

THE PUNJAB LOCAL GOVERNMENT (INTERNAL AUDIT) RULES, 2004.

[22nd October, 2004]

CONTENTS

1. Short title, extent and commencement.
2. Definitions.
3. Audited Entity.
4. Control.
5. Control Risk.
6. Control Systems.
7. Council.
8. Economy.
9. Effectiveness.
10. Efficiency.
11. Executive.
12. Governance.
13. Government.
14. Government Organizations.
15. Internal Audit.
16. Nazim.
17. Ordinance.
18. Principal Accounting Officer.
19. Quality Services and Standards Office.
20. Internal Auditor.
21. Regulation.
22. Risk.
23. Risk Management.
24. Appointment, Qualification, Terms and Conditions of Service of the Internal Auditor.
25. Professional Independence and Objectivity.
26. Guidelines.
27. Obligation to conduct Internal Audit.
28. Functions, Duties and Responsibilities of the Internal Auditor.
29. Reporting.
30. Follow-Up on the reported findings to determine that corrective actions were taken and / or achieving the desired results.
31. Access of Information to Public.
32. Duties and Responsibilities of the Nazims and the Principal Accounting Officer in Respect of Internal Audit.
33. Reporting a Criminal Offense.

TEXT

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[22nd October, 2004]

THE PUNJAB LOCAL GOVERNMENT (INTERNAL AUDIT) RULES, 2004.

- 1. Short title, extent and commencement.-** (1) These Rules may be called the Punjab Local Government (Internal Audit) Rules, 2004.
 - (2) They shall extend to all District Governments and Tehsil/Town Municipal Administrations of the Province of the Punjab.
 - (3) They shall come into force with immediate effect.

- 2. Definitions.-** In these Rules, unless there is anything repugnant to the subject or context.

- 3. Audited Entity.-** means an office or organization of a Local Government established, created or registered under the PLGO, 2001.

- 4. Control.-** means the policies, procedures, practices and organizational structures in place, designed to provide reasonable assurance that the objectives of a local government are achieved effectively & efficiently and to avert detect and correct undesirable events well in time.

- 5. Control Risk.-** includes the risk of an error that could be material individually or in combination with other errors, is not prevented or detected and corrected within the time frame specified for such correction by internal control system.

- 6. Control Systems.-** include the controls established and maintained by a local government for an audited entity defined in these rules to collect, record and process data and report the resulting information.

- 7. Council.-** means a Zila Council and a Tehsil/Town Council.

- 8. Economy.-** means acquiring resources at the competitive lowest cost without compromising the quality with regards to the objectives of a local government.

- 9. Effectiveness.-** means the relationship of an output to what is / was intended to be achieved.

- 10. Efficiency.-** means the relationship of inputs to outputs in terms of optimum utilization of resources.

- 11. Executive.-** includes all officers of a Local Government assigned to discharge the respective affairs of a Local Government.

- 12. Governance.-** means a leadership process through which the Executives set and oversee implementation of the policies, designed to achieve better performance of functions and ensure accountability.

- 13. Government.-** means Government of the Punjab.
- 14. Government Organizations.-** means all administrative departments and subordinate offices under the direct or indirect control of the Government of the Punjab.
- 15. Internal Audit.-** means an independent and objective assurance, appraisal and consulting activity designed to add value and to improve the operations of a Local Government to achieve the agreed objectives of its policy by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 16. Nazim.-** means a Zila Nazim and a Tehsil/Town Nazim.
- 17. Ordinance.-** means the Punjab Local Government Ordinance, 2001 (as amended).
- 18. Principal Accounting Officer.-** includes District Coordination Officer of a District or City Government and Tehsil/Town Municipal Officer in case of a Tehsil/Town Municipal Administration, and any other officer who is exercising the assigned authority as such.
- 19. Quality Services and Standards Office.-** means the Office working under the control of internal auditor and responsible for conducting internal audit and other ancillary functions as specified in these rules,
- 20. Internal Auditor.-** means head of Quality Services and Standards Office appointed or designated by the Local Government concerned to conduct internal audit of an audited entity under these Rules.
- 21. Regulation.-** means regulations made under these Rules.
- 22. Risk.-** means the degree to which operations of a Local Government are exposed to breaches in ethics, financial indiscipline or loss, inappropriate disclosure of data or ineffective use of resources and includes an act or event occurring that would have an adverse effect on Local Government office and its systems.
- 23. Risk Management.-** means systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues. Risk management involves designing and implementing strategic plans and processes to manage risk issues at a level acceptable to the management of a Local Government.
- 24. Appointment, Qualification, Terms and Conditions of Service of the Internal Auditor.-**
- (1) The Nazim of each District or City District Government and Tehsil/Town Administration, as the case may be, may appoint/designate an Internal Auditor.
 - (2) The qualifications, pay and allowances, tenure in office and other terms and conditions, of service of the Internal Auditor shall be prescribed by the government on the recommendation of the Council.
 - (3) The Internal Auditor and his staff shall be the employees of the Local Government concerned.
 - (4) The Internal Auditor shall not hold another office in a local government, which creates or may create a conflict of interest with his position as such.
 - (5) The Internal Auditor shall not hold another position in a local government in which he serves as head of the Quality Services and Standards Office, except where the

