



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

**AUDITOR GENERAL OF PAKISTAN**

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## **ABBREVIATIONS AND ACRONYMS**

AGP	Auditor General of Pakistan
AIR	Audit and Inspection Report
DAC	Departmental Accounts Committee
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
MEFDAC	Memoranda for Departmental Accounts Committee
NAM	New Accounting Model
PAO	Principal Accounting Officer
PDG	Punjab District Government
PFR	Punjab Financial Rules
PLGO	Punjab Local Government Ordinance
RDA	Regional Directorate of Audit
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 Rajan Pur 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 Rajan Pur for the financial years from 2008-09 to 2011-12 and the findings included in the Audit Report.

Union Administrations, (UAs) District Rajan Pur conduct their operations under Punjab Local Government Ordinance 2001. UAs of District Rajan Pur 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 Rajan Pur for the financial year 2008-12 was Rs16.604 million and expenditure incurred of Rs3.191 million showing savings of Rs13.413 million. The total non-development Budget for financial year 2008-2012 was Rs20.985 million and expenditure of Rs17.575 million, showing savings of Rs3.410 million. The reasons for savings in Development and Non development Budgets are required to be provided by PAO concerned.

Audit of UAs of District Rajan Pur 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 Rs16.604 million, out of which total expenditure was Rs3.191 million. Audit of the development expenditure of Rs1.372 million was carried out which was 43% of total expenditure. Audit of Non-Development expenditure of Rs5.800 million out of total expenditure of Rs17.575 million for the year was conducted which is 33% of total expenditure. Total overall expenditure of the five UAs of District Rajan Pur for the year was Rs20.765 million, out of which, overall expenditure of Rs7.532 million was audited which, is 36% of total expenditure. Therefore, there was 100% achievement against the planned audit activities.

Total receipts of the five UAs District Rajan Pur for the financial years 2008-12 were Rs2.340 million. RDA, D.G.Khan audited receipt of Rs1.872 million which is 80% of the total receipts.

**c. Recoveries at the Instance of Audit**

No recovery was pointed out at the instance of audit.

**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 01 case pertaining to non-production of record –Rs7.738 million.<sup>1</sup>
- ii. Weaknesses of internal controls involving an amount of Rs11.369 million were noted in 02 cases.<sup>2</sup>

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).

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<sup>1</sup>Para 1.2.1

<sup>2</sup>Para 1.3.1, 1.3.2

**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. Expediting recoveries pointed out by Audit as well as others recoverable in the notice of management
- vi. Physical stock taking of fixed and current assets
- vii. 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	514.007
2.	Total formations Audited	05	37.589
3.	Audit & Inspection Reports	05	37.589
4.	Special Audit Reports	-	-
5.	Performance Audit Reports	-	-
6.	Other Reports (relating to UAs)	-	-

**Table 2: Audit Observation Classified by Categories**

(Rupees in million)

Sr. No.	Description	Amount Placed under Audit Observation	Para No
1.	Asset management	-	-
2.	Weak financial management	-	-
3.	Weak Internal controls relating to financial management	-	-
4.	Others	19.107	1.2.1, 1.3.1, 1.3.2
<b>Total</b>		<b>19.107</b>	

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

<b>Sr. No</b>	<b>Description</b>	<b>Physical Assets</b>	<b>Salary</b>	<b>Non Salary</b>	<b>Civil Works</b>	<b>Receipts</b>	<b>Total</b>
1.	Outlays Audited	5.975	3.625	13.975	3.1903	2.340	29.1053
2.	Amount Placed under Audit Observation / Irregularities of Audit	-	-	7.738	11.369	-	19.107
3.	Recoveries Pointed out at the instance of Audit	-	-	-	-	-	-
4.	Recoveries Accepted / Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries realized at the instance of Audit	-	-	-	-	-	-

**Table 4: Irregularities Pointed Out**

**(Rupees in million)**

<b>Sr. No.</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1.	Violation of rules and regulations and violation of principle of propriety and probity in public operations.	-
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources	-
3.	Accounting errors (accounting policy departure from NAM <sup>1</sup> , 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	11.369
5.	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public monies	-
6.	Non-production of record	7.738
7.	Others, including cases of accidents, negligence, non-accountal of store etc.	-
<b>Total</b>		<b>19.107</b>

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

# CHAPTER 1

## 1 Union Administrations, District Rajanpur

### 1.1 Introduction

According to 1998 population census, the population of District Rajan Pur is 1.902 million. Union Administrations consist of Union Nazim / Administrator and three (03) 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 Rs37.589 million was allocated to UAs of District Rajan Pur under various grants and no supplementary grants/ re-appropriation were provided. However, revised/final budget of these UAs was Rs37.589 million. The total expenditure incurred by the UAs during 2008-12 was Rs30.988 million.

