



**AUDIT REPORT
ON
THE ACCOUNTS OF
UNION ADMINISTRATIONS
DISTRICT RAWALPINDI**

AUDIT YEAR 2015-16

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AIR	Audit & Inspection Report
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
LG&CD	Local Government & Community Development
MFDAC	Memorandum for Department Accounts Committee
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PDG	Punjab District Government
PFR	Punjab Financial Rules
PLGO	Punjab Local Government Ordinance
TMA	Town Municipal Administration
UA	Union Administration

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Section 115 of the Punjab Local Government Ordinance 2001, require the Auditor General of Pakistan to audit the accounts of the Provincial Governments and the accounts of any authority or body established by, or under the control of the Provincial Government. Accordingly, the audit of all receipts and expenditure of the Local Fund and Public Accounts of Union Administrations of the District governments is the responsibility of the Auditor General of Pakistan.

The report is based on audit of the accounts Union Administrations of the City District Government, Rawalpindi for the Financial Year 2014-15. The Directorate General of Audit District Governments Punjab (North), Lahore conducted audit during 2015-16 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1.00 million or more. Relatively less significant issues are listed in the Annex-A of the Audit Report. The Audit observations listed in the Annex-A 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.

The audit results indicate the need for adherence to the regularity frame work besides instituting and strengthening internal controls to prevent recurrence of such violations and irregularities.

The observations included in this Report have been finalized after discussion of Audit Paras with the management. However, no Departmental Accounts Committee meeting by PAO was convened despite repeated requests.

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 to cause it to be laid before the Provincial Assembly of Punjab.

Islamabad
Dated:

(Imran Iqbal)
Acting-Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Punjab (North), Lahore is responsible to carry out the audit of District Governments, Town / Tehsil Municipal Administrations and Union Administrations of three City District Governments and sixteen District Governments. Its Regional Directorate of Audit, Rawalpindi has audit jurisdiction of District Governments, Town / Tehsil Municipal Administration and Union Administrations of one City District Government i.e. Rawalpindi and three District Governments i.e. Jhelum, Chakwal and Attock.

The Regional Directorate of Audit Rawalpindi had a human resource of fifteen officers and staff, constituting 1,292 man days and the budget of Rs 16.03 million per Financial Year 2015-16. It had the mandate to conduct Financial Attest Audit, Regularity Audit, Audit of Sanctions, Audit of Compliance with Authority and Performance Audit of entities, projects and programs. Accordingly Directorate General of Audit District Governments Punjab (North), Lahore carried out audit of the accounts of Ten UAs of City District Rawalpindi for the Financial Year 2015-16.

Each Union Administration, in City District Rawalpindi is headed by a Union Nazim / Administrator who carries out operations as per Punjab Local Government Ordinance, 2001. Administrator is the Principal Accounting Officer (PAO) and acts as coordinating and administrative officer, responsible to control land use, its division and development and to enforce all laws including Municipal Laws, Rules and By-laws. The Punjab Local Government Ordinance 2001 requires the establishment of Union Local Fund and Public Account for which Annual Budget Statement is authorized by the Union Nazim / Union Council / Administrator in the form of Budgetary Grants.

Audit of UAs (list of UAs along with Budget, Expenditure and receipt is given at Annex-B) of City District Rawalpindi was carried out with a view to ascertaining 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/ revenue was also conducted to verify whether or not the assessment, collection, reconciliation and allocation of revenues were made in accordance with laws and rules.

a. Scope of Audit

Total overall expenditure of UAs of District Rawalpindi for the Financial Year 2014-15 was Rs 195.89 million, out of this, D.G District Audit (N) Punjab audited an expenditure of Rs 12.49 million, which was 6.40 % of total expenditure..

Total receipts of UAs of District Rawalpindi for the Financial Year 2014-15 were Rs 214.97 million. D.G District Audit (N) Punjab audited receipts of Rs 13.39 million which were 6.23% of total receipts.

b. Recoveries at the Instance of Audit

Recovery of Rs 0.28 million was pointed out through various audit paras but no recovery was effected till compilation of report.

c. Audit Methodology

Audit was performed through understanding the business process 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. Formations were selected for Audit in accordance with risks analyzed. Audit was planned and executed accordingly.

d. Audit Impact

A number of improvements, as suggested by audit, in maintenance of record and procedures, have been initiated by the concerned Departments. However, audit impact in shape of change in rules has not been significant due to non-convening of regular PAC meetings. Had PAC meetings been regularly held, audit impact would have been manifold.

e. Comments on Internal Controls and Internal Audit Department

The purpose of internal control system is to ensure effective operation of an organization. It consists of measures employed by the management to achieve its objectives, safeguard assets, ensure accuracy, timelines, reliability of financial and accounting information for decision making.