holding of said additional office would not compromise the discharge his functions as an Internal Auditor.

- (6) The employees of the Quality Services and Standards Office shall receive instructions from Internal Auditor only, who shall report to the Principal Accounting Officer, Nazim and the Council.
- (7) Save as otherwise provided in the law or rules, the Internal Auditor may not be removed or suspended before the end of the term for which he has been appointed, except with the approval of the Council.

25. Professional Independence and Objectivity.- (1) The Internal Auditor shall serve as the Principal Support Officer to the Nazim concerned and shall provide information and make recommendations to the Principal Accounting Officer, Nazim, members of the councils and heads of the audited entities.

- (2) He shall have direct access to the Nazim and the Principal Accounting Officer of a Local Government in the discharge of his assigned functions.
- (3) The scope of work of the internal auditor shall include a broad range of advisory services, gathering information on all functions of the Local Government, including evaluation of design and systems, and formulation of advice with the objective to build quality and ensure timely delivery of services.
- (4) The opinions, views, assessment, valuation and recommendations of the internal auditor shall be an advisory and consulting activity, designed to add value and to improve the Local Government operations, and shall be given due consideration and weight by the Local Government while taking corrective measures/actions.
- (5) The internal auditor shall discharge all functions, and act in accordance with the provisions of the Ordinance and these Rules without any outside influence. The independence and professional work of the internal auditor and his staff shall not be subject to interference, obstruction and scrutiny by any executive authority of the Local Government;
- (6) The professional work of the internal auditor shall be based on objective criteria and he shall perform his professional work impartially and fairly.
- (7) The internal auditor and his office shall not interfere in the functioning of the local government and any office or body created under a statute or any other law in force.

26. Guidelines.- (1) The internal auditor shall help the Local Government to accomplish all its major policy objectives by bringing a systematic and disciplined approach to the process of evaluation to improve the effectiveness of risk management, control systems and governance processes. The internal auditor may issue appropriate guidelines, strictly consistent with the provisions of the laws and rules in force and such guidelines may include advice on modifications of existing systems and procedures, introduction of new systems, procedures, forms, etc., for carrying out the purpose of these rules.

- (2) The Nazim may, with the approval of the Council, enlarge or restrict the scope of the objectives, or change, amend, alter, vary or modify the systematic and disciplined approach for the required evaluation and improvement of the effectiveness of risk management, control and governance processes.

27. Obligation to conduct Internal Audit.- (1) Internal Audit shall be a continuous management function of a Local Government.

- (2) The internal auditor shall have access at all reasonable lines to relevant documents, minutes, files, books, papers, accounts and vouchers of the Local Government Offices, and shall be entitled to enquire from the executives, such information and explanations which are necessary for the performance of his functions.
- (3) In case of any classified/secret information, restrictions imposed by law regarding the eligibility to have access to information shall also apply to the internal auditor.

- (4) The officer of Quality Services and Standards Office concerned, so long as the records remain in his custody, shall be responsible for its safely ensuring that such record is not destroyed, mutilated, damaged or tampered within any manner, whatsoever.