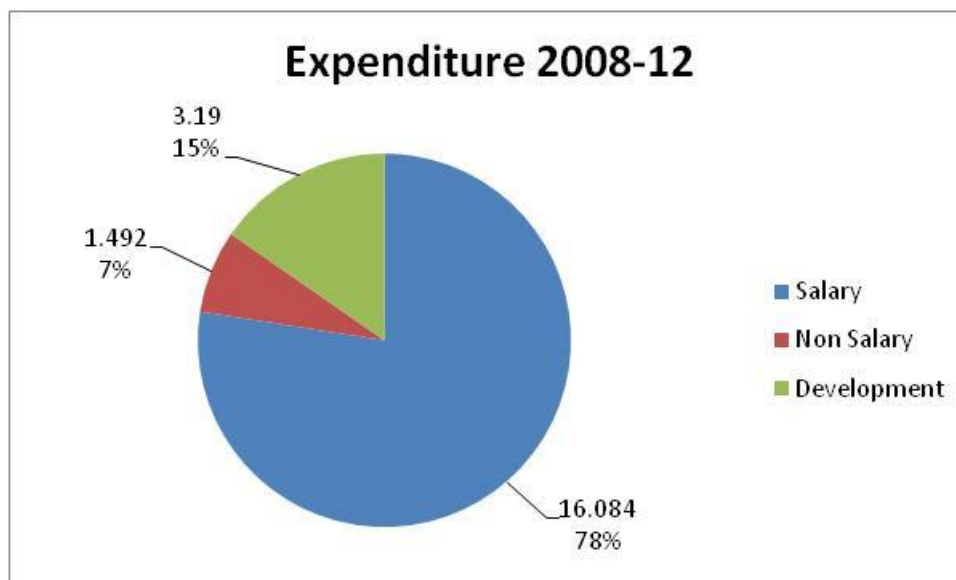
The variance analysis of the Final Grant and Actual Expenditure for the Financial Year 2008-12 depicted that there was a saving of Rs3.410 million in non-development and Rs3.191 million in development components which will be used for following year budget estimates and determining the closing balances of these UAs of District Rajanpur.

#### 1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Rupees in million)

2008-12	Budget	Expenditure	Excess (+)/ Saving(-)	%Saving
Salary	17.866	16.084	-1.782	10
Non-Salary	3.120	1.492	-1.628	52
Development	16.604	3.190	-13.414	81
<b>Total</b>	<b>37.590</b>	<b>20.766</b>	<b>-16.824</b>	<b>45</b>

(Rupees in million)

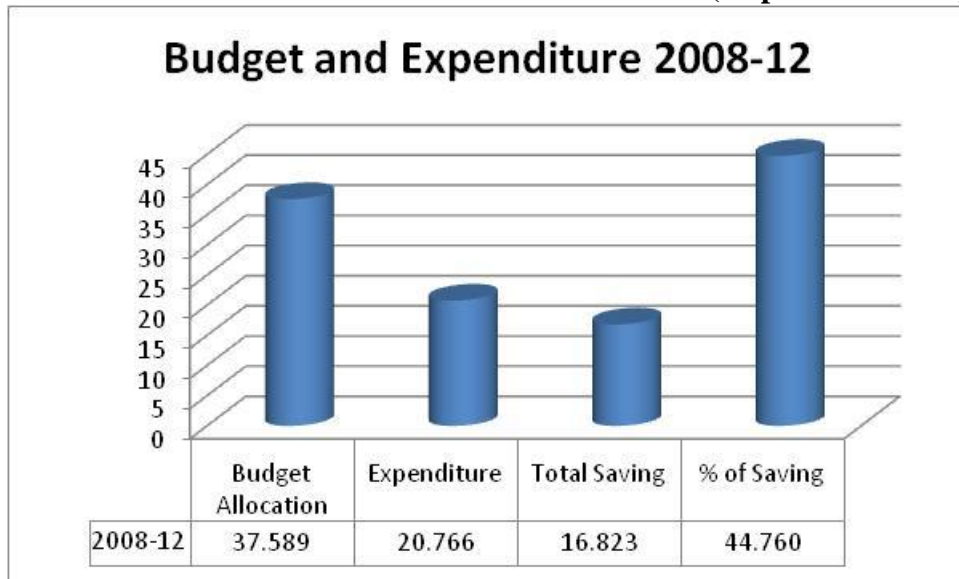


Details of the budget allocations, expenditures and savings of UAs of District Rajan Pur for the financial year are at Annexure-B.