One of the basic components of Internal Control System is Internal Audit, which is a tool for investigating and apprising the management about the efficiency and performance of various activities of the Department, through assessment of the effectiveness and implementation of policies, rules and regulations. It was noted that an internal auditor had not yet been appointed as required in terms of Section 115A of PLGO 2001.

f. Key Audit Findings

- i. Irregularity and Non compliance of Rs 43.61 million was noticed in two cases¹
- ii. Poor performance of Rs 1.14 million was noticed in one case²

Audit paras on the accounts for 2015-16 involving procedural violations including Non-production of record, and irregularities which were not considered worth reporting to Parliament, therefore have been included in Memorandum For Departmental Accounts Committee, (Annex-A).

g. Recommendations

Audit recommends that the PAO / Management of UAs should ensure the following:

- i. Holding of DAC Meetings well in time
- ii. Proper maintenance of accounts and record
- iii. Appropriate action against officers/officials responsible for violation of rules and losses
- iv. Compliance of relevant laws, rules, instructions and procedures, etc.
- v. Realization and reconciliation of various receipts.

1 Para 1.2.1.1 to 1.2.1.2

2 Para 1.2.2.1

SUMMARY TABLE & CHARTS

Table 1: Audit Work Statistics

(Rs in million)

Sr. No.	Description	UA No.	Budgeted Figures		
			Expenditure	Receipt	Total
1	Total Entities (PAOs) in Audit Jurisdiction	175	354.03	442.39	971.42
2	Total formations in Audit Jurisdiction	175	354.03	442.39	971.42
3	Total Entities (PAOs)/DDOs Audited	10	12.49	13.39	25.88
4	Total Formations Audited	10	12.49	13.39	25.88
5	Audit & Inspection Reports	10	12.49	13.39	25.88
6	Special Audit Reports	Nil	Nil	Nil	Nil
7	Performance Audit Reports	Nil	Nil	Nil	Nil
8	Other Reports (Relating to UA)	Nil	Nil	Nil	Nil

Table 2: Audit Observations

(Rs in million)

Sr. No.	Description	Amount under Audit Observations
1	Asset Management	-
2	Financial Management	-
3	Weak Internal Controls relating to financial Management	-
4	Violation of Rules	43.61
5	Others	1.14
Total		44.75

Table3: Outcome Statistics

(Rs in million)

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total Current Year
1	Outlays audited	1.53	4.79	13.39	6.17	25.88*
2	Amount placed under Audit observation/irregularities	0.00	1.14	0.00	43.61	44.75
3	Recoveries pointed out at the instance of Audit.	0.		0	0	0

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total Current Year
4	Recoverable accepted/ established at Audit instance.	-	-	-	-	-
5	Recoveries realized at the instance of Audit.	-	-	-	-	-

* The amount in serial No 1 column of "total 2014-15" is the sum of Expenditure and Receipts, whereas the total expenditure for the year 2014-15 was Rs 12.49 million

Table4: Irregularities Pointed Out

(Rs in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and principle of propriety and probity.	43.61
2	Reported cases of fraud, embezzlement, theft and misappropriations and misuse of public funds.	0
3	Accounting Errors ¹ (accounting policy departure from NAM, 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	0
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public money	0
6	Non-production of record to Audit.	0
7	Others, including cases of accidents, negligence etc.	1.14
	Total	44.75

Table 5: Cost - Benefit Ratio

(Rs in millions)

Sr. #	Description	Amount
1	Outlays Audited (Items 1 of Table 3)	25.88
2	Expenditure on Audit	1.06
3	Recoveries realized at the instance of Audit	-
4	Cost Benefit Ratio	1:0

