



**AUDIT REPORT
ON THE ACCOUNTS OF
UNION ADMINISTRATIONS
DISTRICT LAYYAH
AUDIT YEAR 2012-2013**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ACL	Audit Command Language
AGP	Auditor General of Pakistan
AIR	Audit and Inspection Report
CCB	Citizen Community Board
DAC	Departmental Accounts Committee
INTOSAI	International Organization of Supreme Audit Institutions
LG & RD	Local Government and Rural Development
MB	Measurement Book
MEFDAC	Memoranda for Departmental Accounts Committee
NAM	New Accounting Model
PAO	Principal Accounting Officer
PFR	Punjab Financial Rules
PLGO	Punjab Local Government Ordinance
RDA	Regional Directorate of Audit
TMA	Teshisl Municipal Administration
UAs	Union Administrations

Preface

Article 169 & 170 (2) 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 the audit of the receipts and the expenditure of the Local Fund and Public Accounts of Union Administrations of the Districts.

The report is based on Audit of Union Administrations of District Layyah for the years 2008-12. The Directorate 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-1 of the Audit Report. The Audit observations listed in the Annexure-1 shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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.

Most of the observations included in this Report have been finalized in the light of written responses and discussion with the management.

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 Assembly of the Punjab.

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 Faisalabad, a field audit office of the DGA, District Governments, Punjab (South), Multan, carries out audit of District Governments, TMAs and UAs of four Districts i.e., Dera Ghazi Khan, Muzaffargarh, Layyah and Rajanpur.

The Regional Directorate has a human resource of 24 officers and staff, constituting 4,545 man days and a budget allocation of Rs8.638 million in audit year 2012-13. 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 Regional Director Audit D.G.Khan carried out audit of the accounts of five UAs of District Layyah for the financial years from 2008-09 to 2011-12 and the findings included in the Audit Report.

Union Administrations, (UAs) District Layyah conduct their operations under Punjab Local Government Ordinance 2001. UAs of District Layyah 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 Municipals 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 UAs in District Layyah for the financial year 2008-12 was Rs18.428 million and expenditure incurred of Rs2.992 million showing savings of Rs15.436 million. The total non-development Budget for financial year 2008-2012 was Rs24.272 million and expenditure of Rs19.253 million, showing savings of Rs5.019 million. The reasons for savings in Development and Non development Budgets are required to be provided by PAO concerned.

Audit of UAs of District Layyah 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 there was no leakage of revenues.

a. Audit Methodology

Audit was conducted after understanding the business processes of UAs with respect to its functions, control structure, prioritization of risk areas by determining their significance and identification of key controls. This helped the 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

Total development budget allocation for financial years 2008-12 was Rs18.428 million, out of which total expenditure was Rs2.992 million. Audit of the development expenditure of Rs1.023 million was carried out which was 34% of total expenditure. Audit of Non-Development expenditure of Rs7.653 million out of total expenditure of Rs19.253 million for the year was conducted which is 40% of total expenditure. Total overall expenditure of the five UAs of District Layyah for the year was Rs22.246 million, out of which, overall expenditure of Rs8.676 million was audited which, is 39% of total expenditure. Therefore, there was 100% achievement against the planned audit activities.

Total receipts of the five UAs District Layyah for the financial years 2008-12 were Rs1.675 million. RDA, D.G.Khan audited receipt of Rs1.675 million which is 100% of the total receipts.

c. Recoveries at The Instance of Audit

No recovery was pointed out through audit paras

d. Desk Audit

Desk review helped auditors in understanding the systems, procedures, environment of entity and identification of high risk areas for additional compliance testing in the field. The Audit Command Language (ACL) was applied centrally on the Payroll part of appropriation account. As a result, certain irregularities and overpayments were identified, which were communicated to field audit officers for verification and follow-up action.

e. The Key Audit Findings of the Report;

- i. There was one case pertaining to non-production of record – Rs3.194 million¹
- ii. There were three cases of irregular expenditure / payments and violation of rules / financial propriety amounting to Rs2.370 million.²

Audit Paras 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, (Annexure-A).

¹Para 1.2.1.1

²Para 1.3.1.1, 1.3.1.2

f. Recommendations

Audit recommends the PAOs / Management to focus on the following issues.

