



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
CHIEF OFFICER, DISTRICT COUNCIL &  
TALUKA MUNICIPAL ADMINISTRATIONS  
DISTRICT SHIKARPUR  
AUDIT YEAR 2013-14**

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**AUDITOR-GENERAL OF PAKISTAN**

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## **ABBREVIATIONS AND ACRONYMS**

CMO	Chief Municipal Officer
DAC	Departmental Accounts Committee
DGA	Director General Audit
FD	Finance Department
GFR	General Financial Rules
MFDAC	Memorandum for Departmental Accounts Committee
NSUSC	North Sindh Urban Services Corporation
NTN	National Tax Number
PAO	Principal Accounting Officer
POL	Petroleum Oil and Lubricants
PWD	Public Works Department
S&GAD	Services and General Administration Department
SLGO	Sindh Local Government Ordinance
SPPRA	Sindh Public Procurement Regulatory Authority
SRO	Statutory Rules and Orders
TMA	Taluka / Town Municipal Administration
TMO	Taluka / Town Municipal Officer
TO (F)	Taluka/Town Officer (Finance)
TO (I&S)	Taluka/Town Officer (Infrastructure & Services)

## **PREFACE**

Articles 169 & 170 (2) of the Constitution of the Islamic Republic of Pakistan, 1973, read with Sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, require the Auditor General of Pakistan to conduct audit of the receipts and expenditure of the Secretary Local Government Department, Karachi Metropolitan Corporation, Karachi Water & Sewerage Board, Taluka / Town Municipal Administrations and Union Councils.

The report is based on audit of Taluka Municipal Administrations of District Shikarpur for the year 2011-12 & 2012-13. The Directorate General of Audit Local Councils Sindh, Karachi, conducted audit during 2013-14 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-A of the Audit Report. The Audit observations listed in the Annexure-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 observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this Report have been finalized without written responses.

The Audit Report is submitted to the Governor of Sindh in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 116 of Sindh Local Government Act 2013, for causing it to be laid before the Provincial Assembly of Sindh.

Islamabad  
Dated:

**(Muhammad Akhtar Buland Rana)**  
**Auditor-General of Pakistan**

## **EXECUTIVE SUMMARY**

The DG Audit, Local Councils, Sindh, Karachi is responsible to carry out the audit of Taluka / Town municipal Administrations and Union Councils. This Directorate General has a human resource of 33 officers and staff, resulting in 9,672 man days. Annual budget amounting to Rs 91.490 million was allocated to this office for the financial year 2013-14. The office has a mandate to conduct regularity audit (compliance with authority audit) on test check basis with a view to reporting significant findings to the relevant stakeholders. This office also conducts performance audit of programmes / projects.

Each Taluka Municipal Administration in District Shikarpur is headed by a Taluka Administrator and District Municipal Administration is headed by Chief Municipal Officer who carries out operations as per Sindh Local Government Ordinance, 1979. Taluka Administrative Officer is the Principal Accounting Officer (PAO) and acts as coordinating and administrative officer and is responsible to control land use, its division and development and to enforce all laws including Municipal Laws, Rules and Bye-laws.

Audit of TMAs District Shikarpur was carried out with the view to ascertaining that the expenditure was incurred with proper authorization, in conformity with laws, rules, regulations and economy was ensured in procurement of assets and hiring of services and to review, analyze and comment on various Government policies regarding different sectors.

Audit of receipts was conducted to verify that the assessment, collection, reconciliation and allocation of revenue was made in accordance with laws and that there was no leakage of revenue and also that revenue did not remain outside Government account.

### **a. Scope of Audit**

Out of total budget of the District Shikarpur for the Financial Year 2012-13, auditable expenditure under the jurisdiction was Rs 861.672 million, out of which an expenditure of Rs 30.032 million was audited which in terms of percentage, was 3.458%.

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

No recovery was pointed out during the audit.