CHAPTER 1

1 UNION ADMINISTRATIONS, DISTRICT RAWALPINDI

1.1 Introduction

Each Union Administration of District Rawalpindi consists of Union Nazim, Union Naib Nazim, Secretary and Administration. Each UA of Rawalpindi comprises one Drawing and Disbursing Officer i.e. Secretary. As section 76 of PLGO 2001, the main functions of UAs are as follows:-

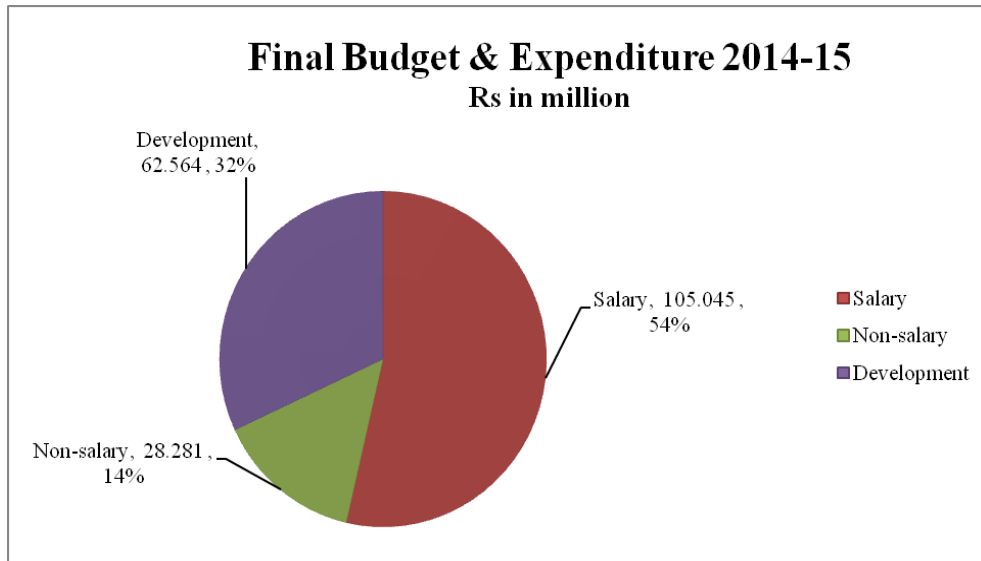
- i. To collect and maintain statistical information for socio-economic surveys;
- ii. To consolidate village and neighborhood development needs and prioritize them into union-wide development proposals with the approval of the Union Council and make recommendations thereof to the District Government or Tehsil Municipal Administration, as the case may be;
- iii. To identify deficiencies in the delivery of services and make recommendations for improvement thereof to the Tehsil Municipal Administration;
- iv. To register births, deaths and marriages and issue certificates thereof;
- v. To make proposals to the Union Council for levy of rates and fees specified in the Second Schedule and to collect such rates and fees within the Union;
- vi. To establish and maintain libraries;
- vii. To organize inter-village or neighborhood sports tournaments, fairs, shows and other cultural and recreational activities;
- viii. To disseminate information on matters of public interest;
- ix. To improve and maintain public open spaces, public gardens and playgrounds;
- x. To provide and maintain public sources of drinking water, including wells, water pumps, tanks, ponds and other works for the supply of water;
- xi. To maintain the lighting of streets, public ways and public places through mutual agreement with the Tehsil Municipal Administration;
- xii. To execute the projects of the approved Union Annual Development Plan by contracting out to the private sector in the manner as may be prescribed and to obtain support of the Tehsil Municipal Administration or District Government for such execution; and to assist the Village Councils or, as the case may be, Neighborhood Councils in the Union to execute development projects.