- i. Proper maintenance of record and its provision at the time of audit
- ii. Compliance of relevant laws, rules, instructions and procedures, etc.
- iii. Appropriate actions against officers/officials responsible for violation of rules and losses
- iv. Addressing systemic issues to prevent recurrence of various omissions and commissions.
- v. Physical stock taking of fixed and current assets
- vi. Hold investigations for wastage, fraud, misappropriation and losses, and take disciplinary actions after fixing responsibilities.

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rupees in million)

Sr. No.	Description	No.	Budget/ Expenditure
1.	Total Entities (PAOs) in Audit Jurisdiction	44	79.480
2.	Total formations in audit jurisdiction	44	79.480
3.	Total Entities (PAOs) Audited	05	42.700
4.	Total formations Audited	05	42.700
5.	Audit & Inspection Report	-	-
6.	Special Audit Reports	-	-
7.	Performance Audit Reports	-	-
8.	Other Reports (relating to District Government)	-	-

Table 2: Audit Observations Classified by Category

(Rupees in million)

Sr. No.	Description	Amount Placed under Audit Observation	Para Reference
1.	Asset management	-	-
2.	Financial management	2.372	1.3.1.1, 1.3.1.2,
3.	Internal controls	-	-
4.	Others	3.194	1.2.1.1
Total		5.566	

Table 3: Outcome Statistics**(Rupees in million)**

Sr. No.	Description	Physical Assets	Salary	Non-Salary	Civil Works	Receipts	Total current year	Total last year
1.	Outlays Audited	1.205	1.5552	1.0368	4.879	1.675	10.351	-
2.	Amount Placed under Audit Observation/ Irregularities by Audit	0.046	0	0.147	5.373	0	5.566	-
3.	Recoverables Pointed out at the instance of Audit	-	-	-	-	-	-	-
4.	Recoverables Accepted / Established at the instance of Audit	-	-	-	-	-	-	-
5.	Recoverables realized at the instance of Audit	-	-	-	-	-	-	-

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.	2,372
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources	0
3.	Accounting errors (accounting policy departure from NAM ¹ , 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.	0
4.	Quantification of weaknesses of internal control systems	0
5.	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public monies	0
6.	Non-Production of record	3,194
7.	Others, including cases of accidents, negligence, non accountal of store etc.	0
Total		5,566

¹ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS (Cash) compliant.

CHAPTER 1

1 Union Administrations, District Layyah

1.1 Introduction

According to 1998 population census, the population of District Layyah is 1.882 million. Union Administrations consist of Union Nazim / Administrator and two (02) Secretaries. Each Union Administration has one (01) Drawing & Disbursing Officer.

1.1.1 Comments on Budget and Accounts (Variance Analysis) for the Financial Years 2008-12

Original Budget of Rs42.700 million was allocated to UAs of District Layyah under various grants and no supplementary grants/ re-appropriation was provided. The revised/final budget of these UAs was Rs42.700 million. The total expenditure incurred by the UAs during 2008-12 was Rs22.245 million as detailed above.

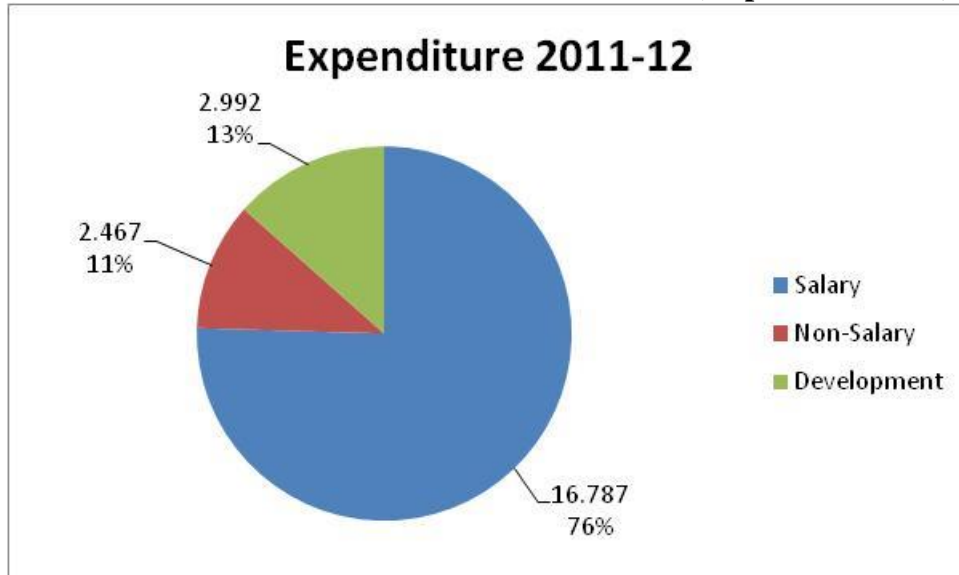
The variance analysis of the Final Grant and Actual Expenditure for the Financial Year 2008-12 depicted that there was a saving of Rs5.019 million in non development and Rs15.436 million in development components which will be used for following year budget estimates and determining the closing balances of these UAs of District Layyah.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Rupees in million)