**c. Audit Methodology**

Audit was performed through understanding of the business process of TMAs with respect to internal control structure, prioritization of risk areas determining significance and identification of key internal controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. The audit used intensive application of desk audit techniques facilitated through compiled data and review of permanent files/record. Desk Audit facilitated identification of high risk areas for substantive testing in the field.

**d. Audit Impact**

On the pointation of audit, TMAs have streamlined their work in accordance with rules & regulations and made efforts for realization of outstanding dues.

**e. Comment on Internal Control and Internal Audit Department**

Several loopholes in the internal control system were noticed during the audit years. Major internal control weaknesses have been reported in Chapter-1. Moreover, other internal control weaknesses have been incorporated in Annexure-A.

**f. The Key Audit Findings of the Report**

- i. Non- Production of record was noted in 01 case.<sup>1</sup>
- ii. Non-Compliance was noted in 01 case.<sup>2</sup>
- iii. Internal Control Weaknesses were noted in 01 cases-R 15.357 million cases.<sup>3</sup>

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<sup>1</sup> Para 1.2.1.1

<sup>2</sup> Para 1.2.2.1

<sup>3</sup> Para 1.2.3.1

Audit paras for the audit year 2012-13 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC are included in MFDAC (Annexure-A).

**g. Recommendations**

Audit recommends the Taluka Municipal Administrations (TMAs) to focus on the following issues:

- i. The TMA needs to comply with the Public Procurement Rules for economical and rational purchase of goods and services.
- ii. Inquiries need to be held to fix responsibility for fraud, misappropriation, losses, theft and wasteful expenditure.
- iii. The PAO and their teams need to ensure implementation of proper monitoring system.
- iv. The PAO needs to take appropriate action against non-production of record.

## SUMMARY TABLES & CHARTS

**Table 1: Audit Work Statistics**

(Rupees in Million)

<b>Sr.</b>	<b>Description</b>	<b>No.</b>	<b>Budget</b>
1.	Total Entities (PAOs) in Audit Jurisdiction	05	861.672
2.	Total Entities (PAOs) Audited	01	30.032
3.	Audit & Inspection Reports	01	30.032
4.	Special Audit Reports	-	-
5.	Performance Audit Reports	-	-
6.	Other Reports (relating to TMAs)	-	-

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

(Rupees in Million)

<b>Sr.</b>	<b>Description</b>	<b>Amount under audit observation</b>
1	Asset Management	0
2	Financial Management	0
3	Internal controls	15.357
4	Violation of rules	0
5	Others	0
<b>Total</b>		<b>15.357</b>



**Table 3: Outcome Statistics**

(Rupees in Million)

<b>Sr.</b>	<b>Description</b>	<b>Expenditure on Acquiring Physical Assets (Procurement)</b>	<b>Salary</b>	<b>Non-Salary</b>	<b>Civil Works</b>	<b>Receipts (Revenue Targets)</b>	<b>Total Current year</b>	<b>Total Last year</b>
1.	Outlays Audited	0	28.032	0	2.000	0	30.032	647.541
2.	Amount Placed under Audit Observation	0	15.357	0	0	0	15.357	162.379
3.	Recoveries Pointed Out at the instance of Audit	0	0	0	0	0	0	8.380
4.	Recoveries Accepted /Established at the instance of Audit	0	0	0	0	0	0	0
5.	Recoveries Realized at the instance of Audit	0	0	0	0	0	0	0

**Table 4: Irregularities Pointed Out**

(Rupees in Million)		
Sr.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and violation of principle of propriety and probity in public operations.	0
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	0
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.	0
4	Quantification of weaknesses of internal control systems.	15.357
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public monies	0
6	Non-production of record.	0
7	Others, including cases of accidents, negligence etc.	0
<b>Total</b>		<b>15.357</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

