



AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR COMPANIES
OF PUNJAB (SOUTH)

AUDIT YEAR 2022-23

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 Daanish 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 Divisional Offices of PCMMDC and 04 Waste Management Companies of Punjab (South) for the Financial Years 2020-22.

PSCs are governed by a Board of Directors (BoD) nominated by Government of the Punjab. BoD is headed by its Chairman elected by BoD for a period of three years. BoD appoints the Managing Director (MD) / Chief Executive Officer (CEO) and may constitute other bodies, committees, sub-committees or panels from time to time. The PSC is competent to acquire, hold or transfer moveable and immovable property, enter into any contract and may sue & be sued in its name through MD / CEO. MD / CEO is the operational head of the PSC and is responsible to ensure that the business of the company is carried out in accordance with the laws as well as to coordinate its operational activities for effective and efficient functioning of the company.

a) Scope of Audit

The DGA is mandated to conduct audit of 09 offices of PSCs working under 05 PAOs. Total expenditure and receipt of these companies was Rs 7,608.029 million and Rs 3,128.121 million respectively for the Financial Years 2020-22.

Audit coverage relating to expenditure for the current audit year comprises 09 formations of 05 PSCs having total expenditure of Rs 2,256.611 million for the Financial Years 2020-21 and 2021-22. In terms of percentage, the audit coverage for expenditure was 30% of auditable expenditure.

This audit report also includes audit observations relating to audit year 2021-22 resulting from the audit of expenditure of Rs 1,151.376 million for Financial Year 2020-21 pertaining to 05 PSCs.

Audit coverage relating to receipt for the current audit year comprises 09 formations of 05 PSCs having total receipt of Rs 1,490.139 million for the Financial Years 2020-22. In terms of percentage, the audit coverage for receipt was 48% of auditable receipt.

In addition to this compliance with authority audit report, the DGA conducted 130 financial attest audits and 03 compliance with authority audits of District Education / Health Authorities and Local Governments. Reports of these audits are being published separately.

b) Recoveries at the Instance of Audit

As a result of audit, a recovery of Rs 2,567.162 million has been pointed out in this report. No recovery has been effected till finalization of this Audit Report.

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 the financial resources of these PSCs in accordance with the regularity framework provided by the relevant laws / operational manuals of these PSCs. On the spot examination and verification of record was also carried out in accordance with applicable laws / rules and according to the INTOSAI auditing standards.

d) Audit Impact

Irregularities pointed out during audit have helped the management in strengthening the internal control systems. However, audit impact in shape of change in rules is not materialized as the Public Accounts Committee has not discussed any Audit Report of the PSCs.

e) Comments on Internal Controls and Internal Audit Department

Internal control mechanism of the PSCs was not found satisfactory during audit. Many instances of weak internal controls have been highlighted during audit

which include some serious lapses like unauthorized withdrawal of public funds against the entitlement of the employees, misappropriation of funds etc. Negligence on part of the management of PSCs may be captioned as one of the important reasons for weak internal controls. Further, no Internal Audit Department was established by the PSCs.

f) The Key Audit Findings of the Report

- i. Non-production of record worth Rs 178.385 million was reported in 02 cases¹.
- ii. Fraud, embezzlement and misappropriation of Rs 52.794 million was reported in 02 cases²
- iii. Procedural irregularities amounting Rs 5,417.369 million were noticed in 56 cases³.
- iv. Value for money and service delivery issues amounting Rs 11.081 million were noticed in 06 cases.⁴
- v. Other issues involving an amount of Rs 10,600.172 million were noticed in 46 cases.⁵

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 Memorandum for Departmental Accounts Committee (MFDAC) in 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.

¹ Para No. 2.2.1, 2.4.1

² Para No. 2.3.1, 2.5.1

³ Para No. 2.1.1 to 2.1.3, 2.2.2 to 2.2.7, 2.3.2 to 2.3.15, 2.4.2 to 2.4.13, 2.5.2 to 2.5.22,

⁴ Para No. 2.4.14, 2.5.23 to 2.5.27

⁵ Para No. 2.1.4 to 2.1.7, 2.2.8 to 2.2.13, 2.3.16 to 2.3.26, 2.4.15 to 2.4.25, 2.5.28 to 2.5.41

- ii. Hold inquiries and fix responsibility for fraud, misappropriation, losses and wasteful expenditure besides effecting recovery.
- iii. Make efforts for expediting the realization of various Government receipts.
- iv. Comply with the Punjab Procurement Rules for economical and rational purchases of goods and services.
- v. Ensure establishment of internal control system and proper implementation of monitoring system.