28. Functions, Duties and Responsibilities of the Internal Auditor.- (1) The Internal Auditor shall examine, inter alia, whether the audited entity has in place:

- (i) Mechanisms to ensure compliance with the policies, laws, rules and regulations and effective systems of internal control to achieve its objectives;
 - (ii) Strategies to manage risks and measures to manage resources economically, efficiently and effectively;
 - (iii) Procedures to safeguard the assets of the Local Government concerned;
 - (iv) Reliable information systems including that of accounting information and financial management;
 - (v) Mechanisms to prevent and detect fraud, abuse and waste of public resources;
 - (vi) Effective procedures for the rectification of deficiencies in the operations and systems of the Local Government identified by Internal Auditor;
 - (vii) Mechanisms for citizens participation in performance evaluation of Local Government offices; and
 - (viii) Mechanisms for redressal of grievance of citizens in accordance with Section 188 of PLGO, 2001;
- (2) Without prejudice to the generality of the above, the functions of Internal Auditor include:
- (i) Evaluation of adherence to laws, regulations and approved policies and procedures.
 - (ii) Evaluation of the institutional processes, including human resource, management, information flows, office accountability mechanisms of a local government to safeguard resources against fraud, waste abuse and mis-management.
 - (iii) Reviewing of systems of Internal Control and evaluate systems and processes of the Local Government and making recommendations for improvements to promote orderly, economical, efficient and effective operations.
 - (vi) Investigation of specific matters as directed by the Nazim or as recommended by the Council.
 - (vii) Using citizen based inputs concerning service delivery, institutional processes and actual performance.
 - (viii) Interaction with other stakeholders to update performance indicators and standards of service delivery, and
 - (ix) Any other ancillary task assigned by the Nazim or the Council.

Explanation: The objective of internal audit is to help the audited entity to improve its risk management, control and governance through its recommendations to achieve the policy objectives of the Local Government.

- (3) The Internal Auditor shall ensure that:
- (i) the internal audit is conducted in a manner consistent with the highest Ethical Standards.
 - (ii) the Nazim and the Principal Accounting Officer of a local government as the Audited Entity are fully and currently informed concerning frauds, abuses and deficiencies relating to the implementation of policies administered or financed by the Audited Entity and recommend corrective

actions concerning such problems, abuses, deficiencies and to report on the progress made in this regard.

29. Reporting.- (1) The internal auditor shall present an Annual Report on the performance of his office to the Nazim with a copy to the Council.

(2) The internal auditor shall, according to the annual audit programme, conduct detailed internal audits of selected offices and present his findings through periodic reports to the Nazim with a copy to the Council.

30. Follow-Up on the reported findings to determine that corrective actions were taken and / or achieving the desired results.- (1) Not later than two months after an internal audit report is issued, the Internal Auditor shall follow-up on repelled findings in order to ascertain whether the corrective actions were taken, and the desired results achieved or not.

(2) The Quality Services and Standards Officer shall inform the Nazim and the Principal Accounting Officer on the status, of the follow-up on the supervision of the programme, activity, function or Organizational unit audited.

(3) If a follow-up report is issued, the Internal Auditor shall submit the report to the Nazim as well as the Principal Accounting Officer. The follow-up report shall be provided upon request to any legislative, executive, or judicial body, and/or to legislative auditor or an external auditor after approval by the Nazim.

31. Access of Information to Public.- (1) Audit working papers and reports shall be public records to the extent that they do not include information specifically made confidential pursuant to laws in force.

(2) Nothing in this section shall be construed to authorize the public disclosure and information that is:

(i) specifically prohibited from disclosure by any other law,

(ii) a part of an on-going criminal investigation.

32. Duties and Responsibilities of the Nazims and the Principal Accounting Officer in Respect of Internal Audit.- (1) The Nazim and the Principal Accounting Officer of a Local Government shall take measures to restructure the existing inspection, monitoring and evaluation functions of the respective Local Government on the recommendations the Internal Auditor, provided that such restructuring is consistent with the laws and rules in force.

(2) The Nazim and the Principal Accounting Officer shall ensure that the rights and privileges granted to the Internal Auditor under these Rules are not infringed upon by an act of any officer or staff under their administrative control.

(3) Any person hindering or obstructing the work of Quality Services and Standards Office in the performance of its functions or denying or willfully delaying access to information required by the Quality Services & Standards Office under these Rules shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, or any other law for the time being in force, applicable to such person.

33. Reporting a Criminal Offense.- (1) In the event that the internal audit of an Organization raises a basis to believe that a criminal offence has been committed, the Quality Services and Standards Office shall bring the matter to the attention of the Principal Accounting Officer and the Nazim without delay.