.40.2, 2.41.1 to 2.41.7, 2.43.1 to 2.43.4, 2.44.1, 2.45.2 to 2.45.5, 2.46.3 to 2.46.7, 2.47.1, 2.48.1 to 2.48.2, 2.49.2 to 2.49.4, 2.50.1

- iv. Other issues involving an amount of Rs 101,424.282 million were noticed in 472 cases⁴.
- v. Pension payments related issues involving an amount of Rs 95.849 million were noticed in 03 cases⁵.

to 2.50.3, 2.51.1 to 2.51.5, 2.52.1 to 2.52.7, 2.53.2, 2.55.2 to 2.55.3, 2.56.1 to 2.56.3, 2.57.1 to 2.57.6, 2.58.1 to 2.58.6, 2.59.3 to 2.59.7, 2.60.1, 2.61.1 to 2.61.4, 2.63.2 to 2.63.5, 2.65.1, 2.66.1 to 2.66.3, 2.67.1 to 2.67.3, 2.68.1 to 2.68.3, 2.69.2, 2.70.1 to 2.70.2, 2.71.2, 2.72.2 to 2.72.5, 2.73.1 to 2.73.4, 2.74.1 to 2.74.3, 2.76.2, 2.77.1 to 2.77.2, 2.78.1 to 2.78.3, 2.79.2 to 2.79.4, 2.80.1 to 2.80.3, 2.81.1 to 2.81.4, 2.83.2 to 2.83.7, 2.84.1 to 2.84.2, 2.85.1, 2.86.1 to 2.86.6, 2.87.2, 2.88.1 to 2.88.6, 2.90.2, 2.91.2, 2.92.1 to 2.92.3, 2.93.1 to 2.93.3, 2.94.1 to 2.94.6, 2.95.1 to 2.95.4, 2.96.1 to 2.96.8, 2.97.1, 2.98.1 to 2.98.3, 2.99.1 to 2.99.4, 2.100.2 to 2.100.8, 2.101.2, 2.103.1, 2.104.2 to 2.104.8, 2.105.2 to 2.105.4, 2.106.1 to 2.106.4, 2.107.2 to 2.107.3, 2.108.2, 2.109.1, 2.110.1, 2.111.1, 2.112.2, 2.113.1, 2.114.2, 2.115.1, 2.116.2 to 2.116.5, 2.118.1 to 2.118.6, 2.119.2 to 2.119.4, 2.120.2, 2.121.2 to 2.121.11, 2.122.2 to 2.122.3, 2.123.2 to 2.123.4, 2.124.2 to 2.124.3, 2.125.2 to 2.125.9, 2.126.2 to 2.126.5, 2.127.1 to 2.127.6, 2.128.2 & 2.129.2