As per the budget books the expenditure relating to five UAs in District Rajan Pur was Rs20.766 million against original budget of Rs37.589 million. There was a saving of Rs16.823 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 2008-12 are as follows:

(Rupees in million)

Financial Year	Budget Allocation	Expenditure	Total Saving	% of Saving
2008-12	37.589	20.766	16.823	44.76

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 – Rs7.738 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.

Secretary Union Administration Noor Pur withdrew an amount of Rs7.738 million during financial years 2008-11 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.

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 Secretary in December, 2012. Neither any reply was submitted nor convened the DAC meeting despite written request made vide this office letter No. RDA/DGK/CD-908 dated 20.12.2012 and No. RDA/DGK/CD-911 dated 25.12.2012.

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 Para 1]

## **1.3.1 Weaknesses of Internal Controls**

### 1.3.1.1 Non-Utilization of Budget - Rs9.860 million

According to Rule 64(i)(iv) of Punjab District Government & TMA (Budget) Rules 2003, each local Govt. shall effectively and efficiently manage the resources made available to it. Further according to section 16(3) of PLGO 2001, every authorized Govt. officer will be responsible to the people for improvement of governance and delivery of services within the ambit of authority decentralized to him.

Secretaries Union Administrations Kotla Easan, Noor Pur, Wang and Fateh Pur had a development budget of Rs9.860 million for the period 2008-12 but the same was not utilized. The detail is given as below:

(Amount in Rupees)

Sr. No.	Name of UAs	AP No.	Financial Year	Development Budget
1	Kotla Essan	1	2011-12	1,682,041
2	Noor Pur	2	2011-12	1,461,098
3	Wang	1	2009-10	700,000
			2010-11	1,000,000
			2011-12	1,050,000
4	Feth Pur	2	2009-10	1,415,400
			2010-11	1,178,800
			2011-12	1,372,500
<b>Total</b>				<b>9,859,839</b>

Audit was of the view that due to negligence of Union Administration authority, funds were not utilized.

Due to non-utilization of funds people remained deprived off from the basic necessities.

The matter was reported to Union Secretaries in December, 2012. Neither any reply was submitted nor convened the DAC meeting despite written request made vide this office letter No. RDA/DGK/CD-908 dated 20.12.2012 and No. RDA/DGK/CD-911 dated 25.12.2012.

Audit recommends fixing of responsibility on the persons concerned for violation of government instructions besides condonation of the irregularity from the Finance Department.

[AIR Paras: 1, 2, 1, 2]

### 1.3.1.2 Non-Allocation of 25% Budget for Citizen Community Boards - Rs1.509 million

According to Rule 41 (2) of PDG &TMA (Budget) Rules 2003, twenty five percent of the development budget shall be earmarked for execution through Citizen Community Boards. The Citizen Community Boards projects shall be processed, included in the development budget and approved by the council in accordance with Rules.

Secretaries Union Administrations Kot Mithan and Fatehpur finalized the development budget for the period 2008-12 for Rs6,036,700 but 25% funds amounting to Rs1,509,175 were not earmarked for the CCB. The detail is as below:

<b>(Amount in Rupees)</b>					
<b>Sr. No.</b>	<b>Name of UA</b>	<b>AP No.</b>	<b>Year</b>	<b>Development budget</b>	<b>25% CCB Share</b>
1	UA-Kotmithan	4	2008-09	650,000	162,500
			2009-10	620,000	155,000
			2010-11	400,000	100,000
			2011-12	400,000	100,000
2	UA-Fatehpur	1	2009-10	1,415,400	353850
			2010-11	1,178,800	294700
			2011-12	1,372,500	343125
<b>Total</b>				<b>6,036,700</b>	<b>1,509,175</b>

Audit was of the view that due to negligence of union administration authority, funds were not allocated in prescribed ratio for CCB schemes.

Non-allocation of funds resulted in deprivation from the benefits of works through CCBs.

