



**AUDIT REPORT
ON
THE ACCOUNTS OF
UNION COUNCILS
DISTRICT SHIKARPUR
AUDIT YEAR 2013-14**

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

DAC	Departmental Accounts Committee
MFDAC	Memorandum for Department Accounts Committee
TMA	Taluka Municipal Administration
DG	Director General
LGD	Local Government Department
UC	Union Council
PAO	Principal Accounting Officer
CMA	Constitutional Miscellaneous Application
CTR	Central Treasury Rules

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 Union Councils 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 observation 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 Union Council in District Shikarpur conducts its operations as per Sindh Local Government Ordinance, 1979. The Secretary is the Principal Accounting Officer (PAO). The financial provisions of the Sindh Local Government Ordinance, 1979 require the establishment of Union Councils for which Annual Budget Statement is authorized by the Union Council/Administrator in the form of Budgetary Grants.

Audit of UCs 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 UCs of District Shikarpur for the Financial Year 2011-12 & 2012-13 auditable expenditure under the jurisdiction was Rs 92.000 million, out of which an expenditure of Rs 79.000 million was audited which in terms of percentage, was 86%.

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 UCs 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, UCs has streamlined their work in accordance with rules & regulations.

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. Key Audit Findings of the Report

- i. Non-production of record noted in one case.¹
- ii. Internal Control weakness amounting to Rs 12.252 million noted in one case.²
- iii. Non Compliance of Rules amounting to Rs 64.129 million noted in one case³

¹ Para 1.2.1.1

² Para 1.2.2.1

³ Para 1.3.3.1

Audit paras for the audit year 2013-14 involving procedural violations including internal control weaknesses, unsound asset management and irregularities not considered worth reporting are included in MFDAC (Annexure-A)

g. Recommendations

Audit recommends that the PAO/management of UAs should ensure to resolve the following issues:

- i. Production of record to audit for verification
- ii. Fixing responsibility on officer(s) at fault for unauthorized appointments.
- iii. Fixing responsibility on officer(s) at fault for making payment through open cheques.

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rupees in Million)

Sr.	Description	No.	Budget
1.	Total Entities in Audit Jurisdiction	50	92.000
2.	Total Entities Audited	40	79.000
3.	Audit & Inspection Reports	40	79.000
4.	Special Audit Reports	-	-
5.	Performance Audit Reports	-	-
6.	Other Reports (relating to UCs)	-	-

Table 2: Audit Observations

(Rupees in Million)

Sr. No.	Description	Amount under audit observation
1	Asset management	0
2	Financial management	64.129
3	Internal controls	12.252
4	Others	0
Total		76.381

Table 3: Outcome Statistics

(Rupees in Million)

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total current year
1	Outlays audited	-	-	-	79.000	79.000
2	Amount placed under Audit observation / irregularities	-	-	-	76.381	76.381
3	Recoveries pointed out at the instance of Audit	-	-	-	-	-
4	Recoveries accepted / established at Audit instance	-	-	-	-	-
5	Recoveries realized at the instance of Audit	-	-	-	-	-

Table 4: Irregularities pointed out

(Rupees in Million)

Sr. No.	Description	Amount under Audit observation
1	Violation of rules and regulations and principle of propriety and probity.	64.129
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public funds.	0
3	Quantification of weaknesses of internal controls system.	12.252
4	Recoveries, overpayments and loss to the government.	0
5	Non-production of record to Audit	0
6	Others, including cases of accidents, negligence etc.	0
	Total	76.381

CHAPTER-1

1. Union Councils, District Shikarpur

1.1 Introduction

Each Union Councils of District Shikarpur consists of Secretary and Administrator. Each UC Shikarpur comprises one Drawing and Disbursing Officer i.e. Secretary. The main functions of UCs are as follows:-