2011-12	Budget	Expenditure	Excess (+) Saving (-)	%Saving
Salary	20.812	16.787	4.026	19
Non Salary	3.460	2.467	0.993	29
Development	18.428	2.992	15.436	84
Total	42.700	22.246	20.455	48

(Rupees in million)

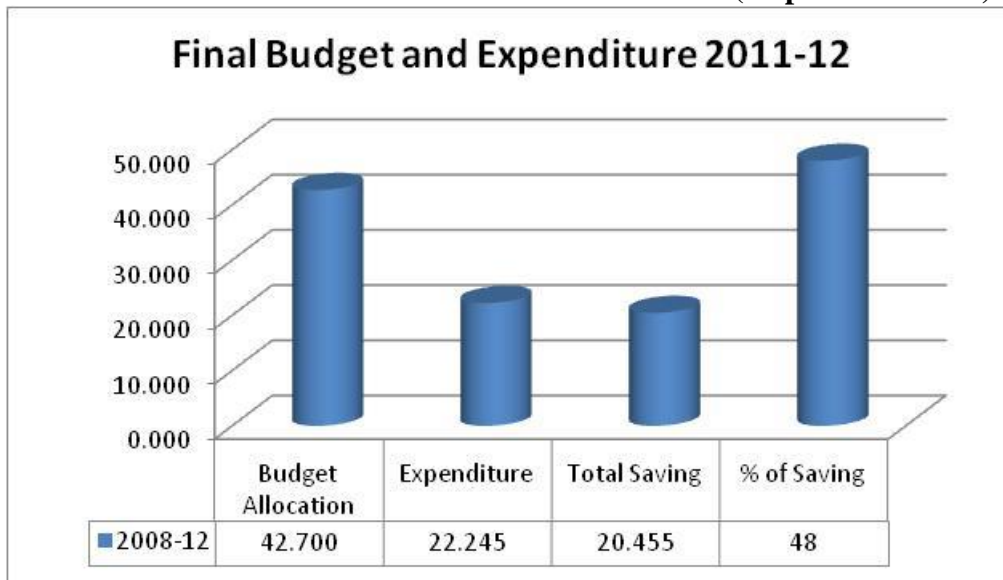


Details of the budget allocations, expenditures and savings of UAs of District Layyah for the financial year are at Annexure-B.

As per the budget books the expenditure relating to five UAs in District Layyah was Rs22.242 million against original budget of Rs42.700 million. There was a saving of Rs20.455 million for which the reasons should be explained by the PAO.

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

(Rupees in million)



There was overall saving in the budget allocations for the financial year 2012-13 are as follows:

(Rupees in million)

Financial Year	Budget Allocation	Expenditure	Total Saving	% of Saving
2008-09 to 2011-12	42.700	22.245	20.455	48

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

1.2 Audit Paras

1.2.1 Non-Production of Record

1.2.1.1 Non-Production of Record – Rs3.194 million

According to Section 14(3) of Auditor General of Pakistan Ordinance envisages that any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person. According to Section 115(6) of Punjab Local Government Ordinance 2001, the officials 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 of the Union Administrations withdrew an amount of Rs3.194 million during financial year 2008-12 from concerned Union Administration bank accounts to defray the expenditure on development schemes, salary and contingent payment but the vouched accounts were not produced to audit for verification. The detail is given as below:

