



**AUDIT REPORT
ON
THE ACCOUNTS OF
UNION COUNCILS
DISTRICT KASHMORE @ KANDHKOT
AUDIT YEAR 2013-14**

AUDITOR-GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	i
PREFACE	ii
EXECUTIVE SUMMARY	iii
SUMMARY TABLES AND CHARTS.....	vi
Table 1: Audit Work Statistics.....	vi
Table 2: Audit Observations	vi
Table 3: Outcome Statistics	vii
Table 4: Irregularities pointed out	viii
CHAPTER-1	1
1. Union Councils, District Kashmir @ Kathkot	1
1.1 Introduction	1
1.1.1 Comments on Budget and Accounts (Variance Analysis).....	2
1.2 AUDIT PARAS	3
1.2.1 Non-production of Record	4
1.2.2. Internal Control Weakness.....	5
ANNEXURE	6

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 Kashmore @ Kandhkot 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.

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 Kashmore @ Kandhkot 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 Kashmore @ Kandhkot 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 Kashmore @ Kandhkot for the Financial Year 2011-12 & 2012-13 auditable expenditure under the jurisdiction was Rs 94.656 million, out of which an expenditure of Rs 38.374 million was audited which in terms of percentage, was 40%.

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 amounting to Rs 26.798 million noted in one case.¹
- ii. Internal Control Weakness amounting to Rs 5.924 million noted in one case.²

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)

¹ Para 1.2.1.1

² Para 1.2.2.1

g. Recommendations

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

- i. Production of record to audit for verification
- ii. Fixing responsibility on officer(s) at fault on account of non-maintenance of stock register.

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rupees in Million)

Sr.	Description	No.	Budget
1.	Total Entities in Audit Jurisdiction	37	94.656
2.	Total Entities Audited	15	38.374
3.	Audit & Inspection Reports	15	38.374
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	0
3	Internal controls	5.924
4	Others	26.798
Total		32.722

Table 3: Outcome Statistics

(Rupees in Million)

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total current year
1	Outlays audited	-	-	-	38.374	38.374
2	Amount placed under Audit observation / irregularities	-	-	-	32.722	32.722
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.	0
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public funds.	0
3	Quantification of weaknesses of internal controls system.	5.924
4	Recoveries, overpayments and loss to the government.	0
5	Non-production of record to Audit	26.798
6	Others, including cases of accidents, negligence etc.	0
	Total	32.722

CHAPTER-1

1. UNION COUNCILS, DISTRICT KASHMORE @ KANDHKOT

1.1 INTRODUCTION

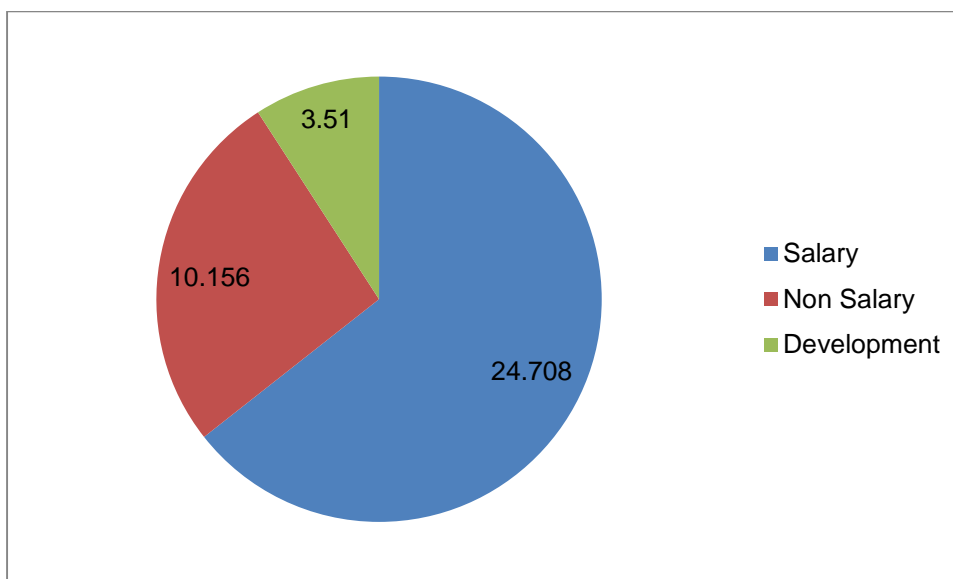
Each Union Councils of District Kashmore @ Kandhkot consists of Secretary and Administrator. Each UC Kashmore @ Kandhkot comprises one Drawing and Disbursing Officer i.e. Secretary. The main functions of UCs are as follows:-

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)

(Rupees in Million)

2011-12 & 2012-13	Budget	Expenditure	(+) Excess (-) Saving
Salary	24.708	24.708	0
Non-salary	10.156	10.156	0
Development	3.510	3.510	0
Total	38.374	38.374	0



As per the Budget Books for the year 2011-12 & 2012-13 of 15 UCs of Kashmir, the original and final budget was Rs 38.374 million. Against the final budget, total expenditure incurred by the UCs during the financial year 2011-12 & 2012-13 was Rs 38.374 million.

1.2 AUDIT PARAS

1.2.1 Non-production of Record

1.2.1.1 Non-production of Record – Rs 26.794 Million

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”.

The management of various Union Councils of District Kashmore @ Kandhkot failed to produce relevant record to audit related to salary of the employees, during the year 2011-13, in violation of above rule. Detail provided in Annexure-B.