⁴Para 2.2.7 to 2.2.18, 2.3.17 to 2.3.24, 2.4.7 to 2.4.27, 2.5.6 to 2.5.10, 2.6.6 to 2.6.9, 2.7.2 to 2.7.6, 2.8.2 to 2.8.3, 2.9.3 to 2.9.4, 2.10.4, 2.11.1 to 2.11.5, 2.12.4 to 2.12.6, 2.13.3 to 2.13.7, 2.14.3 to 2.14.8, 2.15.6 to 2.15.14, 2.16.1 to 2.16.4, 2.17.5, 2.18.1, 2.19.3, 2.20.5, 2.21.1 to 2.21.3, 2.22.5 to 2.22.14, 2.23.1 to 2.23.4, 2.24.2 to 2.24.3, 2.25.6, 2.26.5 to 2.26.13, 2.27.5 to 2.27.6, 2.28.4 to 2.28.11, 2.29.5 to 2.29.11, 2.30.7 to 2.30.8, 2.31.2 to 2.31.4, 2.32.6 to 2.32.8, 2.33.6, 2.33.7, 2.34.3 to 2.34.6, 2.35.4, 2.36.4, 2.37.6, 2.38.1, 2.39.3 to 2.39.5, 2.40.3 to 2.40.8, 2.41.8 to 2.41.12, 2.42.1 to 2.42.3, 2.43.5 to 2.43.8, 2.44.2 to 2.44.4, 2.45.6, 2.46.8, 2.47.2 to 2.47.5, 2.48.3 to 2.48.9, 2.49.5, 2.50.4 to 2.50.5, 2.51.6 to 2.51.16, 2.52.8 to 2.52.15, 2.53.3 to 2.53.5, 2.54.2 to 2.54.7, 2.55.4 to 2.55.8, 2.56.4 to 2.56.7, 2.57.7, 2.57.8, 2.57.9, 2.57.10, 2.58.7 to 2.58.10, 2.59.8 to 2.59.18, 2.60.2 to 2.60.3, 2.61.5 to 2.61.6, 2.62.1 to 2.62.3, 2.63.6 to 2.63.9, 2.64.2, 2.65.2 to 2.65.5, 2.66.4 to 2.66.6, 2.67.4 to 2.67.6, 2.68.4 to 2.68.7, 2.69.3 to 2.69.5, 2.70.3 to 2.70.5, 2.71.3 to 2.71.5, 2.72.6 to 2.72.8, 2.73.5 to 2.73.7, 2.73.8, 2.74.4 to 2.74.5, 2.75.2 to 2.75.5, 2.76.3 to 2.76.6, 2.77.3 to 2.77.5, 2.78.4 to 2.78.5, 2.79.5 to 2.79.9, 2.80.4 to 2.80.6, 2.81.5 to 2.81.6, 2.82.2 to 2.82.4, 2.83.8 to 2.83.9, 2.84.3 to 2.84.6, 2.85.2 to 2.85.4, 2.86.7 to 2.86.14, 2.87.3 to 2.87.6, 2.88.7 to 2.88.8, 2.89.2 to 2.89.4, 2.90.3 to 2.90.6, 2.91.3 to 2.91.5, 2.92.4 to 2.92.6, 2.93.4 to 2.93.6, 2.94.7 to 2.94.12, 2.95.5 to 2.95.8, 2.96.9 to 2.96.11, 2.97.2 to 2.97.3, 2.98.4 to 2.98.5, 2.99.5 to 2.99.6, 2.100.9, 2.101.3, 2.102.2 to 2.102.6, 2.103.2 to 2.103.3, 2.104. to 2.104.11, 2.105.5 to 2.105.7, 2.106.5 to 2.106.7, 2.107.4 to 2.107.6, 2.108.3 to 2.108.7, 2.109.2 to 2.109.5, 2.110.2 to 2.110.7, 2.111.2 to 2.111.4, 2.112.3 to 2.112.4, 2.113.2 to 2.113.3, 2.114.3 to 2.114.8, 2.115.2, 2.116.6 to 2.116.11, 2.117.1 to 2.117.4, 2.118.7 to 2.118.8, 2.120.3 to 2.120.5, 2.121.12 to 2.121.15, 2.122.4 to 2.122.8, 2.123.5 to 2.123.6, 2.124.4, 2.125.10 to 2.125.11, 2.127.7 to 2.127.12, 2.128.3 to 2.128.4, 2.129.3 & 2.129.4

⁵ Para 2.8.4, 2.25.7 & 2.56.9

Audit paras involving procedural violations including internal control weaknesses and other irregularities not considered worth reporting to the Public Accounts Committee have been included in the Memorandum for Departmental Accounts Committee (MFDAC) as Annexure-A.

g) Recommendations

PAOs are required to:

- i. Produce auditable record and take action against the person(s) responsible for non-production of record.
- ii. Hold inquiries for fixing responsibility regarding fraud, misappropriation, losses and wasteful expenditure.
- iii. Make efforts for expediting the realization of various Government receipts.
- iv. Probe the matter regarding unauthorized use of administrative and financial powers.
- v. Comply with the Punjab Procurement Rules for economical and rational purchases of goods and services.
- vi. Ensure establishment of internal control system and proper implementation of the monitoring system.
- vii. Ensure submission of "Life Certificates" of pensioners and "No Re-Marriage Certificates" for family pension cases as prescribed.