(Rupees in million)

Period	Name of UA	AIR Para	Description	Expenditure
2008-10	UA Shado Khan	02	Measurement books, Technical Sanction, stock Register, Expenditure Statement	2.179
		05	Drawn from Bank Account without any detail of expenditure	0.090
2008-10	UA No.2 City	02	Measurement books, Technical Sanction	0.647
2008-09		04	Purchase of Computer	0.046
2008-09	Thal Jandi	02	Payment to CCB	0.175
2011-12	Mandi Town	07	Expenditure on Sports/Festival	0.057
Total				3.194

Audit was of the view that non production of record reflected irresponsible attitude on the part of executives

Non production of record resulted in non verification of authenticity of the expenditure.

The matter was reported to Union Secretaries in October, 2012. The Secretaries of union administration did not reply. The DAC meeting was not

convened despite repeated requests. No progress was intimated till finalization of Report.

Audit recommends fixing of responsibility for non production of record and disciplinary action in terms of Clause 14(3) of AGP Ordinance under intimation to audit besides production of record for audit scrutiny.

[AIR Paras: 2, 5, 2, 4, 2, 7]

1.3.1 Non-Compliance of Rules

1.3.1.1 Non-Utilization of CCB Funds -Rs1.281 million

According to Section 98 of the PLGO 2001, in every local area, group of non elected citizens may, through voluntary, proactive and self help initiatives, set up Citizen Community Boards. Such CCBs shall be set up for the purpose of energizing the community for development and improvement in service delivery, development and management of public facilities, identification of development and municipal needs. Further, as per Government of The Punjab Local Government and Community Development Department Lahore letter vide No.SO.D-III(LF) 3-1/2006 dated 04.01.2006, efforts should be made to expedite utilization of 25% development budget earmarked for the Citizen Community Boards.

Secretaries of the following Union Administrations did not pay any attention towards people motivation for organizing them for the joint cause of community. The budget earmarked for CCB piled Rs1,281,393 up to June 2011. Since devolution, no CCB was organized for the community. It seems that union administration authorities were not interested to provide the benefits of devolution to the public.

(Amount in Rupees)

Sr. No.	AP No.	Year	Name of UAs	Amount
1	4	2011-12	Thul Jandi	294,150
		Previous year	-do-	435,400
2	6	2011-12	UA Kot sultan	221,319
		Previous year		330,524
Total				1,281,393

Due to negligence of union administration authorities funds were not utilized.

Due to non utilization of funds, benefits of devolution to the public were not provided.

The matter was reported to Union Secretaries in September, 2012. The Secretaries of union administration did not reply. The DAC meeting was not convened despite repeated requests. No progress was intimated till finalization of Report.

Audit recommends for fixing of responsibility on the official concerned for negligence and not working for the cause.

[AIR Paras: 4, 6]

1.3.1.2 Unauthorized Payment without Detailed Measurement - Rs1.091 million

According to Government of the Punjab LG & RD Department Notification No.SOV(LG) 5-33/2002 dated 06-07-2005, the payment shall be made only after the assessment of work and recording of its measurement in the measurement book by the Sub Engineer of the Tehsil/Town Municipal Administration concerned.

Secretaries of the following Union Administrations made payment of Rs1.091 million during the financial year 2008-12 on account of construction work without any detailed measurement recorded in the measurement book.

(Rupees in million)

Name of UAs	AP No.	Description	Amount
UA Mandi town	02	Civil work/construction of culverts	0.390
UA Kot Sultan	02	Construction of Culverts, Earth Filling	0.217
UA Thul Jandi	01	Construction of Culverts & earth filling,	0.484
Total			1.091

Audit was of the view that incurrence of expenditure without measurement was poor implementation of financial controls.

Payment without measurement resulted in an unjustified expenditure.

The matter was reported to Union Secretaries in September, 2012. The Secretaries of union administration did not reply. The DAC meeting was not convened despite repeated requests. No progress was intimated till finalization of Report.

Audit recommends regularization of expenditure besides fixing of responsibility on the official concerned for making payments without measurements.