1.1.1 Comments on Budget and Accounts (Variance Analysis)

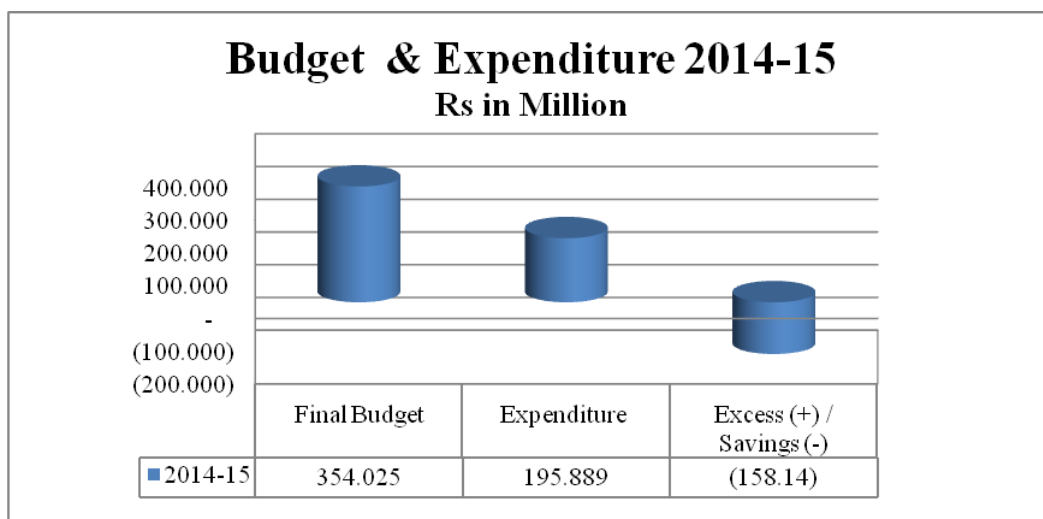
Total budget of ten UAs of City District Rawalpindi was Rs 354.03 million including salary component of Rs 128.69 million, non salary component of Rs 45.99 million and development component of Rs 179.35 million. Expenditure against salary component was Rs 28.28 million, Non salary component was Rs 105.05 million and development component was Rs 62.56 million. Overall saving were Rs 158.14 million which was 45% of total budget.

(Amount in million)

Financial Year 2014-2015	Budget	Expenditure	Excess (+) / Saving (-)	% (Saving)
Salary	128.69	105.05	-23.64	18
Non-salary	45.99	28.28	-17.71	39
Development	179.35	62.56	-116.79	65
Total	354.03	195.89	-158.14	45



The original and final budget of ten UAs of Rawalpindi for the financial year 2014-15 was Rs 354.03 million. Against the final budget, total expenditure incurred by the UAs during the financial year 2014-15 was Rs 195.89 million.



There was a saving of Rs 158.14 million, which was 45% of the final budget.

1.1.3 Brief Comments on the Status of Compliance with MFDAC Paras of Audit Year 2013-14

Audit paras reported in MFDAC of last year audit report which have not been attended in accordance with the directives of DAC have been reported in Part-II of Annex-A.

1.1.4 Brief Comments on the Status of Compliance with PAC Directives

The Audit Reports pertaining to following years were submitted to the Governor of the Punjab:

Status of Previous Audit Reports

Sr. No.	Audit Year	No. of Paras	Status of PAC
1	2009-12	3	Not convened
2	2012-13	2	Not convened
	2013-14	11	Not convened

1.2 AUDIT PARAS

1.2.1 Irregularity and Non Compliance

1.2.1.1 Unauthentic Maintenance of Cash Book due to Non Comparison with Schedule of Payments/Receipt – Rs 29.545 millions

According to rule 2.4 of PFR Volume-I “In the case of payments into the Treasury the Disbursing Officer should compare the Treasury Officer's receipt on the challans with the entry in the cash book before initialing it, and when such payments are appreciable, he should obtain from the Treasury a monthly list of payments which should be compared with the posting in the cash book.

During audit of ten Union Administrations of Tehsil Murree District Rawalpindi, it was noticed that schedules of receipts and payments were neither obtained from the treasury officer nor compared with the entries of cash book amounting to Rs 29.55 million in violation of codal provisions as detailed in **Annex-C**.

Audit is of the view that due to weak internal controls, schedules of payment / receipts were not obtained which resulted in unauthentic maintenance of cash book.

The matter was reported to PAO/Administrator concerned in June 2016. The reply was not furnished and DAC meeting was also not convened till finalization of this report.

Audit recommends for regularization and to obtain schedule of payments / receipts and to compare with entries of cash book at the earliest.

1.2.1.2 Preparation of Unclassified Budget - Rs 14.07 million

According to the Rule 9(1)(1)(2) & (3) of Punjab District Government and TMA, Rules 2003 read with the Para 30 of Audit Code that the budget shall be prepared in accordance with the Chart of Classification of accounts issued by the Auditor General of Pakistan and the expenditure shall be classified into development and non development and receipt shall be classified in major heads and detail heads.