## 1.1 Chief Officer, District Council, Shikarpur

### 1.1.1 Introduction

As per 1998 population census, the population of District Shikarpur was 0.880 million. District Shikarpur comprises of one Chief Officer, District Council and four TMAs namely Shikarpur, Lakhi, Garhi Yaseen and Khanpur. Business of TMAs is run through the Administrator and TMO, TO (I&S), TO (Finance), TO (P&C) and TO (Regulations) under Sindh Local Government Ordinance, 1979. The functions of TMAs are as following:-

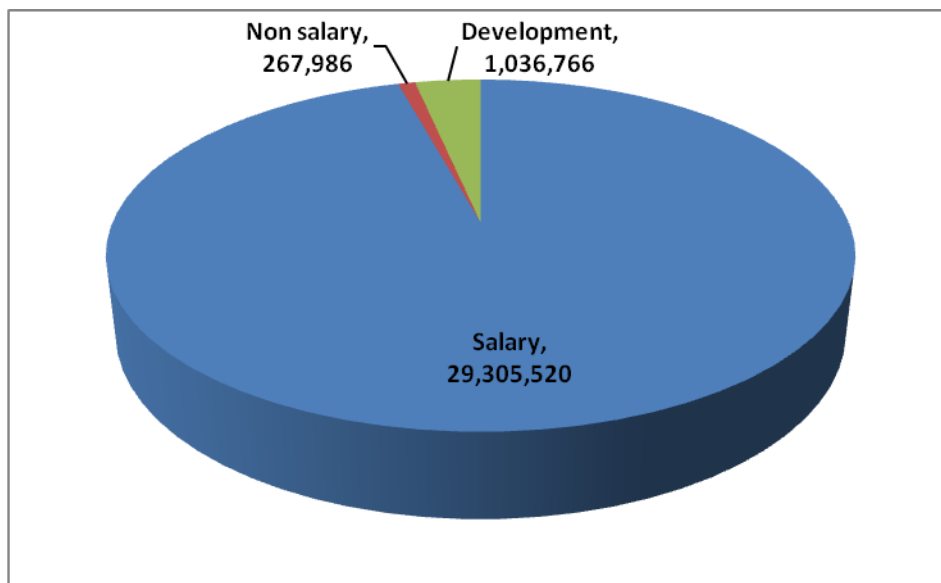
1. Prepare spatial plans for the Town including plans for land use, zoning and functions for which TMA is responsible.
2. Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations.
3. Enforce all municipal laws, rules and bye-laws governing TMA's functioning.
4. Prepare budget, long term and annual municipal development programmes in collaboration with the Union Councils.
5. Collect approved taxes, cesses, user fees, rates, rents, tolls, charges, fines and penalties.
6. Manage properties, assets and funds vested in the Town Municipal Administration.
7. Develop and manage schemes, including site development in collaboration with Union Administration.
8. Issue notice for committing any municipal offence by any person and initiate legal proceedings for commission of such offence or failure to comply with the directions contained in such notice.
9. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
10. Maintain municipal records and archives.

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

(Amount in Rupees)

Name of TMAs	Nature of Expenditure	Original Grant	Suppl: Grant	Revised/Final Grant	Actual Expenditure	(+) Excess (-) Saving
Chief Officer, Shikarpur	Salary	61,320,412	0	28,032,000	29,305,520	1,273,520
	Non-Salary	4,100,000	0	0	267,986	267,986
	<b>Sub-Total</b>	<b>65,420,412</b>	<b>0</b>	<b>28,032,000</b>	<b>29,573,506</b>	<b>1,541,506</b>
	<b>Development</b>	19,700,000	0	2,000,000	1,036,766	-963,234
	<b>Grant Total</b>	<b>85,120,412</b>	<b>0</b>	<b>30,032,000</b>	<b>30,610,272</b>	<b>578,272</b>

**Expenditure 2011-12**



Original budget of Rs 85.120 million was allocated to Chief Officer District Council Shikarpur, under various grants and no supplementary grants/re-appropriation was provided. The revised/final budget of CO, District Council was Rs 30.032 million. The total expenditure incurred by Chief Officer District Council during 2012-13 was Rs 30.610 million as detailed above.