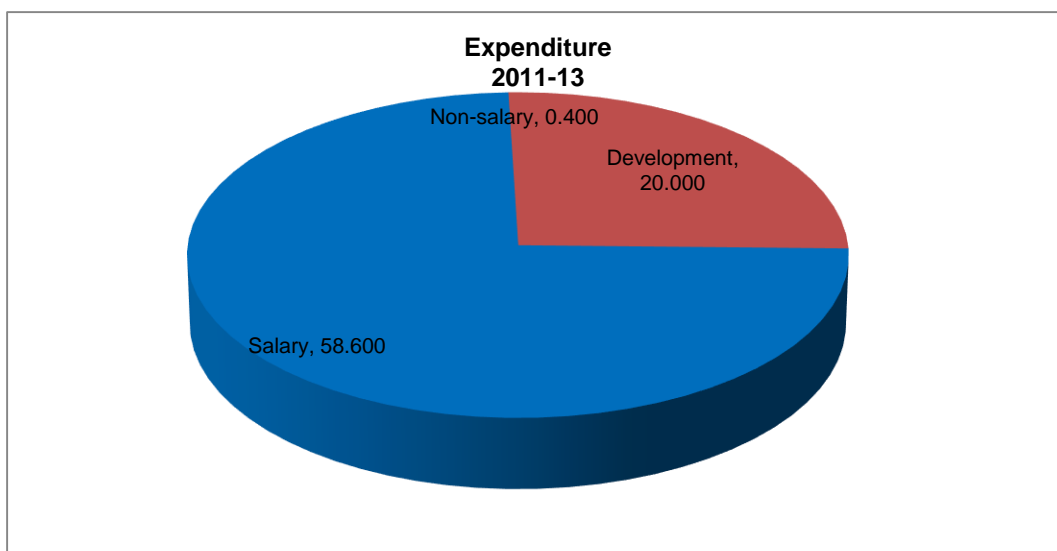
1. to collect and maintain statistical information for socio-economic surveys;
2. to consolidate village and neighbourhood development needs and prioritise them into union-wide development proposals with the approval of the Union Council and make recommendations thereof to the District Government or Taluka Municipal Administration, as the case may be;
3. to identify deficiencies in the delivery of services and make recommendations for improvement thereof to the Taluka Municipal Administration;
4. to register births, deaths and marriages and issue certificates thereof;
5. 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;
6. 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 Taluka Municipal Administration or District Government for such execution; and to assist the Village Councils or, as the case may be, Neighbourhood Councils in the Union to execute development projects.

1.1.1 Comments on Budget and Accounts (Variance Analysis)

(Amount in Rupees)

2011-12 & 2012-13	Budget	Expenditure	% (+) Excess
			(-) Savings
Salary	58,600,000	58,600,000	0
Non-salary	400,000	400,000	0
Development	20,000,000	20,000,000	0
Total	79,000,000	79,000,000	0

Rupees in Million



As per the Budget Books for the year 2011-12 & 2012-13 of 40 UCs of District Shikarpur, the original and final budget was Rs 79.000 million. Against the final budget, total expenditure incurred by the UCs during the financial year 2011-12 & 2012-13 was Rs 79.000 million.

1.2 AUDIT PARAS

ANNEXURE

Annexure-A

MFDAC

(Amount in Rupees)

Sr. No.	Name of UC	AIR Para No.	Description	Nature of Observation	Amount
1	Abdoo	4	Irregular payment without pre-audit by assistant director (LFA)	Irregularity	88,324
		5	Service books not maintained properly.	Irregularity	0
		6	Improper maintenance of cash book	Irregularity	0
2	Jindo Dero	4	Service books not maintained properly	Irregularity	88,324
		5	Irregular payment without pre-audit by assistant director (LFA)	Irregularity	0.106
		6	Improper maintenance of cash book	Irregularity	0
3	Mehmooda Bagh	4	Irregular payment without pre-audit by assistant director (LFA)	Irregularity	80,217
		5	Service books not maintained properly.	Irregularity	0
		6	Improper maintenance of cash book	Irregularity	0
4	Mirzapur	4	Irregular payment without pre-audit by assistant director (LFA)	Irregularity	0
		5	Service books not maintained properly.	Irregularity	0
		6	Improper maintenance of cash book	Irregularity	0
5	Nim Sharif	4	payment without producing payees acknowledgment and bills/ cash vouchers	Non-production of record	0
		5	Service books not maintained properly.	Irregularity	0
		6	Improper maintenance of cash book	Irregularity	0
6	Naushahro Abro	4	payment without producing payees acknowledgment and bills/ cash vouchers	Non-production of record	0
		5	Service books not maintained properly.	Irregularity	0
		6	Improper maintenance of cash book	Irregularity	0
7	Sehwani	4	Irregular payment without pre-audit by assistant director (LFA)	Irregularity	0
		5	Service books not maintained properly.	Irregularity	0
		6	Improper maintenance of cash book	Irregularity	0
8	Shabirabad	4	payment without producing payees acknowledgment and bills/ cash vouchers	Non-production of record	141,000
		5	Service books not maintained properly.	Irregularity	0
		6	Improper maintenance of cash book	Irregularity	0
9	Sherkot	5	payment without producing payees acknowledgment and bills/ cash vouchers	Irregularity	220,000
		6	Improper maintenance of cash book	Irregularity	
		7	Non deduction of income`	Recovery	13,221

(Amount in Rupees)