Management of ten Union Administrations of Tehsil Murree District Rawalpindi incurred expenditure amounting to Rs 14.07 million during the 2014-15. Budget was not

prepared according to Chart of classification which resulted in preparation of unclassified Budget estimates amounting to Rs 18.37 million as detailed in **Annex-D**.

Audit is of the view that due to weak financial management, budget was not prepared according to Chart of classification.

The matter was reported to PAO/Administrator concerned in June 2016. The reply was not furnished and DAC meeting was also not convened till finalization of this report.

Audit recommends for regularization and preparation of budget according to Chart of classification at the earliest under intimation to Audit.

1.2. Performance

1.2.2.1 Less Utilization of Development Budget - Rs 1.14 million

According to Rule 64(iv) of the PDG & TMA (Budget) Rules, 2003 the resources of the Govt. should be utilized effectively and efficiently.

During audit of six Union Administrations of Tehsil Murree District Rawalpindi, it was noticed that budget amounting Rs 4.18 million was allocated for development schemes during the period 2014-15. Scrutiny of record revealed that only Rs 3.04 million were utilized on development schemes. This resulted in less utilization of development funds amounting to Rs 1.14 million as detailed at **Annex-E**.

Audit is of the view that due to weak financial and managerial controls, development funds were less utilized.

The matter was reported to PAO/Administrator concerned in June 2016. The reply was not furnished and DAC meeting was also not convened till finalization of this report.

Audit recommends for regularizations and fixing responsibility against the person(s) at fault for poor financial management.

Annexures

Annex-A

Part-I

MFDAC Paras Audit Year 2015-16

(Rs in million)

Sr. No	Name of Union Administration	Title of Para	Nature of Para	Amount
1	Dewal	Non reconciliation of Fee with NADRA	Weak Internal control	0.065
2	Nambal	Non reconciliation of Fee with NADRA	-do-	0.059
3	DO -	Non deposit of Income Tax	-do-	0.021
4	Angoori	Non deposit of Income Tax	-do-	0.023
5	Ban	Non deposit of Income Tax	-do-	0.025
6	Phagwari	Non deposit of Income Tax	-do-	0.079
7	Sehar Bagla	Non deposit of Income Tax	-do-	0.272

Part-II

MFDAC Paras Audit Year 2013-14

(Rs in million)

Sr. No	Name of Union Administration	Title of Para	Nature of Para	Amount
1.	Lab Thatu	Short-realization of Government receipts	Weak internal control	0.789
2.	Lab Thatu	Non-deduction of Income Tax	-do-	0.695
3	Kauntrila	Irregular expenditure without record entry	Non-compliance e	0.386
4	Pangran	Non-deduction of Income Tax	Weak internal control	0.071
5	Khurram Paracha	Short realization of Government receipts	-do-	0.035
6	Pangran	Short realization of Government receipts	-do-	0.035

Annex-B

**Detail of Budget, Expenditure and Receipt of UAs Audit
for the Financial Year 2014-15**

(Amount in Rs)

Head	Budget	Expenditure/Actual	Excess/ Savings	%age
UC Muree city Rwp				
Salary	1,200,000	1,104,499	95,501	16.292
Non-salary	500,000	215,757	284,243	56.849
Development	450,000	145,734	304,266	67.615
Total	2,150,000	1,465,990	784,010	36.466
Receipt	2,302,000	1,522,091	779,909	66.857
UC Rawat Tehsil Muree Rawalpindi				
Salary	850,000	824,465	25,535	3.004
Non-salary	300,000	278,466	21,534	7.178
Development	430,000	241,875	188,125	43.75
Total	1,580,000	1,344,806	235,194	14.886
Receipt	1,504,261	1,504,261	-	0
UC Nambal Muree				
Salary	1,100,000	1,041,531	58,469	14.406
Non-salary	245,000	96,393	148,607	60.656
Development	650,000	321,500	328,500	50.538
Total	1,995,000	1,459,424	635,576	31.858
Receipt	1,567,314	1,567,314	-	0
UC Phagwari Muree				
Salary	500,000	495,113	4,887	10.977
Non-salary	400,000	249,875	150,125	37.531
Development	1,350,000	1,217,150	132,850	9.841
Total	2,250,000	1,962,138	337,862	15.016
Receipt	2,013,340	2,013,340	-	0
UC Ghora Gali				
Salary	800,000	703,696	96,304	49.538
Non-salary	200,000	20,800	179,200	89.6
Development	1,000,000	453,400	546,600	54.66
Total	2,000,000	1,177,896	1,122,104	56.105
Receipt	1,471,051	1,467,050	-	0
UC Bun Muree				
Salary	800,000	702,624	97,376	12.172
Non-salary	200,000	161,392	38,608	19.304
Development	500,000	391,200	108,800	21.76
Total	1,500,000	1,255,216	244,784	16.319
Receipt	1,480,761	1,480,761	-	0