[AIR Paras: 2, 2, 1]

Annexures

Annexure-1**(Amount in Rupees)**

Sr. No.	Name of UAs	A.P No.	Subject	Amount	Nature of Observation
1.	UA shado Khan	01	Overpayment due to Unauthorized Withdrawal of Social Security Benefit & Annual Increments	80,849	Overpayment
2.	UA No.2 city	01	-do-	63,027	-do-
3.	UA Kot sultan	01	Unauthorized Expenditure without Calling Tenders	252,000	Violation of rule
4.	UA shado khan	03	Non Deposit of Government Revenues	37,050	Recovery
5.	UA Mandi Town	01	-do-	9,788	-do-
6.	Mandi Town	04	Unauthorized payment to Contingent paid establishment	60,000	Violation of rule
7.	Thul Jandi	03	Unauthorized Payment without obtaining Technical Sanction	484,078	-do-
8.	-do-	05	-do-	115,200	-do-
9.	UA Mandi town	03	Unjustified Consumption of Stores	101,410	-do-
10.	-do-	06	Unauthorized Payment without obtaining Technical Sanction	389,735	-do-
11.	UA Kot sultan	03	Unjustified Consumption of Stores	252,000	-do-
12.	Kot Sultan	07	Unauthorized Expenditure	92,500	-do-
13.	UA No.2 city	06	-do-	22,500	-do-

Annexure-A**MEFDAC Paras****(Amount in Rupees)**

Sr. No	Name of UAs	Para No	Subject	Amount
1.	Shado khan	4	Time barred arrear of pay and allowances	8,770
2.	-do-	6	Non production of vouched account	416,282
3.	Kot sultan	4	Non deduction of GST	40,320
4.	-do-	5	Non deduction of Income Tax	21,840
5.	UA No.2	3	Doubtful expenditure on White wash	40,000
6.	-do-	5	Payment through cash	198,930
7.	-do-	7	Irregular expenditure on advertisement	9,125
8.	UA Mandi Town	5	Non deposit of GST and Income tax	62,836

UAs of Layyah District

1. UAs, Layyah District Budget and Expenditure details

(Amount in Rupees)

Sr. No.	Name of UAs	Nature of Expenditures	Original Grant	Supplementary Grant	Revised / Final Grant	Actual Expenditure	(+) Excess (-) Saving
1	Mandi Town	Salary	6,728,166	0	6,728,166	4,739,178	-1,988,988
		Non Salary	277,197	0	277,197	172,357	-104,840
		Sub-total	7,005,363	0	7,005,363	4,911,535	-2,093,828
		Development	382,357	0	382,357	389,735	7,378
		Total	7,387,720	0	7,387,720	5,301,270	-2,086,450
2	Kot Sultan	Salary	3,953,500	0	3,953,500	3,652,603	-300,897
		Non Salary	562,120	0	562,120	497,819	-64,301
		Sub-total	4,515,620	0	4,515,620	4,150,422	-365,198
		Development	3,777,627	0	3,777,627	509,000	-3,268,627
		Total	8,293,247	0	8,293,247	4,659,422	-3,633,825
3	Thal Jhandi	Salary	3,900,000	0	3,900,000	3,092,210	-807,790
		Non Salary	1,007,000	0	1,007,000	673,944	-333,056
		Sub-total	4,907,000	0	4,907,000	3,766,154	-1,140,846
		Development	5,223,000	0	5,223,000	517,176	-4,705,824
		Total	10,130,000	0	10,130,000	4,283,330	-5,846,670
4	Shado Khan	Salary	2,780,577	0	2,780,577	2,281,889	-498,688
		Non Salary	813,753	0	813,753	637,930	-175,823
		Sub-total	3,594,330	0	3,594,330	2,919,819	-674,511
		Development	5,088,000	0	5,088,000	929,540	-4,158,460
		Total	8,682,330	0	8,682,330	3,849,359	-4,832,971
5	UA No.2	Salary	3,450,000	0	3,450,000	3,020,763	-429,237
		Non Salary	800,000	0	800,000	484,731	-315,269
		Sub-total	4,250,000	0	4,250,000	3,505,494	-744,506
		Development	3,956,795	0	3,956,795	646,500	-3,310,295
		Total	8,206,795	0	8,206,795	4,151,994	-4,054,801
Grand Total			42,700,092	0	42,700,092	22,245,375	-20,454,717