Sr. No.	Name of UC	AIR Para No.	Description	Nature of Observation	Amount
10	Taib	4	Improper maintenance of cash book	Irregularity	141,000
11	Zarkhel	4	Service books not maintained properly.	Irregularity	0
		5	Improper maintenance of cash book	Irregularity	0
13	Madeji	4	payment without producing payees acknowledgment and bills/ cash vouchers	Non-production of record	0
		5	Improper maintenance of cash book	Irregularity	0

Annexure-B

Non-Production of Record related to Service Books

Sr.	Para No.	Name of UC
1	3	Abdoo
2	3	Jindo Dero
3	3	Mehmooda Bagh
4	3	Mirzapur
5	3	Nim Sharif
6	3	Naushahro Abro
7	3	Sehwani
8	3	Shabirabad
9	3	Sherkot
10	1	Taib
11	2	Zarkhel
12	2	Wazirabad
13	3	Madeji
14	3	Bhirkan
15	3	Karan
16	1	Ghaheja
17	3	Garhi Dakho
18	3	Wariyso
19	3	Jagan
20	3	Sultan Kot
21	3	Chatto Mangi
22	2	Jahanwah
23	3	Chak
24	3	Pir Bux Shujrah
25	3	Gari Tegho
26	3	Dakhan
27	3	Mungrani
28	3	Dakhan
29	3	UC-1
30	3	UC-2
31	3	Bambhihar
32	3	Humanyon
33	3	Rahimabad
34	3	UC-3
35	3	UC-4
36	3	UC-5
37	3	UC-6
38	3	UC-7
39	3	UC-8
40	3	Mian Sahab
41	3	Jano
42	3	Rustam
43	3	Lakhi

Unauthorized Appointments

(Rupees in Million)

Sr. No.	Name of UC	AIR Para No.	Amount
1	Abdoo	1	1.248
2	Jindo Dero	1	1.574
3	Mehmooda Bagh	1	1.235
4	Mirzapur	1	2.021
5	Nim Sharif	1	1.694
6	Naushahro Abro	1	1.709
7	Sehwani	1	1.552
8	Shabirabad	1	1.265
9	Sherkot	1	1.715
10	Zarkhel	1	1.612
11	Wazirabad	1	1.445
12	Madeji	1	1.876
13	Bhirkan	1	1.34
14	Karan	1	1.449
15	Garhi Dakho	1	1.471
16	Wariyso	1	1.333
17	Jagan	1	1.176
18	Sultan Kot	1	1.605
19	Chatto Mangi	1	1.442
20	Jahanwah	1	1.769
21	Chak	1	1.719
22	Pir Bux Shujrah	1	1.408
23	Gari Tegho	1	1.268
24	Dakhan	1	1.876
25	Mungrani	1	1.348
26	Dakhan	1	1.104
27	UC-1	1	2.021
28	UC-2	1	1.726
29	Bambhihar	1	1.585
30	Humanyon	1	1.55
31	Rahimabad	1	1.553
32	UC-3	1	1.879
33	UC-4	1	1.881
34	UC-5	1	1.595
35	UC-6	1	1.498
36	UC-7	1	1.921
37	UC-8	1	1.465
38	Mian Sahab	1	1.247
39	Jano	1	1.733
40	Rustam	1	1.611
41	Lakhi	1	1.61
Total			64.129

Payments Made Though Open Cheques

(Rupees in Million)

Sr.	Name of UC	Para No.	Amount
1	Abdoo	2	0.488
2	Jindo Dero	2	0.415
3	Mehmooda Bagh	2	0.335
4	Nim Sharif	2	0.428
5	Naushahro Abro	2	0.380
6	Sehwani	2	0.299
7	Shabirabad	2	0.870
8	Sherkot	2	0.534
9	Taib	3	0.586
10	Wazirabad	3	0.520
11	Madeji	2	0.345
12	Bhirkan	2	0.258
13	Karan	2	0.317
14	Ghaheja	2	0.156
15	Garhi Dakho	2	0.307
16	Wariyso	2	0.352
17	Jagan	2	0.457
18	Sultan Kot	2	0.347
19	Chatto Mangi	2	0.353
20	Jahanwah	3	0.171
21	Chak	2	0.268
22	Pir Bux Shujrah	2	0.250
23	Gari Tegho	2	0.219
24	Dakhan	2	0.345
25	Mungrani	2	0.242
26	UC-1	2	0.209
27	UC-2	2	0.180
28	Humanyon	2	0.283
29	Rahimabad	2	0.219
30	UC-3	2	0.043
31	UC-4	2	0.217
32	UC-6	2	0.412
33	UC-8	2	0.288
34	Mian Sahab	2	0.114
35	Jano	2	0.305
36	Rustam	2	0.337
37	Lakhi	2	0.403
		Total	12.252