The Variance Analysis of the Revised/Final Grant and Actual Expenditure for the Financial Year 2012-13 depicted that there was overall savings of Rs 0.578 million.

### **1.1.3 Brief Comments on the Status of Compliance with PAC Directives**

The audit reports of pertaining to following years have been submitted to Governor of Sindh. Detail of PAC meetings is given below:

<b>Audit Year</b>	<b>No. of Paras</b>	<b>Status of PAC Meetings</b>
2012-13	0	Nil

As indicated in the above table, no PAC meeting was convened to discuss the audit report of TMAs Shikarpur

## **1.1 AUDIT PARAS**

**Chief Officer, District Council, Shikarpur**

## **1.2.1 Non-Production of Record**

### **1.2.1.1 Non-Production of Record**

Article 170(2) of the Constitution of the Islamic Republic of Pakistan, states that, “The audit of accounts of the Federal and of the Provincial Government and the accounts of any authority or body established by, or under the control of, the federal or Provincial Government shall be conducted by the Auditor General, who shall determine the nature and extent of such audit”.

Further, the Constitutional provision was stressed upon by the Orders of the Honorable Supreme Court of Pakistan dated 07-05-2013 given in CMA No.2376/2013, “where the amount is charged on the Consolidated Fund or relates to the Public Accounts of the Federation or of the Provinces, the same may be audited by the Auditor- General without exception”.

Chief Officer, District Council, Shikarpur failed to produce relevant record to audit related to service books of the employees, complete detail of pensioners, during the year 2011-12 & 2012-13, in violation of above rule.

Audit was of the view that due to non-provision of record, the authenticity, validity, accuracy and genuineness of expenditure could not be verified which constituted weak financial management.

Matter was reported during January 2014, but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on officers/officials at fault on account of non-provision of record, under intimation to audit.

[AIR Para: 5]

## **1.2.2 Non-Compliance**

### **1.2.2.1 Un-Authorized Appointments**

Local Government Department Sindh, Karachi Notification No.SOA/(LG)1/(27)/2011, dated 6<sup>th</sup> June 2011 states that, “In continuation to this department’s letter even number dated 27-5-2011 ad 28-5-2011, i am directed to convey that no appointment in any grade shall be made henceforth without consolidated advertisement and fresh



approval of the government. Moreover, approval, if any, earlier issued in this regard may be treated cancelled/withdrawn”.

Chief Officer, District Council, Shikarpur, appointed 42 employees without proper advertising of their posts in newspapers during 2011-12 & 2012-13, in violation of the above rule. Detail provided in Annexure-B.

Audit was of the view that payment of salary against unauthorized appointments constituted weak financial control.

The matter was reported during January, 2014, but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on officer(s) at fault on account of unauthorised appointments and payment of salary, under intimation to audit.

[AIR Para: 4]

### **1.2.3 Internal Control Weaknesses**

#### **1.2.3.1 Wasteful Expenditure on account of Salaries - Rs 15.357 Million**

Para 10 (1) of GFR, Volume-1, states that, “every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money”.

Chief Officer, District Council, Shikarpur, incurred expenditure of Rs 15.357 million, on the salaries of staff who are not posted against any job, resultantly, drawing salaries without any assignment, during 2012-13, in violation of above rule. Detail provided in Annexure-C.

Audit was of the view that non-utilization of the services of staff authority sustained financial loss which constituted weak financial management and internal control.

The matter was reported during January, 2014 but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on the officers for non-utilization of the services of employees, under intimation to audit.