Head	Budget	Expenditure/Actual	Excess/ Savings	%age
UC Angoori Muree				
Salary	1,230,000	1,091,589	138,411	11.253
Non-salary	260,000	254,465	5,535	2.129
Development	350,000	348,000	2,000	0.571
Total	1,840,000	1,694,054	145,946	7.932
Receipt	1,471,051	1,471,051	-	0
UC Deval Muree				
Salary	800,000	607,985	192,015	41.502
Non-salary	300,000	221,468	78,532	26.177
Development	600,000	379,650	260,350	43.392
Total	1,700,000	1,209,103	670,897	39.465
Receipt	1,500,000	1,461,370	38,630	
UC Sehar Bagla				
Salary	900,000	883,076	16,924	7.436
Non-salary	100,000	68,160	31,840	31.84
Development	550,000	537,415	12,585	11.379
Total	1,550,000	1,488,651	161,349	10.41
Receipt	1,459,101	1,459,101	-	0
UC Potha Sharif				
Salary	500,000	488,480	11,520	2.304
Non-salary	200,000	147,209	52,791	26.396
Development	800,000	756,582	75,418	9.427
Total	1,500,000	1,360,271	139,729	9.315
Receipt	1,458,801	1,458,801	-	0

Annex-C**Para- 1.2.1.1**
(Rs in million)

Name of Union Administration	AIR Para No	Year	Expenditure	Receipt	Total
Dewal	06	2014-15	1.51	1.46	2.97
Angoori	6	2014-15	1.69	1.47	3.17
Ban	8	2014-15	1.26	1.48	2.74
Ghora Ghali,	6	2014-15	0.88	1.47	2.35
Murree City	7	2014-15	1.37	1.52	2.89
Phagwari	08	2014-15	1.91	2.01	3.93
Potha Sharif	07	2014-15	1.36	1.46	2.82
Rawat, Tehsil Murree	07	2014-15	1.58	1.35	2.93
Sehar Bagla,	07	2014-15	1.39	1.46	2.85
Nambal	07	2014-15	1.36	1.57	2.93
			Total		29.58

Annex-D**Para-1.2.1.2**
(Rs in million)

Name of Union Administration	AIR Para No	Year	Budget	Expenditure
Dewal	2	2014-15	2.00	1.51
Angoori	1	2014-15	1.84	1.69
Ban	6	2014-15	1.50	1.26
Ghora Ghali	1	2014-15	2.00	0.88
Muree City	5	2014-15	2.15	1.37
Phagwari	4	2014-15	2.25	1.91
Potha Sharif	4	2014-15	1.50	1.36
Rawat Tehsil Murree	4	2014-15	1.58	1.35
Sehar Bagla	2	2014-15	1.55	1.39
Nambal	1	2014-15	2.00	1.36
		Total	18.37	14.07

Annex-E**Para-1.2.2.1**
(Rs in million)

Name of UA	AIR Para No	Year	Budget	Expenditure	Non-utilization
Bun	02	2014-15	0.50	0.39	0.11
Murree City	02	2014-15	0.45	0.15	0.30
Phagwari	02	2014-15	1.35	1.22	0.13
Potha Sharif	02	2014-15	0.80	0.73	0.08
Rawat Tehsil Murree	02	2014-15	0.43	0.24	0.19
Nambal	02	2014-15	0.65	0.32	0.33
		Total	4.18	3.04	1.14