The matter was reported to Union Secretaries in December, 2012. Neither any reply was submitted nor convened the DAC meeting despite written request made vide this office letter No. RDA/DGK/CD-908 dated 20.12.2012 and No. RDA/DGK/CD-911 dated 25.12.2012.

Audit recommends fixing of responsibility on the persons concerned for violation of Government instructions besides condonation of irregularity from competent authority.

[AIR Paras: 4, 1]

# **Annexures**

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

<b>Sr. No</b>	<b>Name of UA</b>	<b>Para No.</b>	<b>Subject</b>	<b>Amount</b>	<b>Nature of Observation</b>
1	UA Kot Mithan	1	Irregular invitation of Tender	595,000	Violation of Rule
		2	Unauthorized payment without detailed measurement	456,190	Violation of Rule
		3	Unauthorized payment without Technical sanction	351,190	Violation of Rule

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

<b>Sr. No</b>	<b>Name of UA</b>	<b>Para No</b>	<b>Subject</b>	<b>Amount</b>
1.	Kot Mithan	5	Unauthentic Payment	228,528
2.	Fateh Pur	3	Unauthentic payments through cash	455,269
3.	-do-	4	Unauthentic payment, cash book not signed	1,286,425
4.	-do-	5	Receipts not verified	32,540
5.	Wang	2	Unauthorized retention of income tax deducted at source	50,847
6.	-do-	3	Unauthorized purchase of computer and its peripherals	60,720
7.	-do-	4	Non-utilization of CCB funds	687,500
8.	-do-	5	Non-maintenance of security deposit register resulting in doubtful payment	90,000



## UAs of Rajanpur District

### Budget and Expenditure Statement for Financial Year 2008-2012

#### 1. UAs, Rajan Pur 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	Kot Mithan	Salary	6175000	0	6,175,000	5,706,099	468,901
		Non-Salary	843,000	0	843,000	261,555	581,445
		<b>Sub-total</b>	<b>7,018,000</b>		<b>7,018,000</b>	<b>5,967,654</b>	1,050,346
		<b>Development</b>	1,637,083	0	1,637,083	569,773	1,067,310
		<b>Total</b>	<b>8,655,083</b>		<b>8,655,083</b>	<b>6,537,427</b>	2,117,656
2	Fateh Pur	Salary	4,441,000	0	4,441,000	3,648,540	792,460
		Non-Salary	864,500	0	864,500	366,543	497,957
		<b>Sub-total</b>	<b>5,305,500</b>		<b>5,305,500</b>	<b>4,015,083</b>	1,290,417
		<b>Development</b>	5,016,700	0	5,016,700	373,340	4,643,360
		<b>Total</b>	<b>10,322,200</b>		<b>10,322,200</b>	<b>4,388,423</b>	5,933,777
3	Wang	Salary	4,300,000	0	4,300,000	3,932,291	367,709
		Non-Salary	612,000	0	612,000	407,353	204,647
		<b>Sub-total</b>	<b>4,912,000</b>		<b>4,912,000</b>	<b>4,339,644</b>	572,356
		<b>Development</b>	3,400,000	0	3,400,000	846,000	2,554,000
		<b>Total</b>	<b>8,312,000</b>		<b>8,312,000</b>	<b>5,185,644</b>	3,126,356
4	Noor Pur	Salary	1,950,000	0	1,950,000	1,806,039	143,961
		Non-Salary	650,000	0	650,000	401,908	248,092
		<b>Sub-total</b>	<b>2,600,000</b>		<b>2,600,000</b>	<b>2,207,947</b>	392,053
		<b>Development</b>	4,950,000	0	4,950,000	1,401,813	3,548,187
		<b>Total</b>	<b>7,550,000</b>		<b>7,550,000</b>	<b>3,609,760</b>	3,940,240
5	Kotla Esan	Salary	1,000,000	0	1,000,000	990,190	9,810
		Non-Salary	150,000	0	150,000	54,528	95,472
		<b>Sub-total</b>	<b>1,150,000</b>		<b>1,150,000</b>	<b>1,044,718</b>	105,282
		<b>Development</b>	1,600,000	0	<b>1,600,000</b>	0	1,600,000
		<b>Total</b>	<b>2,750,000</b>		<b>2,750,000</b>	<b>1,044,718</b>	1,705,282
<b>Grand Total</b>			<b>37,589,283</b>		<b>37,589,283</b>	<b>20,765,972</b>	<b>16,823,311</b>