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 managements failed to provide departmental point of views. 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 Paras-1,1,2,1,1,2,1,1,1,2,1,1,1,2,1]

1.2.2. Internal Control Weakness

1.2.2.1 Non-Accountal of stores - Rs 5.924 Million

Paragraph 148 of General Financial Rule (GFR Volume-I), states that, “all materials received should be examined, counted, measured or weighted as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register”.

The management of various Union Councils of District Kashmore @ Kandhkot, incurred an expenditure of Rs.5.924 million, during 2011-12 & 2012-13, on purchase of different items but the items purchased were not accounted for in the relevant stock registers, in violation of above rule. Detail provided in Annexure-C.

Audit was of the view that due to non-maintenance of stock register, the authenticity, validity, accuracy and genuineness of expenditure could not be verified which constituted weak financial management and internal control.

Matter was reported during January 2014, but managements failed to provide departmental point of views. 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-maintenance of stock register, under intimation to audit.

[AIR Paras: 2, 3, 2, 2, 2, 2, 2]

ANNEXURE

Annexure-A

MFDAC

(Amount in Rupees)

Sr. No.	Name of UC	AIR Para No.	Description	Nature of Observation	Amount
1	Akhero	3	Non-Maintenance Of Cash Book	Irregularity	0
2	Buxapur	5	Annual Physical Verification Of Stocks & Stores Not Conducted	Irregularity	0
3	Cheel	5	Internal Audit And Inspection Not Conducted By The Controlling Officer	Irregularity	0
4	Daniapur	2	Non Maintenance Of Cash Book	Irregularity	0
5	Gublo	4	Annual Physical Verification Of Stocks & Stores Not Conducted	Irregularity	0
6	Gul Wali	4	Internal Audit And Inspection Not Conducted By The Controlling Officer	Irregularity	0
7	Jamal	3	Non Maintenance Of Cash Book	Irregularity	0
8	Kashmore-I	4	Annual Physical Verification Of Stocks & Stores Not Conducted	Irregularity	0
9	Kashmore-II	5	Internal Audit And Inspection Not Conducted By The Controlling Officer	Irregularity	0
10	Kumb	3	Annual Physical Verification Of Stocks & Stores Not Conducted	Irregularity	0
11	Lashari	5	Internal Audit And Inspection Not Conducted By The Controlling Officer	Irregularity	0
12	Sodhi	3	Non Maintenance Of Cash Book	Irregularity	0
13	Suhliyani	3	Annual Physical Verification Of Stocks & Stores Not Conducted	Irregularity	0
14	Tangwani	4	Internal Audit And Inspection Not Conducted By The Controlling Officer	Irregularity	0
15	Zorgarh	3	Non Maintenance Of Cash Book	Irregularity	0

Non-Production of Record

(Rupees in Million)

Sr #	Name of UC	AIR Para#	Description	Amount
1	Akhero	1	Pay bills / slips of employees / officers.	0.966
		2	Pay bills / slips of employees / officers.	3.703
2	Cheel	1	Pay bills / slips of employees / officers.	1.444
3	Duniya pur	1	Pay bills / slips of employees / officers.	1.635
			Payment voucher / bills of development work	2.600
		2	Pay bills / slips of employees / officers.	0.622
4	Gulwali	1	Pay bills / slips of employees / officers.	1.978
			Payment voucher / bills of development work	1.706
5	Jamal	1	Pay bills / slips of employees / officers.	1.054
			Payment voucher / bills of development work	0.344
6	Kashmoree-I	1	Pay bills / slips of employees / officers.	1.871
			Pay bills / slips of employees / officers.	0.919
7	Kumb	1	Pay bills / slips of employees / officers.	1.584
8	Lashari	1	Pay bills / slips of employees / officers.	0.991
			Pay bills / slips of employees / officers.	0.877
9	Sulhiyani	1	Pay bills / slips of employees / officers.	1.111
			Payment voucher / bills of development work	0.700
10	Tangwani	1	Pay bills / slips of employees / officers.	1.993
			Payment voucher / bills of development work	0.700
Total				26.798

Annexure-C

Non Accountal of Store

(Rupees in Million)

Sr #	Year	Description	Amount
UC-Akhero, AIR-2			
1	2011-12	Contingency	0.169
2		Electric Material	0.147
Sub total			0.316
1	2012-13	Contingency	0.249
2		Electric Material	0.177
Sub total			0.426
U-C Buxapur, AIR-3			
1	2012-13	Sanitary material	0.235
Total (B)			0.235
UC-Cheel, AIR-2			
1	2011-12	Contingency Stationery & other	0.129
2		Electric Material	0.295
Sub total			0.424
1	2012-13	Contingency Stationery & other	0.127
2		Electric Material	0.277
Sub total			0.404
UC-Jamal, AIR-2			
1	2011-12	Hand pumps	0.457
2		Electric Material	1.347
3		RCC Pipes	1.109
Sub total			2.913
1	2012-13	Electric Material	0.197

(Rupees in Million)

Sr #	Year	Description	Amount
2		RCC Pipes	0.227
Sub total			0.424
UC-Kashmoree-I, AIR-2			
1	2011-12	Stationery	0.013
2	2012-13	Stationery	0.013
Sub total			0.026
UC-Lashari, AIR-2			
1	2011-12	Hand pump	0.076
2		BHC powder	0.019
3		Lime	0.019
4		Electric material	0.066
5		Sewing Machine	0.143
Sub total			0.323
1	2012-13	Hand pump	0.095
2		BHC powder	0.014
3		Lime	0.009
4		Electric material	0.105
5		Sewing Machine	0.152
Sub total			0.375
UC-Zorgarh, AIR-2			
1	2011-12	Stationery	0.020
2	2012-13	Stationery	0.038
Sub total			0.058
Grand Total			5.924