[AIR Para: 3]

# ANNEXURES

## Annexure-A

### Memorandum for Departmental Accounts Committee (MFDAC) Paras

(Amount in Rupees)

<b>S. No.</b>	<b>Name of Formation</b>	<b>AIR Para</b>	<b>Description</b>	<b>Amount</b>
1	Chief Officer, District Council	6	Irregular expenditure without per-audit by the ADLFA	320,000
2	-do-	7	Improper maintenance of cash book	0

## Detail of Unauthorized Appointments

Sr.	Name of Employee	Designation	BPS	Date of Appointment /Joining
1	Safdar Ali Mangi	Assistant	14	3-1-2012
2	Zubair Ahmed dayo	Assistant	14	4-24-2012
3	Puhlaj Kumar	Assistant	14	4-10-2012
4	Mushtaque Ali	Assistant	14	1-16-2013
5	Anees Ahmed	Computer Operator	12	4-4-2012
6	Asadullah Rahoojo	Computer Operator	12	2-20-2013
7	Abdul Hameed	Photographer	8	3-21-2012
8	Waseem Ahmed	Cashier	7	5-14-2012
9	Waqas Ahmed	Jr. Clerk	7	2-25-2012
10	Aijaz Ahmed	Jr. Clerk	7	2-28-2012
11	Masood Ali	Jr. Clerk	7	2-28-2012
12	Sirajuddin Soomro	Jr. Clerk	7	2-29-2012
13	Farooq Ahmed	Jr. Clerk	7	2-29-2012
14	Junaid Gul	Jr. Clerk	7	2-29-2012
15	Mairaj Ali	Jr. Clerk	7	3-5-2012
16	Ali Sher	Jr. Clerk	7	3-12-2012
17	Saifullah	Jr. Clerk	7	1-13-2012
18	A. Qayoom	Jr. Clerk	7	14-3-2012
19	G. Mohiuddin	Jr. Clerk	7	3-24-2012
20	Muhammad Faisal	Jr. Clerk	7	3-29-2012
21	Muhammad Aslam	Jr. Clerk	7	4-2-2012
22	A. Rauf	Jr. Clerk	7	5-2-2012
23	Sohail Ahmed	Jr. Clerk	7	5-9-2012
24	G. Ali	Jr. Clerk	7	9-17-2012
25	Masroor Mujahid Ali	Jr. Clerk	7	2-8-2013
26	Imran Ali	Jr. Clerk	7	2-8-2013
27	Khalil Ahmed	Jr. Clerk	7	4-9-2013
28	Raja Khan	N. Q	1	2-15-2012
29	Riaz Ahmed	N. Q	1	2-15-2012
30	Zaheer Abbas	N. Q	1	2-20-2012
31	Muhammad Ali	N. Q	1	2-29-2012
32	Wajid Ali Solangi	N. Q	1	3-5-2012
33	Dodo Khan	N. Q	1	3-5-2012
34	Manthar	N. Q	1	3-7-2012
35	Ayaz Ali	N. Q	1	3-17-2012
36	Imran Ali	N. Q	1	3-17-2012
37	Meer Muhammad	N. Q	1	3-17-2012
38	Mohsin Ali	N. Q	1	3-19-2012
39	G. Shabir	N. Q	1	3-19-2012
40	Imran Ali	Malhi	1	4-7-2012
41	Ali Muhammad	Malhi	1	4-12-2012
42	Ihsan Ali	N. Q	1	4-18-2012

## Annexure-C

## Wasteful Expenditure on account of Salaries

(Amount in Rupees)

S. No.	Name of Employee	Designation	Monthly Salary	Total Months	Salary drawn upto 6/2013
1	Muhammad Yousuf	Dispenser	27,387	12	328,644
2	Khadim Hussain	Dispenser	27,729	12	332,748
3	A. Hafeez	Dispenser	27,739	12	332,868
4	Ubaidullah	R/Clerk	24,765	12	297,180
5	Hisam Ali	R/Clerk	25,181	12	302,172
6	Altaf Hussain	R/Clerk	24,765	12	297,180
7	Asadullah	R/Clerk	13,117	12	157,404
8	Gulab Shah	Daroga	24,329	12	291,948
9	Qaimuddin	Dresser	16,445	12	197,340
10	Muhammad Sadiq	Dresser	18,597	12	223,164
11	Allah Dino	Dresser	20,480	12	245,760
12	A. Qayum	Dresser	16,714	12	200,568
13	Qamaruddin	Dresser	19,673	12	236,076
14	Band-e-Ali	Dresser	19,673	12	236,076
15	Mour Lolai	Beldar	19,942	12	239,304
16	G. Shabir	Beldar	19,673	12	236,076
17	Lal Bux	Beldar	16,176	12	194,112
18	G. Abbas	Beldar	19,942	12	239,304
19	Ellahi Bux	Beldar	16,445	12	197,340
20	Moriyal	Beldar	16,445	12	197,340
21	Meer Muhammad	Beldar	15,369	12	184,428
22	Niazo	Beldar	19,673	12	236,076
23	Bahawal Jatoi	Beldar	18,597	12	223,164
24	Muhammad Menhal	Beldar	16,445	12	197,340
25	Ali Muhammad	Beldar	16,445	12	197,340
26	Mukhtiar Ali	Beldar	16,445	12	197,340
27	Altaf	Beldar	15,907	12	190,884
28	Rahim Bux	Beldar	16,176	12	194,112
29	Amanullah	Beldar	15,638	12	187,656
30	Ali Nawaz	Beldar	19,942	12	239,304
31	Deedar Ali	Beldar	18,328	12	219,936
32	Suleman Shaikh	Beldar	16,176	12	194,112
33	Akhtar Hussain	C.P. Munshi	19,942	12	239,304
34	Manzoor Hussain	C.P. Munshi	19,673	12	236,076
35	Qurban Ali	C.P. Munshi	19,942	12	239,304
36	Muhammad Hayat	C.P. Munshi	17,790	12	213,480
37	Ishrat Hussain	C.P. Munshi	15,369	12	184,428
38	Ali Hassan	Dispenser	26,926	12	323,112
39	Imdad Ali	Dispenser	22,770	12	273,240
40	Saleemullah	Dispenser	24,155	12	289,860
41	Fateh Chand	Dispenser	39,618	12	475,416

(Amount in Rupees)

S. No.	Name of Employee	Designation	Monthly Salary	Total Months	Salary drawn upto 6/2013
42	A. Rasheed	R/Clerk	25,597	12	307,164
43	Khadim Hussain	R/Clerk	26,845	12	322,140
44	Badshah	R/Clerk	25,181	12	302,172
45	Iqbal Hussain	R/Clerk	26,429	12	317,148
46	Shahmeer	R/Clerk	25,597	12	307,164
47	Anwar Ali	R/Clerk	25,181	12	302,172
48	Rasool Bux	Dresser	19,135	12	229,620
49	Nadar Hussain	Dresser	19,673	12	236,076
50	Ali Shar	Dresser	19,135	12	229,620
51	Jameel Ahmed	C.P. Munshi	18,597	12	223,164
52	A. Rehman	C.P. Munshi	9,942	12	119,304
53	Hazaroo	Beldar	16,176	12	194,112
54	Gulsher Wadio	Beldar	18,328	12	219,936
55	Imam Bux	Beldar	17,521	12	210,252
56	Khamiso	Beldar	16,176	12	194,112
57	Mumtaz Ali	Beldar	17,790	12	213,480
58	G. Akber	Beldar	16,445	12	197,340
59	Huzoor Bux	Beldar	18,597	12	223,164
60	A. Wahab	Beldar	16,445	12	197,340
61	Anwar Ali	Beldar	16,176	12	194,112
62	Muhammad Ramzan	Beldar	19,942	12	239,304
63	Meer Hassan	Beldar	18,597	12	223,164
64	Meer Muhammad	Beldar	19,673	12	236,076
<b>TOTAL</b>					<b>15,356,652</b>